

## NEW ISSUE – BOOK-ENTRY ONLY

NOTE RATINGS: See “RATINGS” herein.

*In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the Notes and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. Interest on the Notes may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see “Tax Matters” herein.*

\$29,000,000\*

## DISTRICT OF COLUMBIA

(Washington, D.C.)

\_\_\_\_\_% PILOT Revenue Bond Anticipation Notes

(Arthur Capper/Carrollsborg Public Improvements Issue), Series 2010

Coupon: \_\_\_\_% – Yield: \_\_\_\_%

CUSIP No.†:



Dated: Date of Delivery

Due: December 1, 2012

The District of Columbia PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsborg Public Improvements Issue), Series 2010 (the “Notes”) are being issued pursuant to the Capper PILOT Act and the Master Indenture of Trust, dated as of March 1, 2010 (the “Master Indenture”), between the District of Columbia (the “District”) and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the First Supplement to the Master Indenture of Trust, dated as of March 1, 2010 (the “First Supplement,” the Master Indenture as supplemented by the First Supplement being herein referred to as the “Indenture”), between the District and the Trustee, to (i) refinance certain outstanding indebtedness of the District of Columbia Housing Authority (“DCHA”) incurred, and reimburse DCHA for amounts expended, to construct certain Capper/Carrollsborg Public Improvements, (ii) provide funding for the construction of additional Capper/Carrollsborg Public Improvements, and (iii) pay costs of issuance of the Notes. All capitalized terms used but not defined on this cover page shall have the respective meanings given to such terms herein.

The Notes are special obligations of the District, secured by a lien on and pledge of, and payable from the Trust Estate pledged therefor pursuant to the Indenture, including (i) the Pledged PILOT Payments within the Capper/Carrollsborg PILOT Area, (ii) to the extent the Pledged PILOT Payments are insufficient to pay principal and interest when due on the Notes, Available Increment from the Downtown TIF Area, the payment of which Available Increment is subordinate to certain claims and on a parity with certain other claims as more fully described herein under “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT,” and (iii) the moneys and investments on deposit in the funds and accounts established under the Indenture (except the Rebate Fund).

Interest on the Notes will accrue from their date of delivery and will be payable semiannually on each June 1 and December 1 of each year, commencing on December 1, 2010, to and including the date of maturity or prior redemption. The Notes will be issued as fully registered Notes initially under a book-entry-only system, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Notes. Purchases of the Notes will be made in book-entry form, in denominations of \$5,000 and integral multiples thereof. See APPENDIX D – “Book-Entry Only System.”

The Notes are subject to extraordinary optional redemption prior to maturity as described herein.

**THE NOTES ARE SPECIAL OBLIGATIONS OF THE DISTRICT, ARE NON-RECOURSE TO THE DISTRICT, ARE NOT A PLEDGE OF, AND DO NOT INVOLVE, THE FAITH AND CREDIT OR THE TAXING POWER OF THE DISTRICT (OTHER THAN THE PLEDGED PILOT PAYMENTS, THE AVAILABLE INCREMENT OR ANY OTHER SECURITY AUTHORIZED BY THE CAPPER PILOT ACT), DO NOT CONSTITUTE A DEBT OF THE DISTRICT, AND DO NOT CONSTITUTE LENDING OF THE PUBLIC CREDIT FOR PRIVATE UNDERTAKINGS AS PROHIBITED BY SECTION 602(A) OF THE HOME RULE ACT. THE NOTES ARE PAYABLE SOLELY FROM THE PLEDGED PILOT PAYMENTS AND, TO THE EXTENT AUTHORIZED IN THE CAPPER PILOT ACT, THE AVAILABLE INCREMENT AND ARE SECURED BY A PLEDGE OF THE TRUST ESTATE, ALL OF WHICH SHALL, EXCEPT AS IS OTHERWISE EXPRESSLY AUTHORIZED BY THE INDENTURE, BE USED FOR NO OTHER PURPOSE THAN TO PAY PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, ON, AND INTEREST ON, THE NOTES. THE DISTRICT SHALL HAVE NO OBLIGATION TO MAKE ANY PAYMENTS ON THE NOTES, OTHER THAN THROUGH THE REMITTANCE OF THE PLEDGED PILOT PAYMENTS AND, IF REQUIRED, THE AVAILABLE INCREMENT.**

**This cover page contains only a brief description of the Notes and the security therefor. It is not intended to be a summary of material information with respect to the Notes. Investors must read the entire Official Statement, including the Appendices hereto, to obtain information essential to making an informed investment decision, paying particular attention to the matters discussed in the section entitled “INVESTMENT CONSIDERATIONS.”**

The Notes are offered when, as and if issued and received by the Underwriter. Legal matters with respect to the issuance of the Notes are subject to the approval of Bond Counsel to the District, Squire, Sanders & Dempsey L.L.P., Washington, D.C. Certain legal matters will be passed upon for the District by its Attorney General, for DCHA by its General Counsel, and for the Underwriter by its counsel, Nixon Peabody LLP, Washington, D.C. It is expected that the Notes will be available for delivery through the facilities of DTC in New York, New York, on or about March 24, 2010.

## RICE FINANCIAL PRODUCTS COMPANY

March \_\_, 2010

† Copyright, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies Inc. The CUSIP number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes and neither the District nor the Underwriters make any representation with respect to such CUSIP number nor undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Notes.

\* Preliminary, subject to change.



## **DISTRICT OF COLUMBIA**

Adrian M. Fenty  
Mayor

### **EXECUTIVE OFFICERS**

Neil O. Albert	City Administrator
Victor Reinoso	Deputy Mayor for Education
Valerie Santos	Deputy Mayor for Planning and Economic Development
Peter J. Nickles	Attorney General
Natwar M. Gandhi	Chief Financial Officer
Lasana K. Mack	Deputy Chief Financial Officer and Treasurer

### **COUNCIL OF THE DISTRICT OF COLUMBIA**

Vincent C. Gray, Chairman

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

### **BOND COUNSEL**

Squire, Sanders & Dempsey L.L.P.  
Washington, D.C.

### **FINANCIAL ADVISOR**

Public Resources Advisory Group  
New York, New York

### **INVESTOR RELATIONS**

Lasana K. Mack  
Deputy Chief Financial Officer and Treasurer  
1275 K Street, N.W., Suite 600  
Washington, D.C. 20005  
phone: (202) 727-6055  
fax: (202) 727-6963  
**e-mail:** [dcinvestorrelations@dc.gov](mailto:dcinvestorrelations@dc.gov)

This Official Statement, including the cover page hereof, is provided for the purpose of setting forth information in connection with the issuance and sale of the Notes. No dealer, broker, salesperson or other person has been authorized by the District, DCHA or the Underwriter to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Notes offered hereby, nor shall there be any sale of the Notes by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been furnished by the District, DCHA and other sources which are believed to be reliable, but has not been independently verified, and such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the District, DCHA or the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. 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 financial condition or operations of the District or DCHA or any other parties described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representations or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the District’s financial results could cause actual results to differ materially from those stated in the forward-looking statements.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT**  
**relating to**  
**\$29,000,000\***  
**DISTRICT OF COLUMBIA**  
**(Washington, D.C.)**  
**PILOT Revenue Bond Anticipation Notes**  
**(Arthur Capper/Carrollsborg Public Improvements Issue), Series 2010**

**INTRODUCTION**

The purpose of this Official Statement, including the cover page and the appendices attached hereto, is to set forth information concerning the offering and sale by the District of Columbia (the “District”) of its \$29,000,000\* PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsborg Public Improvements Issue), Series 2010 (the “Notes”). The Notes are authorized to be issued pursuant to (1) the District of Columbia Home Rule Act (P.L. 98-198; 87 Stat. 774; D.C. Official Code §§ 1-201.01 et seq. (the “Home Rule Act”), (2) the PILOT Authorization Increase and Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Act of 2006, effective March 8, 2007 (D.C. Law 16-244; 54 DCR 609), as amended by the Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Approval Amendment Act of 2008, effective March 20, 2008 (D.C. Law 17-118; 55 DCR 1461), as amended by the the Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Approval Emergency Amendment Act of 2009, D.C. Act 18-283, effective January 11, 2010, and by the Fiscal Year 2009 Budget Support Act of 2008, effective August 16, 2008 (D.C. Law 17-0219; 55 DCR 7602) (as the same has or may in the future be amended, the “Capper PILOT Act”), and (3) the Master Indenture of Trust, dated as of March 1, 2010 (the “Master Indenture”), between the District and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the First Supplement to the Master Indenture of Trust, dated as of March 1, 2010 (the “First Supplement,” the Master Indenture as supplemented by the First Supplement being herein referred to as the “Indenture”), between the District and the Trustee. Certain financial and demographic information relating to the District is set forth in APPENDIX A. Definitions of certain terms used herein and not otherwise defined are set forth in APPENDIX B hereto.

The Notes are being issued to (i) refinance certain outstanding indebtedness of the District of Columbia Housing Authority (“DCHA”) incurred, and reimburse DCHA for amounts expended, to construct certain Capper/Carrollsborg Public Improvements, (ii) provide funding for the construction of additional Capper/Carrollsborg Public Improvements, and (iii) pay costs of issuance of the Notes. For a more complete description of the “Capper/Carrollsborg Public Improvements,” see “THE CAPPER/CARROLLSBURG PILOT AREA AND THE CAPPER/CARROLLSBURG HOPE VI PROJECT – The Capper/Carrollsborg Public Improvements.”

The Notes are special obligations of the District, secured by a lien on and pledge of, and payable from the Trust Estate pledged therefor pursuant to the Indenture, including (i) the Pledged PILOT Payments, which are, generally, certain payments in lieu of real property taxes on certain properties within the Capper/Carrollsborg PILOT Area, (ii) to the extent the Pledged PILOT Payments are insufficient to pay principal and interest when due on the Notes, Available Increment from the Downtown TIF Area, the payment of which Available Increment is subordinate to certain claims and on a parity with certain other claims as more fully described herein, which is, generally, certain real property tax payments

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\* Preliminary, subject to change.

and sales tax payments within the Downtown TIF Area in excess of Fiscal Year 1999 amounts, exclusive of certain heretofore and hereafter pledged amounts, and (iii) the moneys and investments on deposit in the funds and accounts established under the Indenture (except the Rebate Fund). See “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES” herein.

The descriptions and summaries of the various documents referred to herein do not purport to be comprehensive or definitive, and all such descriptions or summaries are qualified in their entirety by reference to the complete documents, copies of which are available for inspection in the designated office of the Trustee.

The Notes may not be suitable for all investors. Prospective purchasers of the Notes should read this entire Official Statement and give careful consideration to certain investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

***Investor Relations.*** Investor information, including the District’s Comprehensive Annual Financial Reports, may be requested in writing from the Treasurer, Office of Finance and Treasury, 1275 K Street, N.W., Suite 600, Washington, D.C. 20005, by phone at (202) 727-6055, by e-mail at [dcinvestorrelations@dc.gov](mailto:dcinvestorrelations@dc.gov), or by fax at (202) 727-6963. Digital Assurance Certification, L.L.C. (“DAC”) is the disclosure dissemination agent for the District. As such, DAC has agreed to promptly file with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“EMMA”), upon receipt from the District, the District’s annual financial information and notices of material events as 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](http://www.dacbond.com). Any such information speaks strictly as of its date and the District has undertaken no obligation to update such information.

## THE NOTES

### Description of the Notes

The Notes will be dated their date of delivery and mature on December 1, 2012. Interest on the Notes will accrue from their date of delivery, and will be payable semiannually on each June 1 and December 1 of each year (each, an “Interest Payment Date”), commencing on December 1, 2010, to and including the date of maturity or prior redemption. Purchases of the Notes will be made in book-entry form, in denominations of \$5,000 and integral multiples thereof (“Authorized Denominations”).

### Redemption Provisions

**Extraordinary Optional Redemption.** The Notes are subject to extraordinary optional redemption, prior to maturity, at the option of the District, in its sole discretion, in whole or in part, on any date, upon the occurrence of any of the events described below (the “Triggering Events”). Any such extraordinary optional redemption shall be effected at a Redemption Price equal to one hundred percent (100%) of the principal amount prepaid by the District together with interest accrued and unpaid on the Notes to be redeemed to the Redemption Date, which date shall be a date at least forty-five (45) days following receipt by the Trustee of the written direction of the District. The Triggering Events are: any (i) changes in the Constitution of the United States of America or the Home Rule Act, (ii) other federal legislative or administrative action, or (iii) final decree, judgment or order of any court or administrative body (federal or local), after any of which, through no action or omission of the District, either (x) the Development Agreement becomes void or unenforceable or impossible to perform in accordance with the intent and purpose of the parties as expressed in the Development Agreement or (y) the Notes cease to be Tax-Exempt.



For purposes of the preceding paragraph, "Tax-Exempt" shall mean (i) the exclusion from gross income, for federal income tax purposes, of the interest payable on the Notes, under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), or its successor provision, (ii) qualification of the interest payable on the Notes as not an item of tax preference under the Code for purposes of the alternative minimum tax imposed on individuals and corporations and (iii) the exemption of the Notes and the interest on the Notes from District taxation, except estate, inheritance and gift taxes, as provided in Section 485 of the Home Rule Act, or its successor provision.

### **Selection of Notes to Be Redeemed**

In the event that less than all of the Notes are to be redeemed, the particular Notes to be redeemed shall be selected by the Trustee, provided that the Trustee shall select the Notes to be redeemed, or portions of such Notes, in amounts equal to the lowest Authorized Denomination or any integral multiple of the lowest Authorized Denomination by lot in any manner that the Trustee may determine. In the case of a partial redemption of Notes when Notes of denominations greater than the lowest Authorized Denomination are then Outstanding, each unit of face value of principal of such Notes equal to the lowest Authorized Denomination shall be treated as though it were a separate Note of such lowest Authorized Denomination. The Trustee will select the Notes to be redeemed by lot in any manner that the Trustee may determine.

### **Notice of Redemption**

Notes shall be redeemed only by written notice from the District to the Trustee. Such notice shall specify the Redemption Date and the principal amount of Notes to be redeemed, and shall be given to the Trustee at least thirty-five (35) days prior to the Redemption Date or such shorter period as shall be acceptable to the Trustee; provided, however, that the failure to give such notice or any omission or defect in such notice shall not affect the redemption of any Notes if the redemption is a mandatory redemption under the Indenture or, in the case of any optional redemption, of any Notes for which notice was properly given. In any event, if notice of redemption has been given by the Trustee to the Holders of the Notes to be redeemed, and except as otherwise provided with respect to a Conditional Redemption, there shall be deposited with the Trustee prior to the Redemption Date funds that will be sufficient to redeem on the Redemption Date and at the Redemption Price, all of the redeemable Notes for which notice of redemption has been given.

In the event that any Notes are to be called for redemption, the Trustee shall give notice to the Holders, in the name of the District, of the redemption of such Notes. Each notice shall (i) specify the Notes to be redeemed by CUSIP number, registration number, date of issue, interest rate, Stated Maturity Date, the Redemption Date, the Redemption Price and the place or places where amounts due upon such redemption will be payable (which shall be the Principal Office of the Paying Agent) and, if less than all of the Notes are to be redeemed, the registration numbers or portions of such Notes to be redeemed and, in the case of Notes in a denomination other than the minimum Authorized Denomination, portions of the Notes which are to be redeemed in part, (ii) state that on the Redemption Date, the Notes or portions of the Notes, to be redeemed shall cease to bear interest and (iii) any conditions to the redemption. Such notice may set forth any additional information relating to the redemption. Such notice shall be given by Mail not more than thirty (30) days and not less than twenty (20) days prior to the date fixed for redemption, to (a) at least two (2) of the Information Services, and (b) the Owners of the Notes or portions of such Notes to be redeemed at the addresses shown on the registration books of the Trustee as of the third day next preceding the date on which notice by Mail is given, or, if any such day is not a Business Day, the Business Day next preceding such day (a "Redemption Record Date").

An optional redemption may be a Conditional Redemption, and the notice of redemption may state that (i) the redemption is conditional upon receipt by the Trustee of sufficient moneys to redeem the Notes including sufficient moneys to pay any redemption premium in full, and (ii) such notice and optional redemption shall be of no effect if by no later than the scheduled Redemption Date, sufficient moneys to redeem the Notes and to pay in full any redemption premium in connection with such redemption have not been deposited with the Trustee.

The failure to give notice by Mail to any Owner of any Notes to be redeemed, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of any other Notes for which notice to the Owners was properly given. The failure to give notice by Mail to at least two (2) of the Information Services, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of any Notes. If a notice of redemption shall be unconditional, or if the conditions of a conditional notice of redemption shall have been satisfied, then, the Notes called for redemption shall be redeemed upon presentation and surrender of such Notes at the Principal Office of the Paying Agent.

### **Book-Entry Only System**

The Notes, when issued, will be registered in the name of Cede & Co., the partnership nominee of The Depository Trust Company, New York, New York (“DTC”), or such other name as may be requested by an authorized representative of DTC. When the Notes are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry Only System”). So long as Cede & Co. is the registered owner of the Notes as nominee of DTC, references herein to the holders or registered owners of the Notes will mean Cede & Co. and will not mean the beneficial owners of the Notes.

None of the District, the Trustee or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by a Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any beneficial owner to receive payment in the event of a partial redemption of the Notes or (iv) any other action taken by DTC or its partnership nominee as owner of the Notes.

For more information on DTC and the Book-Entry Only System, see APPENDIX D – “BOOK-ENTRY ONLY SYSTEM.”

## **FINANCING PLAN**

The Capper PILOT Act authorizes the issuance of up to \$55 million of bonds or notes secured by the Pledged PILOT Payments in order to fund the Capper/Carrollsborg Public Improvements, capitalized interest and certain costs of issuance, \$32 million of which may also currently be secured by the Available Increment from the Downtown TIF Area. The District expects to issue a second series of bonds or notes in an amount up to the remaining authorization permitted under the Capper PILOT Act to fund additional costs of the Capper/Carrollsborg Public Improvements, though the timing of such issuance is currently uncertain. If the District determines to additionally secure such second series with Available Increment, it may seek additional authorization from the Council to increase the \$32 million limit.

The proceeds of the Notes will be granted by the District to DCHA and DCHA will use the proceeds to (i) refinance certain outstanding indebtedness of DCHA incurred, and reimburse DCHA for amounts expended, to construct certain Capper/Carrollsborg Public Improvements, (ii) provide funding

for the construction of additional Capper/Carrollsborg Public Improvements, and (iii) pay costs of issuance of the Notes.

In the Indenture, the District has covenanted (i) to issue Additional Bonds (as hereinafter defined) in an amount sufficient to pay the principal of, and interest on, the Notes on or prior to the maturity date of the Notes, and (ii) to allocate the Available Increment to the payment of the principal of, and interest on, such Additional Bonds to the extent that the Pledged PILOT Payments are insufficient to pay such principal or interest.

#### **SOURCES AND USES OF NOTE PROCEEDS**

##### Sources of Funds

Par Amount of Notes

Less Discount/Plus Premium

Total Sources

##### Uses of Funds

Payment to DCHA for reimbursement and payment  
of outstanding loans

Additional Capper/Carrollsborg Public Improvements

Costs of Issuance

Total Uses

#### **SECURITY AND SOURCES OF PAYMENT FOR THE NOTES**

##### **General**

The Notes are special obligations of the District, secured by a lien on and pledge of, and payable from the Trust Estate pledged therefor pursuant to the Indenture, including (i) the Pledged PILOT Payments within the Capper/Carrollsborg PILOT Area (as described below under “Pledged PILOT Payments”), (ii) to the extent the Pledged PILOT Payments are insufficient to pay principal and interest when due on the Notes, Available Increment from the Downtown TIF Area (as described below under “Available Increment from the Downtown TIF Area”), the payment of which Available Increment is subordinate to certain claims and on a parity with certain other claims as more fully described herein, and (iii) the moneys and investments on deposit in the funds and accounts established under the Indenture (except the Rebate Fund).

**THE NOTES ARE SPECIAL OBLIGATIONS OF THE DISTRICT, ARE NON-RECOURSE TO THE DISTRICT, ARE NOT A PLEDGE OF, AND DO NOT INVOLVE, THE FAITH AND CREDIT OR THE TAXING POWER OF THE DISTRICT (OTHER THAN THE PLEDGED PILOT PAYMENTS, THE AVAILABLE INCREMENT OR ANY OTHER SECURITY AUTHORIZED BY THE CAPPER PILOT ACT), DO NOT CONSTITUTE A DEBT OF THE DISTRICT, AND DO NOT CONSTITUTE LENDING OF THE PUBLIC CREDIT FOR PRIVATE UNDERTAKINGS AS PROHIBITED BY SECTION 602(A) OF THE HOME RULE ACT. THE NOTES ARE PAYABLE SOLELY FROM THE PLEDGED PILOT PAYMENTS AND, TO THE EXTENT AUTHORIZED IN THE CAPPER PILOT ACT, THE AVAILABLE INCREMENT AND ARE SECURED BY A PLEDGE OF THE TRUST ESTATE, ALL OF WHICH SHALL, EXCEPT AS IS OTHERWISE EXPRESSLY AUTHORIZED BY THE INDENTURE, BE USED FOR NO OTHER PURPOSE THAN TO PAY PRINCIPAL OF,**

**REDEMPTION PREMIUM, IF ANY, ON, AND INTEREST ON, THE NOTES. THE DISTRICT SHALL HAVE NO OBLIGATION TO MAKE ANY PAYMENTS ON THE NOTES, OTHER THAN THROUGH THE REMITTANCE OF THE PLEDGED PILOT PAYMENTS AND, IF REQUIRED, THE AVAILABLE INCREMENT.**

### **Pledged PILOT Payments**

The Pledged PILOT Payments consist generally of payments in lieu of real property taxes on certain properties within the Capper/Carrollsborg PILOT Area as such properties are developed and available for occupancy. A description of the various residential, commercial and retail development components of the Capper/Carrollsborg PILOT Area and their expected completion dates is set forth under “THE CAPPER/CARROLLSBURG PILOT AREA AND THE CAPPER/CARROLLSBURG HOPE VI PROJECT – The Capper/Carrollsborg HOPE VI Project.”

More specifically, the “Pledged PILOT Payments” consist of the sum of the payments in lieu of real property taxes (including any penalties and interest charges) on (1) the land and the improvements thereon throughout the Capper/Carrollsborg PILOT Area, other than the PILOT Improvements, payable pursuant to D.C. Official Code § 47-4611; and (2) the improvements (but not the land) on which the PILOT Improvements are located. With respect to the improvements described in clause (2), the Pledged PILOT Payments shall consist of the payments in lieu of real property taxes (including any penalties and interest charges) in excess of the amount equal to the Special Real Property Tax (described herein under “REAL PROPERTY TAXES AND SALES TAXES OF THE DISTRICT – Real Property Taxes – *Special Real Property Tax*”) available to pay the District’s general obligation bonds. The PILOT Improvements refer to those improvements on certain parcels of land within the Capper/Carrollsborg PILOT Area that are not currently exempt from real property taxes. On those parcels of land, the Pledged PILOT Payments will be collected on the improvements only, and not on the underlying land. Real property taxes on the underlying land, upon which the PILOT Improvements will be constructed, are currently collected by the District for the benefit of its General Fund.

For the Fiscal Year ended September 30, 2009, the Pledged PILOT Payments totaled approximately \$50,000. The following table sets forth the projected Pledged PILOT Payments for the Fiscal Years ending September 30, 2010 through 2012.

<u>Component of Capper/Carrollsborg HOPE VI Project</u>	<u>Projected Pledged PILOT Payments</u>		
	<u>Fiscal Year Ending September 30,</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Capitol Quarter Phase I Townhomes (121 units) <sup>(1)</sup>	\$219,572	\$563,412	\$580,314
Capitol Quarter Phase II Townhomes (116 units) <sup>(1)(2)</sup>	-0-	236,019	484,132
Square 882 – Multifamily Rental Units (157 units) <sup>(2)</sup>	-0-	-0-	98,875
Total	<u>\$219,572</u>	<u>\$799,431</u>	<u>\$1,163,321</u>

Source: Bolan Smart Associates, Inc.

<sup>(1)</sup> Total units do not include public housing units. DCHA is not obligated to make PILOT payments on public housing units.

<sup>(2)</sup> Projected Pledged PILOT Payments are estimates based on the anticipated assessed value and completion date of each component.

## **Capper/Carrollsbury PILOT Fund**

Pursuant to the Capper PILOT Act, the Capper/Carrollsbury PILOT Fund was established by the District separate and apart from the General Fund of the District as a nonlapsing fund. Notwithstanding any other law, Pledged PILOT Payments will be paid to the District for deposit in the Capper/Carrollsbury PILOT Fund.

The funds in the Capper/Carrollsbury PILOT Fund may be used only to pay debt service on and secure repayment of the Notes, including principal thereof, premium, if any, and interest thereon.

Any portion of the Pledged PILOT Payments (including investment income thereon) in the Capper/Carrollsbury PILOT Fund in excess of the amounts needed to fund either principal, interest, reserves, redemption payments, premium, if any, and other costs associated with the Notes for the upcoming Fiscal Year, or the costs of the Capper/Carrollsbury Public Improvements, shall be transferred to the General Fund of the District annually at the end of the Fiscal Year.

### **Available Increment from the Downtown TIF Area**

*Downtown TIF Area.* As more fully described herein under “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT – Background and General Description,” the Downtown TIF Area covers approximately 2,500 acres substantially in the northwest quadrant of the District, a substantial portion of the downtown area of the District, and includes the Capitol Mall and the White House and is located very near its geographical center. A map of the Downtown TIF Area is set forth on page 22.

*Available Increment.* The Available Increment consists generally of (1) certain real property taxes and payments in lieu of real property taxes on commercial properties located within the Downtown TIF Area in excess of the amounts generated by 1999 assessed values (other than such taxes and payments necessary to secure the Gallery Place Bonds and the Mandarin Oriental Bonds), plus (2) sales tax revenues generated in the Downtown TIF Area (exclusive of amounts necessary to (a) secure the Gallery Place Bonds and the Mandarin Oriental Bonds and (b) fulfill obligations in connection with the issuance of \$524,460,000 Senior Lien Dedicated Tax Revenue Bonds, Series 1998 (the “WCCA Bonds”) by the Washington Convention Center Authority (“WCCA”)) in excess of 1999 revenues. On October 1, 2009, WCCA merged into the District of Columbia Sports and Entertainment Commission to form the Washington Convention and Sports Authority (“WCSA”), the successor to WCCA in right and time. For purposes of this disclosure, the WCCA Bonds shall be hereinafter referred to as “WCSA Bonds.”

More specifically, Available Increment means, for any Fiscal Year of the District, the sum of

- the Available Real Property Tax Increment (other than Available Real Property Tax Increment derived from the Gallery Place Project Area or the Mandarin Project Area, except to the extent that such Available Real Property Tax Increment has been released from the lien of the respective indenture for those projects), plus
- the Available Sales Tax Increment (other than Available Sales Tax Increment derived from the Gallery Place Project Area or the Mandarin Project Area, except to the extent that such Available Sales Tax Increment has been released from the lien of the respective indenture for those projects),

less

- any allocation of the Footprint Increment with respect to a Future Downtown Project.



“Available Real Property Tax Increment” means, for any Fiscal Year of the District, 100% of the real property tax increment in respect of the Downtown TIF Area, being that portion of the real property tax levied pursuant to Chapter 8 of Title 47 of the District of Columbia Code and payments in lieu of real property taxes, exclusive of the Special Real Property Tax authorized by Section 481 of the Home Rule Act, attributable to the difference, if any, between the aggregate assessed value for such Fiscal Year of all lots of Commercial Real Property within the Downtown TIF Area and the assessed value of such lots in effect on January 1, 1999. For purposes of calculating Available Real Property Tax Increment, “Commercial Real Property” means any parcel of taxable property other than owner-occupied residential property.

“Special Real Property Tax” means the special real property tax provided for in Section 481 of the Home Rule Act and pledged to the payment of general obligation indebtedness of the District.

“Available Sales Tax Increment” means, for any Fiscal Year of the District, 100% of the sales tax increments in respect of the Downtown TIF Area, being the revenues resulting from the imposition of tax on sales imposed pursuant to Chapter 20 of Title 47 of the District of Columbia Code, including penalties and interest charges, exclusive of the portion thereof required to be deposited on behalf of WCSA in the Washington Convention Center Authority Fund established pursuant to D.C. Code § 10 – 1202.08 from sales at locations within the Downtown TIF Area in each Fiscal Year of the District, less the amount of sales tax revenues for such sales at such locations in Fiscal Year 1999.

For a more detailed explanation of the prior claim on real property taxes, payments in lieu of real property taxes and sales taxes in the Downtown TIF Area in favor of the holders of the Gallery Place Bonds and the Mandarin Oriental Bonds, see “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT – Prior Lien Projects.” For a more detailed explanation of the additional prior claim on sales taxes in the Downtown TIF Area in favor of WCSA and the holders of the WCSA Bonds, see “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT – Prior Lien Projects.”

*Pledge on Parity with Certain Other Projects.* The pledge of Available Increment (after satisfying the requirements of the Prior Lien Projects) in favor of the holders of the Notes is on a parity with the claims on the Available Increment previously granted to others in connection with the financing of certain other projects. The District has issued debt secured by the Available Increment for the Shakespeare Theater, the Verizon Center and the Arena Stage projects described below. See “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT – Parity Lien Projects.”

The District Council has approved a \$46.5 million tax increment financing (“TIF”) for the City Market at O Street. The new TIF Area is within the Downtown TIF Area and bonds issued therein would be subordinate to the Gallery Place Bonds and the Mandarin Oriental Bonds (as defined herein under “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT – Prior Lien Projects”). The bonds expected to be issued for the City Market project are expected to be secured by the Available Increment from the Downtown TIF Area on a parity with the Notes and the other Parity Lien Projects. The District is currently working on the development agreement and anticipates that the bonds would be issued in 2011.

*Additional Exclusions for Future Downtown Projects.* The District has the ability to allocate to a future eligible project located within the Downtown TIF Area (each, a “Future Downtown Project”) 100% of the Footprint Increment (as defined below) for that project, and remove such Footprint Increment from Available Increment from the Downtown TIF Area. The Footprint Increment that is excluded from Available Increment would be the value of the Footprint Increment as of the effective date designated in the legislation relating to the project; any appreciation between 1999 and the time of the removal would remain with the Downtown TIF Area and be treated as Available Increment. Prior to allocating the

Footprint Increment to the Future Downtown Project, however, certain conditions must be satisfied, as described under “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT – Additional Projects in the Downtown TIF Area.” Once the obligations secured by the Footprint Increment are paid in full, the Footprint Increment reverts back to become Available Increment again. Among the projects that have received the benefit of their own Footprint Increment are the Verizon Center and the Convention Center hotel projects described below under “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT – Parity Lien Projects.”

“Footprint Increment” means for any Fiscal Year of the District, the sum of (i) up to 100% (as set forth in the resolution of the Council approving the applicable Future Downtown Project) of that portion of the real property tax levied pursuant to Chapter 8 of Title 47 of the D.C. Code and payments in lieu of real property taxes, exclusive of the Special Real Property Tax, attributable to the difference, if any, between the aggregate assessed value during such Fiscal Year of all lots of Commercial Real Property included in the site of such Future Downtown Project and the aggregate assessed value of all lots of Commercial Real Property included in such site in effect on the effective date of the allocation to the Future Downtown Project as stated in the applicable Council resolution, plus (ii) up to 100% (as set forth in the resolution of the Council approving the applicable future Downtown Project) of the tax revenues resulting from the imposition of the taxes imposed pursuant to Chapter 20 of Title 47 of the D.C. Code on sales at locations included in the site of such Future Downtown Project, including any penalties and interest charges, exclusive of the portion thereof required to be deposited on behalf of WCSA in the Washington Convention Center Authority Fund established pursuant to D.C. Code, 2001 ed. § 10-1202.8, less the amount of the sales tax revenues from such sales at such locations for the Fiscal Year prior to the year in which the Council approves such Future Downtown Project.

“Future Downtown Project” means an eligible project located in the Downtown TIF Area, other than the Gallery Place Project and the Mandarin Project, and certified and approved in accordance with the TIF Act.

The following table sets forth the Available Increment for the previous five fiscal years.

Historical Available Increment (in thousands)

	<u>Fiscal Year Ended September 30,</u>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Available Real Property Tax Increment <sup>(1)</sup>	\$171,977	\$176,439	\$241,515	\$419,025	\$654,416
Available Sales Tax Increment <sup>(2)</sup>	<u>95,270</u>	<u>120,623</u>	<u>175,082</u>	<u>129,497</u>	<u>131,181</u>
Available Increment	<u>\$267,247</u>	<u>\$297,061</u>	<u>\$416,598</u>	<u>\$548,522</u>	<u>\$785,597</u>
Budgeted Reserve (Mandarin and Gallery Place) <sup>(3)</sup>	<u>\$15,000</u>	<u>\$15,000</u>	<u>\$15,000</u>	<u>\$15,000</u>	<u>\$15,000</u>
Increment Available for Parity Obligations	\$252,247	\$282,062	\$401,597	\$533,522	\$770,597
Parity Obligations	--	--	--	\$2,192	\$3,357
Debt Service Coverage of Budgeted Reserve	17.8x	19.8x	27.8x	36.6x	52.4x
Debt Service Coverage of Parity Obligations	--	--	--	243.4x	229.5x

Source: District records

<sup>(1)</sup> Excludes the Footprint Increment on the Gallery Place Project and the Mandarin Oriental Hotel Project, as described herein under “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT – Prior Lien Projects,” as well as the Footprint Increment relating to the Convention Center Hotel.

<sup>(2)</sup> Excludes the WCSA Allocation and Footprint Increment on the Gallery Place Project and the Mandarin Oriental Hotel Project, as described herein under “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT – Prior Lien Projects,” as well as the Footprint Increment relating to the Convention Center Hotel and Verizon Center projects.

<sup>(3)</sup> Includes amounts required to satisfy the obligations under the Reserve Agreement, as described herein under “THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT – Available Increment from the Downtown TIF Area – Budgeted Reserve.”

For purposes of this Official Statement, it is assumed that the projected Available Increment for each Fiscal Year through the date of maturity of the Notes will be the same as the Available Increment for the Fiscal Year ended September 30, 2009 - \$785,596,554.

### **Additional Obligations**

The Capper PILOT Act restricts the principal amount of notes and bonds secured by the Pledged PILOT Payments that may be issued thereunder to \$55 million, of which not more than \$11 million can be used to pay the financing costs incurred by the District and by or on behalf of DCHA and to fund capitalized interest and required reserves, and not more than \$44 million may be used for development costs of the Capper/Carrollsborg Public Improvements. The Capper PILOT Act restricts the principal amount of notes and bonds secured by Available Increment that may be issued thereunder to \$32 million.

One or more series of additional bonds or notes (the “Additional Bonds”) may be authenticated and delivered by the Trustee from time to time pursuant to a Supplemental Indenture (1) to complete or make additions or improvements to the Capper/Carrollsborg Public Improvements Project, (2) to fund other projects permitted by the Capper PILOT Act, (3) to refund any or all outstanding Notes and



Additional Bonds issued under the Indenture, (4) for any other purpose permitted under the Home Rule Act, or (5) to pay costs associated with the issuance of the Additional Bonds. The District shall not issue any Additional Bonds unless, at or prior to the delivery to the Trustee of an order from the District to authenticate and deliver such Additional Bonds, there shall be filed with the Trustee (in addition to all other documents required by the Indenture):

- a certificate stating that the District is not then in default with respect to any Notes or Additional Bonds outstanding or in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture or the Development Agreement; and
- a written opinion of Bond Counsel to the effect that the issuance of the Additional Bonds and the execution and delivery of the Additional Bonds have been duly authorized, all conditions precedent to the delivery of the Additional Bonds have been fulfilled, and that the tax-exemption for any Notes or Additional Bonds previously issued under any Supplemental Indenture will not be adversely affected by the issuance of the Additional Bonds.

Additionally, no Additional Bonds shall be issued unless the District and the Trustee shall have received from each rating agency then rating the outstanding Notes and Additional Bonds, confirmation (i) that the then-current rating on the outstanding Notes and Additional Bonds will not be reduced or withdrawn as a result of such issuance of Additional Bonds and (ii) of the then highest current rating on the outstanding Notes and Additional Bonds.

The District has covenanted in the Indenture as follows:

- the District will not issue any debt or other obligations (“Additional Subordinate Parity Debt”) to be paid, in whole or in part, from the Available Increment on a parity with the Parity Lien Projects unless the Available Increment for the District’s fiscal year immediately preceding the issuance of such Additional Subordinate Parity Debt is not less than three (3) times the maximum annual debt service on the obligations of the District, including such Additional Subordinate Parity Debt, that are also to be paid, in whole or in part, from the Available Increment on a parity with the Notes; and
- the District will not issue any Additional Subordinate Parity Debt that is, with respect to any payments from or security interest in the Available Increment, senior to the Notes.

### **Covenants and Agreements of the District**

As authorized by the Capper PILOT Act, in the Indenture, the District has pledged to, and covenanted and agreed with, the holders of the Notes that, subject to the provisions of the financing documents, the District will not limit or alter the revenues pledged to secure the bonds or the basis on which such revenues are collected or allocated, will not impair the contractual obligations of the District to fulfill the terms of any agreement made with the holders of the Notes, will not in any way impair the rights or remedies of the holders of the Notes, and will not modify in any way the exemptions from taxation provided for in the Capper PILOT Act, until the Notes, together with the interest and premium, if any, thereon, and all costs and expenses in connection with any suit, action or proceeding by or on behalf of the holders of the Notes, are fully met and discharged.

Pursuant to the Indenture, the District has also agreed, for the benefit of the holders of the Notes, that it will take reasonable measures to cause the taxpayers in the Capper/Carrollsborg PILOT Area to remit all Pledged PILOT Payments.

## DEBT SERVICE AND DEBT SERVICE COVERAGE

Year ending September 30	<u>Debt Service on the Notes</u>		Total Debt Service
	<u>Principal</u>	<u>Interest<sup>(1)</sup></u>	
2010	\$ 0	\$ 0	\$ 0
2011	0	1,246,194	1,246,194
2012	0	1,015,000	1,015,000
2013	0 <sup>(2)</sup>	507,500	507,500

<sup>(1)</sup> Based on an assumed interest rate of 3.5%.

<sup>(2)</sup> It is expected that the principal of the Notes payable on December 1, 2012 will be paid from the proceeds of refunding bonds as described herein under "FINANCING PLAN."

	<u>Available Increment and Projected Coverage (in thousands)</u>			
	Fiscal Year Ending September 30,			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Available Increment (2009 Value)	\$785,597	\$785,597	\$785,597	\$785,597
Budgeted Reserve	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Increment Available for Parity Obligations	\$770,597	\$770,597	\$770,597	\$770,597
<u>Parity Obligations:</u>				
Existing Parity Obligations	\$3,357	\$16,236	\$3,377	\$3,411
Capper PILOT Notes <sup>(1)</sup>	<u>--</u>	<u>1,246</u>	<u>1,015</u>	<u>508</u>
Total Debt Service	\$3,357	\$17,482	\$4,392	\$3,919
Debt Service Coverage of Parity Obligations	229.5x	44.1x	175.4x	196.7x

<sup>(1)</sup> Based on an assumed interest rate on the Notes of 3.5%. It is expected that the principal of the Notes payable on December 1, 2012 will be paid from the proceeds of refunding bonds as described herein under "FINANCING PLAN."

## **THE CAPPER/CARROLLSBURG PILOT AREA AND THE CAPPER/CARROLLSBURG HOPE VI PROJECT**

### **Background and General Description**

In 2002, DCHA was awarded a \$34.9 million HOPE VI grant by the United States Department of Housing and Urban Development (“HUD”) to revitalize in phases a former public housing complex (consisting of the Arthur Capper Family, Arthur Capper Senior and Carrollsburg Developments) into a mixed use/mixed income community (the “Capper/Carrollsburg HOPE VI Project”). The Capper/Carrollsburg PILOT Area (the “Capper/Carrollsburg PILOT Area”) is comprised of the Capper/Carrollsburg HOPE VI Project, two adjacent privately owned parcels and the land previously owned by the District and is located in the southeast quadrant of the District, bounded by the southeast-southwest freeway, M Street S.E., 8<sup>th</sup> Street and 3<sup>rd</sup> Street. Located adjacent to Capitol Hill, the area has direct access to public transportation and a growing employment base in the heart of one of the District’s fastest growing areas, with Nationals Park, the new baseball stadium, as its centerpiece. A map of the Capper/Carrollsburg PILOT Area is set forth on page 14.

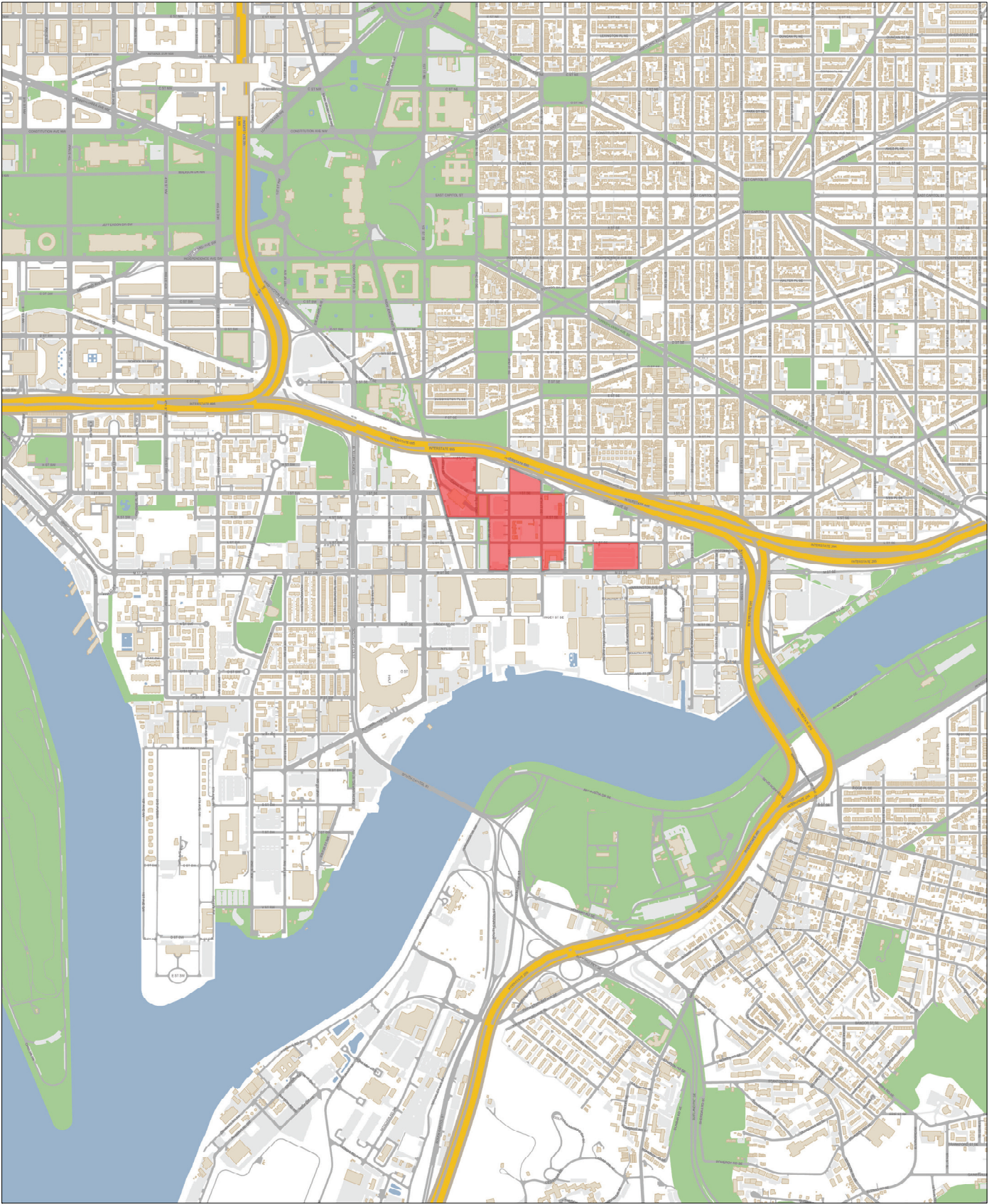
The Capper/Carrollsburg HOPE VI Project’s collaborative planning committee represents a partnership of diverse constituents, including residents of the neighborhood, representatives of the Navy/Marine Corps, Southeast Federal Center, and numerous agencies of the District Government, including the Deputy Mayor’s Office of Planning and Economic Development and the private developers described below under “The Private Developers.”

DCHA is one of the principal developers of the Capper/Carrollsburg HOPE VI Project, taking responsibility for, among other things, constructing the infrastructure more fully described below under “The Capper/Carrollsburg Public Improvements.” In furtherance of DCHA’s commitment, the District and DCHA have executed the Development Agreement, dated as of March 1, 2010, pursuant to which DCHA has agreed to (1) subject to availability of funds available to DCHA, construct or cause the construction of the Capper/Carrollsburg Public Improvements specified in, and in compliance with the terms and conditions of, the Development Agreement, and (2) use reasonable efforts to cause the Capper/Carrollsburg PILOT Area to be developed in all material respects in accordance with the Development Plan, and, to the extent of funds specifically available to DCHA for the development of the Capper/Carrollsburg PILOT Area, cause the portion of the Capper/Carrollsburg PILOT Area which is owned by DCHA or by the District to be developed in all material respects as set forth in the Development Agreement. In return, the District has agreed that all Pledged PILOT Payments shall be deposited into the Capper/Carrollsburg PILOT Fund and transferred to the Trustee for deposit into the Debt Service Fund on the last Business Day of each April and October of each year. In addition, pursuant to the Capper PILOT Act and the terms and conditions set forth in the Development Agreement, the District agrees to allocate, to the extent necessary and to the extent authorized in the Capper PILOT Act, the Available Increment to the payment of the debt service and other amounts owed on the Notes, and to cause such amounts of Available Increment to be transferred to the Trustee for deposit into the Debt Service Fund on May 15 and November 15 of each year, or, if such day is not a business day, on the immediately preceding business day.

Once all of the parcels are fully developed, the redevelopment of the Capper/Carrollsburg PILOT Area is expected to create over 1,900 units of housing, including replacing no less than the 707 units of public housing that existed prior to the redevelopment, over 50,000 square feet of retail space, over one million square feet of commercial space and a community center. When completed, the development will be one of the first HOPE VI projects in the country to provide one-to-one replacement of demolished public housing units in the same footprint as the original developments.



# Capper Carrollsburg PILOT Area



## **The Capper/Carrollsbury HOPE VI Project**

The following portions of the Capper/Carrollsbury HOPE VI Project have been completed:

- Square 880 Senior Housing – 162 senior public housing units that were financed with a portion of the HOPE VI grant and tax credit financing that reached full occupancy in December 2006.
- 400 M Street Units – 138 workforce public housing units that were financed with a portion of the HOPE VI grant and tax credit financing that reached full occupancy in March 2008.
- Capitol Quarter Phase I – 160 Mixed Rental and Ownership Units – consists of 39 newly constructed public housing townhome rental units and 121 newly constructed for-sale townhome units. In May 2008, the District of Columbia Housing Finance Agency issued \$5.1 million of its Collateralized Multifamily Housing Revenue Bonds (Arthur Capper ACC Townhomes Phase I Project), Series 2008 to finance the construction and equipping of the 39 rental units that are located on four adjoining parcels, contiguous to and interspersed among the 121 for-sale townhome units. All but five of the 121 for-sale townhomes have been sold (two units are being held as model units). As of December 31, 2009, the purchase and sale of 64 for-sale townhomes have closed and the townhomes are currently occupied. Twenty-five public housing townhome rental units have been turned over to DCHA. All of the units are expected to be sold, constructed, and occupied by July 2010.

The following portions of the Capper/Carrollsbury HOPE VI Project are in predevelopment:

- Capitol Quarter Phase 2 – 163 Mixed Rental and Ownership Units – expected to consist of 47 newly constructed public housing townhome rental units and 116 newly constructed for-sale townhome units. In September 2009, DCHA received a stimulus grant from HUD in the amount of \$9.5 million to pay the costs of the construction of infrastructure planned for Capitol Quarter Phase 2. Forest City and Urban Atlantic (each described below under “The Private Developers”) are currently negotiating financing for the balance of the development costs with the expectation of closing in mid-2010. EYA Construction Inc. (“EYA”) is expected to be retained to construct the units. Site development work is expected to begin in August of 2010 and vertical construction is expected to commence in November 2010. The last units are expected to be completed in December 2012.
- Square 882N – 195 Multifamily Rental Units – expected to consist of 38 public housing units and 157 market-rate units. Forest City and Urban Atlantic are currently negotiating financing for the development costs with the expectation of closing in late 2010. The expected completion date is April 2012. The improvements to be constructed at Square 882N are expected to be owned by an affiliate of DCHA. The owner of the improvements will be obligated to make PILOT payments on the land and improvements.

The conceptual development plan for the Capper/Carrollsbury PILOT Area includes the following proposed projects:

- 250 M Street – Commercial and Ground-level retail – expected to consist of approximately 234,000 square feet of commercial and retail development.

- Square 769N – 171 Multifamily Rental Units – expected to consist of 34 public housing units and 137 market-rate units, and 4,000 square feet of ground floor retail.
- Square 882S – Commercial – expected to consist of approximately 500,000 square feet of commercial development and retail space.
- Square 881 – Capper Community Building – approximately 28,000 square feet.
- Square 767 – 147 Multifamily Rental Units – expected to consist of 66 public housing units and 81 market-rate units.
- Square 768 – 295 Multifamily Rental Units – expected to consist of 73 public housing units and 222 market-rate units.
- Square 739 – 322 Multifamily Rental Units – expected to consist of 98 public housing units and 224 market-rate units.
- Square 737 – Mixed Use Commercial, Retail, Rental and Condominium Units – expected to consist of 600 housing units and approximately 600,000 square feet of retail and commercial space.

### **The Capper/Carrollsborg Public Improvements**

Pursuant to the Development Agreement, DCHA is responsible to the extent of available funds for the construction of the Capper/Carrollsborg Public Improvements, which are expected to consist generally of the following:

- repairing and/or replacing underground water, sanitary and storm water management lines;
- repairing and/or replacing underground dry utilities, including electric, gas, communications and cable lines;
- repairing and/or replacing streets, sidewalks, curbs, gutters, signage and lighting;
- designing and planting all landscaping in the public way;
- demolition of a Department of Public Works (“DPW”) building and smoke stack located at Federal Reservation 17A on Square 739, hazmat abatement, relocation of DPW operations and environmental remediation of the surface and underground areas;
- reconfiguration of parcels to include opening of I Street, relocation of major underground systems and assembling developable parcels; and
- construction of a new community center.

### **The Private Developers**

Urban Atlantic (“Urban Atlantic”) and Forest City Capper/Carrollsborg, Inc. (“Forest City”) have formed the Capper/Carrollsborg Ventures, LLC, which is the developer and overall coordinator for the Capper/Carrollsborg HOPE VI Project.



Urban Atlantic, based in Bethesda, Maryland, is a recognized leader in the redevelopment of public housing communities using the HOPE VI program. In addition to the Capper/Carrollburg HOPE VI Project, Urban Atlantic is also the developer of HOPE VI communities in the District of Columbia; Baltimore, Maryland; Tampa, Florida; Greensboro, North Carolina; and Memphis, Tennessee. Urban Atlantic is an affiliate of Mid-City Financial Corporation, one of the largest private developers and owners of government assisted housing in the United States with an inventory of over 15,000 affordable and market rate units. Urban Atlantic affiliated companies are based in Bethesda, Maryland, and have a 30-year history of real estate portfolio management. Business activities are organized into four areas: development and acquisition, financial and investor services and asset management, property management, and self-sufficiency programs.

Forest City Residential is a subsidiary of Forest City Enterprises, Inc. ("FCE"). FCE, based in Cleveland, Ohio is a large, publicly traded real estate firm reporting \$11.9 billion in total assets as of October 30, 2009. FCE's commercial group has a diversified portfolio of retail centers, office buildings, hotels and mixed-use properties strategically focused in key 24-hour gateway cities throughout the nation, and is especially active and well-positioned in the East (Boston, New York City and the District) and the West (Denver and Los Angeles). FCE's residential group owns, develops, leases and manages multifamily residential properties in 18 states and the District. FCE's holdings include 14.1 million square feet of office space, 27.0 million square feet of retail space, nearly 2,000 hotel rooms and over 35,000 apartments.

EYA was established in 1992 with the vision of building innovative urban neighborhoods in the District's Metropolitan area. The company has made its name and reputation by creating high quality, lifestyle friendly, residential communities, within walking distance to neighborhood amenities and public transportation. In eighteen years, EYA has constructed more than 3,000 homes in the city of Alexandria and the District, and in Arlington, Montgomery, Prince George's, and Fairfax counties. EYA's in-house general contractor, EYA Construction, Inc. is responsible for the construction, land development and public improvement work in the two phases of the Capital Quarter townhomes projects. All market-rate and workforce Townhomes will be LEED for Homes Silver certified, making Capitol Quarter the largest LEED for Homes homeownership community in the United States.

#### **DISTRICT OF COLUMBIA'S TAX INCREMENT FINANCING PROGRAM AND CERTIFICATION PROCESS**

The District's tax increment financing program (the "TIF Program"), which is administered jointly by the Office of the Chief Financial Officer and the Office of the Deputy Mayor for Planning and Economic Development, is among the District's economic initiatives designed to help stimulate the expansion of commercial development, affordable housing, employment and other economic opportunities in various areas of the District. Pursuant to the Home Rule Act, the District of Columbia Tax Increment Financing Authorization of 1998, as amended (the "TIF Act") and certain other acts, the District is authorized to issue and sell tax-exempt revenue bonds to finance the development and redevelopment within the TIF Areas. All or a portion of the Incremental Real Property Taxes (defined below) and Incremental Sales Taxes (defined below) within a TIF Area may be applied to the repayment of TIF bonds used to finance projects within each respective TIF Area.

For additional information on the TIF Program, see APPENDIX A – "THE DISTRICT OF COLUMBIA – Economic Development Initiatives of the District – *Tax Increment Financings and PILOT Financings*."

Pursuant to the TIF Act, the District is authorized to dedicate Incremental Real Property Taxes and Incremental Sales Taxes to the payment of debt service on TIF bonds issued to finance certain

eligible projects. The District also is authorized and directed to determine and certify, (i) the initial assessed value of each lot of taxable property within such TIF Area (collectively, the “Initial Assessed Property Value”) at the time designated in the legislation relating to the TIF Area and (ii) the amount of initial sales tax revenues generated by such TIF Area for the Fiscal Year preceding the year in which the TIF Area is established (the “Initial Sales Tax Revenue Amount”). From the date of approval of a TIF Area, (a) the difference in real property taxes assessed as a result of the difference between the Initial Assessed Property Value and the then current assessed property value of such TIF Area for a given year exclusive of amounts pledged to general obligation debt of the District (the “Incremental Real Property Taxes”), and (b) the difference between the Initial Sales Tax Revenue Amount and the sales tax revenues generated within a TIF Area for a given year, exclusive of an allocation for the benefit of WCSA, as successor to WCCA (the “WCSA Allocation”) (the “Incremental Sales Taxes”), are to be used for the payment of principal of, premium, if any, and interest on TIF bonds used to finance the improvements to such TIF Area. The amounts, if any, with respect to each TIF Area remaining at the end of each tax year, after provision for the payment of principal of, premium, if any, and interest due on bonds issued to finance improvements to a TIF Area, and after all reasonably required reserves and fees have been paid, are to be paid into the General Fund of the District, unless otherwise directed by the District.

## **THE DOWNTOWN TIF AREA AND AVAILABLE INCREMENT**

### **Background and General Description**

Pursuant to the TIF Act and the District of Columbia Tax Increment Revenue Bond Downtown TIF Area Emergency Approval Resolution of 2001, dated November 6, 2001, as amended or supplemented from time to time (the “Downtown TIF Resolution”), the District designated over 2,500 acres of its downtown area as the Downtown TIF Area (the “Downtown TIF Area”). The Downtown TIF Area is located substantially in the northwest quadrant of the District and covers a substantial portion of the downtown area of the District. It includes the Capitol Mall and the White House and is located very near its geographical center. A map of the Downtown TIF Area is set forth on page 22.

A large amount of the Downtown TIF Area is in public use – notably the Capitol Mall, which extends from the Capitol to the Lincoln Memorial. Such public use real property yields no property taxes due to exemptions of various kinds, including exemption of property of the federal government. The remainder of the Downtown TIF Area has a predominance of office use, although most other general categories of urban use, with the exception of industrial, are represented.

As of September 30, 2009, the aggregate taxable assessed value of taxable commercial property in the Downtown TIF Area was approximately \$66 billion, comprising approximately 13,000 properties.

### **Prior Lien Projects**

*General.* The District has previously issued its special obligation bonds for two projects that are secured as more fully described below by both real property and sales tax increment in the Downtown TIF Area – the Gallery Place Project and the Mandarin Oriental Hotel Project. Both real property and sales tax increment in the Downtown TIF Area are pledged to the Gallery Place Bonds and the Mandarin Oriental Bonds described below prior to the pledge of Available Increment to the payment of the Notes and the other parity lien obligations referenced below under “Parity Lien Projects.”

The District has previously issued its special obligation bonds for the Walter E. Washington Convention Center (the “Convention Center”) that are secured as more fully described below by sales taxes throughout the District, including sales taxes in the Downtown TIF Area. Such sales tax in the Downtown TIF Area is pledged to the WCSA Bonds described below.



*Gallery Place Project.* The Gallery Place Project is an 11-story approximately one million square foot mixed-use urban retail, entertainment, residential and office complex located adjacent to the Washington Metropolitan Area Transit's Gallery Place-Chinatown Metrorail station and the Verizon Center and located on a lot of approximately 2.43 acres at the southeast corner of Seventh and H Streets, N.W. in the District. The key elements of the Gallery Place Project include: (i) approximately 200,000 square feet of retail space for stores, dining, entertainment and health and fitness facilities; (ii) a 63,000 square foot multiplex cinema with 14 screens and almost 2,900 seats; (iii) a market-rate housing complex containing approximately 190 residential apartments; (iv) over 200,000 square feet of office space; and (v) a below-grade parking garage containing almost 700 parking spaces. The District issued approximately \$74 million aggregate principal amount of tax increment bonds (the "Gallery Place Bonds") to assist with the financing of the Gallery Place Project in 2002, of which \$64,820,000 aggregate principal amount remains outstanding. Maximum annual debt service on the Gallery Place Bonds is \$5,205,295. The Incremental Real Property Taxes and the Incremental Sales Taxes being generated at the Gallery Place Project are sufficient to fully cover debt service on, and other obligations relating to, the Gallery Place Bonds.

*Mandarin Oriental Hotel Project.* The Mandarin Oriental Hotel Project is a full service luxury Mandarin Oriental Hotel with appropriate ancillary uses and amenities located at 1330 Maryland Avenue, S.W. in the District. The principal components of the hotel complex include: (i) a 400-guest room luxury hotel with associated convention, meeting and banquet space; (ii) two restaurants; (iii) a Mandarin Oriental Spa and Health Club with indoor pool; and (iv) an approximately 90,000 square foot parking garage. The District issued approximately \$46 million of current interest and capital appreciation tax increment bonds (the "Mandarin Oriental Bonds") to assist with the financing of the Mandarin Oriental Hotel Project in 2002, of which \$29,721,306.90 aggregate principal amount and accreted value remains outstanding. Maximum annual debt service on the Mandarin Oriental Bonds is \$4,509,125. The Incremental Real Property Taxes and the Incremental Sales Taxes being generated at the Mandarin Oriental Hotel Project are sufficient to fully cover debt service on, and other obligations relating to, the Mandarin Oriental Bonds.

*WCSA Allocation.* As more fully described below under "REAL PROPERTY TAXES AND SALES TAXES OF THE DISTRICT – TIF Collection Agreements and Lockbox," a portion of the sales taxes imposed in the District, including in the Downtown TIF Area, is allocated to WCSA to, among other things, pay the debt service on the outstanding WCSA Bonds. The WCSA Allocation is excluded from the definition of "Available Sales Tax Increment" and, consequently, would not be available to pay debt service on the Notes even upon the payment in full of the WCSA Bonds.

## **Parity Lien Projects**

*General.* The District has previously agreed to pledge Available Increment in the Downtown TIF Area to a number of other projects. The holders of the Notes and the beneficiaries of the below-referenced transactions have a parity claim on Available Increment.

*Shakespeare Theater.* The District and The Shakespeare Theatre, a District non-profit corporation doing business as the Shakespeare Theatre Company ("STC"), entered into a Development Agreement, dated as of September 14, 2006, relating to the construction of a theater facility (the "Shakespeare Theater") in a new office building in the District. In order to finance a portion of the cost of construction of the Shakespeare Theater and related costs, the District issued \$10 million in TIF Bonds (the "STC TIF Bonds"), all of which are currently outstanding, and authorized the dedication of the Available Increment, subordinate to the payment of the Budgeted Reserve in connection with the Gallery Place Bonds and the Mandarin Oriental Bonds as hereinafter described, to the payment of debt service on the STC TIF Bonds. The principal amount of the STC TIF Bonds, together with interest accrued thereon, in the aggregate

amount of \$12,878,333, matures during fiscal year 2011. The STC TIF Bonds are not subject to acceleration.

*Verizon Center.* The District and DC Arena L.P., a District limited partnership (“DC Arena”), entered into a Development Agreement, dated as of December 1, 2007, relating to the improvement, renovation and refurbishment of the approximately 20,000 seat Verizon Center (the “Verizon Center”) in the District. In order to finance a portion of the cost of improvement, renovation and refurbishment of the Verizon Center and related costs, the District issued two series of bonds in the aggregate principal amount of \$50 million (the “Verizon Center Bonds”), all of which are currently outstanding, and authorized the dedication of the Available Increment, subordinate to the payment of the Budgeted Reserve in connection with the Gallery Place Bonds and the Mandarin Oriental Bonds as hereinafter described, to the payment of debt service on the Verizon Center Bonds. Maximum annual debt service on the Verizon Center Bonds is \$4,688,417. The notes securing the Verizon Center Bonds mature in 2027 and 2047. The Verizon Center Bonds are not subject to acceleration.

*Arena Stage.* The District and the Washington Drama Society, a District non-profit corporation doing business as Arena Stage (“Arena Stage”), entered into a Development Agreement, dated as of May 8, 2009, relating to the construction of a theater complex (the “Mead Center for American Theater”) in the District. In order to finance a portion of the cost of construction of the Mead Center for American Theater and related costs, the District issued \$10 million in TIF Bonds (the “Waterfront Arts Project Bonds”), all of which are currently outstanding, and authorized the dedication of the Available Increment, subordinate to the payment of the Budgeted Reserve in connection with the Gallery Place Bonds and the Mandarin Oriental Bonds as hereinafter described, to the payment of debt service on the Waterfront Arts Project Bonds. The principal amount of the Waterfront Arts Project Bonds, together with interest accrued thereon, in the aggregate amount of \$12,330,000 matures during fiscal year 2014. The Waterfront Arts Project Bonds are not subject to acceleration.

#### **Available Increment from the Downtown TIF Area**

*General.* As more fully described below, a base level of real property taxes was established in the Downtown TIF Area on January 1, 1999 and a base level of sales taxes was established for the Downtown TIF Area during the District’s 1999 Fiscal Year. Amounts in excess of these base levels are generally available to be used under the TIF Act to help stimulate the expansion of commercial development, affordable housing, employment and other economic opportunities in various areas of the District. The District has previously issued the Gallery Place Bonds and the Mandarin Oriental Bonds that are secured by the real property tax and sales tax increment and has also used excess amounts to subsidize other projects in the District as described above under “Parity Lien Projects.”

*Budgeted Reserve.* Pursuant to the Downtown TIF Resolution, the District is required to annually budget for a reserve (the “Budgeted Reserve”) which is to be made available to support debt service on the Mandarin Oriental Bonds and the Gallery Place Bonds. The Budgeted Reserve will equal the lesser of \$15,000,000 or the aggregate debt service payable on the Mandarin Oriental Bonds and the Gallery Place Bonds in the applicable Fiscal Year plus any unpaid debt service from any prior Fiscal Year. In no event will the Budgeted Reserve exceed the Available Increment from the Downtown TIF Area for the applicable Fiscal Year. The combined debt service of the Mandarin Oriental Bonds and the Gallery Place Bonds in any Fiscal Year does not currently exceed approximately \$9.7 million.

*Reserve Agreement; Withdrawals from the Reserve Account.* To implement the allocation of Available Increment from the Downtown TIF Area, the District has entered into a Reserve Agreement, dated as of April 1, 2002 (the “Reserve Agreement”), among the District, the trustee for the Gallery Place Bonds, the trustee for the Mandarin Oriental Bonds, and Financial Security Assurance Inc., in its capacity

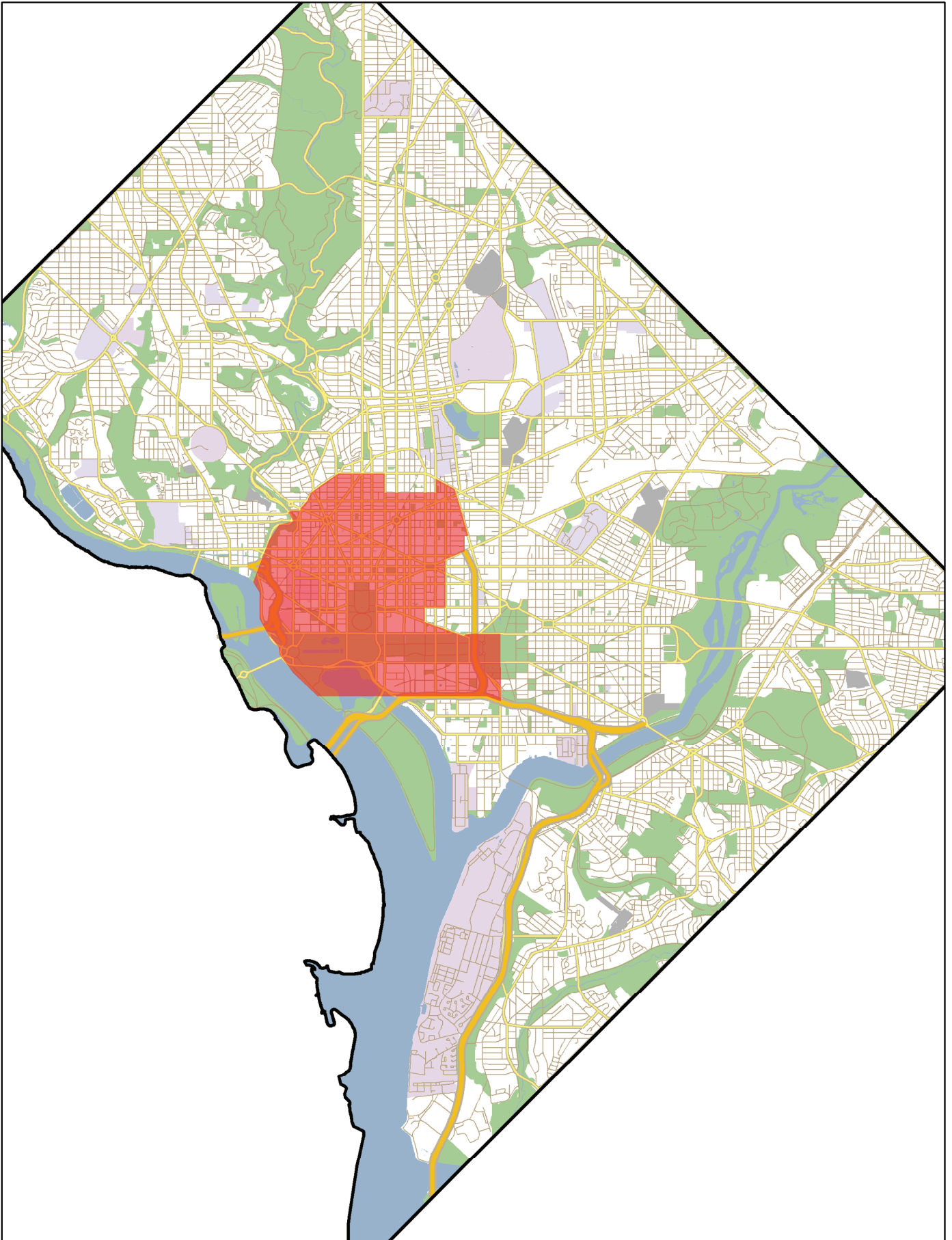
as the bond insurer of the Gallery Place Bonds and the Mandarin Oriental Bonds. Pursuant to the Reserve Agreement, if on any interest payment date for the Gallery Place Bonds or the Mandarin Oriental Bonds, funds on deposit and available for such purpose are insufficient to make payment in full of the scheduled principal, accreted value and interest due on the Gallery Place Bonds and the Mandarin Oriental Bonds on such date, the respective trustee is required to draw upon the reserve account relating to such bonds for the amount of such deficiency. Within two Business Days of drawing on such reserve account, such trustee must notify the District of the amount of the withdrawal. Each trustee also is required to notify the District, on or before October 20, of the amount of the deficiency expected in the reserve account on the following November 1, taking into account earnings on deposits in such account. The District must, on or before the November 1 next following the receipt of notification of a draw, but subject to the following sentence, pay to the respective trustee for the replenishment of the applicable reserve account the least of (i) the amount of the deficiency in the reserve account, (ii) the amount of the Available Increment from the Downtown TIF Area for the immediately preceding Fiscal Year, or (iii) the amount of the Budgeted Reserve for the immediately preceding Fiscal Year. If there is a deficiency in both the reserve account with respect to the Mandarin Oriental Bonds and the reserve account with respect to the Gallery Place Bonds, then the District will pay to each of the applicable trustees an amount from the Budgeted Reserve Amount equal to the ratio of the previous year's debt service on the Mandarin Oriental Bonds and the Gallery Place Bonds, respectively.

The obligation to pay amounts in accordance with the Reserve Agreement to the extent of Available Increment from the Downtown TIF Area in any Fiscal Year is a binding obligation of the District, is not subject to appropriation and is subject only to the conditions set forth in the Reserve Agreement. The District has covenanted in the Reserve Agreement that it will not grant to the holders of any other bonds, notes or other obligations issued by the District any rights to the Available Increment from the Downtown TIF Area (as it may be adjusted by the subtraction of the Footprint Increment with respect to Future Downtown Projects to the extent permitted by the Reserve Agreement), up to the amount of the Budgeted Reserve, prior to or on a parity with the rights of the holders of the Mandarin Oriental Bonds and the Gallery Place Bonds.

*Additional Projects in the Downtown TIF Area.* Pursuant to the terms of the Downtown TIF Resolution and the Reserve Agreement, the District has the ability to allocate to a Future Downtown Project 100% of the Footprint Increment for that project, and remove such Footprint Increment from Available Increment from the Downtown TIF Area, if the District provides a report of an independent consultant demonstrating that as of the date of the allocation to the Future Downtown Project, the amount of the Available Increment from the Downtown TIF Area less the Footprint Increment for such project would be equal to the combined maximum annual debt service on the Mandarin Oriental Bonds and Gallery Place Bonds after giving effect to both (i) a 15% decline in total sales tax collections from the Downtown TIF Area and (ii) a simultaneous 30% decline in the total assessed value of commercial real property within the Downtown TIF Area.

Pursuant to the Reserve Agreement, the District is authorized to allocate to a Future Downtown Project that is a convention center hotel project up to 100% of the Footprint Increment from such project and following the effective date of such allocation, such Footprint Increment for the convention center hotel project will not be included in the Available Increment from the Downtown TIF Area. The Footprint Increment for the convention center hotel project has already been removed from the District's Available Increment certification and is not included in the amounts of Available Increment set forth in this Official Statement.

## Map of Downtown TIF Area





## REAL PROPERTY TAXES AND SALES TAXES OF THE DISTRICT

### Real Property Taxes

*General.* The District levies its real property tax pursuant to D.C. Official Code § 47-811. The Special Real Property Tax pledged to the payment of its general obligation debt is authorized by the Home Rule Act. There is no limitation in the Home Rule Act on the amount or rate of property tax levies. Since 1993, the District's real property tax year has been the 12-month period beginning October 1 and ending September 30, the same as the District's Fiscal Year. Real property taxes are due in semi-annual equal installments on March 31 and September 15 of each year.

Pursuant to D.C. Official Code § 47-812, the Council sets real property tax rates annually. The Council receives from the Mayor a recommendation regarding real property tax rates on or before September 15 of each year and is required to act by October 15 to establish the real property tax rate. The Home Rule Act also requires the Council to provide in each annual budget sufficient funds to pay principal of and interest on general obligation bonds and notes issued by the District under the Home Rule Act. If the Council does not enact the rates within the time limit provided by law or adopt a resolution extending such time limit, (i) real property tax rates in effect the immediately preceding year remain in effect, and (ii) the Special Real Property Tax rates go into effect as calculated by the Mayor to yield (net of loss in collection) the principal and interest requirements of general obligations bonds. The Special Real Property Tax is collected at the same time as the real property tax.

*Real Property Tax Rates.* The District has established three classes of real property: Class 1, which includes occupied residential real property, along with certain unimproved real property; Class 2, which consists of all real property not in Class 1 or Class 3; and Class 3 is comprised of "blighted" property (as identified by the Mayor or the Board of Condemnation of Insanitary Buildings). The effective rate for Class 1 property may be reduced in individual cases by exemptions and deductions. For example, Class 1 property owners over 65 whose annual adjusted gross income is less than \$100,000 are eligible for a 50% reduction in their real property taxes.

*Special Real Property Tax.* The District is required to dedicate a portion of real property tax collections (i.e., the Special Real Property Tax) in amounts sufficient to pay the principal of and interest on the general obligation bonds. The District's Special Real Property Tax rate is set each September for the following real property tax year, which coincides with the District's Fiscal Year. The District is obligated to establish a Special Real Property Tax rate calculated to yield sufficient funds to make required deposits to a debt service fund for the general obligation bonds (the "Special Real Property Tax Fund"). In Fiscal Years 2007, 2008 and 2009, the percentage of Real Property Tax collections that were dedicated to the payment of principal and interest on the District's general obligation bonds was 45%, 32% and 28%, respectively. For Fiscal Year 2010, the District has dedicated approximately 28% of real property tax collections for the Special Real Property Tax Fund. The Special Real Property Taxes are not pledged to the payment of the principal of, premium, if any, or interest on the Notes.

*Historical and Current Real Property Tax Rates.* The sum of the real property and Special Real Property Tax rates per \$100 of assessed value for the different classes of property for the tax years shown below are as follows:

Sum of Real Property Tax Rates and Special Real Property Tax Rates

<u>Tax Year</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Class 1	0.85	0.85	0.85
Class 2	1.85 <sup>(1)</sup>	1.65/1.85 <sup>(1)</sup>	1.65/1.85 <sup>(1)</sup>
Class 3	5.00	10.00	10.00

<sup>(1)</sup> For fiscal years 2009 and 2010, there is a split rate for Class 2 property of \$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.

*Exemptions.* The District is unique in that a relatively large proportion of real property is exempt from real property tax. The District is able to levy a real estate tax on approximately 69% of the total assessed value of real property within the District. The remaining 31% of the real property tax base is exempt from real estate taxes and is used by the U.S. government, District government, foreign governments, nonprofits, or other tax-exempt organizations.

*Assessment.* The assessed value of all real property is the estimated full market value of the property as of the January 1 preceding the Fiscal Year during which the property will be taxed. The District currently assesses real property on an annual basis.

For property owners entitled to claim an owner-occupancy residential tax credit, the first \$67,500 in value of real property that qualifies as a homestead is exempt from the real property tax. In addition, the resultant “taxable assessment” of qualifying residential real property cannot, by law, increase by more than 10% from year to year, even though real property assessments will continue to be based upon the estimated market value, as required under District law. The \$67,500 homestead exemption will be adjusted upward by the annual increase in the Washington area consumer price index beginning in fiscal year 2013.

*Appeals.* Property owners may appeal the proposed assessed value of property by petitioning for an administrative review. The first-level administrative review provides an opportunity for considering information which may enhance the accuracy of the property assessment. A property owner may appeal the first-level administrative review determination to the Board of Real Property Assessments and Appeals (the “Board”). The petition for a first-level administrative review is a prerequisite for filing an appeal with the Board. The Board must hear and decide each appeal and present any revised assessment to the Office of Tax and Revenue. A property owner may appeal the Board’s final determination to the Superior Court. To seek review of the assessment by the Superior Court, however, the property owner must first exhaust the administrative remedies described above, pay the tax and any interest and penalty thereon, and file an appeal with the Superior Court on or before September 30 of the year following the initial first-level administrative review.

*Delinquent Real Property Taxes.* Taxes become delinquent upon the failure to timely pay any installment thereof. Delinquent real property taxes are subject to a penalty of 10% of the unpaid amount if payment is not received on or before the due date, and interest accrues at the rate of 1.5% per month on the amount due for each month or part thereof that the tax is in arrears. Real property taxes are due semi-annually on March 31 and September 15. Delinquent real property taxes subject the related property to an automatic lien, which is perfected whenever full payment, including penalty and interest, is not made on or before the due date of the applicable semiannual bill.

## **TIF Collection Agreements and Lockbox**

All District real property taxes currently are collected by Wachovia Bank, National Association (“Wachovia”), pursuant to a Collection Agreement (the “Real Property Tax Collection Agreement”), between the District and Wachovia. The portion of the real property tax constituting the Special Real Property Tax is pledged to the repayment of the District’s general obligation bonds. Pursuant to the Real Property Tax Collection Agreement, Wachovia collects the real property tax and allocates the Special Real Property Tax to an account pledged to the holders of the general obligation bonds. The balance of the real property tax (the “General Real Property Tax”) is allocated to the District and ultimately is disbursed to the District’s General Fund. Instructions on the procedures to be followed in collecting and allocating the real property taxes have been issued by the District to Wachovia in accordance with the Real Property Tax Collection Agreement.

All District sales taxes are collected by Wachovia pursuant to a separate Collection Agreement (the “WCSA Collection Agreement”), among the District, Wachovia, WCSA, as successor to WCCA, and The Bank of New York Mellon, as Trustee for the WCSA Bonds. A portion of the District’s sales and use tax on the gross receipts from hotel room sales and charges (4.45% of a total imposition of 14.45%), and a portion of the District’s tax on gross receipts from restaurant, alcoholic beverages and rental car sales and charges (1.0% of a total imposition of 10.0%) (such portions, collectively, constituting the WCSA Allocation) are pledged to the repayment of the WCSA Bonds. Pursuant to the WCSA Collection Agreement, the WCSA Allocation is allocated to the WCCA Dedicated Taxes Pledged Account on behalf of WCSA. The balance of these taxes, and the receipts from all other District sales taxes, are allocated to the District for ultimate disbursement to the General Fund. Detailed instructions on the procedures to be followed in collecting and allocating the sales taxes are issued by the District to Wachovia in accordance with the WCSA Collection Agreement. For more information on the sales and use taxes, see “REAL PROPERTY AND SALES TAXES OF THE DISTRICT— Sales Taxes.”

In connection with the issuance of the District’s \$6,900,000 Tax Increment Financing Revenue Notes (International Spy Museum Project), Series 2001, the District and Wachovia, as Collection Agent, entered into certain master agreements with respect to collection and allocation of incremental real property tax revenues (the “Real Property Tax TIF Collection Agreement”) and sales tax revenues (the “Sales Tax TIF Collection Agreement”, and together with the Real Property Tax TIF Collection Agreement, the “Master Collection Agreements”) from designated TIF Areas. The Master Collection Agreements will serve as the master collection agreements for all tax increment financings entered into by the District (the “TIF Bonds”). If the District certifies a new TIF Project and issues TIF Bonds for the new TIF Project, the District will notify Wachovia and supply it with a new schedule reflecting the new TIF Area, the new TIF Project and the calculation of the initial real property assessed value and initial sales taxes with respect to such new TIF Project.

Pursuant to the WCSA Collection Agreement and the Sales Tax TIF Collection Agreement, sales taxes remitted with returns which contain discrepancies (historically, approximately 10 percent of sales tax returns District-wide) are to be deposited in an Exceptions Account pending reconciliation, and are thereafter to be transferred to the appropriate accounts on a monthly basis.

## **Sales Taxes**

*Tax Rates.* There is no limitation in the Home Rule Act on the amount or rate of sales tax that may be levied by the District. The District imposes its sales tax on the sale of most tangible items and on a wide array of services pursuant to D.C. Code § 47-2002. The District levies a general sales tax of 6.00% on the sale of tangible property, selected services and food sold in vending machines. Other sales and use tax rates range from 9.0% to 14.5%. A portion of these taxes, the WCSA Allocation, is dedicated to

paying debt service on the WCSA Bonds. The sale or charge for parking and storing vehicles (other than at certain parking lots operated by the local transit authority) is taxed at a rate of 12%. The sale or charge for hotel rooms or other transient lodgings is taxed at a rate of 14.45%, including 4.45% for the WCSA Allocation. The sale or charge for food or drink prepared for immediate consumption, alcoholic beverages, and renting or leasing a vehicle is subject to a sales tax rate of 10%, including 1% for the WCSA Allocation.

*Collection of Sales Tax.* The District's sales tax is imposed on the vendors of items being taxed, is self-assessed by vendors, and paid by vendors on a monthly basis. Such taxes are remitted to Wachovia pursuant to the terms of the WCSA Collection Agreement.

*Exemptions from Sales Tax.* Most exemptions from the District's sales tax are based upon the identity of the purchaser. For example, sales to semipublic institutions located in the District that provide substantial benefits to the District's citizens, the United States government, certain organizations that are exempt from federal taxation and sales of personal property to toll telecommunications companies are exempt from taxation. In addition, sales of certain categories of items are exempt from taxation, including prescription and non-prescription medications, medical devices used by individuals, food and drink provided to persons confined to their homes or to the residents and employees of a senior citizens' facility, residential cable television services, and printing services and materials used by publishers to produce newspapers distributed free of charge in the District.

*Remedies/Penalties for Failure to Pay Sales Tax.* If it appears that a vendor has failed to pay all the sales taxes due and owing to the District, the District may determine the amount of sales tax due. The vendor may contest the District's determination and request a hearing to resolve the matter. After the hearing, the District gives notice of the final determination of the sales tax assessment. If the vendor is found to owe additional sales taxes, penalties and interest are added to the amount of sales tax owed. Conversely, vendors may request a refund of sales taxes paid and if the District determines that sales taxes were overpaid by the vendor, the District will refund the overpaid sales taxes, with interest. Taxpayers may, within six months after a final determination of the amount of sales taxes owed, or a request for refund, file an appeal in the Superior Court of the District of Columbia contesting the amount of sales tax owed.

### **Electronic Tax Collection Process**

The District allows electronic filing of certain taxes (including sales, franchise and income tax) on a voluntary basis. The District mandates an electronic filing procedure for all Tax Incremental Financings from a Project Area. The information that will be encoded with the filing includes taxpayer name and address, place of business (for those taxpayers having multiple locations), account number, tax period, date of filing, amount owed and authorization for bank debit. The debit amount will be electronically remitted directly to the Collection Agent.

*Computation of the Sales Tax Increment for the Downtown TIF Area.* The Chief Financial Officer of the District or his designee (the "CFO") will compute and notify the trustee for the Gallery Place Bonds and the Mandarin Oriental Bonds on or before November 1 of each year of the amount of the Sales Tax Increment Revenues from the Downtown TIF Area. The report shall be based on the computation of the total available Sales Tax Revenue for the one-year period corresponding to the District's Fiscal Year as calculated by OTR, minus the Initial Sales Tax Amount.

*Computation of the Real Property Tax Increment for the Downtown TIF Area.* The CFO is required to compute on an annual basis on or before November 1 of each year the Available Real Property



Tax Increment for the Downtown TIF Area and notify the trustee for the Gallery Place Bonds and the Mandarin Oriental Bonds of such amount.

## **INVESTMENT CONSIDERATIONS**

PROSPECTIVE NOTEHOLDERS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND THIS SECTION FOR A DISCUSSION OF CERTAIN FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES.

### **General**

The Notes are limited obligations of the District payable generally from (1) the Pledged PILOT Payments, and (2) to the extent the Pledged PILOT Payments are insufficient to pay principal and interest when due on the Notes, Available Increment from the Downtown TIF Area subordinate to certain claims and on a parity with certain other claims. The Notes are special obligations of the District. See “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – General.”

The District’s ability to make timely payments of the principal of and interest due on the Notes is dependent, among other things, on the following: the continuing development of the Capper/Carrollsbury PILOT Area; the ability of commercial properties in the Downtown TIF Area to pay their real property taxes and payments in lieu of real property taxes; the ability of businesses in the Downtown TIF Area to generate and pay sales tax; and the performance by DCHA of its obligations under the Development Agreement.

Certain factors that could have a material effect on the foregoing and the ability of the District to pay principal of and interest due on the Notes are described below.

***Potential Shortfall of Pledged PILOT Payments.*** The occurrence of certain events, including the inability of tenants and/or owners of properties making Pledged PILOT Payments in the Capper/Carrollsbury PILOT Area to make such payments, and delays in the construction, completion, opening or commencement of additional components of the Capper/Carrollsbury HOPE VI Project, may cause a shortfall in the amount of Pledged PILOT Payments generated within the Capper/Carrollsbury PILOT Area. While it is anticipated that in the event of a shortfall of Pledged PILOT Payments, the Available Increment from the Downtown TIF Area allocable to the Notes should be sufficient to pay debt service on the Notes, no assurances can be given that the Available Increment from the Downtown TIF Area will be sufficient to satisfy the District’s financial obligations in connection with the Parity Lien Projects and to pay debt service on the Notes.

***Potential Shortfall of Available Increment from the Downtown TIF Area.*** Following the WCSA Allocation, incremental real property taxes and sales taxes in the Downtown TIF Area are allocated first to the Gallery Place Bonds and the Mandarin Oriental Bonds and then in accordance with the Reserve Agreement. The District retains the right, upon satisfaction of certain conditions, to allocate Footprint Increment to Future Downtown Projects prior to payment of any of such moneys to the holders of the Notes. Thereafter, Available Increment from the Downtown TIF Area is shared on a parity basis with the Parity Lien Projects and the holders of the Notes. While it is anticipated that the Available Increment from the Downtown TIF Area allocable to the Notes should be sufficient to pay debt service on the Notes in the absence of sufficient Pledged PILOT Payments, no assurances can be given that the Available Increment from the Downtown TIF Area will be sufficient to satisfy the District’s financial obligations in connection with the Parity Lien Projects and to pay debt service on the Notes.

***Future Changes in the District's Property Tax and Sales Tax Laws.*** Changes could occur in the real property tax laws or sales tax laws of the District. The Council from time to time has enacted legislation that affects the District's ability to impose and collect certain taxes. It is possible that legislation could be enacted in the District which would affect the property tax and/or sales tax which the District is permitted to collect, or limit the rate of property tax and/or sales tax authorized to be imposed. Any one or more of such occurrences may have the effect of reducing the amount of Available Increment from the Downtown TIF Area available to pay the principal of and interest on the Notes.

***Risks Relating to Available Increment from the Downtown TIF Area.*** The District's procedure for annually setting aside a portion of property tax receipts to cover outstanding general obligation debt of the District may have the same effect as changing the property tax rate as it could affect the amount of Available Increment from the Downtown TIF Area.

### **Forward-Looking Statements**

Written or oral statements made by the District, DCHA or the Underwriter or their respective representatives, including statements describing their respective objectives, projections, estimates, expectations or predictions of the future may be "forward-looking statements," which can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "estimates," "anticipates" or the negative thereof or other variations thereon. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements, other than as set out in the Continuing Disclosure Agreement.

The forward-looking statements herein are based on various assumptions and estimates that are inherently subject to numerous risks and uncertainties, including the possible invalidity of underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or not taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. In addition, these assumptions and estimates involve judgments regarding, among other things, future economic, competitive and market conditions, future actions by third parties, and future events and decisions, all of which are difficult, if not impossible, to predict accurately. Therefore, there can be no assurance that the forward-looking statements in this Official Statement will prove to be accurate.

The District, DCHA and the Underwriter caution that, by their nature, forward-looking statements involve risk and uncertainty and that the actual results attained by the Project may differ and could differ materially from those expressed or implied in such forward-looking statements or could affect the extent to which a particular projection is realized.

### **Enforceability of Rights and Remedies and Bankruptcy**

The rights and remedies available to the owners of the Notes upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial enforcement actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies provided in federal bankruptcy laws and in the Indenture may not be readily available or may be limited. No assurances can be given that a court or regulatory agency would enforce the rights or types of remedies available under the Indenture, including any rights and remedies with respect to the pledge of Pledged PILOT Payments and Available Increment. The various legal opinions to be delivered concurrently with the delivery of the Notes will be qualified as to the enforceability of these rights and remedies, for example, by limitations

imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by principles of equity.

Currently, the District is not authorized by law to file for bankruptcy, but no assurances can be given that applicable laws will not be amended in the future to allow for such bankruptcy filing, or to permit others to force the District into bankruptcy. However, the owners of property in the Capper/Carrollsbury PILOT Area and the Downtown TIF Area can file for bankruptcy and the timely collection of the Pledged PILOT Payments and the Available Increment may be adversely affected thereby.

### **Financing/Market Access Risks**

The credit markets have experienced substantial disruptions for more than two years. There can be no assurance as to the timing or the extent of the credit markets recovery. The District's plans include issuing long-term bonds upon maturity of the Notes. If the District is unable to access the credit markets as a result of market disruptions, no assurances can be given that there will be sufficient Pledged PILOT Payments and/or Available Increment at the time of maturity of the Notes to pay the Notes in full.

### **LITIGATION**

There is no litigation pending in any court or, to the knowledge of the Office of the Attorney General of the District of Columbia, threatened, which may have the effect of restraining or enjoining the issuance, delivery or payment of the Notes or the performance of the obligations of the District under the Notes, the Indenture, the Development Agreement, the Capper PILOT Act or the TIF Act or which in any way contests or may call into question the validity or enforceability of the Notes, the Indenture, the Development Agreement, the Capper PILOT Act or the TIF Act or the obligations of the District thereunder.

### **RATINGS**

Standard & Poor's Ratings Services ("S&P") has assigned a short-term rating of "\_\_\_" to the Notes. A rating reflects only the view of the rating agency giving such rating. An explanation of the significance of a rating may be obtained from S&P at 55 Water Street, New York, New York. There is no assurance that a rating will apply for any given period of time, or that a rating will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on the market price of or market for the Notes. The District furnished to such rating agency the information contained in this Official Statement and certain other materials and information about the District. Generally, a rating agency bases its rating on such materials and information, as well as investigations, studies and assumptions by the rating agency.

### **TAX MATTERS**

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law: (i) interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) the Notes and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Notes.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the District

contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Notes are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the District's certifications and representations or the continuing compliance with the District's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Notes from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the District may cause loss of such status and result in the interest on the Notes being included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. The District has covenanted to take the actions required of it for the interest on the Notes to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Notes, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Notes or the market value of the Notes.

Although a portion of the interest on certain tax-exempt obligations earned by certain corporations may be included in the calculation of adjusted current earnings for purposes of the federal corporate alternative minimum tax, interest on certain tax-exempt obligations issued in 2009 and 2010, including the Notes, is excluded from that calculation. Interest on the Notes may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Notes. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If a Note owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the

Notes will not have an adverse effect on the tax status of interest on the Notes or the market value of the Notes.

Prospective purchasers of the Notes should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Notes at other than their original issuance at the respective prices indicated on the cover of this Official Statement 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.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the owners of the Notes regarding the tax status of interest thereon in the event of an audit examination by the IRS. 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 Notes, under current IRS procedures, the IRS will treat the District as the taxpayer and the beneficial owners of the Notes will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Notes.

### **Original Issue Discount and Original Issue Premium**

Certain of the Notes ("Discount Notes") as indicated on the cover of this Official Statement were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Note. The issue price of a Discount Note is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Notes of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Note over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Note (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Notes, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Note. A purchaser of a Discount Note in the initial public offering at the price for that Discount Note stated on the cover of this Official Statement who holds that Discount Note to maturity will realize no gain or loss upon the retirement of that Discount Note.

Certain of the Notes ("Premium Notes") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Note, based on the yield to maturity of that Premium Note, compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Note. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Note, the owner's tax basis in the Premium Note is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Note for an amount equal to or less than the amount paid by the owner for that Premium Note. A purchaser of a Premium Note in the initial public offering at the price for that Premium Note stated on the cover of this Official Statement who holds that Premium Note to maturity will realize no gain or loss upon the retirement of that Premium Note.



**Owners of Discount and Premium Notes should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Notes and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.**

### **CERTAIN LEGAL MATTERS**

Legal matters related to the authorization, issuance, sale and delivery of the Notes are subject to the approval of opinion of Squire, Sanders & Dempsey L.L.P., Washington, D.C., Bond Counsel. The approving opinion of Bond Counsel will be in substantially the form attached to this Official Statement as APPENDIX C. Certain legal matters will be passed upon for the District by its Attorney General, for DCHA by its General Counsel, and for the Underwriter by Nixon Peabody LLP, Washington, D.C.

### **UNDERWRITING**

The underwriter of the Notes named on the cover hereof (the “Underwriter”) has agreed, subject to certain conditions, to purchase the Notes from the District at an aggregate price of \$\_\_\_\_ (reflecting the aggregate principal amount of the Notes of \$\_\_\_\_, less an original issue discount/plus an original issue premium of \$\_\_\_\_, and less an Underwriter’s discount of \$\_\_\_\_), pursuant to a Note Purchase Agreement (the “Purchase Contract”) entered into between the District and the Underwriter. The Purchase Contract provides that the Underwriter will purchase all of the Notes if any are purchased.

The initial public offering yield set forth on the cover hereof may be changed from time to time by the Underwriter and the Underwriter may offer to sell the Notes to certain dealers and others at yields higher or lower than the offering yield stated on the cover page hereof.

### **FINANCIAL ADVISOR**

Public Resources Advisory Group (“PRAG”) serves as financial advisor to the District on matters pertaining to the Notes. PRAG is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. PRAG has not undertaken to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in the Official Statement.

### **CONTINUING DISCLOSURE**

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will agree (the “Continuing Disclosure Agreement”) for the benefit of the owners of the Notes, to assist the Underwriter in complying with subsection (b)(5) of the Rule. See APPENDIX E for the detailed provisions of the Continuing Disclosure Agreement.

## **MISCELLANEOUS**

All of the appendices are an integral part of this Official Statement and must be read together with this Official Statement. The description of the Indenture does not purport to be comprehensive or definitive, and prospective purchasers of the Notes are referred to the Indenture for the complete terms thereof. Copies of the Indenture may be obtained from the District. So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representation of fact. Historical data is presented for information purposes only and is not intended to be a projection of future results.

## **DISTRICT OF COLUMBIA**

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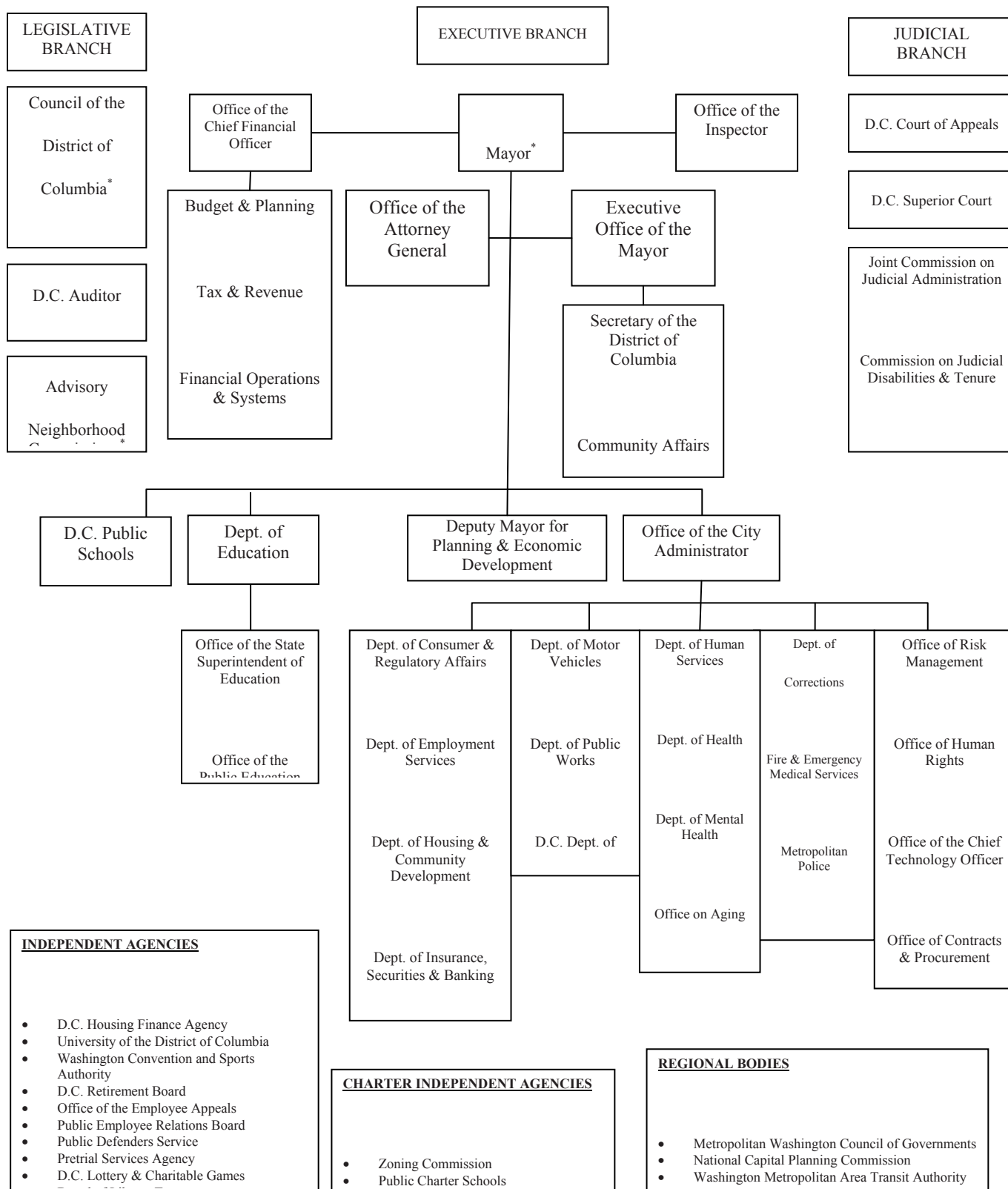
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**APPENDIX A**  
**THE DISTRICT OF COLUMBIA**

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\* Elected Officials

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## **APPENDIX A**

### **THE DISTRICT OF COLUMBIA**

#### **General**

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 eighth largest metropolitan area in the United States. The District of Columbia covers approximately 69 square miles and had a resident population of 599,657 in 2009, according to the U.S. Census Bureau. The Washington metropolitan area encompasses 15 jurisdictions in Maryland and Virginia.

As the Nation's Capital, the District is the seat of the three branches of the Federal government and headquarters for most Federal departments and agencies. In addition, the District is host to 173 foreign embassies and other recognized diplomatic missions. A number of international organizations, such as the International Monetary Fund, the World Bank, the World Health Organization, and the Organization of American States, have their headquarters in the District.

In 2008, an estimated 16.69 million people came to the District, including 15.16 million domestic visitors and 1.53 million international visitors. The average trip expenditure in the District for domestic visitors was \$150, which contributed \$2.3 billion to the local economy. 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 cultural institutions of international renown. The convention and tourism industry is second only to the government sector in terms of economic benefits generated for the District. The hospitality industry that services the business traveler, conventioneer and tourist is one of the District's core industries and is a major source of jobs and personal income. According to the Travel Industry Association of America, the District is the fourth most popular tourist destination in the United States.

The Walter E. Washington Convention Center (the "Convention Center") opened in 2003 with the goal of increasing the District's desirability as a destination for business meetings and conventions. The Convention Center is approximately three times as large as the former convention center with approximately 2.3 million total square feet divided among exhibit space, meeting space, retail space and a ballroom. The Convention Center has 703,000 square feet of exhibit space, 210,000 square feet for meeting space divisible into 66 rooms, and 44,000 square feet for retail space and street-level restaurants. The meeting space includes a 52,000 square foot ballroom which is one of the largest on the East Coast.

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

for domestic and international flights), as well as passenger and freight rail networks and passenger buses.

## **Creation and Charter**

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

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

## **Organization of the District Government**

***Legislative Branch.*** The legislative powers granted to the District by the Home Rule Act are vested in the Council, 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 election wards of the District elects one member.

The legislative powers granted to the Council by the Home Rule Act extend to all rightful subjects of legislation within the District consistent with the Constitution and the Home Rule Act, and include the authority to pass laws, create and abolish any office (subject to certain protections applicable to the Office of the Chief Financial Officer pursuant to the Home Rule Act; see 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, 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 that would permit the building of structures within the District higher than the dome of the United States Capitol, approximately twelve stories.

***Judicial Branch.*** The judicial power of the District is vested in a Superior Court and a Court of Appeals (the “Courts”). The Superior Court has jurisdiction of any civil action or other matter (at law or in equity) brought in the District of Columbia and of any criminal case under any law applicable exclusively to the District. The Superior Court has no jurisdiction over any civil or criminal matter over which a United States court has exclusive jurisdiction pursuant to an Act of Congress. The Court of Appeals has jurisdiction of appeals from the Superior Court and, to the extent provided by law, to review orders and decisions of the Mayor, the Council, or any agency of the District. Generally, the President of the United States 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. These executive functions include supervision and direction of the District’s administrative boards, offices, and agencies, administration of the District’s financial affairs through appointment and oversight of the Chief Financial Officer (“CFO”) for a five-year term, administration of personnel matters, central municipal planning, making legislative proposals to the Council, and similar matters. The Mayor also has the authority to veto legislation adopted by the Council. The Mayor is assisted in these duties by a City Administrator, who serves as the chief administrative officer of the District. The City Administrator is appointed by the Mayor and serves at the pleasure of the Mayor.

In addition to the City Administrator, the Mayor is assisted by a Deputy Mayor for Planning and Economic Development and a Deputy Mayor for Education.

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 of the United States for submission to Congress.

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

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

The CFO is responsible for supervising the activities of the District Treasurer, supervising and administering the District's borrowing, administering cash management, administering the District's payroll and retirement systems, governing the District's accounting policies and systems, preparing certain reports on the District's accounting and financial operations, preparing a comprehensive financial management policy for the District, and preparing the financial statements and reports on the District's activities required by the Home Rule Act. The CFO also must prepare annual estimates of all revenues of the District for use in the District's budget and quarterly re-estimates of revenues, supervise and assume responsibility for financial transactions to ensure adequate control of revenues and resources and that appropriations are not exceeded, maintain systems of accounting and internal control, supervise and assume responsibility for levying and collecting all taxes, fees and other revenues, maintain custody of all public funds and all investments and invested funds, and assist the Inspector General in developing internal audits of accounts, operations and records of the District. In addition, the CFO is required to prepare and submit to the Mayor, for inclusion in the annual budget of the District, annual estimates of expenditures and appropriations necessary for the operation of the Office of the CFO. The Mayor is required to forward all such estimates to the Council without revision, but the Mayor may attach his or her recommendations. The Council may comment upon or make further recommendations concerning such estimates, but it has no authority to revise those estimates.

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

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

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

District criminal law, he or she is required to report the matter expeditiously to the Attorney General of the United States.

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

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

## **Relationship between the District and the Federal Government**

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

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

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

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

#### **Statutory Debt Limitations**

The District may issue long-term debt in the form of general obligation bonds to finance capital projects and to refund indebtedness of the District. Such general obligation bond issuances are not permitted during any fiscal year if total debt service in any fiscal year will exceed 17% of District revenues (as described in §603(b) of the Home Rule Act, D.C. Official Code §1-206.03(b)(1)) during the fiscal year in which such issuances are made. 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 special taxes.

In 2009, the District passed an act (the “Debt Ceiling Act”) imposing a further limit on the issuance of any District general obligation bonds, Treasury capital-project loans, tax-supported revenue bonds, notes or other debt instruments secured by revenues derived from taxes, fees, or other general revenues of the District, or its agencies and authorities, pursuant to the District’s power to tax and impose fees, including TIF Bonds and PILOT Notes (as hereinafter defined), certificates of participation and lease purchase financing obligations (collectively, with the exceptions noted in the Debt Ceiling Act, “Tax-Supported Debt”), but excluding revenue bonds, notes, or other debt instruments issued for the purpose of funding water and sewer facilities, as described in section 490(a) of the Home Rule Act, and bonds, notes, or other debt instruments paid or secured by revenues from the Master Settlement Agreement with tobacco companies, federal grants, or revenues from the operation of fully self-supporting public enterprises 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 Notes, the District will have approximately \$7.3 billion of Tax-Supported Debt outstanding, the debt service on which will produce Debt Ceiling percentages that comply with the Debt Ceiling Act. The Debt Ceiling percentage is approximately 10% in fiscal year 2010.

### **Economic Development Initiatives of the District**

***Tax Increment Financings and PILOT Financings.*** Eight projects have been financed by the issuance of tax increment bonds or notes (“TIF Bonds”) pursuant to the District’s Tax Increment Financing (“TIF”) Program established pursuant to the Tax Increment Financing Authorization Act of 1998, as amended (the “TIF Act”): the \$83.5 million Shakespeare Theatre Harman Center for the Arts, for which \$10 million in TIF Bonds were issued; the \$46.9 million DC-USA parking garage project, of which \$42 million in bonds secured by tax increment were issued; the \$96 million Embassy Suites Hotel, for which \$11 million in TIF Bonds were issued; the \$109 million Capitol Hill Towers housing, hotel, retail and parking development, for which \$10 million in TIF Bonds and \$15 million in enterprise zone revenue bonds were issued; the \$274 million Gallery Place entertainment, retail, and housing development, for which approximately \$74 million in TIF Bonds were issued; the \$144 million Mandarin Oriental Hotel, for which approximately \$46 million in TIF Bonds were issued; the \$28 million International Spy Museum, for which approximately \$7 million in TIF Bonds and \$15 million in enterprise zone revenue bonds were issued; and the \$160 million expansion to build the Arena Stage at the Mead Center for American Theater, for which \$10 million in TIF Bonds were issued. The Embassy Suites Hotel TIF Bonds were fully repaid in November 2009 and the Spy Museum TIF Bonds were fully repaid in 2007. TIF Bonds are payable solely from incremental increases in certain dedicated real property and sales tax revenues, are not general obligation debt of the District, and do not involve a pledge of the full faith and credit of the District. The eight projects financed by TIF Bonds had an aggregate project cost of approximately \$941.4 million; approximately \$210 million of TIF Bonds were issued to finance such projects. Of such TIF Bonds, approximately \$158 million remain outstanding.

Pursuant to the Retail Incentive Act of 2004, as amended by the Fiscal Year 2007 Budget Support Act of 2006 (as further amended from time to time, the “Retail Incentive Act”), the District may issue “Retail TIF Bonds” to fund retail development projects in certain designated “Retail Priority Areas,” including a designated portion of the downtown area of the District and such other areas as the Mayor may designate. Thus far, the District has issued six series of Retail TIF Bonds totaling approximately \$16 million. The District also has authorized the issuance of approximately \$160 million in additional Retail TIF Bonds.

The aggregate of TIF Bonds and Retail TIF Bonds may not exceed \$500 million (the “TIF Cap”). After taking into consideration debt already issued or authorized, approximately \$128 million of authority is available under the TIF Cap.

In addition to debt authorized under the TIF Act and the Retail Incentive Act, the District issued a \$50 million taxable financing note to finance upgrades at the Verizon Center. The note



is a special limited obligation of the District secured by a portion of the taxes on certain on-site personal property, services and public ticket sales at Verizon Center. In the event such taxes are not sufficient, the note is further secured from incremental increases in certain dedicated real property and sales tax revenues, subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance Gallery Place and the Mandarin Oriental Hotel.

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

The District also has authorized but not yet issued approximately \$152 million of additional PILOT Notes, including \$55 million for the Capper/Carrollsborg Project Area, which if issued would leave approximately \$236 million of authority available under the PILOT Cap. The District also has authorized the issuance of approximately \$440 million of tax increment and PILOT bonds that are not subject to the TIF Cap or PILOT Cap, which includes approximately \$187 million in tax increment financing for a Washington Convention Center hotel project.

The National Capital Revitalization Corporation (“NCRC”) issued \$46.9 million of variable rate revenue bonds (the “NCRC Bonds”) in February 2006 payable in part from a \$42 million TIF Bond issued by the District for the DC-USA parking garage project described above. Similarly, the Anacostia Waterfront Corporation (“AWC”) issued \$111.55 million of PILOT revenue bonds (the “AWC Bonds”) in September 2007 payable from the \$140 million PILOT Note issued by the District and described above. In connection with the issuance of the AWC Bonds, the AWC entered into a swap agreement with Wachovia Bank, N.A. which has a current notional amount of \$102,970,000 and provides for a fixed interest rate payment by the District at 4.463%. The NCRC and AWC were, at the times of issuance of the NCRC Bonds and the AWC Bonds, independent instrumentalities of the District. Subsequent to the issuance of such bonds, however, the District has, pursuant to statute, abolished the NCRC and AWC and assumed their assets and obligations, including the payment of the NCRC Bonds and the AWC Bonds.

**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 (the “Team”), 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 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) the Ballpark Fee, (iii) the Ballpark Utilities Tax, and (iv) rent payments under the Stadium Lease (“Ballpark Rent”). 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. 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. One-eleventh of this fee is a component of the Ballpark Utilities Tax and is deposited into the Ballpark Revenue Fund to be used for debt service on the Ballpark Bonds. The final component of the Ballpark Utilities Tax is a tax of \$0.0007 per kilowatt-hour of electricity delivered to non-residential end-users in the District of Columbia, which is deposited into the Ballpark Revenue Fund to be used for debt service on the Ballpark Bonds. Taxes are remitted to the District monthly. The fiscal year 2010 Ballpark Sales Tax is comprised of (i) a 10.25% tax on tickets sold (6% generally applicable tax and additional 4.25% stadium-specific tax), (ii) a 12% generally applicable parking tax, (iii) a 10.25% tax on stadium concessions, excluding food and beverage (6% generally applicable tax and additional 4.25% stadium-specific tax), and (iv) a 10% generally applicable tax on food and beverages sold in the stadium, less one-tenth of such tax, which must be transferred to the Washington Convention and Sports Authority (as successor to the Washington Convention Center Authority).

The Ballpark Financing Act also provided for the creation of a Community Benefit Fund and the establishment of a TIF area surrounding the Ballpark (the "Ballpark TIF Area"). The incremental increase in real property tax and sales tax revenues in the Ballpark TIF Area will be deposited in the Community Benefit Fund. The Ballpark Financing Act permits the District to spend funds in the Community Benefit Fund, or to pledge the Community Benefit Fund as the source of payment for bonds to finance, upon Council approval, certain community-based projects in the District ("Community Development Projects"), including recreation centers, small business development incentives, job training and readiness programs, school construction and modernization, school athletic facilities and libraries. The Ballpark Financing Act authorizes the issuance of up to \$450 million in revenue bonds secured by monies in the Community Benefit Fund to finance Community Development Projects, including \$50 million in bonds for infrastructure improvements in the Ballpark TIF Area. To date, no such projects have been approved or funded.

***Enterprise Zones.*** Certain Federal initiatives also have served to encourage economic development within the District. Pursuant to the Revenue Reconciliation Act, certain sections of the District have been designated as enterprise zones. Qualified businesses within designated enterprise zones may benefit from tax-exempt financing, claim certain employment tax credits, exclude capital gains or assets from gross income, and benefit from other initiatives intended to increase economic development within the District. Since Fiscal Year 2007, the District has issued approximately \$17 million of enterprise zone facility bonds on behalf of two qualified businesses. The enterprise zone incentives expire annually, and we anticipate that the Federal Government will extend this incentive during fiscal year 2010.

**Business Improvement Districts.** The District has created eight business improvement districts (the “Business Improvement Districts”), within the District in partnership with private businesses within such Business Improvement Districts. The current Business Improvement Districts are: the Downtown DC BID, the Adams Morgan Partnership, the Capitol Hill BID, the Capitol Riverfront BID, the Georgetown Partnership, the Golden Triangle BID, the NoMa-Capitol Hill North BID and the Mount Vernon Triangle BID. The goal of the Business Improvement Districts is to provide a cleaner, safer and more attractive environment that is conducive to increased economic activity.

## DEMOGRAPHIC STATISTICS

	<u>Population</u>	<u>Median Age</u>	<u>Per Capita Personal Income</u>		<u>Ration of D.C.</u>
<u>Year</u>	<u>D.C.</u>	<u>D.C.</u>	<u>D.C.</u>	<u>U.S.</u>	<u>to U.S.</u>
2002	579,112	34.8	44,442	31,470	1.41
2003	577,371	34.9	47,529	32,284	1.47
2004	579,521	35.0	51,458	33,899	1.52
2005	582,049	35.1	55,268	35,447	1.56
2006	585,419	35.1	60,080	37,728	1.59
2007	587,868	35.0	63,881	39,430	1.62
2008	591,833	34.9	66,119	40,208	1.64

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

## SOURCES OF INCOME OF DISTRICT RESIDENTS

<u>Source of Income</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net earnings	74.85%	74.99%	74.51%	73.62%	73.71%
Dividends, interest, and rents	14.72%	13.83%	14.96%	15.77%	15.18%
Transfer payments	12.48%	11.18%	10.53%	10.61%	11.12%

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

**Employment and Industry.** According to the Bureau of Labor Statistics, total resident employment in the Washington primary metropolitan statistical area (the “PMSA”) was 2,888,205 in July 2009. Total resident employment in the District in August 2009 was 288,600, which is approximately 9.99% of the PMSA total.

The District’s large service sector accounted for 702,400 jobs as of August 2009. Public sector employment in the District, which had seen a downward sloping trend over the past 10 years, increased slightly to 255,900 as of August 2009.

**EMPLOYMENT IN THE DISTRICT OF COLUMBIA  
BY INDUSTRY**  
**Annual Average Data**<sup>1, 2, 3</sup>  
**(In Thousands)**

<b>Calendar Year</b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Federal Government	192.5	193.8	192.8	190.8	193.4
District Government	33.9	35.3	35.4	36.3	37.5
Public Transportation	4.9	4.6	4.8	3.9	3.8
Trade, Trans. & Utilities	27.9	27.8	27.9	27.7	27.9
Financial Activities	30.6	30.2	29.4	29.2	28.3
Professional & Business Services	143.9	148.4	152.1	152.8	153.1
Other private	240.5	242.1	245.2	253.1	260.9
<b>Total Service-Providing</b>	<b><u>659.4</u></b>	<b><u>667.5</u></b>	<b><u>673.4</u></b>	<b><u>679.4</u></b>	<b><u>690.4</u></b>
<b>Total Goods-Producing</b>	<b><u>14.8</u></b>	<b><u>14.7</u></b>	<b><u>14.2</u></b>	<b><u>14.4</u></b>	<b><u>14.5</u></b>
<b>Total Non-Farm</b>	<b><u>674.2</u></b>	<b><u>682.2</u></b>	<b><u>687.6</u></b>	<b><u>693.8</u></b>	<b><u>704.8</u></b>

- 1 Data may not equal totals due to rounding. Data reflect 2007 benchmark revisions. Industry classification is based on the North American Industry Classification System (NAICS).
- 2 Data includes all full-time and part-time employees who worked or received pay for any part of a pay period that includes the 12th of the month.
- 3 Proprietors, self-employed, unpaid family workers, military, international, and private household workers are excluded.

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

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**TOP 10 PRIVATE SECTOR EMPLOYERS IN  
THE DISTRICT (2008): <sup>1</sup>**

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

<sup>1</sup> Ranked by size of workforce.  
Source: District's 2009 CAFR; Statistical Section (unaudited).

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**EMPLOYMENT AND UNEMPLOYMENT IN THE CIVILIAN LABOR FORCE  
WASHINGTON, D.C., WASHINGTON PMSA AND THE NATION**

**WASHINGTON, D.C.**

	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>
Labor Force	318,472	321,442	327,218	332,703
Number Employed*	297,710	302,893	309,116	309,528
Number Unemployed	20,762	18,549	18,102	23,175
Unemployment Rate	6.5%	5.8%	5.8%	7.0%

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\* Nonfarm civilian payroll employment.

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

**WASHINGTON, PMSA**

	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>
Labor Force	2,900,988	2,961,624	2,992,498	3,027,698
Number Employed*	2,801,002	2,870,705	2,904,050	2,913,899
Number Unemployed	99,986	90,919	88,448	113,799
Unemployment Rate	3.4%	3.1%	3.0%	3.8%

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\* Nonfarm civilian payroll employment.

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

**UNITED STATES  
(000s)**

	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>
Labor Force	149,320	151,428	153,124	154,287
Number Employed*	141,730	144,427	146,027	145,362
Number Unemployed	7,591	7,001	7,078	8,924
Unemployment Rate	5.1%	4.6%	4.6%	5.8%

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\* Nonfarm civilian payroll employment.

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

**REAL PROPERTY ASSESSED VALUE, CONSTRUCTION AND BANK DEPOSITS**  
**Last Ten Fiscal Years**  
**(\$000)**

<b>Fiscal Year</b>	<b>Estimated Actual Value</b>		<b>Total Taxable</b>	<b>Tax Exempt</b>	<b>Total Value</b>	<b>Total Direct Tax Rate</b>	<b>Tax Exempt as a % of Total Value</b>
	<b>Commercial Property</b>	<b>Residential Property<sup>(1) (2) (3) (4) (5)</sup></b>					
<b>2000</b>	\$ 19,357,631	\$ 23,912,435	\$ 43,270,066	\$ 30,900,682	\$ 74,170,748	1.43	41.7%
<b>2001</b>	21,960,148	22,268,968	44,229,116	32,086,134	76,315,250	1.45	42.0%
<b>2002</b>	27,619,604	24,902,543	52,522,147	33,812,037	86,334,184	1.39	39.2%
<b>2003</b>	29,684,430	28,379,237	58,063,667	35,728,289	93,791,956	1.38	38.1%
<b>2004</b>	33,752,889	32,701,220	66,454,109	43,234,068	109,688,177	1.35	39.4%
<b>2005</b>	36,905,213	49,982,554	86,887,767	43,219,725	130,107,492	1.37	33.2%
<b>2006</b>	40,400,447	58,090,888	98,491,335	59,664,865	158,156,200	1.34	37.7%
<b>2007</b>	51,748,487	73,126,786	124,875,273	57,690,545	182,565,818	1.31	31.6%
<b>2008</b>	61,557,827	81,400,361	142,958,188	67,869,520	210,827,708	1.30	32.2%
<b>2009</b>	68,495,502	84,544,053	153,039,555	81,211,121	234,250,676	1.29	34.7%

- (1) After deduction of homestead exemption and credits against tax for 1999-2007  
(2) Does not reflect the 2002 & 2003 Cap Assessment of 25% for Class 01 with Homestead Exemptions  
(3) Does not reflect the 2004 & 2005 Cap Assessment of 12% for Class 0 with Homestead Exemptions  
(4) Does not reflect the 2006 Cap Assessment of 10% for Class 01 with Homestead Exemptions  
(5) After deduction of Homestead Exemption for 2008-2009  
Source: Office of Tax and Revenue  
Note: Assessed value is 100 percent of estimated actual value

**Real Property Tax Accounts Receivable**

<b>Fiscal Year</b>	<b>Net Receivables<sup>1</sup></b>
2000	\$41,512,881
2001	\$47,143,813
2002	\$65,352,884
2003	\$47,001,233
2004	\$45,788,595
2005	\$47,473,373
2006	\$53,625,856
2007	\$52,737,743
2008	\$80,348,542
2009	\$115,095,104

1 Net of Reserves.

Source: District of Columbia Office of Tax and Revenue



**Real Property Tax Levies and Collections (All Classes)**  
**Last Ten Fiscal Years**  
**(000s)**

<b>Fiscal Year Ended September 30</b>	<b>Tax Levy</b>	<b>Tax Collections<sup>(1)</sup></b>			<b>Percent of Collections to Levy</b>	
		<b>Current</b>	<b>Subsequent Years <sup>(2)</sup></b>	<b>Total</b>	<b>Current</b>	<b>Total</b>
<b>2000</b>	\$ 613,385	\$ 569,190	\$ 23,587	\$ 592,777	92.8%	96.6%
<b>2001</b>	669,016	576,965	58,359	635,324	86.2%	95.0%
<b>2002</b>	740,387	649,895	57,729	707,624	87.8%	95.6%
<b>2003</b>	847,980	774,989	63,110	838,099	91.4%	98.8%
<b>2004</b>	1,011,891	898,352	47,701	946,053	88.8%	93.5%
<b>2005</b>	1,198,319	1,021,836	46,314	1,068,150	85.3%	89.1%
<b>2006</b>	1,234,062	1,102,954	47,422	1,150,376	89.4%	93.2%
<b>2007</b>	1,525,002	1,361,132	66,500	1,427,632	89.3%	93.6%
<b>2008</b>	1,815,303	1,623,079	67,384	1,690,457	89.4%	93.1%
<b>2009</b>	2,103,251	1,760,938	69,483	1,830,421	83.7%	87.0%

1 Approximately 45% of real property tax collections are deposited with fiscal agents, such as commercial banks, for payment of matured bonds and interest

2 Subsequent year collections related to collections on prior year levies

Current year tax levy amounts include new billings for prior year penalties and interest.

Subsequent year collections relate to collections on prior year levies.

Source: Office of Tax and Revenue

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# DISTRICT OF COLUMBIA MAJOR TAX RATES

## Fiscal Years 2006-2010

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Property<sup>1</sup></b>					
<b>Real</b>					
<b>Class 1</b>	0.92	0.88	0.85	0.85	0.85
<b>Class 2</b>	1.85	1.85	1.85	1.65/1.85 <sup>2</sup>	1.65/1.85 <sup>2</sup>
<b>Class 3</b>	5.00	5.00	5.00	10.00	10.00
<b>Personal</b>	3.40	3.40	3.40	3.40	3.40
<b>Sales and Use<sup>3</sup></b>					
<b>General<sup>4</sup></b>	0.0575	0.0575	0.0575	0.0575	0.06
<b>Selective</b>					
<b>Cigarettes<sup>5</sup></b>	1.00	1.00	1.00	2.00	2.50
<b>Motor Fuel<sup>6</sup></b>	0.20	0.20	0.20	0.20	0.235
<b>Income and Receipts<sup>7</sup></b>					
<b>Individual</b>	.045-.087	.04-.085	.04-.085	.04-.085	.04-.085
<b>Business</b>	0.09975	0.09975	0.09975	0.09975	0.09975
<b>Gross Receipts</b>					
<b>Public Utility<sup>8</sup></b>					
<b>Residential Customers</b>	0.10/0.0707 <sup>10</sup>	0.10/0.0707 <sup>10</sup>	0.10/0.0707 <sup>10</sup>	0.10/0.0707 <sup>10</sup>	0.10/0.0707 <sup>10</sup>
<b>Non-Residential Customers<sup>9</sup></b>	0.11/0.0777 <sup>10</sup>	0.11/0.0777 <sup>10</sup>	0.11/0.0777 <sup>10</sup>	0.11/0.0777 <sup>10</sup>	0.11/0.0777 <sup>10</sup>
<b>Public Utility (Electrical)<sup>11</sup></b>					
<b>Residential Customers</b>	0.0070	0.0070	0.0070	0.0070	0.0070
<b>Non-Residential Customers</b>	0.0077 <sup>12</sup>	0.0077 <sup>12</sup>	0.0077 <sup>12</sup>	0.0077 <sup>12</sup>	0.0077 <sup>12</sup>
<b>Ballpark Fee<sup>13</sup></b>	\$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. Class 1 is comprised principally of owner-occupied and renter-occupied residential real property; Class 2 is comprised of all real property that is not classified as Class 1 or Class 3 property (being principally commercial real property); and Class 3 is comprised of "blighted" property (as identified by the Mayor or the Board of Condemnation of Insanitary Buildings).
- 2 For fiscal years 2009 and 2010, there is a split rate for Class 2 property of \$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 Center Authority, the predecessor to the Washington Convention and Sports Authority ("WCSA"), to finance the Convention Center and operating expenses of the WCSA.
- 4 Per \$1 of general sales. Does not include the additional 4.25% Ballpark Sales Tax or taxes on lodging, restaurants and parking.
- 5 Per pack.
- 6 Per gallon.
- 7 Per \$1 of taxable income.
- 8 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.
- 9 One-eleventh of the non-residential tax is deposited into the District's Ballpark Revenue Fund to be used for debt service on bonds issued by the District (the "Ballpark Bonds") to fund the construction of a baseball stadium.
- 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 an additional tax of \$0.00707 for each therm of natural gas delivered to non-residential end-users in the District of Columbia.
- 11 Per Kilowatt-hour of electricity delivered.
- 12 \$0.0007 of the tax collected for every kilowatt-hour of electricity delivered to non-residential end-users in the District of Columbia is deposited in the Ballpark Fund to be used for debt service on the Ballpark Bonds.
- 13 The Ballpark Fee is a gross receipts fee that is levied on businesses within the District 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.

## TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Fiscal Years 2002-2009(1)

*(modified accrual basis of accounting, \$000s)*

<u>Fiscal Year</u>	<u>Property Tax</u>			<u>Sales and Use</u>	<u>Income and Franchise</u>	<u>Gross Receipts</u>	<u>Other Taxes</u>	<u>Total</u>
	<u>Real</u>	<u>Personal</u>	<u>Rental</u>					
<b>2002</b>	\$726,014	\$ 65,208	\$ 13,172	\$ 750,060	\$ 1,160,423	\$231,786	\$283,146	\$3,229,809
<b>2003</b>	822,845	67,294	11,749	779,920	1,167,452	261,643	273,191	3,384,094
<b>2004</b>	947,690	63,558	16,840	828,391	1,299,009	271,897	379,521	3,806,906
<b>2005</b>	1,058,100	72,068	18,165	957,394	1,472,432	295,819	377,213	4,251,191
<b>2006</b>	1,163,598	55,548	22,336	970,885	1,591,483	278,453	390,542	4,472,845
<b>2007</b>	1,452,267	67,394	32,239	1,056,780	1,736,361	302,768	498,198	5,146,007
<b>2008</b>	1,666,315	59,690	33,086	1,101,859	1,755,894	302,873	413,401	5,333,118
<b>2009</b>	1,832,748	69,163	32,612	1,052,011	1,478,068	315,976	261,909	5,042,487

(1): As a result of GASB 34 implementation in fiscal year 2002, which made prior year data not comparable to subsequent years, only eight fiscal years are presented.

Source: District's 2009 CAFR Statistical Section (unaudited).

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## **APPENDIX B**

### **SUMMARY OF THE INDENTURE**

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## **APPENDIX B**

### **SUMMARY OF THE INDENTURE**

The following is a summary of the Master Indenture of Trust as amended by the First Supplement to the Master Indenture of Trust (collectively, the “Indenture”). This summary does not purport to set forth all of the provisions of the Indenture, to which reference is made for the complete and actual terms thereof.

Certain terms used in the Indenture are defined below unless otherwise defined herein or the context clearly indicates otherwise. When and if such terms are used in the Remarketing Circular they shall have the meanings set forth below. Any capitalized term used in the Remarketing Circular regarding the Indenture and not defined herein shall have the meaning given such term by the Indenture.

#### **Definitions of Certain Terms in the Indenture**

“Accounts” shall mean the accounts established pursuant to any Supplemental Indenture.

“Additional Bonds” shall mean any bonds issued by the District pursuant to a Supplemental Indenture subsequent to or contemporaneously with the issuance of the initial Series of Bonds issued by the District pursuant to a Supplemental Indenture.

“Authorized Delegate” shall mean the Mayor or the Deputy Mayor for Planning and Economic Development, or the CFO or any officer or employee of the executive office of the Mayor or the OCFO to whom the Mayor or the CFO, respectively, has delegated, or to whom the foregoing individuals have sub-delegated, any of the Mayor’s or the CFO’s functions.

“Authorized Denominations” shall mean, except as otherwise provided in a Supplemental Indenture, \$5,000 and any integral multiple of \$5,000, provided that one Bond may be in any denomination.

“Authorizing Actions” shall mean the Home Rule Act and the Capper PILOT Act.

“Available Increment” shall mean the Available Increment as defined in the Capper PILOT Act. The Available Increment shall not include any portion of the Budgeted Reserve.

“Beneficial Owners” shall mean, when the Bonds are held by a Bond Depository, the owners of any Bonds which are held for such owners by a Bond Depository in the form of a Global Certificate.

“Bond” or “Bonds” shall mean any bonds or notes issued from time to time pursuant to the Indenture and one or more Supplemental Indentures and, upon such issuance, issued and outstanding under the Indenture and such Supplemental Indenture(s).

“Bond Counsel” shall mean Squire, Sanders & Dempsey L.L.P., or such other Nationally Recognized Bond Counsel designated as such from time to time by the Mayor with respect to the Bonds.

“Bond Depository” shall mean The Depository Trust Company and its successors and assigns, and any other securities depository which meets the qualifications set forth in the Indenture.

“Bond Documents” shall mean, with respect to any Series of Bonds, the Bonds, the Indenture, the Supplemental Indenture applicable to such Series of Bonds, the Development Agreement, the Purchase Contract applicable to such Series of Bonds, the Official Statement, if any, applicable to such Series of

Bonds, and all other agreements, documents, certificates and instruments executed and delivered in connection with the issuance, sale and delivery of such Bonds, and the execution and delivery of the Indenture and the applicable Supplemental Indenture.

“Bond Payment Date” shall mean any Interest Payment Date and any other date on which the principal of, redemption premium (if any) on, or interest on, the Bonds is to be paid to the Owners of the Bonds (whether at maturity, after notice of redemption, upon purchase, prepayment or otherwise).

“Bond Proceeds” shall mean, with respect to any Series of Bonds, the original proceeds derived from the issuance, sale and delivery of such Bonds to the Underwriter or such other purchaser of the Bonds as specified in the applicable Supplemental Indenture.

“Bond Year” shall mean, with respect to any Series of Bonds, the annual period relevant to the application of Section 148 of the Code to such Bonds.

“Bondholder” or “Holder” or “Holder of Bonds” or “holder of Bonds” or “Owner” or “Owner of Bonds” or “owner of Bonds” shall mean the person in whose name any Bond is registered on the registration books maintained by the Trustee pursuant to the Indenture.

“Book-Entry System” shall mean the system maintained by the Bond Depository described in of the Indenture.

“Budgeted Reserve” shall mean the Budgeted Reserve as defined in the Reserve Agreement.

“Business Day” shall mean any day other than (a) a Saturday, Sunday, or (b) a day on which banks in the District of Columbia, the Collection Agent, the Paying Agent or the Trustee are required, or authorized, by law, regulation or executive order, to close.

“Capper/Carrollsborg PILOT Area” shall mean the land in the southeast quadrant of the District located in Lots 0045, 0046, 0047, and 0048, Square 799; Lots 0020, 0025, 0026, 0027, 0028, 0816, 0818, 0819, and 0820, Square 800; Lots 0037, 0038, and 0039, Square 824; all lots in Squares 737, 739, 767, 768, 769, 797, 798, 825, S825, and 882; any portion of the land known as Reservation 17A which becomes part of Square 737 or 739; and land consisting of streets or alleys located within the Capper/Carrollsborg PILOT Area upon abandonment thereof and reversion to a square or lot included in the Capper/Carrollsborg PILOT Area.

“Capper/Carrollsborg PILOT Fund” shall mean the Capper/Carrollsborg PILOT Fund as defined in the Capper PILOT Act.

“Capper/Carrollsborg Public Improvements” shall mean the Capper/Carrollsborg Public Improvements as defined in the Capper PILOT Act, and as set forth on Exhibit A to the Development Agreement.

“Capper PILOT Act” shall mean the Capper PILOT Act as defined in Recital B of the Indenture.

“Certificated Bonds” shall mean the Bonds authorized to be authenticated and delivered pursuant to the conditions and terms of the Indenture.

“CFO” shall mean the Chief Financial Officer of the District of Columbia.

“Closing Date” or “Closing” or “Issuance Date” shall mean, with respect to any Series of Bonds, the date of original issuance and delivery of such Bonds.

“Code” shall mean the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of the Code, and all applicable regulations (whether proposed, temporary or final) under the Code and the statutory predecessor of the Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

“Collection Agent” shall mean Wachovia Bank, National Association, or any successor, as Collection Agent, under the terms of the Lockbox Agreement.

“Commission” shall mean the Securities and Exchange Commission.

“Conditional Redemption” shall mean a redemption with respect to which a notice of redemption has been given to Bondholders and in which notice the Trustee has stated that the redemption is conditional upon a deposit of funds sufficient to fund the redemption as further described in the Indenture.

“Costs” shall mean Development Costs and Financing Costs, including, to the extent permitted by the Code, reimbursement of the District, DCHA or DCHE for such costs paid by the District, DCHA or DCHE.

“Costs of Issuance” or “Issuance Costs” shall mean Costs consisting of fees, costs, charges, and expenses (collectively, “Charges”) paid or incurred or to be paid or incurred in connection with the authorization, preparation, printing, issuance, sale and delivery of the Bonds, to the extent permitted by the Code, including, but not limited to, administrative costs, underwriting charges, printing charges, certain legal charges, accounting charges, rating agency charges, Depository charges, feasibility study charges, certain other financial charges, and charges paid to financial institutions, plus compensation to financial advisors and other persons (other than full-time employees of DCHA, DCHE or the District) and entities performing services on behalf of the District, DCHA or DCHE, and all other charges (not covered by the foregoing) incurred in connection with the development of the Bond Documents.

“Costs of Issuance Fund” shall mean the fund of that name established pursuant to the Indenture.

“Council” shall mean the Council of the District of Columbia.

“Counsel” shall mean any attorney or attorneys duly admitted to practice law before the highest court of any state or the District who have regularly engaged in the practice of law as their primary occupation for at least five (5) years and none of whom is a full-time employee of the District, DCHA or DCHE. Bond Counsel may be deemed a Counsel.

“DCHA” shall mean the District of Columbia Housing Authority.

“DCHE” shall mean DC Housing Enterprises.

“Debt Service Fund” shall mean the fund of that name established pursuant to the Indenture.

“Default” and “Event of Default” shall mean any occurrence or event specified in the Indenture.

“Defeasance Securities” shall mean any Permitted Investments identified in paragraphs (a) and (b) of the definition of Permitted Investments. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to the date the

defeased Bonds are to be paid. Securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or at a specified date cannot qualify as Defeasance Securities.

“Development Agreement” shall mean the Development Agreement dated as of March 1, 2010, by and among the District and DCHA concerning the Project, and any and all amendments, modifications and supplements to that Development Agreement.

“Development Costs” shall mean Development Costs as defined in the Capper PILOT Act.

“DTC,” “Depository” or “Bond Depository” shall mean The Depository Trust Company, New York, New York and/or its nominee, Cede & Co. or any successors, Substitute Depositories or assigns thereof in whose name or names the Global Certificates shall be registered on the books of the Registrar, and its successors and assigns.

“District” shall mean the District of Columbia and its successors and assigns.

“Electronic Means” shall mean telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method of communication set forth in this definition.

“Event of Default” shall mean an Event of Default under the Indenture.

“Financing Costs” shall mean Financing Costs as defined in the Capper PILOT Act.

“First Supplemental Indenture” shall mean this First Supplement to the Master Indenture.

“Fiscal Year” shall mean a period of 12 consecutive months ending on September 30, or on such other date as is specified by the District, and of which the Trustee is given written notice.

“Fitch” shall mean Fitch, Inc., and its successors and assigns, provided that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District to replace Fitch.

“Funds” shall mean, collectively, the Funds established pursuant to the Indenture and any others Funds established pursuant to any Supplemental Indenture.

“Global Certificate” shall mean, when the Bonds are held by a Bond Depository, the Bonds in the form of one (1) Global Certificate representing the aggregate principal amount of Bonds due on a maturity date which shall be registered in the name of such Bond Depository.

“Government Obligations” shall mean direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

“Governmental Unit” shall mean a state, territory or possession of the United States, the District of Columbia, or any political subdivision of any of the foregoing referred to as a “State or local governmental unit” in Regulations §1.103-1(a). “Governmental Unit” does not include the United States or any agency or instrumentality of the United States.

“Home Rule Act” shall mean collectively the District of Columbia Home Rule Act, approved December 24, 1993 (P.L. 93-198; 87 Stat. 774; D.C. Code, 2001 Ed. § 1-201.01 et. seq.), as the same has or may in the future be amended.

“Indenture” shall mean the Master Indenture of Trust, dated as of March 1, 2010, between the District and the Trustee, and any and all amendments, modifications and supplements to the Indenture.

“Independent” shall mean any Person not an employee or officer of the District, DCHA or DCHE or their affiliates.

“Information Services” shall mean Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 55 Broad Street, 28th Floor, New York, New York 10004; Moody’s “Municipal and Government Manual,” 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or if there are no such services, as the District may designate in a Certificate of the District delivered to the Trustee.

“Interest Accrual Period” shall mean any period during which a Bond accrues interest; an Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of original authentication and delivery of the Bonds) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of authentication of any Bond, interest is in default or overdue on the Bonds, such Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding Bonds.

“Interest Payment Date” shall mean, with respect to the Series 2010 Notes, each June 1 and December 1, beginning December 1, 2010, and, with respect to each subsequent Series of Bonds, each Interest Payment Date specified in the Supplemental Indenture applicable to such Series of Bonds.

“Lockbox Agreement” shall mean the Lockbox Services Contract between the District and the Collection Agent dated March 29, 2009.

“Mail” or “Notice” or “notice” or “Notice by Mail” shall mean (i) mail by first-class prepaid postage to Owners of the Bonds at the addresses shown in the registration books maintained pursuant to the Indenture or, if the Bonds are in the Book-Entry System, to the Owner of the Bonds as provided by the Indenture, as applicable, and (ii) delivery of all notices or instruments in accordance with the Indenture to the District, the Trustee, the Paying Agent, the Rating Agency or the Bond Depository, as applicable. Any notice to Owners given by mail shall be deemed given and received when delivered to the United States Postal Service, or its successor, postage prepaid. In case, by reason of suspension of regular mail service or by reason of any other cause, it shall be impracticable to give such notice by Mail, then such notification as shall be made with the approval of the Registrar shall constitute a sufficient notification for every purpose under the Indenture.

“Mayor” shall mean the Mayor of the District of Columbia or an Authorized Delegate.

“Moody’s” shall mean Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, provided that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities

rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District to replace Moody’s.

“Nationally Recognized Bond Counsel” shall mean such firm or firms approved by the District in writing and found in the current edition of The Bond Buyer’s Municipal Marketplace (the “Red Book”), its successor publication or, if such publication or its successor ceases to exist, a comparable publication selected by the District. The term “Nationally Recognized Bond Counsel” shall include Bond Counsel.

“Note Proceeds” shall mean the Bond Proceeds derived from the issuance, sale and delivery of the Series 2010 Notes to the Underwriter.

“Notice Parties” shall mean the District, the Trustee, and the Paying Agent.

“OCFO” shall mean the Office of the CFO.

“Official Statement” shall mean, with respect to each Series of Bonds, the Official Statement, if any, executed by an Authorized Delegate in connection with the offering and sale of such Series of Bonds.

“Opinion of Bond Counsel” shall mean an opinion in writing signed by an attorney or firm of attorneys designated as Bond Counsel to the District from time to time by the Mayor.

“Outstanding” or “outstanding” shall mean, except as provided in the Indenture, when used with reference to the Bonds, as of any particular date, all Bonds, authenticated and delivered pursuant to the Indenture and a Supplemental Indenture , except:

- (i) any Bond canceled by the Trustee (or delivered to the Trustee for cancellation) at or before such date;
- (ii) any Bond for the payment, redemption or purchase and cancellation of the principal and interest on which provision shall have been made as provided in Article IX of the Indenture; and
- (iii) any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered pursuant to the Indenture.

“Paying Agent” shall mean U.S. Bank National Association, or any successor corporation of, or agent of, the Paying Agent, substituted in its place in accordance with the Indenture, and its successors.

“Payment Request” shall mean the Certificate of DCHE and Request for Payment, the form of which is attached as Exhibit F to the Development Agreement.

“Permitted Investments” shall mean the following obligations:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation or continuously on deposit with the Trustee in a trust account).
- (2) United States Treasury bills, notes, or any other obligation or security issued by or backed by the full faith and credit of the United States of America. These securities shall be limited to a maximum maturity of five (5) years at the time of purchase.



- (3) Bonds, notes, debentures, or other obligations or securities issued by any ‘AAA’ rated federal government agency or instrumentality, except collateralized mortgage obligations. These obligations shall be limited to a maximum maturity of five (5) years at the time of purchase.
- (4) Contracts for the present purchase and subsequent resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned on the transaction. Such contracts shall be invested in only if the following conditions are met:
- a) the Repurchase Agreement has a term to maturity of no greater than ninety (90) days;
  - b) the contract is fully secured by deliverable U.S. Treasury and Federal Agency obligations as described in paragraphs (2) and (3) above (without limit as to maturity), having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;
  - c) a Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;
  - d) the securities are free and clear of any lien and held by an independent third party custodian acting solely as agent for the District, provided such third party is not the seller under the repurchase agreement;
  - e) a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the District or the Trustee as applicable;
  - f) for repurchase agreements with terms to maturity of greater than one (1) day, the District will value the collateral securities daily and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
  - g) the counterparty is a:
    - i.) primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or
    - ii.) a bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and
  - h) the counterparty meets the following criteria:
    - i.) a long-term credit rating of at least ‘AA’ or the equivalent from a Nationally Recognized Statistical Rating Organization (“NRSRO”),

- ii.) has been in operation for at least 5 years, and
  - iii.) is reputable among market participants.
- (5) Unsecured short-term debt of U.S. corporations may be purchased if the following conditions are met:
  - a) the maturity is no greater than one hundred-eighty days (180) days;
  - b) no more than thirty percent (30%) of the total monies available for investment (based on book value on the date of acquisition) may be invested in commercial paper;
  - c) the amount invested in any single issuing corporation will not exceed five percent (5%) of the total monies available for investment (based on book value on the date of acquisition);
  - d) the issuing corporation, or its guarantor, has a short-term debt rating of no less than "A-1" (or its equivalent) by at least two of the NRSROs;
  - e) the total holdings of an issuer's paper do not represent more than ten percent (10%) of the issuing corporation's total outstanding commercial paper;
  - f) the issue is not asset-backed commercial paper.
- (6) Bankers' 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 may be purchased if the following conditions are met:
  - a) the maturity is no greater than two hundred-seventy days (270) days;
  - b) the short-term paper of the issuer is rated not lower than 'A-1' or the equivalent by a NRSRO;
  - c) no more than forty percent (40%) of the total monies available for investment (based on book value on the date of acquisition) may be invested in bankers' acceptances; and
  - d) the amount invested in any single bank will not exceed five percent (5%) of the total monies available for investment (based on book value on the date of acquisition).
- (7) Municipal obligations consisting of bonds, notes and other evidences of indebtedness of any state or local government upon which there is no default that meet the following criteria:
  - a) have a final maturity on the date of investment not to exceed five (5) years;
  - b) are rated in either of the two highest rating categories by a NRSRO, without regard to gradation; and

- c) no more than twenty percent (20%) of the total monies available for investment (based on book value on the date of acquisition) may be invested in municipal obligations.
- (8) Negotiable certificates of deposit and bank deposit notes of domestic banks and domestic offices of foreign banks with:
- a) ratings of at least 'A-1' or the equivalent by two NRSROs for maturities of one year or less;
  - b) ratings of at least 'AA' or the equivalent by two NRSROs, without regard to gradation, for maturities over one year and not exceeding five years; and
  - c) no more than thirty percent (30%) of the total monies available for investment (based on book value on the date of acquisition) may be invested in negotiable certificates of deposit and bank deposit notes.
- (9) Collateralized certificates of deposit in state chartered banks or federally chartered banks. Deposits with savings and loans associations or District and federal credit unions shall not exceed the greater of 25% of the total assets of the institution, exclusive of the District's deposits, or \$500,000. Collateralized certificates of deposit shall be collateralized at a minimum of 102%. No more than thirty percent (30%) of the total monies available for investment (based on book value on the date of acquisition) may be invested in collateralized certificates of deposit.
- (10) Shares in open-end, no-load investment funds provided such funds are registered under the Federal Investment Company Act of 1940 provided that the fund is rated "AAAm" or "AAAm-G" or the equivalent by a NRSRO. The mutual fund must comply with the diversification, quality and maturity requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission and cannot hold any investment not otherwise constituting a Permitted Investment.

The value of the above investments shall be determined as follows:

- (x) For the purpose of determining the amount in any Fund or Account, all Permitted Investments credited to such Fund or Account shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch, and Citigroup Global Markets Inc.
- (y) As to certificates of deposit and bankers' acceptances, the face amount of such certificates of deposit and bankers' acceptances, plus accrued interest on such certificates of deposit and bankers' acceptances; and
- (z) As to any investment not specified above, the value of such investments established by prior agreement among the District and the Trustee.

"Person" shall mean an individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, estate, trust, unincorporated association or other entity; any

Federal, state, county or municipal government or any bureau, department, political subdivision or agency thereof; and any fiduciary acting in such capacity on behalf of any of the foregoing.

“Pledged PILOT Payments” shall mean Pledged PILOT Payments as defined in the Capper PILOT Act.

“Principal Office” shall mean the principal office maintained by any person for the transaction of business or such other office as shall be designated by such person in writing to the Trustee, the Paying Agent, and the District, and specifically shall mean with respect to:

- (i) the Trustee, the office designated in the Indenture or such other office as is designated in writing to the Paying Agent and the District;
- (ii) the Paying Agent, the office designated in the Indenture or such other office as is designated in writing to the Trustee and the District; and
- (iii) the District, the office designated in the Indenture or such other offices as is designated in writing to the Trustee and the Paying Agent.

“Principal Payment Date” shall mean any date upon which a principal amount of Bonds is due under the Indenture, including the Maturity Date and any Redemption Date.

“Private Person” shall mean any natural person or any artificial person, including a corporation, partnership, trust or other entity, that is not a Governmental Unit and that is not acting solely and directly as an officer or employee of or on behalf of the District or another Governmental Unit. “Private Person” includes the United States and any agency or instrumentality of the United States.

“Project” shall mean the financing of, refinancing of, or reimbursing DCHA, DCHE or the District for, Development Costs and Financing Costs, including, without limitation (a) the construction of the Capper/Carrollsborg Public Improvements; (b) funding any capitalized interest; (c) funding any debt service reserve; and (d) funding the Costs of Issuance.

“Project Fund” shall mean the fund of that name established pursuant to the Indenture.

“Purchase Contract” shall mean, with respect to the Series 2010 Notes, the Bond Purchase Agreement for the Series 2010 Notes, by and among the District and the Underwriter, and, with respect to any other Series of Bonds, the bond purchase agreement, or similar agreement, if any, by and among the District and the Underwriter for such Series of Bonds, providing for the purchase of such Series of Bonds upon the issuance of such Bonds.

“Rating Agency” shall mean any national rating agency, S&P, Moody’s or Fitch, which is then providing a rating on the Bonds at the request of the District.

“Rating Confirmation Notice” shall mean a notice from Moody’s, S&P or Fitch, as appropriate, confirming that the rating on the Bonds will not be lowered or withdrawn as a result of the action proposed to be taken.

“Rebate Amount” shall mean that portion of any income or interest earned by, or increment to, any fund, account or pledged funds established pursuant to the Indenture or other gross proceeds (within the meaning of Section 148(f)(6)(B) of the Code) due to the investment of funds which shall be required to be paid to the United States by the provisions of Section 148(f) of the Code.

“Record Date” shall mean the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

“Redemption Date” shall mean the date fixed for the redemption of Bonds subject to redemption as set forth in any notice of redemption given in accordance with the terms of the Indenture.

“Redemption Fund” shall mean the fund of that name established pursuant to the Indenture.

“Redemption Price” shall mean, with respect to any Bonds, or portion of such Bonds, to be redeemed, an amount equal to the principal amount of such Bonds or portion of such Bonds, premium, if any, on such Bonds, and accrued and unpaid interest on such Bonds to the applicable Redemption Date.

“Representation Letter” shall mean the Letter of Representation from the District to the Bond Depository in connection with the issuance of the Bonds in a book-entry system, as supplemented and amended from time to time.

“Reserve Agreement” shall mean that certain Reserve Agreement, dated as of April 1, 2002, by and among the District, Wells Fargo Bank Minnesota, N.A., and Financial Security Assurance, Inc.

“S&P” shall mean Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, provided that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District to replace S&P.

“Series” shall mean the Bonds issued at any one time or otherwise issued as one series under the provisions of the Indenture and a Supplemental Indenture

“Series 2010 Notes” shall mean the District of Columbia Pilot Revenue Bond Anticipation Notes (Arthur Capper/Carrollsborg Public Improvements Issue) Series 2010 in the aggregate principal amount of \$29,000,000, which constitute Bonds under the Capper PILOT Act and under the Indenture.

“Stated Maturity Date” or “Stated Maturity” or “Maturity Date” shall mean, with respect to the Series 2010 Notes, December 1, 2012, and, with respect to any other Series of Bonds, the maturity date or dates specified in the Supplemental Indenture applicable to such Series of Bonds.

“Subaccount” shall mean any subaccount of any Account established pursuant to a Supplemental Indenture.

“Substitute Depository” shall be a Depository appointed pursuant to the Indenture and qualified in accordance with the provisions of the Indenture to replace a predecessor Bond Depository but shall not include a successor of any Bond Depository.

“Supplemental Indenture” shall mean any instrument entered into by the District and the Trustee executed and delivered in accordance with the terms of the Indenture for the purpose of providing for the issuance of a Series of Bonds or otherwise amending, modifying or supplementing the Indenture.

“Tax Compliance Certificate” shall mean, with respect to the Series 2010 Notes, the Tax Certificate and Agreement executed by the District, dated the Closing Date, for the Series 2010 Notes, and, with respect to any other Series of Bonds, the Tax Certificate and Agreement executed by the District dated the Closing Date for such Series of Bonds.

“Tax-Exemption for the Bonds” or “Tax-Exempt”, or “Tax Exemption” shall mean (i) the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds, under Section 103 of the Code, or its successor provision, (ii) qualification of the interest payable on the Bonds as not an item of tax preference under the Code for purposes of the alternative minimum tax imposed on individuals and corporations and (iii) the exemption of the Bonds and the interest on the Bonds from District taxation, except estate, inheritance and gift taxes, as provided in Section 485 of the Home Rule Act, or its successor provision.

“Trust Estate” shall mean, at any particular time, all right, title and interest of the District in and to the Pledged PILOT Payments, all cash and securities now or hereafter held in the Capper/Carrollsborg PILOT Fund, all cash and securities now or hereafter held in the Funds (including any amount of the Available Increment transferred to the Debt Service Fund), all moneys, securities and obligations, including Permitted Investments (including the investment income from Permitted Investments), which at such time are deposited or are required to be deposited with, or are held or are required to be held by or on behalf of, the Trustee in trust under any of the provisions of the Indenture, created or established under the Indenture, and all investment earnings on the Funds, and all other property of every name and nature which is now pledged, assigned or transferred, or which may from time to time in the future be pledged, assigned or transferred, to the Trustee, by delivery or by writing of any kind, as and for security under the Indenture, whether by the District or by anyone on the District’s behalf, or with the District’s written consent, except for moneys or obligations deposited with or paid to the Trustee for the redemption or payment of Bonds which are deemed to have been paid in accordance with Article IX of the Indenture, funds held pursuant to the Indenture for Bonds which have not been presented for payment, and moneys representing the Rebate Amount.

“Trustee” shall mean U.S. Bank National Association, a national banking association, as trustee under the Indenture, its successors in trust and its and their assigns, and any co-trustee appointed and serving under the Indenture.

“UCC” shall mean the Uniform Commercial Code as in effect in the District.

“Underwriter” shall mean, with respect to the Series 2010 Notes, Rice Financial Products Company, and with respect to any other Series of Bonds, the Underwriter or Underwriters, if any, specified in the Supplemental Indenture applicable to such Series of Bonds.

“Verizon Notes” shall mean collectively (i) the District of Columbia Taxable Financing Note, DC Arena L.P. Project (Verizon Center) Series 2007A, dated December 20, 2007, in the original principal amount of \$43,570,000, and (ii) the District of Columbia Taxable Financing Note, DC Arena L.P. Project (Verizon Center) Series 2007B, dated December 20, 2007, in the original principal amount of \$6,430,000.

### **Indenture**

The following is a summary of certain provisions of the Indenture. Such summary does not purport to be complete or definitive and reference is made to the Indenture for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under “Definitions of Certain Terms in the Indenture.”

**Pledge and Assignment.** In order to secure (i) the payment of the principal of, and interest and premium, if any, on the Bonds either at their maturity or upon prior redemption according to their tenor and effect and (ii) the performance and observance by the District of all the covenants and obligations expressed or implied in the Indenture and in the Bonds, the District conveys, transfers, assigns and pledges the Trust Estate to, and grants a security interest in the Trust Estate to, the Trustee and to its



successors in trust and assigns, forever, such conveyance, transfer, assignment, pledge and security interest to be effective without the recording of the Indenture or any other instrument; such pledge is to be on parity basis with that made concurrently to secure the Bonds.

**Certificated Bonds.** When Bonds are no longer held by a Bond Depository or Substitute Depository, upon the conditions specified in the Indenture, the District will direct that Certificated Bonds be issued in lieu of Global Certificates. Upon receipt from the Trustee of evidence of the cancellation and destruction of the Global Certificates, the District will execute, and the Trustee will authenticate and deliver such Certificated Bonds in accordance with the Indenture. Certificated Bonds will be issued in authorized denominations or integral multiples thereof. Upon the issuance of Certificated Bonds, the Trustee may require the payment by the Bondholder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to the issuance of such Certificated Bonds. The execution by the District of any Certificated Bond will constitute full and due authorization of such Certificated Bond. Such Certificated Bonds will be entitled to all the same benefits under the Indenture as Global Certificates.

**Books.** The District will cause books for the registration and registration of transfer of the Bonds as provided in the Indenture to be kept by the Trustee. The Trustee will maintain and keep, at the Principal Office of the Trustee, books for the registration and registration of transfer of the Bonds, which at all reasonable times will be open for inspection by the District and the Paying Agent. Upon presentation of any Bond entitled to registration or registration of transfer at the Principal Office of the Trustee, the Trustee will register or register the transfer of the Bond in the registration books, under such reasonable regulations, as the Trustee will prescribe. The Trustee will make all necessary provisions to permit the exchange, registration and transfer of the Bonds at the Principal Office of the Trustee.

**Transfer and Exchange.** The Bonds will be transferred and exchanged as provided in the Indenture, provided that the Trustee will not register the transfer or exchange of any Bond or any portion thereof subject to redemption (i) during the period beginning at the opening of business fifteen (15) days prior to the selection of the Bonds to be redeemed or (ii) after a notice of the redemption of such Bond or portion thereof has been mailed pursuant to the Indenture unless the transferee of such Bond or portion thereof delivers to the Trustee a written acknowledgement of such call for redemption and agrees in writing to be bound by such call for redemption.

**Nonpresentment of Bonds.** In the event any Bond is not presented for payment when the principal of such Bond becomes due, either at maturity, or at the date fixed for redemption of the Bond, or otherwise, or if any interest check is not cashed, if sufficient funds to pay such Bond or interest has been made available by the District to the Trustee or the Paying Agent for the benefit of the Owner of the Bond, all liability of the District to the Owner of the Bond for the payment of such Bond or interest, as the case may be, will forthwith cease, terminate and be completely discharged, upon which event it will be the duty of the Trustee to segregate such funds and to hold such segregated funds in trust, uninvested and without liability for interest on such funds, for the benefit of the Owner of such Bond or interest, as the case may be, who will thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond or interest, as the case may be, provided that any money deposited with the Trustee for the payment of the principal of, and premium, if any, on, or interest on, any Bond and remaining unclaimed for three (3) years (or such period of time as is then specified by the law governing unclaimed or abandoned property) after such principal, premium, if any, or interest has become due and payable will be paid pursuant to the law governing unclaimed or abandoned property.

**Creation of Funds and Accounts; Deposit of and Use of Moneys.** The Funds and separate Accounts within the Funds created with respect to the Bonds under the Indenture will be held and

administered by the Trustee in accordance with the terms of the Indenture and as described below concerning certain Funds:

*Debt Service Fund.* A Debt Service Fund will be established. There will be deposited in the Debt Service Fund by the Trustee Loan Payments allocated to principal of, premium, if any, on and interest on the Bonds, and Additional Payments. Moneys in the Debt Service Fund will be used solely for the payment of the principal of, premium, if any, on, and interest on the Bonds as the same become due and payable and the payment of Additional Payments.

*Redemption Fund.* A Redemption Fund will be established. Moneys in the Redemption Fund will be used solely for the payment of principal of, and accrued interest to the applicable Redemption Date on and redemption premium, if any, on the Bonds upon the redemption thereof.

**Payment of Interest.** On each Interest Payment Date, the Paying Agent will pay the interest due on the Bonds on such date from moneys transferred to it by the Trustee from amounts on deposit in the Debt Service Fund.

**Payment of Principal and Premium.** On each date on which the principal of, and any premium on any of the Bonds becomes due and payable, at maturity, upon redemption or otherwise, the Paying Agent will pay such principal, and premium from moneys transferred to it from the Trustee from amounts on deposit, as applicable, in the Debt Service Fund and the Redemption Fund.

**Investments.** Moneys in any Fund or Account created under the Indenture will, at the direction of the District, be invested and reinvested by the Trustee in Permitted Investments and such investments applied pursuant to and in accordance with the Indenture.

**No Indebtedness.** Each and every covenant made in the Indenture is predicated upon the condition that neither the Bonds nor the interest on the Bonds nor any obligation or agreement of the District under the Indenture or the other Bond Documents will be construed to constitute an indebtedness of the District within the meaning of any constitutional or statutory provision.

**No Personal Liability.** Except in instances of willful misconduct or fraud as provided in the Indenture, no covenant, stipulation, obligation or agreement of the District in the Indenture, the Bonds, or any other Bond Document will be deemed to be a covenant, stipulation, obligation or agreement of any present or future elected or appointed official, officer, employee or agent of the District in his or her individual capacity, and neither the members of the Council nor any official executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds or by reason of the covenants, stipulations, obligations or agreement of the District contained in the Indenture or the Bonds.

**Performance of Covenants of the District; Representations.** The District will at all times faithfully perform any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture, and in all proceedings pertaining to the Bonds.

**No Disposition of Trust Estate.** Except as permitted by the Indenture or the other Bond Documents, the District will not sell, lease, pledge, assign or otherwise dispose of or encumber its interest in the Trust Estate and will promptly pay or cause to be discharged or make adequate provision to pay or discharge, any lien or charge on any part of the Trust Estate not permitted by the Indenture.

**Tax Covenants.** The District covenants for the benefit of the Holders of the Bonds that it will comply with the requirements of the Code necessary to maintain the Tax-Exemption of the Bonds, including the payment of any Rebate Amount. Notwithstanding any other provision of the Indenture, until the requirements for payment of any such Rebate Amount have been fully satisfied, the covenant will survive the defeasance or payment in full of the Bonds.

**Removal of Trustee.** The Trustee may be removed at any time (i) by the District unless an Event of Default has occurred and is continuing, (ii) after the occurrence and during the continuance of an Event of Default by the District, or (iii) by the District upon a determination by the District, based on the Trustee's examination for potential conflicts of interest pursuant to the Indenture, that an actual conflict of interest involving the Trustee exists, in each case by providing notice, in writing, of removal to the Trustee, with copies to the Paying Agent. Such removal will take effect upon the appointment of a successor Trustee by the District and the acceptance of such appointment by such successor. Upon the termination of the Indenture, and upon the removal or resignation of the Trustee, any reasonable costs associated with any accounting or similar process requested of the Trustee which is duplicative in nature or in excess of the accounting or similar process ordinarily required under the Indenture and previously provided by the Trustee, will be a proper charge against the Trust Estate pursuant to the Indenture.

**Events of Default.** Each of the following events will constitute an Event of Default under the Indenture:

- (a) A failure to pay the principal, purchase price of, or premium, if any, on any Bond or, any Series of Bonds when the same becomes due and payable, at maturity, upon redemption, or otherwise;
- (b) A failure to pay any installment of interest on any Bond or any Series of Bonds when the same becomes due and payable;
- (c) An Event of Default under Article III of the Development Agreement; and
- (d) A failure by the District to observe or perform any covenant, condition, agreement or provision, other than as specified in clauses (a) or (b) above, contained in the Bonds or in the Indenture which is to be observed or performed by the District, which failure continues for a period of sixty (60) days after written notice, specifying the failure and requesting that it be remedied, has been given to the District by the Trustee, unless the Trustee agrees in writing to an extension of such period, provided however, that the Trustee will be deemed to have agreed to such extension if corrective action is initiated by the District within such period and is being diligently pursued.

**Notice of Events of Default.** The Trustee will Mail written notice of the occurrence of any continuing Event of Default to the District and all Owners of Bonds within fifteen (15) days after obtaining knowledge of such Event of Default.

**Restoration to Former Position.** In case any proceedings taken by the Trustee or the Bondholders on account of default in respect of the Bonds have been discontinued or abandoned for any reason, or have been determined adversely to the District or the Bondholders, then the District, the Trustee and the Bondholders will be restored to their respective former positions and rights under the Indenture, and all rights, remedies, powers and duties of the Trustee will continue as though no such proceeding had been taken.

**Bondholders' Right to Direct Proceedings.** Anything in the Indenture to the contrary notwithstanding, except as described in the sections of the Indenture entitled "Trustee Entitled to Indemnity," "Priority of Payments following Default," and "Restrictions Upon Action by Individual

Bondholders,” the Bondholders of a majority in aggregate principal amount of the Outstanding Bonds have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings available to the Trustee under the Indenture, provided that (i) such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and (ii) the Trustee will have the right to decline to follow such direction.

**Limitation on Bondholders’ Right to Institute Proceedings.** No Bondholder has any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless (i) such Holder previously has given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (ii) the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of the Outstanding Bonds have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, will have accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its or their name, and (iii) there has been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy hereunder; provided, however, that the Holders of not less than thirty-three and one-third percent (33 1/3%) of the aggregate principal amount of the Outstanding Bonds may institute any such suit, action or proceeding in their own names for the benefit of all Bondholders.

It is understood and intended that, except as otherwise provided above, (i) no one or more Bondholders has any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture or to enforce any right thereunder except in the manner therein provided, (ii) all proceedings at law or in equity will be maintained in the manner therein provided and for the benefit of all Holders of the Outstanding Bonds, and (iii) that any individual right of action or other right given by law to one or more of such Holders is restricted by the Indenture to the rights and remedies therein; provided that the right of any Bondholder to receive payment of the principal of, redemption premium, if any, on, and interest on a Bond or to institute suit for the enforcement of any such payment on or after the date such payment is due, will not be impaired or affected without the consent of such Bondholder.

**No Remedy Exclusive.** No remedy conferred upon or reserved to the Trustee or to the Bondholders under the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or in the future existing at law or in equity or by statute.

**No Waiver of Remedies.** No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default, or an acquiescence in the default. Every power and remedy given under the Indenture to the Trustee and to the Bondholders may be exercised from time to time and as often as may be deemed expedient.

**Supplemental Indenture Without Bondholder Consent.** The District and the Trustee may, from time to time and at any time, without the consent of or notice to the Bondholders enter into Supplemental Indentures as follows:

(a) To cure any formal defect, omission, inconsistency or ambiguity in, or to clarify any provision contained in, the Indenture.

(b) To grant or confer or impose upon the Trustee or the Paying Agent, for the benefit of the Bondholders, any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as previously in effect, provided that no such additional liabilities or duties as will be imposed upon the Trustee or the Paying Agent without its respective consent.

(c) To add to the covenants and agreements of, and limitations and restrictions upon, the District in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as previously in effect.

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

(e) To make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different denominations and similar amendments and modifications of a technical nature.

(f) To comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended.

(g) To modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondholders and which does not involve a change described in the immediately following section and which, in the judgment of the Trustee and the Paying Agent, as applicable, is not to the prejudice of such entity.

(h) To provide for the amendment of the provisions concerning registration of the Bonds under or outside a book-entry system.

(i) To preserve the exemption from federal income taxation of the interest paid on the Bonds.

(j) To provide additional security to the Bondholders, including the provision of any bond insurance policy, guaranty, letter of credit or any type of credit facility.

(k) To obtain or maintain the rating of any Series of Bonds by Moody's or S&P.

(l) To provide for the issuance of Additional Bonds in accordance with the Indenture.

**Supplemental Indenture with Bondholder Consent.** Bondholders of not less than fifty-one percent (51%) in aggregate principal amount of the affected Bonds then Outstanding have the right from time to time to consent to and approve the execution and delivery by the District and the Trustee of any Supplemental Indenture deemed necessary or desirable by the District for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture (provided that modifications and amendments permitted without Bondholder consent may be made as provided in the Indenture), provided, however, that, unless approved in writing by the Bondholders of all the Bonds then Outstanding, nothing contained in the Indenture will permit, or be construed as permitting, (a) a change in the times, amounts or currency of payment of the principal amount of, premium, if any, on, or interest on any Outstanding Bond, a change in the terms of principal amount of, or premium, if any, on, any Outstanding Bond or the rate of interest on any Outstanding Bond or a reduction in the principal amount of, or premium, if any, on, any Outstanding Bond, or (b) the creation of a claim or lien upon, or a pledge of, the Trust Estate ranking prior to the claim, lien or pledge



created by the Indenture, or (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, except as provided in the Indenture or in any Supplemental Indenture with respect to establishing a preference or priority of Bonds over the Series of Bonds authorized by such Supplemental Indenture, or (d) a reduction in the aggregate principal amount of any Bonds, the consent of the Bondholders of which is required for any such Supplemental Indenture under the Indenture or which is required, under the Indenture, for any modification, alteration, amendment or supplement to the Development Agreement.

**Notice.** If at any time the District requests the Trustee to enter into any Supplemental Indenture for any of the purposes described in the preceding section, the Trustee will cause notice of the proposed Supplemental Indenture to be given by Mail to all Owners of Outstanding Bonds not less than fifteen (15) days in advance of the proposed effective date of such amendment. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and state that a copy of it is on file at the office of the Trustee for inspection by all Bondholders.

**No Right to Object.** If Bondholders of not less than the percentage of Bonds (51%) required by the Indenture consent to and approve the execution and delivery of the Supplemental Indenture as provided in the Indenture, no Bondholder will have any right to object to the execution and delivery of such Supplemental Indenture, or to object to any of the terms and provisions contained in it or to its operation, or in any manner to question the propriety of its execution and delivery, or to enjoin or restrain the District or the Trustee from executing and delivering the same or from taking any action pursuant to its provisions.

**Amendment of Development Agreement Without Bondholder Consent.** Without the consent of or notice to the Bondholders, the District and DCHA may modify, alter, amend or supplement the Development Agreement, (a) as may be required by the provisions of the Development Agreement and the Indenture, (b) as may be necessary or advisable (i) in connection with the issuance of Additional Bonds in accordance with the Indenture (ii) for the purpose of curing any formal defect, omission, inconsistency or ambiguity in the Development Agreement or clarifying any provision of the Development Agreement, (iii) in connection with any other change in the Development Agreement which is not materially adverse to the Bondholders, or (iv) to provide additional security to the Bondholders, including the provision of any bond insurance policy, guaranty, letter of credit or any type of credit facility, or (c) with respect to any provisions of the Development Agreement other than those contained in Article III ("Establishment of the Capper/Carrollsville Pilot Area and Issuance of the Series 2010 Notes"). Except as otherwise specified in the Indenture, before the District enters into any modification, alteration, amendment or supplement to the Development Agreement pursuant to the Indenture, there will have been delivered to the District and the Trustee an opinion of Bond Counsel stating that the modification, alteration, amendment or supplement is authorized or permitted by the Indenture and the Authorizing Actions, complies with their respective terms, and upon execution and delivery, will be valid and binding upon the District and DCHA in accordance with its terms and will not adversely affect the Tax-Exemption for the Bonds.

**Amendment of Development Agreement With Bondholder Consent.** Except as otherwise set forth in any Supplemental Indenture with respect to the Bonds issued pursuant to such Supplemental Indenture, and except in the case of modifications, alterations, amendments or supplements of the Development Agreement described above, the District will not enter into, and the Trustee will not consent to, any amendment, change or modification to Article III of the Development Agreement without the written approval or consent of the Bondholders of not less than fifty-one percent (51%) in aggregate principal amount of the affected Bonds then Outstanding, procured as provided in the Indenture, provided, however, that unless approved in writing by the Bondholders of all Bonds then Outstanding, nothing contained in the Indenture will permit, or be construed as permitting, a change in the obligations of the District under the Development Agreement with respect to the sections of Article III entitled



“Agreement to Allocate Available Increment” and “Collection Instructions”. If at any time the District notifies the Trustee of any proposed modification, alteration, amendment or supplement to Article III requiring consent of the Bondholders, the Trustee will cause notice of the proposed modification, alteration, amendment or supplement to be given in the same manner as provided by the Indenture with respect to Supplemental Indentures. The notice will briefly set forth the nature of the proposed modification, alteration, amendment or supplement and will state that copies of the instrument embodying the same are on file at the Principal Office of the Trustee for inspection by all Bondholders. The District may enter into, and the Trustee may consent to, any such proposed modification, alteration, amendment or supplement subject to the same conditions and with the same effect as described above under the heading “Supplemental Indenture with Bondholder Consent” with respect to Supplemental Indentures.

**Discharge of Indenture.** If the District pays or causes to be paid to the Owner of any Bond or any Series of Bonds secured by the Indenture, the principal of, redemption premium, if any, on, and interest due and payable, and thereafter to become due and payable, on that Bond or Series of Bonds, or any portion of that Bond or Series of Bonds (whether such due date is by reason of maturity or upon redemption as provided in the Indenture), then that Bond or portion of that Bond or Series of Bonds will cease to be entitled to the lien, benefit and security of the Indenture. If the District pays or causes to be paid to the Owners of all the Bonds secured by the Indenture, the principal of, redemption premium, if any, on and interest due and payable, and thereafter to become due and payable, on the Bonds, and will pay or cause to be paid, or make other satisfactory arrangements with respect to, all other sums owing under the Indenture by the District, including all necessary and proper fees, compensation and expenses of the Trustee and the Paying Agent, then, and in that case, the right, title and interest of the Trustee in and to the Trust Estate will terminate. In that event, the Trustee will assign, transfer and turn over the Trust Estate, including, without limitation, any surplus in the Debt Service Fund and any balance remaining in any other Fund created under the Indenture, to the General Fund of the District except as otherwise provided in the Indenture.

**Defeasance.** Any Bond will be deemed to be paid within the meaning of the preceding paragraph and for all purposes of the Indenture when (a) payment of the principal of, redemption premium, if any, on, plus interest on, the Bond to its due date (whether such due date is by reason of maturity or upon redemption as provided in the Indenture) will have been (i) made or caused to be made by or at the direction of the District or (ii) provided for by irrevocably depositing in trust for the benefit of the Bondholders and irrevocably setting aside exclusively for such payment, Defeasance Securities selected by the District, and (b) all necessary and proper fees, compensation and expenses of the Trustee and the Paying Agent pertaining to the Bonds with respect to which the deposit is made will have been paid or the payment of such amount will have been provided for to the satisfaction of the Trustee. At such times as a Bond is deemed to be paid under the Indenture, as provided above, such Bond will no longer be secured by or entitled to the lien or benefit of the Indenture. Notwithstanding the foregoing, no deposit under clause (a) preceding will be deemed a payment of such Bonds until (x) proper notice of redemption of such Bonds has been previously given in accordance with the Indenture and (y) in the event such Bonds are not to be redeemed within the next succeeding ninety (90) days, the District has given the Trustee irrevocable instructions to notify, as soon as practicable, the Owners of the Bonds that the deposit required by clause (a) above has been made with the Trustee and that the Bonds are deemed to have been paid in accordance with the Indenture and further stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of, and premium, if any, on such Bonds, plus interest on such Bonds to their redemption date or the maturity of such Bonds. With respect to the defeasance of any Bonds, either (I) the District will provide the Trustee written evidence from each Rating Agency having a rating in effect for such Bonds that the Rating Agency has reviewed the proposed defeasance and that the defeasance will not by itself result in a withdrawal or reduction of the Rating Agency’s current rating for such Bonds, or (II) amounts deposited for the benefit of the Bondholders as

described above will not be less than the principal of, redemption premium, if any, on, and interest on, such Bonds to the first possible date for redemption of such Bonds.

**Acceptance of Trusts.** The Trustee has accepted and has agreed to execute the trusts created under the Indenture, but only upon the terms set forth therein, to all of which the District agrees and the Bondholders agree by their acceptance of delivery of any of the Bonds. The obligations and duties of the Trustee will be determined solely by reference to the Indenture and the pledge and assignment of the Trust Estate will not impose on the Trustee any liability, obligation or duty imposed on the District under the Indenture and the other Bond Documents and, except as expressly set forth in the Indenture, no duties, express or implied, will be imposed on the Trustee. The Trustee may execute any of the trusts or powers contained in the Indenture and perform the duties required by it under the Indenture by or through agents, receivers, attorneys or employees, and will be entitled to rely on the advice of independent counsel concerning all matters relating to the trusts and its duties under the Indenture. With limited exception, the Trustee will not be responsible for any willful misconduct or negligence of any agent selected or appointed by the Trustee with due care.

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

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## APPENDIX C

### FORM OF BOND COUNSEL OPINION

\_\_\_\_\_, 2010

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

\$29,000,000  
District of Columbia  
\_\_\_% PILOT Revenue Bond Anticipation Notes  
(Arthur Capper/Carrollsborg Public Improvements Issue)  
Series 2010

Ladies and Gentlemen:

We have acted as bond counsel to the District of Columbia (the "District") in connection with the issuance and sale by the District of its \$29,000,000 District of Columbia \_\_\_% PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsborg Public Improvements Issue) Series 2010 (the "Notes"). The Notes are issued under and pursuant to a certain Master Indenture of Trust (the "Master Indenture"), dated as of \_\_\_\_\_, 2010, between the District and \_\_\_\_\_, as trustee (the "Trustee"), as supplemented by the First Supplement to the Master Indenture of Trust (the "First Supplemental Indenture"), dated as of \_\_\_\_\_, 2010, between the District and the Trustee (the Master Indenture and the First Supplemental Indenture, collectively, the "Indenture"). All capitalized terms used herein and not defined herein shall have the same meaning as in the Indenture.

The District has authorized the issuance of the Notes pursuant to the District of Columbia Home Rule Act, approved December 24, 1973 (P.L. 93-198, 87 Stat. 774; D.C. Code §§ 1-201 et seq.), as amended (the "Home Rule Act"), and the PILOT Authorization Increase and Arthur Capper/Carrollsborg Public Improvement Revenue Bonds Approval Act of 2006, effective March 8, 2007 (D.C. Law 16-244; 54 DCR 609), as amended by the Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Approval Amendment Act of 2008, effective March 20, 2008 (D.C. Law 17-118; 55 DCR 1461), as amended by the Arthur Capper/Carrollsborg Public Improvements Revenue Bonds Amendment Act of 2009, effective January 11, 2010 (D.C. Act 18-283), and the Fiscal Year 2009 Budget Support Act of 2008, effective August 16, 2008 (D.C. Law 17-0219; 55 DCR 7602) (collectively, the "Capper PILOT Act"). The Notes are being issued to finance costs and expenses incurred by or on behalf of the District or the District of Columbia Housing Authority ("DCHA") relating to the development, redevelopment, purchase, acquisition, protection, financing, construction, expansion, reconstruction, restoration, rehabilitation, renovation, repair, furnishing, and equipping of the Capper/Carrollsborg Public Improvements.

In our capacity as bond counsel, we have examined the law and such certified proceedings, specimens of the Notes, executed counterparts of the Master Trust Indenture, the First Supplemental Indenture, and that certain Development Agreement, dated as of \_\_\_\_\_, 2010 (the "Development

Agreement”), between the District and DCHA, opinions of the Attorney General for the District and counsel to other parties to the transaction upon which certain reliance has been placed, and documents, records and other papers as we have deemed relevant and necessary to render the opinions set forth below.

As to questions of fact material to our opinion, we are relying upon (i) representations of the District and DCHA contained in the documents underlying the issuance of the Notes, (ii) certified proceedings and other certifications of public officials furnished to us, and (iii) other certifications given to us, without undertaking to verify any of the foregoing by independent investigation.

We have assumed and relied upon the accuracy and truthfulness of all public records and of all representations and certifications of fact, documents, written opinions and other proceedings provided to us, the authenticity of all documents submitted to us as originals, the genuineness of all signatures appearing on documents we have examined, the conformity of the originals of all documents submitted to us as certified or photostatic copies and the legal capacity of natural persons executing all executed documents.

Based on the foregoing, we are of the 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 Master Trust Indenture, the First Supplemental Indenture, and the Development Agreement, to issue the Notes, and to pledge and assign the Trust Estate to the Trustee under the Indenture.
2. Each of the Master Trust Indenture, the First Supplemental Indenture and the Development Agreement has been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Trustee and DCHA, respectively, constitutes a legal, valid and binding agreement of the District enforceable against the District in accordance with its terms, subject to the last paragraph hereof.
3. The Notes have been duly and validly authorized, executed and issued by the District and constitute legal, valid and binding special obligations of the District, enforceable against the District in accordance with their terms, payable solely from the Pledged PILOT Payments and the Available Increment, as provided in, and in accordance with the terms of, the Capper PILOT Act and other moneys assigned by the District to the Trustee under the Indenture, subject as to rights and enforceability to the last paragraph hereof. The Notes are not general obligations of the District, are not a pledge of, and do not involve, the full faith and credit or taxing power of the District (other than with respect to the Available Increment and as expressly provided in the Capper PILOT Act), do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings as prohibited by Section 602(a)(2) of the Home Rule Act.
4. The interest on the Notes is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code.

We have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the District in the documents in the transcript of proceedings for the Bonds. The accuracy of the



representations and certifications and compliance by the District with such covenants are necessary for interest on the Notes to be, and to continue to be, excluded from gross income for federal income tax purposes. Failure by the District to comply with certain of such covenants on the date of or subsequent to the issuance of the Notes could cause interest on all or a portion of the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The Notes and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes.

The rights of owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights to the extent constitutionally applicable and to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

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## **APPENDIX D**

### **BOOK-ENTRY ONLY SYSTEM**

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## APPENDIX D

### BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payments of principal, premium, if any, and interest on the Notes to DTC, its nominee, Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Notes and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

*General.* The Depository Trust Company, New York, New York (“DTC”) will initially act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Note will be issued for the Notes in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was organized to hold securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Notes under the DTC system must be made by or through Direct Participants, who will receive a credit for such Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of the Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The 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.

So long as a book-entry system is used for determining beneficial ownership of the Notes, the Trustee is to send redemption notice to DTC or to Cede & Co., as partnership nominee for DTC. Any failure of DTC to advise any Participant, or of any Direct Participant or Indirect Participant to notify the actual purchaser of each Note, of any such notice or of its content or effect does not affect the validity of the redemption of the Notes called for redemption or any other action premised on that notice. In the event of a call for optional redemption, the District's notification to DTC initiates DTC's standard call; and if a partial call, DTC's practice is to determine by lot the amount of the interest of each Participant in the Notes to be redeemed, and each such Participant then selects by lot the ownership interest in such Notes to be redeemed. When DTC and its Participants allocate the call, the Beneficial Owners of the book-entry interests called are to be notified by the broker or other organization responsible for maintaining the records of those interests and subsequently credited by that organization with the process once the Notes are redeemed.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE NOTES, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND OF ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE NOTES CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Trustee or the District, subject to any statutory requirement as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

So long as Cede & Co. is the registered owner of the Notes, as partnership nominee of DTC, references herein to Bondholders or registered owners of the Notes (other than under the caption "TAX



MATTERS”) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Notes.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BY GIVEN TO THE OWNERS OF THE NOTES; (3) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES; (4) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE NOTES; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE NOTES; OR (6) ANY OTHER MATTER.

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## **APPENDIX E**

### **FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of March \_\_, 2010, is executed and delivered by the District of Columbia (the “District”) in connection with the issuance and sale of the District’s \$29,000,000\* PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsborg Public Improvements Issue), Series 2010 (the “Notes”), issued pursuant the Capper PILOT Act and the Indenture (as defined in the Official Statement). Capitalized terms used in this Agreement which are not otherwise defined in the Indenture or the Capper PILOT Act 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) The District shall provide Annual Financial Information with respect to each fiscal year of the District, commencing with fiscal year ending September 30, 2010, by no later than five months after the end of the respective fiscal year, to the MSRB.

(b) The District shall provide, in a timely manner, notice of any failure of the District to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

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

**Section 1.4. Material Event Notices.** (a) If a Material Event occurs, the District shall provide, in a timely manner, notice of such Material Event to (i) the MSRB and (ii) the Trustee.

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

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

**Section 1.5. Additional Disclosure Obligations.** The District 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 District 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 District under such laws.

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\* Preliminary, subject to change.

**Section 1.6. Additional Information.** Nothing in this Agreement shall be deemed to prevent the District 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 Material Event hereunder, in addition to that which is required by this Agreement. If the District chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Agreement, the District 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 Material Event hereunder.

**Section 1.7. No Previous Non-Compliance.** The District 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 District provides Annual Financial Information (but not Material Event notices) by specific reference to documents (i) available to the public on the MSRB Internet Web site or (ii) filed with the SEC.

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

**Section 2.3. Material Event Notices.** Each notice of a Material Event hereunder shall be captioned "Notice of Material Event" and shall prominently state the title, date and CUSIP numbers of the Notes.

**Section 2.4 Filing with Certain Dissemination Agents or Conduits.** The District 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 District under this Agreement, and revoke or modify any such designation.

**Section 2.5. Transmission of Information and Notices.** Unless otherwise required by law, 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 District's current fiscal year begins October 1 and ends on September 30, and the District shall promptly notify (i) 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 Notes.



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

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

**Section 3.2. Amendment.** (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Notes 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 District 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 or interpretations of the Rule, as well as any change in circumstances, (3) the District shall have received an opinion of Counsel to the same effect as set forth in clause (2) above, (4) the District shall have received an opinion of Counsel or a determination by a person, in each case unaffiliated with the District, to the effect that the amendment does not materially impair the interests of the holders of the Notes, and (5) the District 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 Notes, 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 District shall have received an opinion of Counsel to the effect that performance by the District under this Agreement as so amended will not result in a violation of the Rule and (3) the District shall have delivered copies of such opinion and amendment to the MSRB.

(c) 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.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the District 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 Notes, except that beneficial owners of Notes 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 subsection (b) of this Section.

(b) The obligations of the District to comply with the provisions of this Agreement shall be enforceable by any holder of Outstanding Notes. 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 District's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Notes pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Notes for purposes of this subsection (b).

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

#### **ARTICLE IV** **Definitions**

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

(1) "Annual Financial Information" means, collectively:

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

(ii) the District'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 District is advised by disclosure counsel or bond counsel would satisfy the definition of "annual financial information" in the Rule; and

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

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

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

(2) "Audited Financial Statements" means the annual basic financial statements, if any, of the District, audited by such auditor as selected by the Inspector General or as shall otherwise then be required or permitted by the District or federal law or the Indenture. Audited Financial Statements shall

be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the District may from time to time, if required by federal or District 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 law or regulation describing such accounting principles, or other description thereof.

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

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

(5) “Material Event” means any of the following events with respect to the Notes, whether relating to the District or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities; and
- (xi) rating changes.

(6) “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.

(7) “Official Statement” means the Official Statement dated March \_\_\_, 2010, of the District relating to the Notes.

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

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

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

Notwithstanding anything to the contrary contained in this Agreement, the use by the District of the Available Increment is not deemed to be credit enhancement for the Notes or any other debt security issued by the District.

DISTRICT OF COLUMBIA

By: \_\_\_\_\_  
Lasana K. Mack  
Deputy Chief Financial Officer and Treasurer

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