

DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, February 23, 2012

11:00 a.m.

1. **Call to Order**..... Timothy L. Firestine, Chairperson
2. **January 2012 Financial Report (Attachment 1)**..... Yvette Downs and Robert Hunt
 - A. Operating Revenues & Expenditures
 - B. Cash Reserves & Investments
 - C. Capital Disbursements Summary
 - D. **Investment Report**
3. **FY 2012 Financing Plan Update and Document Review (Attachment 2)**..... Olu Adebo
4. **Rolling Owner Controlled Insurance Program (ROCIP) Briefing (Attachment 3)** Tanya DeLeon
5. **Quarterly Capital Improvement Program (CIP) Report (Attachment 4)**.. Dave McLaughlin
6. **Action Items**..... Olu Adebo
 - Approval of Bond Documents**
 1. **Draft Board Resolution (Attachment 5)**
 2. **Preliminary Offering Statement (POS) (Attachment 6)**
 3. **Thirteenth Supplemental Indenture (Attachment 7)**
 4. **Bond Purchase Agreement (Attachment 8a)**
 5. **Bond Purchase Agreement (Attachment 8b)**
 6. **Bond Purchase Agreement (Attachment 8c)**
 7. **Escrow Agreement (Attachment 9)**
7. **Agenda for March Committee Meeting (Attachment 10)**..... Timothy L. Firestine
8. **Adjournment**

FOLLOW-UP ITEMS – Finance & Budget Committee (Meeting held January 26, 2012)

1. Staff will include project updates in the Capital Spending Discussion section by exception only. Unless there is an issue regarding spending, a shortfall or a difference there is no need to include project updates going forward. **(Mr. Firestine) Status:** Duly noted.



JANUARY 2012 FINANCIAL REPORT

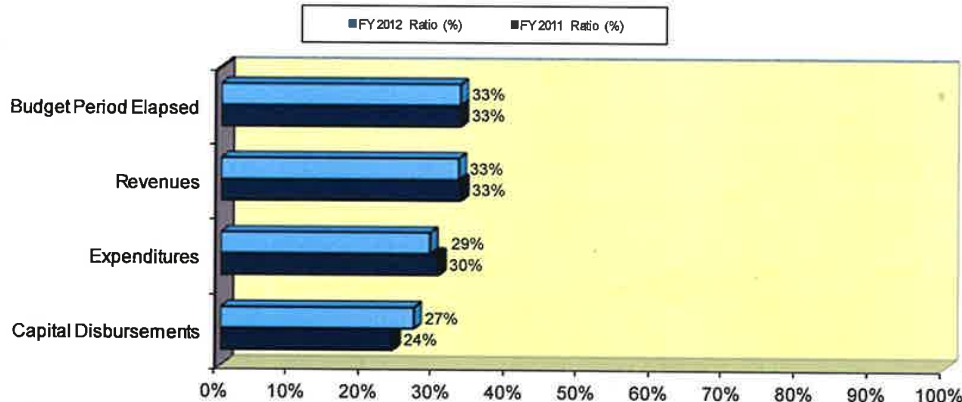
FY 2012 FINANCIAL PERFORMANCE

At the end of January, with 33.3 percent of the fiscal year completed, we are on track with budgetary expectations. The table below summarizes detailed information as discussed later in this report.

**Financial Performance
As of January 31, 2012
(\$ in millions)**

	Approved	Revised Budget	YTD Budget	YTD	Variance		% Revised Budget
				Actual	Favorable (Unfavorable)		
Revenues (Receipts)*	\$412.2	\$426.4	\$140.7	\$139.8	(\$0.9)	-0.7%	32.8%
Expenditures*	\$422.4	\$415.4	\$137.1	\$119.9	\$17.2	12.5%	28.9%
Capital Disbursements	\$555.8	\$531.7	\$132.2	\$141.9	(\$9.7)	-7.3%	26.7%

* Straight-lined (4/12 of revised budget)



120-day Operating Reserve Analysis (\$ in millions)

FY 2012 120-day Operating Reserve Objective	\$125.5
Actual Average Daily Balances	\$158.6
Difference	\$33.1

OPERATING REVENUES & RECEIPTS

At the end of January 2012, cash receipts totaled \$139.8 million, or 32.8 percent of the revised FY 2012 budget. Several categories of customers make payments on a quarterly basis, including the federal and District governments, and wholesale customers. The table below provides a summary of operating receipts at the end of January.

REVENUE VARIANCE BY CATEGORY (In millions) As of January 31, 2012

Revenue Category	FY 2012 Revised Budget	Year-to- Date Budget	Actual Received	Favorable	Variance (Unfavorable)	Actual % of Budget
Residential, Commercial, and Multi-family	226.2	74.6	72.8	(1.8)	-2.4%	32.2%
Federal	47.5	15.7	21.1	5.4	34.3%	44.3%
District Government	11.1	3.7	4.3	0.6	17.7%	38.9%
DC Housing Authority	6.4	2.1	3.0	0.9	43.3%	47.3%
Customer Metering Fee	10.8	3.6	3.9	0.3	8.9%	35.9%
Wholesale	74.4	24.5	19.0	(5.5)	-22.6%	25.5%
Right-of-Way Fee/PILOT	22.5	7.4	8.5	1.0	13.7%	37.6%
Subtotal (before Other Revenues)	\$398.9	\$131.6	\$132.5	\$0.9	0.7%	33.2%
Other Revenue without RSF						
IMA Indirect Cost Reimb. For Capital Projects	4.0	1.3	0.0	(1.3)	-100.0%	0.0%
DC Fire Protection Fee	6.2	2.0	3.1	1.0	50.8%	49.8%
Stormwater (MS4)	1.1	0.4	0.2	(0.2)	-46.0%	17.8%
Interest	0.8	0.3	0.5	0.2	66.7%	61.4%
Developer Fees (Water & Sewer)	6.0	2.0	2.5	0.5	25.8%	41.5%
Others	2.9	1.0	1.0	0.0	0.0%	34.5%
Subtotal	\$21.0	\$7.0	\$7.3	0.3	4.0%	34.6%
Rate Stabilization Fund Transfer	\$6.5	\$2.1	\$0.0	(2.1)	-100.0%	0.0%
Other Revenue Subtotal	\$27.5	\$9.1	\$7.3	(1.8)	-20.2%	26.4%
Grand Total	\$426.4	\$140.7	\$139.8	-\$0.9	-0.7%	32.8%

Discussion of Relevant Variance

In general revenues are on target with the exception of Residential, Commercial, Multi-Family, Federal, District Government, DC Housing Authority, Wholesale Revenues, and Other Revenues.

Receipts for Residential, Commercial and Multi-Family categories in January were \$17.1 million, and cumulative receipts totaled \$72.8 million, or 32.2 percent of budget. The consumption is generally lower in winter months whereas the year-to-date budget is based on straight-line

basis. The receipts are expected to increase in the future months and are projected to meet target.

The Federal Government's receipts for the first and second quarter total \$21.1 million or 44.3 percent of the FY 2012 revised budget. The Department of Navy did not pay their second quarterly payment in January 2012, due to some allocation issues internal to the Navy. DC Water staff has coordinated with the various entities to facilitate a resolution.

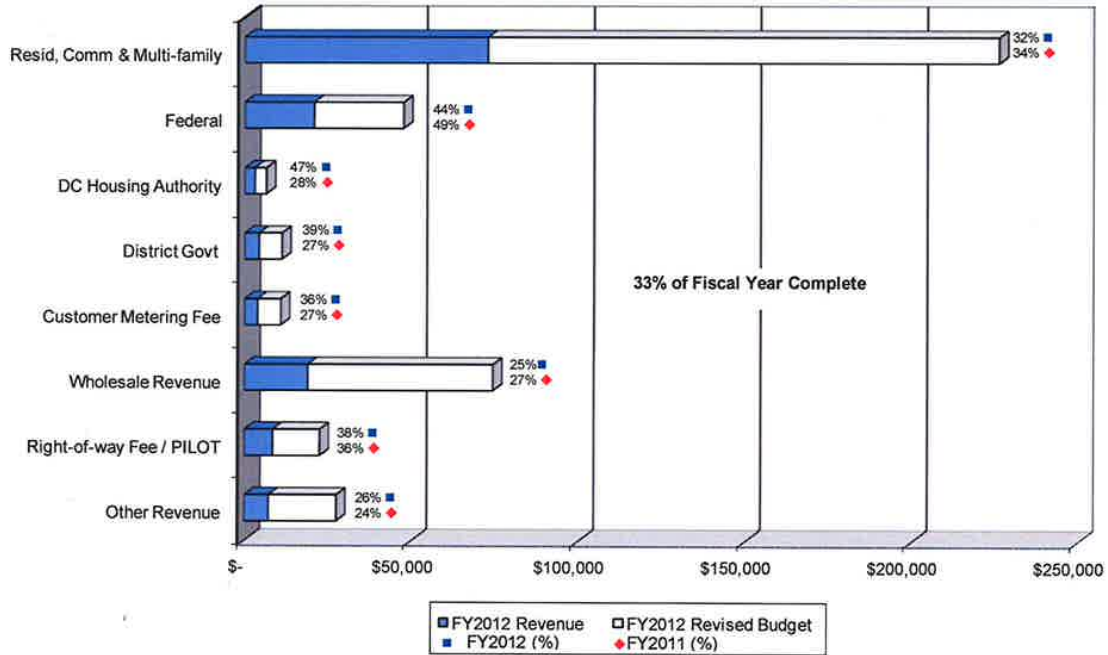
The District Government actual receipts for the first two quarters total \$4.3 million or 38.9 percent of the revised FY 2012 budget. The District Government has disputed consumption on a large account, withholding a portion of their quarterly payment while the account is being investigated. Staff is meeting with the officials to complete the review.

DC Housing Authority's actual receipts total \$3.0 million or 47.3 percent of the revised budget. The receipt for the month of January 2012 was \$1.0 million which represented the payment for two months billings (November and December). Since the 4th quarter 2011, DC Housing Authority was behind on their payments by a month due to significant turnover within their Accounts Payable Department. They have now caught up with their payment schedule. DC Water, therefore, has received one additional payment this year, due to the late receipt of payment from FY 2011.

Wholesale Customers' actual receipts for the first quarter total \$19.0 million or 25.5 percent of the revised FY 2012 budget. Wholesale Customers' second quarter payment will be received in the month of February 2012.

Other Revenue receipts are lower than the straight-lined budget at \$9.1 million or 26.4 percent of the budgeted category primarily due to IMA Indirect Cost Reimbursement and transfer of Rate Stabilization Fund. The IMA indirect capital reimbursement is not anticipated to be received until the fourth quarter of the fiscal year. The Rate Stabilization Fund transfer is anticipated in the fourth quarter of the fiscal year.

**FY 2012
OPERATING RECEIPTS BY CUSTOMER CATEGORY
As of January 31, 2012**



BREAKDOWN OF RETAIL RECEIPTS BY CUSTOMER CATEGORY
January 31, 2012
 (\$ in 000's)

Customer Category	Water	Sewer	Clean Rivers		Total
			IAC	Metering Fee	
Residential	8,897	10,962	2,595	1,652	24,106
Commercial	14,092	14,405	3,193	1,093	32,784
Multi-family	8,049	9,680	953	390	19,073
Federal	8,995	9,031	3,026	474	21,525
District Govt	1,512	1,855	948	232	4,547
DC Housing Authority	1,307	1,604	116	45	3,073
Total:	42,852	47,538	10,831	3,887	105,108

Note: The breakdown of Collections into Residential, Commercial, & Multi-family and Water and sewer is approximate as it is based on percentages of historical data and does not take into account adjustments and timing differences.

Clean Rivers IAC – Actual vs Budget
January 31, 2012
 (\$ in 000's)

Customer Category	FY2012 Budget	Year-To-Date Budget	Actual Received	Variance		Actual % of Budget
				Favorable / <Unfavorable>	Variance % of YTD Budget	
Residential	8,178	2,726	2,595	(131)	-5%	32%
Commercial	9,714	3,238	3,193	(45)	-1%	33%
Multi-family	3,235	1,078	953	(125)	-12%	29%
Federal	6,052	2,017	3,026	1,009	50%	50%
District Govt	2,131	710	948	238	33%	44%
DC Housing Authority	380	127	116	(10)	-8%	31%
Total:	29,690	9,897	10,831	935	9%	36%

OPERATING EXPENDITURES

At the end of January, with approximately 33.3 percent of the fiscal year completed, operating expenditures (including debt service and the right of way and PILOT fees) totaled \$119.9 million, or 29 percent of the FY 2012 Board-revised budget of \$415.4 million. These numbers include estimated incurred but unpaid invoices.

EXPENDITURE VARIANCE BY CATEGORY
 (\$ in 000's)
 As of January 31, 2012

	FY 2011			FY 2012			FY 2013
	Board Revised Budget	Actual as of 09/30/2011	Percent of Budget	Board Revised Budget	YTD as of 01/31/2012	Percent of Budget	Board Approved Budget
Personnel Services	105,292	103,145	98%	111,114	34,781	31%	117,796
Contractual Services	79,114	71,067	90%	79,747	20,034	25%	82,350
Water Purchases	33,000	27,170	82%	31,517	8,940	28%	32,523
Chemicals and Supplies	29,234	26,412	90%	29,947	8,571	29%	31,360
Utilities	34,938	29,429	84%	37,446	9,015	24%	38,047
Small Equipment	1,095	694	63%	995	140	14%	993
Subtotal O & M Expenditures	282,674	257,917	91%	290,765	81,481	28%	303,069
Debt Service	98,726	91,888	93%	102,613	31,116	30%	129,392
Payment in Lieu of Taxes	16,882	16,882	100%	16,882	5,627	33%	19,215
Right of Way	5,100	5,100	100%	5,100	1,700	33%	5,100
Total O & M Expenditures	403,382	371,787	92%	415,360	119,925	29%	456,775
Personnel Services Charged to Capital Projects	(11,000)	(9,906)	98%	(14,000)	(4,382)	31%	(16,690)
Total Net Operating Expenditures	392,382	361,881	92%	401,360	115,542	29%	440,085

Note: Actuals include accruals

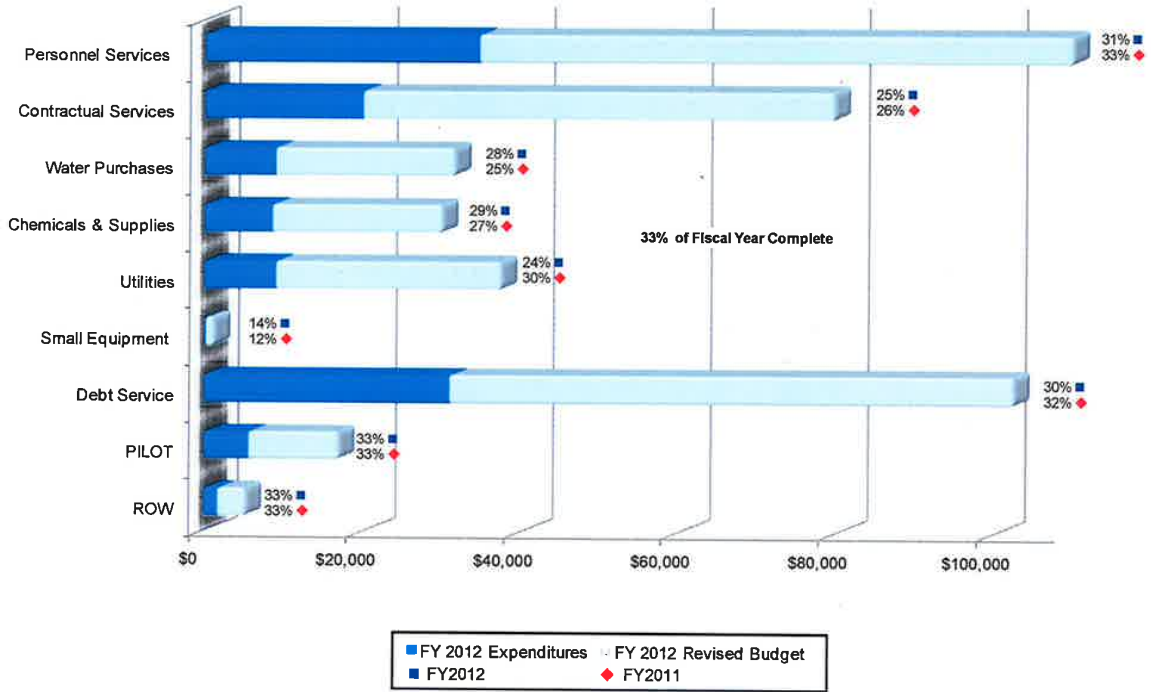
Discussion

Personnel services (\$111.1 million annual budget; 38.2 percent of O&M budget) – At the end of January, personnel costs total \$34.7 million or 31 percent of budget. Of the 1,171 positions budgeted (1,202 positions authorized), 1,035 positions were filled at the end of January. Overtime spending totals \$1.6 million of the annual budget of \$5.0 million, or 6 percent of regular payroll costs and is at the same level of spending for the same period last year. We will continue to monitor and report overtime activities and risks.

Utilities (\$37.4 million annual budget; 12.9 percent of O&M budget) – Additional information concerning actual performance in this category can be found later in this report.

Payment in Lieu of Taxes – (\$16.9 million annual budget) – Payments and accrued expenses for the District's PILOT fee totaled \$5.6 million. Actual payment differs due to previous Board direction and resulting offsets associated with the Fire Protection fee.

**FY 2012 Operating Expenditures
by Category
(\$ in 000's)
As of January 31, 2012**



CAPITAL SPENDING

For the month of January 2012, actual disbursements totaled \$29.5 million, with year-to-date disbursements totaling \$141.9 million or 27 percent of the FY 2012 Revised disbursements budget. Planned capital disbursements through January 2012 were \$170 million, or 32 percent of the FY 2012 Revised disbursements budget.

**Capital Disbursements Variance
(\$ in 000's)
As of January 31, 2012**

Description	FY 2012 Revised Disbursements Budget		Actual Disbursements		% of FY 2011 Revised Disbursements Budget	
	Annual	YTD	JAN. '12	YTD	Variance Compared to Plan	Percent of Annual Budget
Wastewater Treatment	\$275,845	\$79,100	\$15,158	\$74,086	6%	27%
Sanitary Sewer	39,922	11,776	1,263	6,531	45%	16%
Combined Sewer Overflow	132,016	49,411	9,748	38,678	22%	29%
Stormwater	2,775	649	251	1,702	162%	61%
Water	54,461	20,933	2,674	13,610	35%	25%
Washington Aqueduct	11,373	3,000	0	917	69%	8%
Capital Equipment	15,349	5,116	454	6,404	25%	42%
Total Capital Projects	\$ 531,741	\$169,985	\$ 29,548	\$ 141,928	17%	27%

Discussion

All Service Area's year-to-date spending, with the exception of Stormwater and Capital Equipment, are lagging behind the year-to-date FY 2012 Revised Disbursements Budget.

With respect to the Wastewater Treatment Area, the reduced spending is primarily in the Liquid Processing and Plantwide Program Areas. In the Liquid Processing Area there are four projects that account for the majority of the under spending: (1) Nitrification/Denitrification Facility (Project BR); (2) Filtration/Disinfection Facility (Project BT); (3) Nitrification Facility (Project TQ); and (4) Dual Purpose Rehabilitation Project (Project BG). There are a variety of reasons for the shortfall in spending in each of the projects, however the projects are on schedule and spending is estimated to be back on track by the end of the fiscal year.

In the Plantwide Area, the variance is due to a two year contract extension for the Process Control System Equipment as well as delays in the start of a number of smaller facility projects.

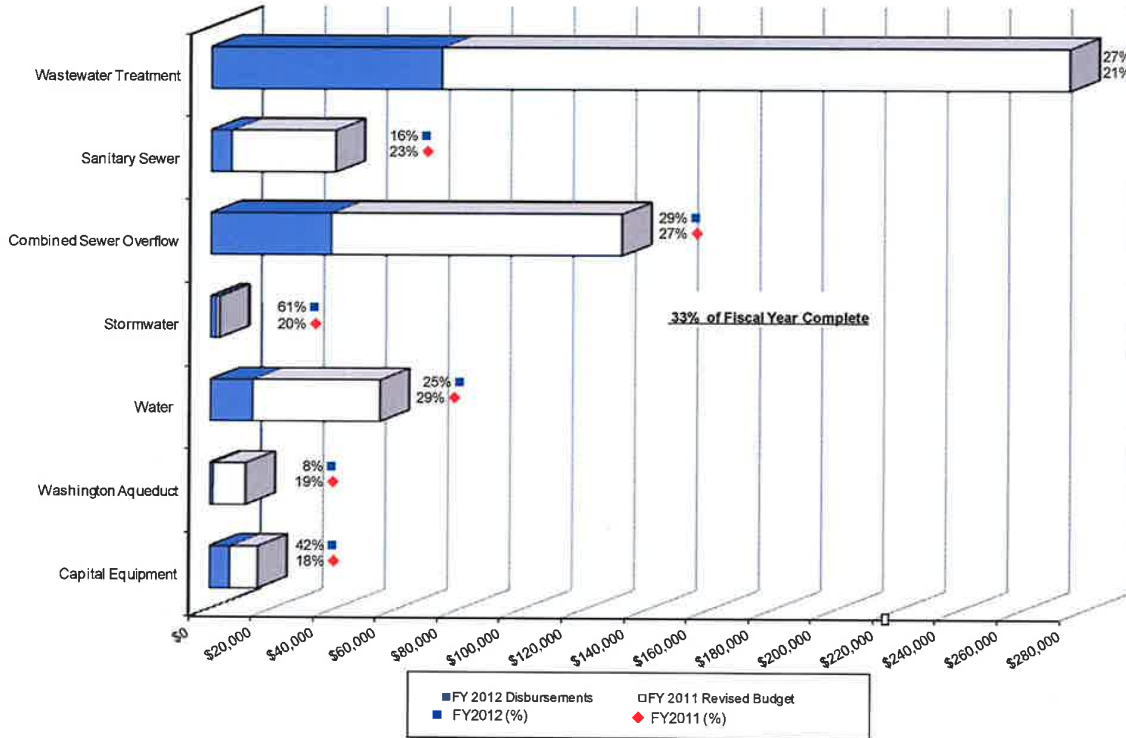
All Program Areas in the Sanitary Sewer Service Area have experienced reduced year-to-date spending. This is primarily a result of a review by the new program manager of the definition and prioritization surrounding those projects identified in the Sewer Facility Plan to insure the most value is obtained in the design and construction phases of the projects. Spending is not anticipated to recover in FY 2012.

As indicated last month, the under spending in CSO Service Area continues to relate to the scheduled closeout of the Outfall Sewer Rehabilitation (Project D2), that will not occur until sometime later this year, as well as the Main & O Pump Station (Project K1), that will not occur until the end of FY 2012 or the beginning of FY 2013 due to some additional work that has been identified and is pending approval of a change order. Also, the Blue Plains Tunnel (Division A) continues to under run on a year-to-date basis, but as stated last month, the activities that are behind schedule are non critical to the project completion and have already started to recover since December.

The same factors impacting the spending in the Water Services Area in the first quarter continued through January. One is the reduced level of activity associated with the Lead Service Replacement Program; another is the delayed closeout of Small Diameter Watermain Rehabilitation (2) – (Project MU) and Small Diameter Watermain Rehabilitation (3) – (Project MV); and finally is the delayed starts related to the Bryant Street Pump Station Rehabilitation (Project M6) as well as Small Diameter Watermain Rehabilitation (8) – (Project O0).

A briefing on the activities and status of the Capital Improvement Program during the first quarter will be provided to the Finance and Budget Committee at the February 2012 meeting.

**FY 2012 Capital Disbursements Compared to Plan
By Service Area
(\$ in 000's)
As of January 31, 2012**

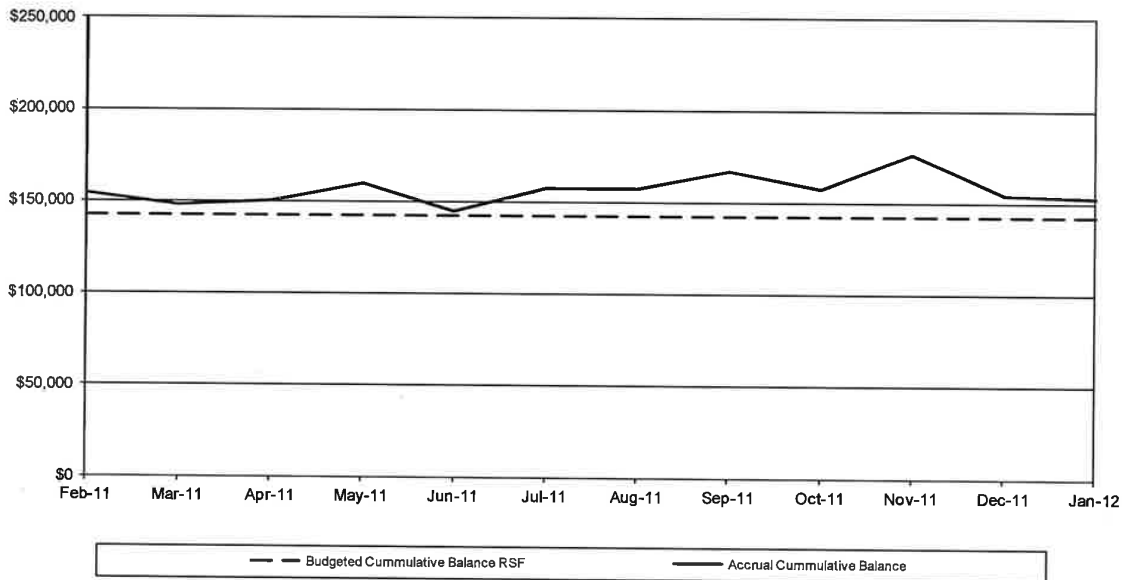


CASH AND INVESTMENT BALANCES

At the end of January, our operating reserve balance was \$135.9 million as compared to the FY 2012 operating reserve level objective of \$125.5 million. The following table provides a summary of all cash and investment account balances.

Cash Balances	
As of January 31, 2012	
(\$ in millions)	
Rate Stabilization Fund Account (RSF)	\$16.7
Operating Reserve Accounts	135.9
DC PILOT Fund	<u>10.0</u>
Operating Cash Balance Including RSF	162.6
Debt Service Reserve - Series 98	24.3
Bond Construction Fund - Series 10	87.8
Capital Interest Fund - Series 10	7.6
CSO LTCP Appropriations Account	<u>52.6</u>
Total All Funds	\$334.9

FY 2012 Operating Cash Balances
 (\$ in 000's)
 (Operating Reserve and RSF)



Overall Portfolio Performance

As of January 2012, DC Water's total investment portfolio continues to perform well and complies with the Authority's Investment Policy. Returns continue to exceed the established benchmarks for short term (less than one year) and core (one plus years) funds. Interest income for January (**on a cash basis**) was \$8,268 with year-to-date totals of \$381,256 as compared to the budget of \$535,376 for the year. A detailed investment performance report is attached.

2012 Bond Issuance

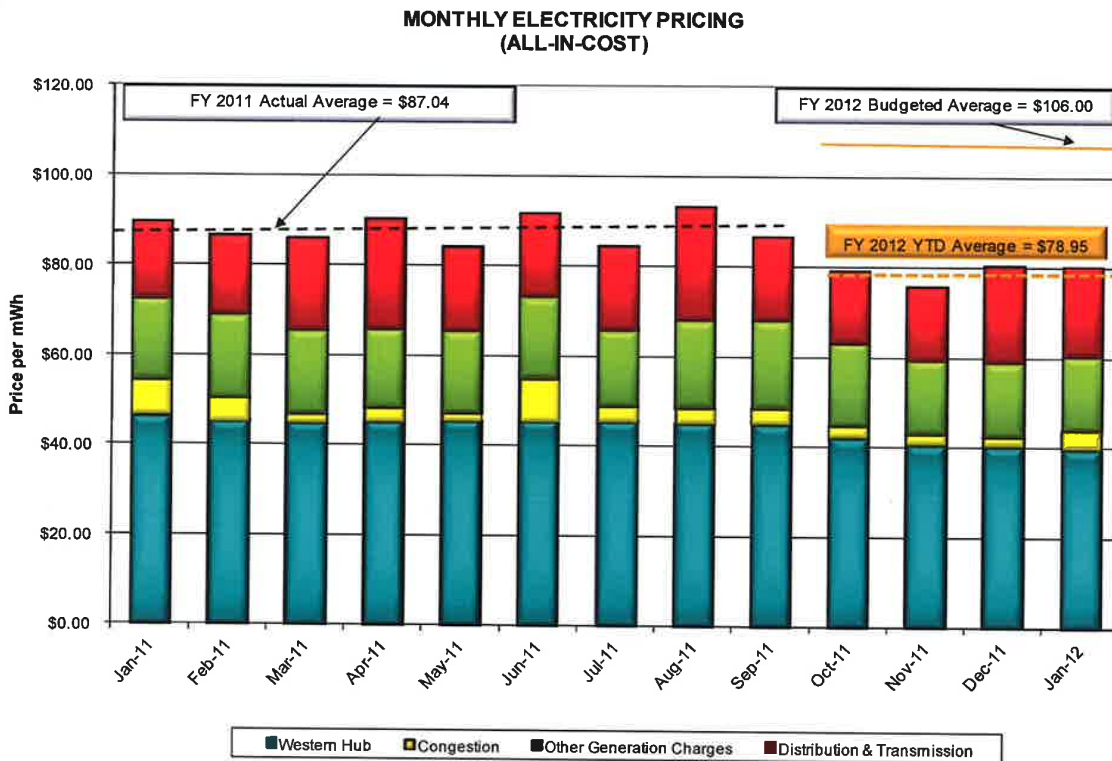
In order to provide continued financing for our capital program, DC Water is planning to issue \$300 million in revenue bonds during March 2012. A working group consisting of DC Water staff, financial advisors, bond counsel and underwriters has been established. This group will provide an update on the financing plan at February's Finance and Budget Committee meeting with associated documents for Committee review and action.

OTHER STATUS REPORTS

ELECTRICITY

As of the end of January, we have purchased approximately 69 percent, or 21MWh, of the Authority's electric load at Western Hub average unit price of \$44.42/mWh. Staff continues to monitor the futures market with intent to lock up to 100 percent of our electricity load when appropriate, in line with the Board's directive.

The chart below depicts the all-in-cost for the electricity purchased by the Authority. As indicated in the chart, electricity prices generally increase during the winter and summer peak months. The average all-in-cost paid for January 2012 was \$80.36/mWh, with the year-to-date average at \$78.95/mWh.



Notes: A) Other generation charges include the capacity charges, loss factor adjustments, ancillary costs, and other adder (administrative) fees associated with electricity procurement over the spot market
 B) Prices include accruals for invoices not yet received.

Electricity Costs

The revised FY 2012 electricity budget of \$29.2 million represents 78 percent of the total utilities budget and assumes an average all-in-cost of \$106.00/mWh.

The current purchasing strategy can be compared to two benchmarks: the Standard Offer Service (S.O.S.) and spot market prices. As indicated in the chart below, DC Water’s average year-to-date actual price is higher than the spot market price and significantly below the S.O.S. price.

All-In-Cost (\$/mWh)			
Unit Price			
	Standard Offer Service (S.O.S.)	Spot Market	Actual ¹
Oct-11	\$127.19	73.72	79.16
Nov-11	\$131.57	69.80	75.84
Dec-11	\$136.29	73.70	80.41
Jan-12	\$126.15	73.78	80.36
YTD Average	\$130.30	\$72.75	\$78.95

¹ Actual prices are inclusive of the price mix of monthly block purchases and spot market unit prices.

Electricity Budget (\$000)			
	Amount		Variance
	Budgeted	Actual	Budgeted vs Actual
Oct-11	\$1,943	\$1,103	\$840
Nov-11	\$1,933	\$1,613	\$320
Dec-11	\$2,475	\$1,616	\$859
Jan-12	\$2,474	\$1,940	\$535
YTD Total	\$8,826	\$6,272	\$2,553
Remainder	\$20,392		
Total Budget	\$29,218		

Overall, the FY 2012 electricity expenditure is tracking favorably to budget.

RETAIL & WHOLESALE ACCOUNTS RECEIVABLE

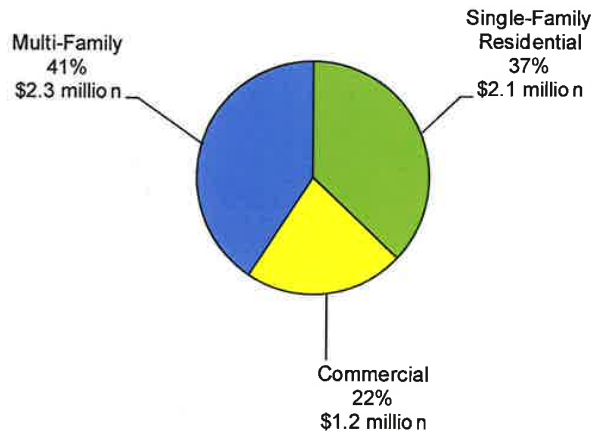
The following tables and chart show retail and wholesale accounts receivable over 90 days including a breakdown by customer class.

**Delinquent Accounts Receivable
Greater Than 90 Days by Customer
January 31, 2012**

	RETAIL		WHOLESALE		TOTAL	
	Greater than 90 Days		Greater than 90 Days		Greater than 90 Days	
	\$ in millions	# of accounts	\$ in millions	# of accounts	\$ in millions	# of accounts
September 30, 2006	\$7.4	14,762	\$0.0	0	\$7.4	14,762
September 30, 2007	\$7.1	14,917	\$0.0	0	\$7.1	14,917
September 30, 2008	\$6.1	15,635	\$0.0	0	\$6.1	15,635
September 30, 2009	\$4.9	10,211	\$0.0	0	\$4.9	10,211
September 30, 2010	\$5.1	13,441	\$0.0	0	\$5.1	13,441
September 30, 2011	\$5.5	13,039	\$0.0	0	\$5.5	13,039
October 31, 2011	\$5.5	12,831	\$0.0	0	\$5.5	12,831
November 30, 2011	\$5.4	12,629	\$0.0	0	\$5.4	12,629
December 31, 2011	\$5.6	13,549	\$0.0	0	\$5.6	13,549
January 31, 2012	\$5.6	13,541	\$0.0	0	\$5.6	13,541

**In June 09 the Authority wrote off approximately \$1.3M of bad debt*

**Retail Accounts
Greater Than 90 Days by Customer Class
January 31, 2012**



**Delinquent Accounts Receivable
Greater Than 90 Days by Customer
January 31, 2012**

	Number of Accounts			Month of January (All Categories)				Total Delinquent			
				Active		Inactive					
	W & S a/c	Impervious Only a/c	Total No. of a/c	No. of a/c	Amount (\$)	No. of a/c	Amount (\$)	No. of a/c Dec.	Amount (\$)	No. of a/c Jan.	Amount (\$)
Commercial	11,808	3,406	15,214	1,813	1,098,004.93	147	151,114.39	1,985	1,120,805.18	1,960	1,249,119.32
Multi-family	7,382	473	7,855	987	2,064,477.84	128	225,992.32	1,143	2,406,480.25	1,115	2,290,470.16
Single-Family Residential	103,915	3,089	107,004	8,846	1,406,743.30	1,620	671,443.60	10,421	2,091,543.52	10,466	2,078,186.90
Total	123,105	6,968	130,073	11,646	4,569,226.07	1,895	1,048,550.31	13,549	5,618,828.95	13,541	5,617,776.38

-Included in the above \$4.57m (or 11,646 accounts) of the DC Water Over 90 days delinquent accounts, \$568,825.86 (or 3,168 accounts) represents Impervious only Accounts over 90 days delinquent.

-Reportable delinquencies do not include balances associated with long-standing disputes between DC Water and two large commercial customers.

**D.C. WATER AND SEWER AUTHORITY
FY 2012 CASH FLOW SUMMARY
As of January 31, 2012
(\$000's)**

	Annual Budget Cash Basis	YTD 33% Of Cash Budget	YTD Actual Cash Oct. 1, 2011 - Jan. 31, 2012	Variance Favorable (Unfavorable)	
OPERATING BUDGET					
Cash Provided					
Retail	324,549	107,101	105,108	(1,994)	-2%
Wholesale	74,361	24,539	18,959	(5,580)	-23%
Other	20,750	6,848	15,619	8,772	128%
Transfer from Rate Stabilization Fund	6,500	2,145		(2,145)	-100%
Total Cash Provided	426,161	140,633	139,686	(947)	-1%
Operating Cash Used					
Personnel Services	97,114	32,048	31,665	383	1%
Contractual Services	79,746	26,316	21,049	5,267	20%
Chemicals & Supplies	29,946	9,882	9,127	755	8%
Utilities	37,447	12,358	7,756	4,601	37%
Water Purchases	31,517	10,401	9,617	783	8%
Small Equipment	995	328	322	7	2%
Total Operating Cash Used	276,765	91,332	79,536	11,796	13%
Other Cash Used					
Debt Service	100,776	33,256	31,116	2,140	6%
Payment In Lieu of Taxes/Right of Way	22,365	7,380	4,379	3,002	41%
Total Other Cash Used	123,141	40,636	35,495	5,142	13%
Total Cash Used	399,906	131,969	115,031	16,938	13%
Net Cash Provided (Used) by Operating Act.	26,255	8,664	24,655	15,991	
CAPITAL BUDGET					
Cash Provided					
Debt Proceeds	259,307	85,571	45,059	(40,512)	-47%
Capital Equipment Financing	8,184	2,701		(2,701)	-100%
EPA Grants	25,455	8,400	4,872	(3,528)	-42%
CSO Grants	31,332	10,340	11,194	855	8%
Interest Income	93	31	140	109	355%
Wholesale Capital Contributions	175,242	57,830	42,298	(15,531)	-27%
Total Cash Provided	499,613	164,872	103,565	(61,308)	-37%
Cash Used					
WASA Capital Program	521,292	172,026	141,011	31,015	18%
Washington Aqueduct Projects	10,449	3,448	917	2,531	73%
Total Cash Used	531,741	175,475	141,928	33,547	19%
Net Cash/PAYGO Provided (Used) by Cap. Act.	(32,128)	(10,602)	(38,363)	(27,761)	
Beginning Balance, October 1 (Net of Rate Stab. Fund)					
Plus (Less) Operating Surplus	150,035		150,035		
Wholesale Customer Refunds from Prior Years	26,255	8,664	24,655		
Interest Earned From Bond Reserve	(5,250)	(1,733)	0		
Transfer to Rate Stabilization Fund	256	84	104		
Prior Year Federal Billing Reconciliation	(12,250)	(4,043)	0		
Cash Used for Capital	(1,000)	(330)	(500)		
Balance Attributable to O&M Reserve	(32,546)	(10,740)	(38,363)		
	125,500	41,415	135,932		
OTHER CASH RESERVES					
	Current Balance				
Rate Stabilization Fund	16,700				
CSO Long-Term Control Plan Appropriation	52,648				
DC PILOT Reserve Fund	10,000				

Comparative Statement of Expenditures

As of January 31, 2012

(\$000's)

	FY 2011			FY 2012			FY 2013
	Board Revised Budget	YTD as of 01/31/2011	Percent of Budget	Board Revised Budget	YTD as of 01/31/2012	Percent of Budget	Board Approved Budget
Personnel Services	105,292	34,838	33%	111,114	34,781	31%	117,796
Contractual Services	79,114	20,501	26%	79,747	20,034	25%	82,350
Water Purchases	33,000	8,280	25%	31,517	8,940	28%	32,523
Chemicals and Supplies	29,234	7,831	27%	29,947	8,571	29%	31,360
Utilities	34,938	10,357	30%	37,446	9,015	24%	38,047
Small Equipment	1,095	134	12%	995	140	14%	993
Subtotal O & M Expenditures	282,674	81,942	29%	290,765	81,481	28%	303,069
Debt Service	98,726	31,838	32%	102,613	31,116	30%	129,392
Payment in Lieu of Taxes	16,882	5,627	33%	16,882	5,627	33%	19,215
Right of Way	5,100	1,700	33%	5,100	1,700	33%	5,100
Total O & M Expenditures	403,382	121,107	30%	415,360	119,925	29%	456,775
Personnel Services Charged to Capital Projects	(11,000)	(3,309)	30%	(14,000)	(4,382)	31%	(16,690)
Total Net Operating Expenditures	392,382	117,798	30%	401,360	115,542	29%	440,085

Note: Actuals include accruals

Percent of fiscal year complete: 33%

Finance and Budget Committee Meeting - 2. January 2012 Financial Report (Attachment 1) - Yvette Downs and Robert Hunt

FY 2012 Overtime
Budget vs Actual
Period Ended January 31, 2012

Department	FY 2011				FY 2012						
	Annual Budget	Actual	Percent of Budget Expended	Actual to Budget \$ Variance	Annual Budget	Percent of Annual Budget Expended	FY 2012 Year-to-Date				
							Straight-Line Budget 10/01/11 - 01/31/12	Actual 10/01/11 - 01/31/12	Actual to Straight-Line Budget Variance	Percentage YTD Straight-Line Budget Expended	YTD Overtime as % of YTD Regular
Office of the Secretary	4,000	1,854	46%	2,146	4,000	18%	1,319	703	616	53%	1%
General Manager	15,000	671	4%	14,329	13,000	4%	4,286	475	3,811	11%	0%
General Counsel	2,000	2,731	137%	(731)	2,000	24%	659	483	176	73%	0%
External Affairs	2,000	2,703	135%	(703)	2,000	9%	659	177	483	27%	0%
Internal Audit	-	-	0%	-	-	0%	0	0	0	0%	0%
Information Technology	25,000	15,471	62%	9,529	24,006	28%	7,914	6,759	1,155	85%	1%
Procurement	30,000	24,545	82%	5,455	30,000	24%	9,890	7,051	2,839	71%	1%
Customer Service	250,000	188,688	75%	61,312	240,000	19%	79,121	44,628	34,492	56%	2%
Finance & Budget	30,000	28,140	94%	1,860	30,000	35%	9,890	10,391	(501)	105%	1%
Risk Management	1,000	94	9%	906	1,000	0%	330	0	330	0%	0%
Assistant General Manager	1,000	222	22%	778	1,000	24%	330	241	89	73%	0%
Human Capital Management	5,000	2,852	57%	2,148	5,000	20%	1,648	994	654	60%	0%
Occupational Safety & Health	2,000	154	8%	1,846	2,000	18%	659	357	303	54%	0%
Facilities & Security	150,000	203,883	136%	(53,883)	150,000	45%	49,451	67,433	(17,982)	136%	5%
Water / Sewer Pump Maintenance	200,000	110,681	55%	89,319	200,000	15%	65,934	29,830	36,104	45%	4%
Engineering & Technical Services	549,960	611,204	111%	(61,244)	548,481	39%	180,818	212,954	(32,136)	118%	6%
Water Services	1,080,000	1,111,758	103%	(31,758)	1,080,000	27%	356,044	290,613	65,431	82%	8%
Clean Rivers	10,000	3,745	37%	6,255	25,000	6%	8,242	1,431	6,811	17%	0%
Sewer Services	900,000	1,063,680	118%	(163,680)	900,000	34%	296,703	309,603	(12,900)	104%	10%
Wastewater Treatment	956,000	1,010,473	106%	(54,473)	956,000	38%	315,165	367,080	(51,915)	116%	13%
Maintenance Services	800,000	880,595	110%	(80,595)	800,000	33%	263,736	267,603	(3,866)	101%	9%
Permit Operations	1,000	1,503	150%	(503)	2,500	37%	824	929	(105)	113%	0%
Fleet Management	1,000	926	93%	74	1,000	7%	330	66	263	20%	0%
Total DC WATER	\$5,014,960	\$5,266,573	105%	-\$251,613	\$5,016,987	32%	\$1,653,952	\$1,619,802	\$34,149	98%	6%

Notes:

- (1) "Budget 10/01/11 - 01/31/12" reflects annual budget straight-lined
- (2) "% YTD Budget Expended" reflects variance between straight-lined budget to-date and actual overtime
- (3) "Actual 10/01/11 thru. 01/31/12" includes 3 days accruals for January.
- (4) YTD payroll does not include fringe benefits

Finance and Budget Committee Meeting - 2. January 2012 Financial Report (Attachment 1) - Yvette Downs and Robert Hunt

Capital Projects
 FY 2012 Disbursements Analysis
 As of January 31, 2012
 (\$000's)

Description	(Proposed) FY 2012 Revised Disbursements Budget		Annual - *Projected	Actual Disbursements		% of FY 2012 Revised Disbursements Budget		Commitments
	Annual	YTD		JAN. '12	¹ YTD	Annual	YTD	
Wastewater Treatment							33% of Fiscal Year Completed	
Liquid Processing Projects	\$23,263	\$7,906	11,623	\$1,259	\$5,034	22%	64%	46,407
Plantwide Projects	18,018	7,573	17,758	\$845	5,341	30%	71%	30,126
Solids Processing Projects	119,295	31,933	50,479	\$4,231	28,624	24%	90%	235,957
Enhanced Nitrogen Removal Facilities (formerly Total Nitrogen Program)	<u>115,269</u>	<u>31,688</u>	<u>48,326</u>	<u>\$8,823</u>	<u>35,087</u>	30%	111%	<u>296,017</u>
Total Wastewater Treatment	275,845	79,100	128,186	15,158	74,086	27%	94%	608,507
Sanitary Sewer								
Sanitary Collection Sewers	2,140	897	1,778	\$3	173	8%	19%	2,772
Sanitary On-Going Projects	16,081	3,493	7,593	\$261	1,979	12%	57%	11,607
Sanitary Pumping Facilities	659	383	205	\$5	119	18%	31%	707
Sanitary Sewer Program Management	6,880	2,544	3,852	\$0	1,048	15%	41%	20,040
Sanitary Interceptor/Trunk Force Sewers	<u>14,162</u>	<u>4,459</u>	<u>12,704</u>	<u>\$994</u>	<u>3,212</u>	23%	72%	<u>22,256</u>
Total Sanitary Sewer	39,922	11,776	26,132	1,263	6,531	16%	55%	57,382
Combined Sewer Overflow								
CSO Program Management	1,590	903	1,543	\$0	734	46%	81%	13,186
Combined Sewer Projects	14,504	10,500	38,554	\$67	4,378	30%	42%	13,163
D.C. Clean Rivers Project (aka Long-Term Control Plan)	<u>115,922</u>	<u>38,008</u>	<u>40,085</u>	<u>\$9,681</u>	<u>33,566</u>	29%	88%	<u>295,139</u>
Total Combined Sewer Overflow	132,016	49,411	80,182	9,748	38,678	29%	78%	321,487
Stormwater								
Stormwater Local Drainage	17	8	-	\$0	0	0%	0%	239
Stormwater On-Going Program	731	97	105	\$202	1,082	148%	1116%	502
Stormwater Pumping Facilities	-	-	-	\$0	0			0
DDOT Stormwater Program	2	-	-	\$0	0	0%	0%	0
Stormwater Research and Program Management	499	339	973	\$0	233	47%	69%	1,399
Stormwater Trunk/Force Sewers	<u>1,527</u>	<u>204</u>	<u>1,401</u>	<u>\$49</u>	<u>387</u>	25%	190%	<u>2,008</u>
Total Stormwater	2,775	649	2,479	251	1,702	61%	262%	4,148
Water								
Water Distribution Systems	23,024	8,926	21,375	\$2,190	6,999	30%	78%	39,247
Water On-Going Projects	8,239	2,704	8,557	\$408	2,334	28%	86%	4,207
Water Pumping Facilities	5,327	1,599	1,844	\$2	143	3%	9%	6,252
DDOT Water Projects	4,002	1,606	3,740	\$0	1,855	46%	116%	8,201
Water Storage Facilities	2,083	822	1,245	\$0	921	44%	112%	1,253
Water Projects Program Management	4,109	1,453	4,387	\$0	926	23%	64%	13,007
Water Lead Program	4,801	2,863	2,671	\$74	402	8%	14%	7,250
AMR Installation / Replacement	<u>2,876</u>	<u>959</u>	<u>2,931</u>	<u>\$0</u>	<u>30</u>	1%	3%	<u>1,944</u>
Total Water	54,461	20,933	46,750	2,674	13,610	25%	65%	81,361
Washington Aqueduct	11,373	3,000	9,491	\$0	917	8%	31%	
Capital Equipment	15,349	5,116	10,230	\$454	6,404	42%	125%	5,614
Total Capital Projects	\$531,741	\$169,985	303,450	\$29,548	\$141,928	27%	83%	1,078,499

Notes:

¹ Includes actual OCIP-related disbursements of \$67,638.00

Finance and Budget Committee Meeting - 2. January 2012 Financial Report (Attachment 1) - Yvette Downs and Robert Hunt

% year complete
Long Term Control Plan

8.33%

CONTROL CHECK TOTAL
HARD-CODED # s

CHECK TOTAL						DETS - OCT-11 ACHVMNT %	DETS - to-date ACHVMNT %
<i>BJ's (DETS MANAGED) SERVICE AREAS' TOTALS</i>	386,221	33,102	240,713	19,413	101,011		
- LTCP	115,922	38,008	40,085	9,681	33,566		
	<u>502,143</u>	<u>71,110</u>	<u>280,798</u>	<u>29,094</u>	<u>134,577</u>	68%	189%
<u>OTHERS- NOT REPORTED BY BJ:</u>							
- AMR	2,876	959	2,931	-	30		
- WAD	11,373	3,000	9,491	0	917		
- Caq EQPMNT	15,349	5,116	10,230	454	6,404		
BUDGET- TOTAL	531,741	80,185	303,449	29,548	141,928		
HARD-CODED # s							
CHECK TOTAL: DIFF., IF ANY							
				FOR 'Oct-'11	YTD (thru OCT-11)		
				DETS's 5 budgeted disb.	42,737	71,110	



DC Water

Investment Performance Report – January 2012



DC Water
Finance Division
Economic Update

ECONOMIC COMMENTARY

- In January, the economy added 243,000 new jobs pushing the unemployment rate lower to 8.3%.
- The U-6 unemployment rate, which includes individuals working part-time desiring full-time positions and those that stopped looking for a job, remains elevated at 15.1%.
- In an effort to increase transparency, the Federal Reserve divulged more information about the direction and timing of monetary policy. In its January 25th statement, the FOMC indicated that economic conditions “warrant exceptionally low levels for the federal funds rate at least through late 2014.” Prior statements suggested rates will remain low through mid-2013.
- Yields on 2 to 3 year bonds fell slightly during the month by 0.04% to 0.10%. As of month-end, the yield on the 2-year U.S. Treasury Note is 0.22%. Longer 5 to 10 year securities fell by more than 0.15%.

PORTFOLIO RECAP

- The portfolio is diversified among Bank Deposits, Commercial Paper, Federal Agencies, FDIC Insured CDs, and SEC registered money market funds.
- The overall yield-to-cost of the portfolio is 0.55%.
- The portfolio is in compliance with the Authority’s Investment Policy.

2010A Construction Fund

- In January, the Authority purchased \$20 million of 2 to 3 month commercial paper at an average yield of 0.17%.

Operating Reserve Fund

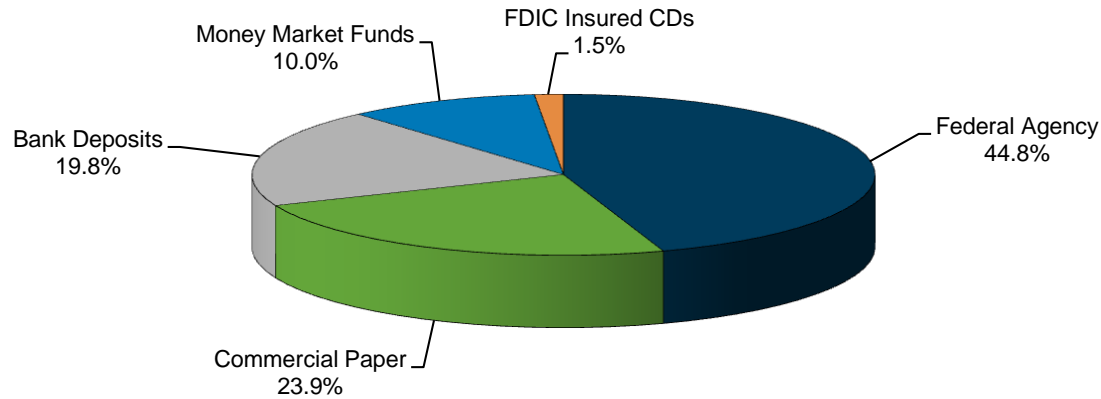
- The Authority purchased \$5 million of 1 to 2 year FDIC Insured CDs through CDARs at an average yield of 0.70%.

CSO LTCP Appropriations

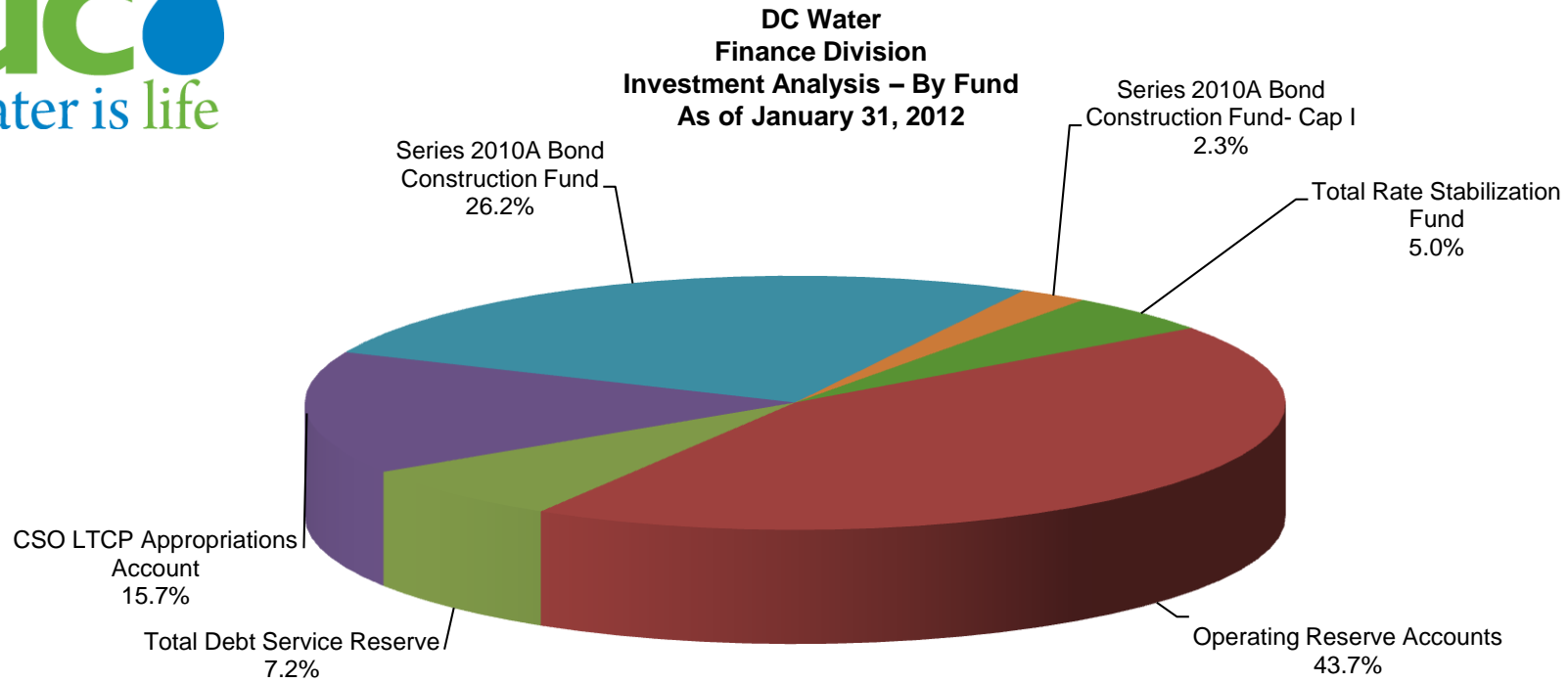
- The Authority purchased \$10 million of 3 month commercial paper at an average yield of 0.11%.



**DC Water
Finance Division
Investments - By Security Type
As of January 31, 2012**



Security Type	Book Value + Accrued Interest	Asset Allocation	Permitted By Policy
Bank Deposits	\$ 66,128,362	19.8%	100.0%
Money Market Funds	33,281,913	10.0%	100.0%
Bankers Acceptances	-	0.0%	40.0%
Commercial Paper	79,735,022	23.9%	35.0%
U.S. Treasuries	-	0.0%	100.0%
Federal Agency	149,570,205	44.8%	80.0%
FDIC Insured CDs	5,000,575	1.5%	30.0%
Municipal Obligations	-	0.0%	20.0%
Total	\$ 333,716,078	100.0%	

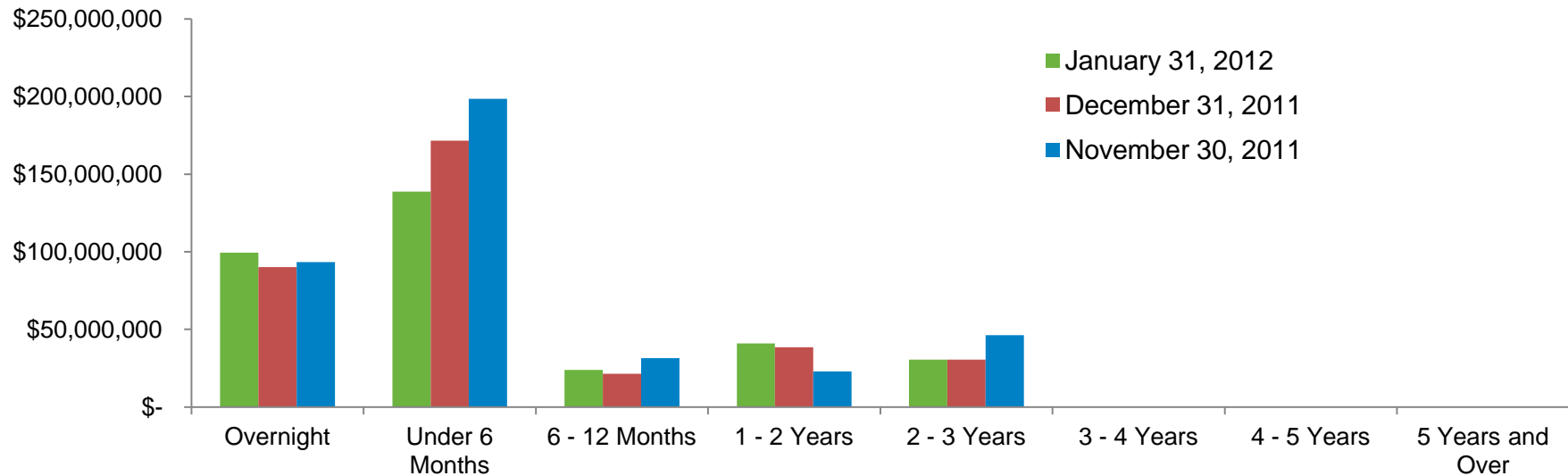


Fund Name	Book Value + Accrued Interest	Yield-to- Maturity at Cost	Effective Duration (years)	Weighted Average Maturity (days)
Total Rate Stabilization Fund	\$ 16,706,772	0.56%	0.05	17.8
Operating Reserve Accounts	145,696,791	0.80%	0.79	358.9
Total Debt Service Reserve	23,901,041	0.62%	0.76	282.4
Series 2010A Bond Construction Fund	87,558,886	0.17%	0.09	32.3
Series 2010A Bond Construction Fund- Cap I	7,572,834	0.67%	1.05	389.3
Total CSO LTCP Appropriations Account	52,279,753	0.48%	0.18	63.7
Total	\$ 333,716,078	0.55%	0.47	205.1



DC Water
Finance Division
Investment Analysis – By Maturity

Maturity Distribution	January 31, 2012	December 31, 2011	November 30, 2011
Overnight \$	99,410,275.33 \$	90,179,102.32 \$	93,311,059.10
Under 6 Months	138,748,503.55	171,525,703.67	198,492,179.32
6 - 12 Months	23,976,032.87	21,463,890.75	31,563,362.89
1 - 2 Years	41,068,402.83	38,542,986.76	22,878,057.86
2 - 3 Years	30,512,863.12	30,493,447.65	46,348,239.68
3 - 4 Years	-	-	-
4 - 5 Years	-	-	-
5 Years and Over	-	-	-
Totals \$	333,716,077.70 \$	352,205,131.15 \$	392,592,898.85





**DC Water
Finance Division
Investments – Issuer Allocation**

	Credit Ratings S&P / Moody's	Book Value		Investment Policy Limit	Compliance with Investment Policy
Bank Deposits					
TD Bank		\$ 56,100,553.90	16.8%	100.0%	Yes
Premier Bank		5,020,004.07	1.5%	100.0%	Yes
Capital One Bank		5,007,804.25	1.5%	100.0%	Yes
Sub-Total Bank Deposits		66,128,362.22	19.8%	100.0%	Yes
Money Market Mutual Funds					
American Beacon MMF	AAAm	1,481,923.00	0.4%	50.0%	Yes
Williams Capital Money Market Fund	AAAm	2,500,071.45	0.7%	50.0%	Yes
Merrill Lynch MMF	AAAm	3,500,330.19	1.0%	50.0%	Yes
Wells Fargo Advantage Treasury Plus	AAAm	15,358,207.00	4.6%	50.0%	Yes
Wells Fargo Government MMF	AAAm	10,441,381.47	3.1%	50.0%	Yes
Sub-Total Money Market Mutual Funds		33,281,913.11	10.0%	100.0%	Yes
Certificates of Deposit					
CDARs - Placed by Industrial Bank	NR / NR	5,000,575.34	1.5%	30.0%	Yes
Sub-Total Certificates of Deposit		5,000,575.34	1.5%	30.0%	Yes
Commercial Paper					
American Honda Finance Comm Paper	A-1 / P-1	9,999,008.30	3.0%	5.0%	Yes
Bank Of Nova Scotia Ny Comm Paper	A-1+ / P-1	9,997,280.60	3.0%	5.0%	Yes
Caterpillar Fin Serv Crp Comm Paper	A-1 / P-1	9,999,400.00	3.0%	5.0%	Yes
General Elec Cap Corp Comm Paper	A-1+ / P-1	9,998,211.10	3.0%	5.0%	Yes
Inova Health Systems Comm Paper	A-1+ / P-1	4,749,667.50	1.4%	5.0%	Yes
Northwest University Comm Paper	A-1+ / P-1	4,999,687.50	1.5%	5.0%	Yes
Private Export Fund Comm Paper	A-1 / P-1	9,999,188.90	3.0%	5.0%	Yes
Toyota Motor Credit Corp Comm Paper	A-1+ / P-1	9,998,911.10	3.0%	5.0%	Yes
Union Bank Na Comm Paper	A-1 / P-1	9,993,666.70	3.0%	5.0%	Yes
Sub-Total Commercial Paper		79,735,021.70	23.9%	35.0%	Yes
Federal Agencies					
Fannie Mae	AA+ / Aaa	12,823,588.32	3.8%	40.0%	Yes
Freddie Mac	AA+ / Aaa	64,176,903.01	19.2%	40.0%	Yes
Federal Home Loan Bank	AA+ / Aaa	72,569,714.00	21.7%	40.0%	Yes
Federal Farm Credit Bank	AA+ / Aaa	-	0.0%	40.0%	Yes
Sub-Total Federal Agencies		149,570,205.33	44.8%	80.0%	Yes
Total		\$ 333,716,077.70	100.0%		



**DC Water
Finance Division
Book Value Performance
As of January 31, 2012**

The portfolio is in compliance with the Authority's Investment Policy

	Trailing 1 Months		Trailing 3 Months		Trailing 6 Months		Trailing 12 Months	WAM* (days)	WAM* (years)
	Periodic	Annualized	Periodic	Annualized	Periodic	Annualized			
Total Rate Stabilization Fund	0.05%	0.56%	0.14%	0.56%	0.33%	0.66%	0.49%	17.8	0.05 years
Operating Reserve Accounts	0.05%	0.58%	0.14%	0.57%	0.28%	0.56%	0.56%	358.9	0.98 years
Total Debt Service Reserve	0.05%	0.58%	0.15%	0.61%	0.31%	0.61%	0.62%	282.4	0.77 years
Total CSO LTCP Appropriations Account	0.04%	0.43%	0.12%	0.48%	0.23%	0.46%	0.41%	63.7	0.17 years
2010A Construction Fund	0.02%	0.19%	0.06%	0.23%	0.12%	0.23%	0.25%	32.3	0.09 years
2010A Capitalized Interest Fund	0.06%	0.71%	0.17%	0.68%	0.32%	0.65%	0.51%	389.3	1.07 years
Short-Term	0.04%	0.46%	0.12%	0.48%	0.25%	0.50%	0.41%		
Merrill Lynch 3-Month Treasury Index (Book Value) ¹	0.00%	0.02%	0.00%	0.01%	0.02%	0.03%	0.06%	90.0	0.25 years
Core (1+ Years)	0.08%	0.91%	0.23%	0.91%	0.46%	0.91%	0.86%		
Merrill Lynch 1-3 Year Treasury Index (Book Value) ²	0.02%	0.26%	0.07%	0.27%	0.14%	0.28%	0.42%	-	1.80 years

(1) The Merrill Lynch 3-Month Treasury Bill is an unmanaged index tracking the on-the-run 3-month Treasury Bill. The index is produced and maintained by Merrill Lynch & Co. Performance for this index is shown on a book value basis.

(2) The Merrill Lynch 1-3 Year Treasury Index is an unmanaged index tracking a basket of U.S. Treasuries with 1 to 3 year maturities. The index is produced and maintained by Merrill Lynch & Co. Performance for this index is shown on a book value basis.

(3) Performance prior to February 2011 provided by the Authority.

*Weighted average maturity



DC Water
Finance Division
Portfolio Holdings by Fund

DESCRIPTION	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
Total Rate Stabilization Fund									
TD BANK BANK DEPOSIT	\$ 6,708,561		2/1/2012		1.05%	\$ 6,708,561	\$ 6,708,561	\$ 6,708,561	
GENERAL ELEC CAP CORP COMM PAPER	10,000,000	-	2/29/2012	10/18/2011	0.23%	9,991,439	9,999,600	9,998,211	\$ 16,706,772.21
Operating Reserve Accounts									
TD BANK BANK DEPOSIT	\$ 43,815,874		2/1/2012		1.05%	\$ 43,815,874	\$ 43,815,874	\$ 43,815,874	
CAPITAL ONE BANK	5,007,804		2/1/2012		0.50%	5,007,804	5,007,804	5,007,804	
WILLIAMS CAPITAL MONEY MARKET FUND	2,500,071		2/1/2012		0.01%	2,500,071	2,500,071	2,500,071	
INOVA HEALTH SYSTEMS COMM PAPER	4,750,000	-	2/15/2012	11/17/2011	0.18%	4,747,863	4,747,863	4,749,668	
NORTHWEST UNIVERSITY COMM PAPER	5,000,000	-	2/16/2012	11/21/2011	0.15%	4,998,188	4,998,188	4,999,688	
PRIVATE EXPORT FUND COMM PAPER	5,000,000	-	2/21/2012	11/22/2011	0.11%	4,998,610	4,999,535	4,999,694	
PRIVATE EXPORT FUND COMM PAPER	5,000,000	-	2/29/2012	11/17/2011	0.13%	4,998,122	4,999,250	4,999,494	
FHLMC NOTES	10,000,000	1.000	8/28/2012	7/27/2010	0.73%	10,068,578	10,090,930	10,057,961	
INDUSTRIAL BANK CDARS	2,500,000	0.500	1/27/2013	1/26/2012	0.50%	2,500,000	2,500,205	2,500,205	
FHLB NOTES	10,000,000	0.750	8/28/2013	5/18/2011	0.72%	10,008,025	10,080,145	10,020,904	
FREDDIE MAC (CALLABLE) GLOBAL NOTES	10,000,000	0.500	10/18/2013	10/18/2011	0.56%	9,987,200	10,012,596	10,003,329	
FHLB TAP BONDS	10,000,000	3.125	12/13/2013	5/19/2011	0.99%	10,675,134	10,552,877	10,435,524	
INDUSTRIAL BANK CDARS	2,500,000	0.900	1/27/2014	1/26/2012	0.90%	2,500,000	2,500,370	2,500,370	
FHLB NOTES (CALLABLE)	9,000,000	2.000	4/25/2014	4/27/2011	1.49%	9,134,740	9,085,143	9,079,419	
FHLMC NOTES (CALLABLE)	10,000,000	0.875	11/14/2014	11/18/2011	0.87%	10,000,972	10,035,555	10,018,715	
FNMA NOTES (CALLABLE)	10,000,000	0.800	11/21/2014	11/21/2011	0.83%	9,992,000	10,030,376	10,008,069	\$ 145,696,790.80
Total Debt Service Reserve									
WELLS FARGO GOVERNMENT MMF	\$ 461,276		2/1/2012		0.01%	\$ 461,276	\$ 461,276	\$ 461,276	
MERRILL LYNCH MMF	3,500,330		2/1/2012		0.06%	3,500,330	3,500,330	3,500,330	
FHLB TAP BONDS	4,600,000	5.000	3/9/2012	6/22/2010	0.76%	4,997,236	4,714,550	4,711,232	
FHLMC NOTES	10,000,000	0.515	11/26/2012	11/22/2010	0.64%	9,981,294	10,037,539	9,999,075	
FHLB TAP BONDS	5,000,000	3.125	12/13/2013	5/25/2011	0.87%	5,354,034	5,276,438	5,229,128	\$ 23,901,040.59



**DC Water
Finance Division
Portfolio Holdings by Fund**

DESCRIPTION	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
Series 2010A Bond Construction Fund									
WELLS FARGO ADVANTAGE TREASURY PLUS	\$ 9,742,517		2/1/2012		0.01%	\$ 9,742,517	\$ 9,742,517	\$ 9,742,517	
WELLS FARGO GOVERNMENT MMF	15,141,876		2/1/2012		0.01%	15,141,876	15,141,876	15,141,876	
AMERICAN HONDA FINANCE COMM PAPER	10,000,000	-	2/22/2012	11/17/2011	0.17%	9,995,419	9,998,620	9,999,008	
TOYOTA MOTOR CREDIT CORP COMM PAPER	10,000,000	-	2/29/2012	11/21/2011	0.14%	9,996,111	9,999,200	9,998,911	
FHLMC NOTES	22,500,000	1.720	3/14/2012	1/26/2011	0.37%	22,985,250	22,691,060	22,683,507	
CATERPILLAR FIN SERV CRP COMM PAPER	10,000,000	-	3/26/2012	1/17/2012	0.04%	9,999,233	9,998,010	9,999,400	
UNION BANK NA COMM PAPER	10,000,000	-	4/17/2012	1/17/2012	0.30%	9,992,417	9,990,290	9,993,667	
									\$ 87,558,886.36
Series 2010A Bond Construction Fund- Cap I									
WELLS FARGO ADVANTAGE TREASURY PLUS	\$ 237,589		2/1/2012		0.01%	\$ 237,589	\$ 237,589	\$ 237,589	
WELLS FARGO GOVERNMENT MMF	216,331		2/1/2012		0.01%	216,331	216,331	216,331	
FHLMC GLOBAL NOTES	1,400,000	2.125	3/23/2012	3/16/2011	0.27%	1,440,656	1,414,650	1,414,315	
FHLB GLOBAL BONDS	1,400,000	1.625	9/26/2012	3/16/2011	0.43%	1,436,191	1,421,090	1,418,791	
FHLB TAP BONDS	1,400,000	3.875	3/8/2013	3/16/2011	0.70%	1,488,359	1,477,906	1,470,288	
FNMA NOTES	1,400,000	1.125	9/30/2013	3/16/2011	0.97%	1,412,681	1,423,677	1,408,860	
FNMA NOTES (EX-CALLABLE)	1,400,000	1.250	3/14/2014	3/16/2011	1.19%	1,402,617	1,430,845	1,406,660	
									\$ 7,572,834.25
Total CSO LTCP Appropriations Account									
TD BANK BANK DEPOSIT	\$ 5,576,119		2/1/2012		1.05%	\$ 5,576,119	\$ 5,576,119	\$ 5,576,119	
PREMIER BANK DEPOSIT	5,020,004		2/1/2012		0.24%	5,020,004	5,020,004	5,020,004	
AMERICAN BEACON MMF	1,481,923		2/1/2012		0.03%	1,481,923	1,481,923	1,481,923	
FHLB TAP BONDS	10,000,000	1.125	3/9/2012	6/21/2010	0.84%	10,080,075	10,055,295	10,047,356	
FHLB GLOBAL BONDS	10,000,000	2.250	4/13/2012	3/7/2011	0.32%	10,301,743	10,110,680	10,106,038	
BANK OF NOVA SCOTIA NY COMM PAPER	10,000,000	-	4/30/2012	1/17/2012	0.11%	9,996,822	9,996,000	9,997,281	
FHLB TAP BONDS	10,000,000	1.375	6/8/2012	11/22/2010	0.50%	10,197,461	10,065,553	10,051,033	
									\$ 52,279,753.49
						\$ 335,068,745.44	\$ 334,144,310.63	\$ 333,716,077.70	\$ 333,716,077.70



DC Water
Finance Division
Security Transactions
Last 6 Months

ACCOUNT	CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
Purchases								
DC WASA 2010A CONSTRUCTION FUND	86561AAS6	SUMITOMO CORP OF AMERICA COMM PAPER	10,000,000	-	01/26/12	10/18/11	0.386	\$ 9,989,444.44
DC WASA 2010A CONSTRUCTION FUND	02665JBN9	AMERICAN HONDA FINANCE COMM PAPER	10,000,000	-	02/22/12	11/17/11	0.172	\$ 9,995,419.44
DC WASA 2010A CONSTRUCTION FUND	89233GBV7	TOYOTA MOTOR CREDIT CORP COMM PAPER	10,000,000	-	02/29/12	11/21/11	0.142	\$ 9,996,111.11
DC WASA 2010A CONSTRUCTION FUND	14912DCS6	CATERPILLAR FIN SERV CRP COMM PAPER	10,000,000	-	03/26/12	01/17/12	0.041	\$ 9,999,233.33
DC WASA 2010A CONSTRUCTION FUND	90526MDH7	UNION BANK NA COMM PAPER	10,000,000	-	04/17/12	01/17/12	0.304	\$ 9,992,416.67
DC WASA OPERATING RESERVE ACCOUNTS	3134G2W73	FREDDIE MAC (CALLABLE) GLOBAL NOTES	10,000,000	0.500	10/18/13	10/18/11	0.565	\$ 9,987,200.00
DC WASA OPERATING RESERVE ACCOUNTS	45778NBF0	INOVA HEALTH SYSTEMS COMM PAPER	4,750,000	-	02/15/12	11/17/11	0.183	\$ 4,747,862.50
DC WASA OPERATING RESERVE ACCOUNTS	7426M4BV8	PRIVATE EXPORT FUND COMM PAPER	5,000,000	-	02/29/12	11/17/11	0.132	\$ 4,998,122.22
DC WASA OPERATING RESERVE ACCOUNTS	3134G24Y5	FHLMC NOTES (CALLABLE)	10,000,000	0.875	11/14/14	11/18/11	0.875	\$ 10,000,972.22
DC WASA OPERATING RESERVE ACCOUNTS	3135G0FT5	FNMA NOTES (CALLABLE)	10,000,000	0.800	11/21/14	11/21/11	0.827	\$ 9,992,000.00
DC WASA OPERATING RESERVE ACCOUNTS	66844CBG8	NORTHWEST UNIVERSITY COMM PAPER	5,000,000	-	02/16/12	11/21/11	0.152	\$ 4,998,187.50
DC WASA OPERATING RESERVE ACCOUNTS	7426M2BM2	PRIVATE EXPORT FUND COMM PAPER	5,000,000	-	02/21/12	11/22/11	0.112	\$ 4,998,609.72
DC WASA OPERATING RESERVE ACCOUNTS	RE0854415	INDUSTRIAL BANK CDARS	2,500,000	0.500	01/27/13	01/26/12	0.507	\$ 2,500,000.00
DC WASA OPERATING RESERVE ACCOUNTS	RE0854423	INDUSTRIAL BANK CDARS	2,500,000	0.900	01/27/14	01/26/12	0.913	\$ 2,500,000.00
DC WASA TOTAL CSO LTCP APPROPRIATIONS	66844CAA2	NORTHWEST UNIVERSITY COMM PAPER	5,000,000	-	01/10/12	10/18/11	0.132	\$ 4,998,483.33
DC WASA TOTAL CSO LTCP APPROPRIATIONS	06416JDW0	BANK OF NOVA SCOTIA NY COMM PAPER	10,000,000	-	04/30/12	01/17/12	0.112	\$ 9,996,822.22

Securities highlighted in **blue font** denote trades executed during the current month.



Appendix: Economic Update



Continued Concerns in Europe

- The Eurozone remains an at-risk environment.
- Continued discussions of a Greek “haircut” fail to produce a solution to Greece’s overwhelming debt.
- Nine European countries were downgraded by S&P on January 13, 2012.



Country	Current S&P Credit Rating	Previous S&P Rating
Austria	AA+	AAA
Belgium	AA	
Cyprus	BB+	BBB
Estonia	AA-	
Finland	AAA	
France	AA+	AAA
Germany	AAA	
Greece	CC	
Ireland	BBB+	
Italy	BBB+	A
Luxembourg	AAA	
Malta	A-	A
Netherlands	AAA	
Portugal	BB	BBB-
Slovakia	A	A+
Slovenia	A+	AA-
Spain	A	AA-

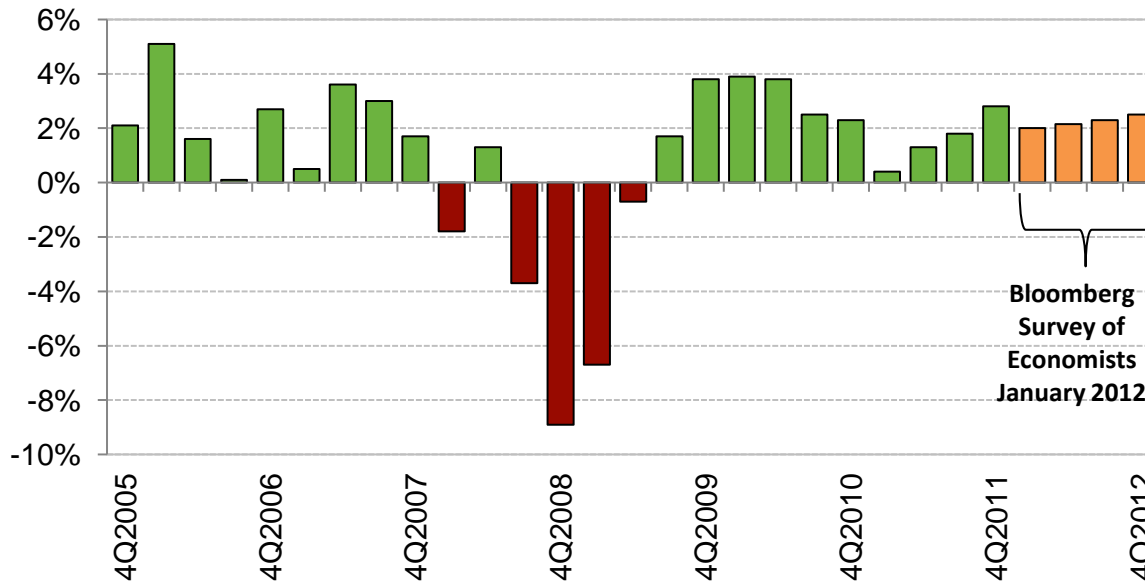
Source: Standard & Poor's



Gross Domestic Product

- Fourth quarter 2011 GDP was slightly lower than expected at 2.8%, but up from 1.8% in the third quarter of 2011.
- Much of the expansion was attributable to a replenishment of inventories.
- A Bloomberg survey projects U.S. growth of over 2% in 2012.
- In January, the World Bank lowered global GDP growth projections.

Gross Domestic Product
January 2006 – December 2012



World Bank GDP Projections
June 2011 vs. January 2012

	June 2011	January 2012
World	3.6%	2.5%
Eurozone	1.8%	-0.3%
United States	2.9%	2.2%
Developing Countries	6.2%	5.4%
High Income Countries	2.7%	1.4%

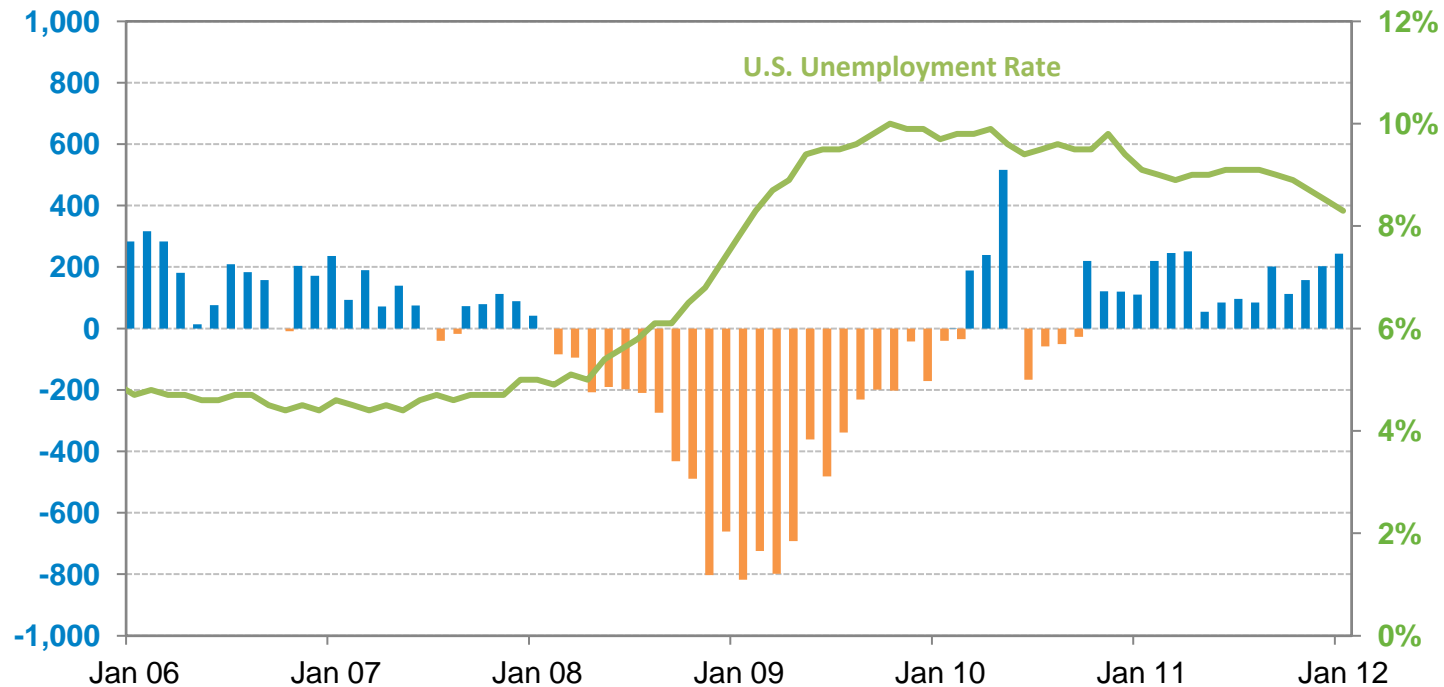
Source: Bloomberg, World Bank



Modest Decrease in Unemployment

- In 2011, the U.S. economy added 1.8 million jobs.
- The national unemployment rate was 8.3% in January, the lowest level since February 2009.
- The U-6 unemployment rate remained elevated at 15.1% in January.

**Change in Unemployment Rates vs. Non-Farm Payroll
January 2006 – January 2012**



Source: Bloomberg



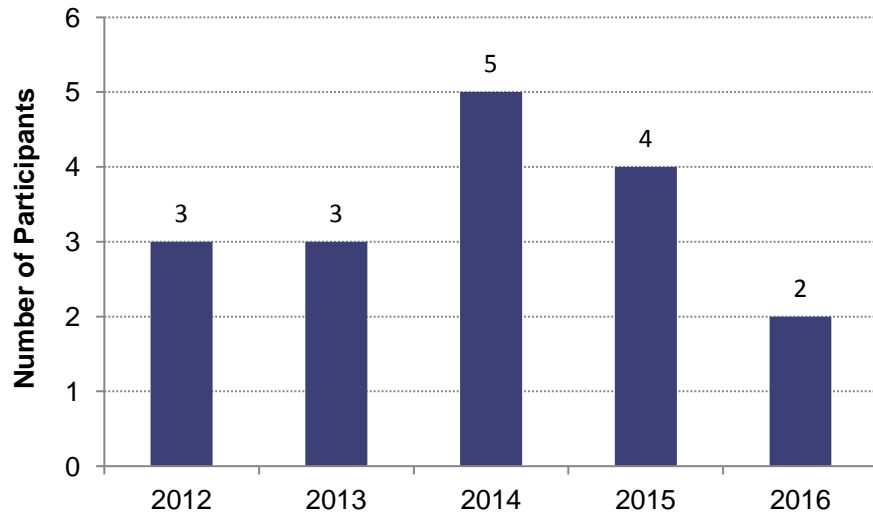
Increased Transparency by the Fed

From the FOMC’s statement from its January 25, 2012, meeting:

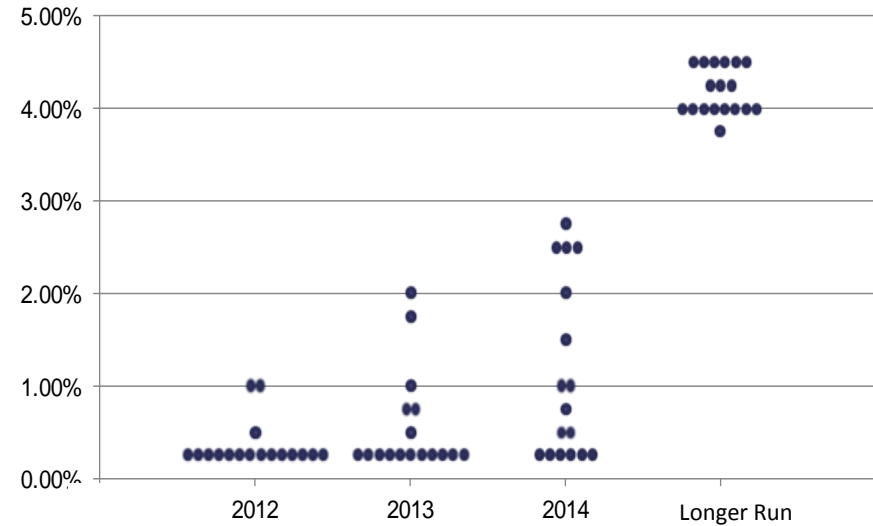
*“[The Committee] currently anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through **late 2014.**”*

- In an effort to increase transparency, the Federal Reserve will provide quarterly forecasts of interest rates..
 - In the first forecasts released, 11 out of 17 officials said that they did not see rates increasing in 2014 or later.
 - 11 of 17 officials also forecast the target rate being below 1% by the end of 2014.

Appropriate Timing of Policy Firming



Appropriate Pace Of Policy Firming

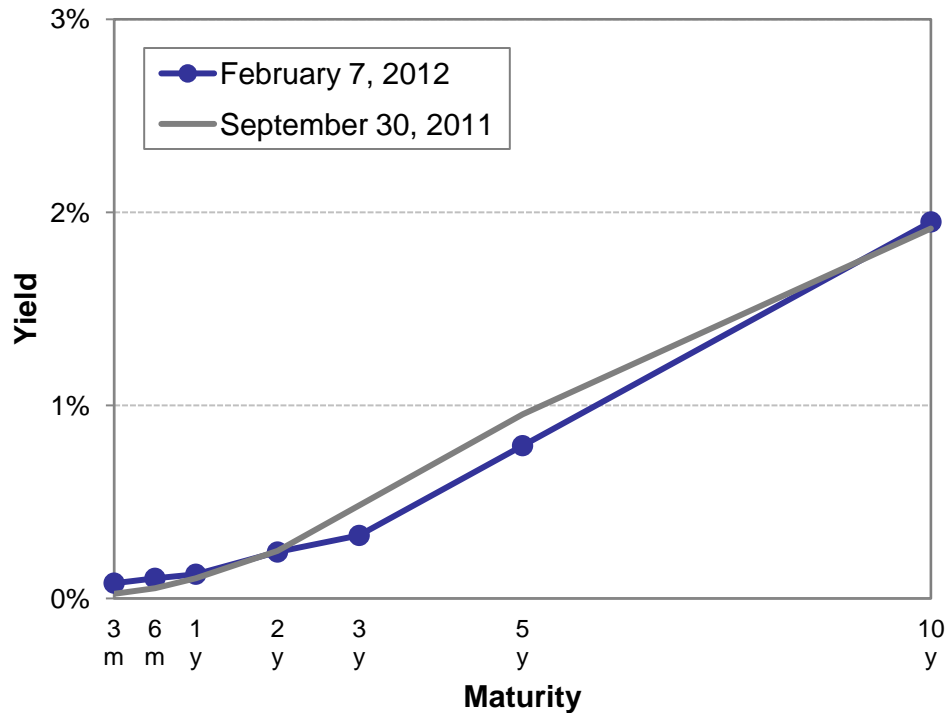


Source: Bloomberg



Interest Rates in the 3 to 5 Year Range Fall

U.S. Treasury Yield Curve
September 30, 2011 versus February 7, 2012



Historic Rates			
	9/30/11	2/7/12	Change
3 month	0.02%	0.08%	+ 0.06%
6 month	0.05%	0.10%	+ 0.05%
1 year	0.10%	0.13%	+ 0.03%
2 year	0.25%	0.24%	- 0.01%
3 year	0.40%	0.33%	- 0.07%
5 year	0.95%	0.79%	- 0.16%
10 year	1.92%	1.95%	+ 0.03%

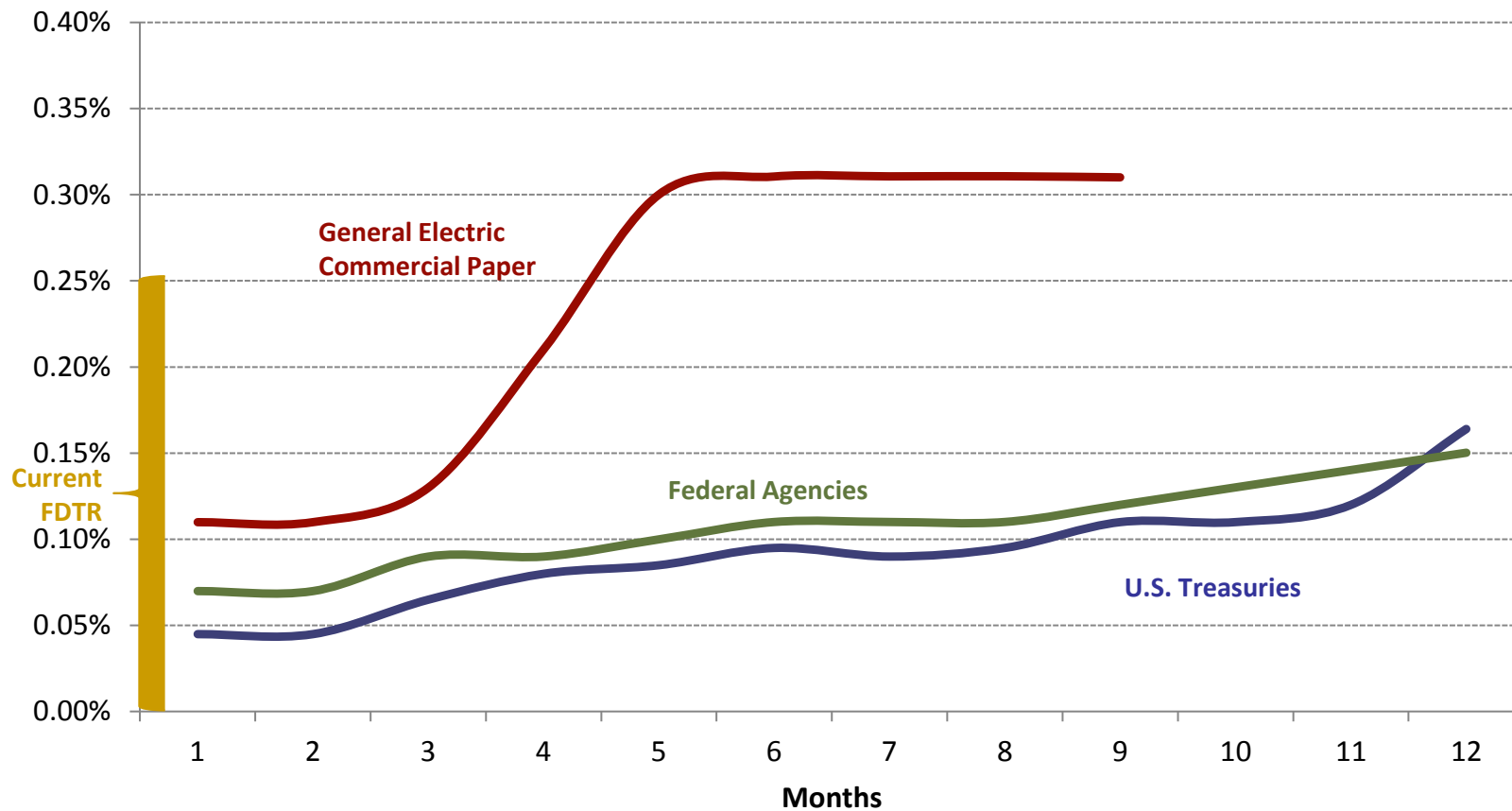
Source: Bloomberg



Short-Term Money Market Yield Curve

Money Market Yield Curve

February 7, 2012



Source: Bloomberg

DC Water

Series 2012 Revenue Bonds Update to Finance and Budget Committee

February 23, 2012





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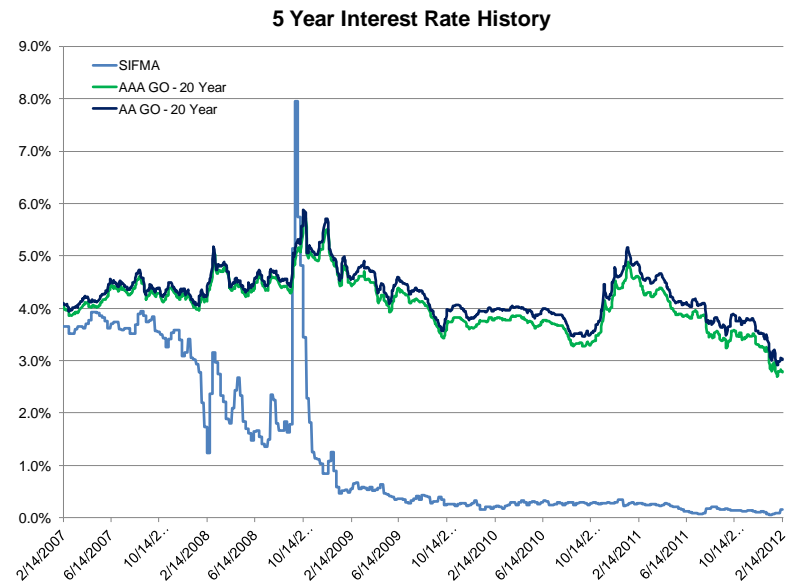
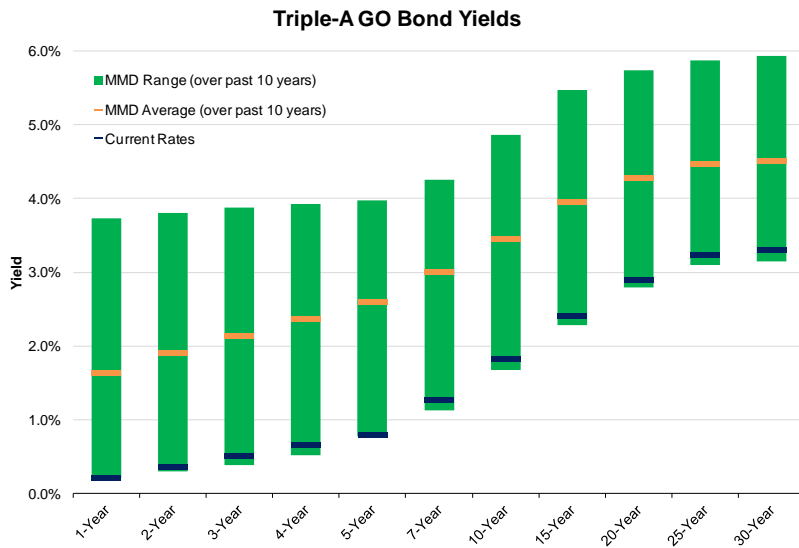
Topic	Pages
I. Historical Tax-Exempt Interest Rates	1
II. Series 2012 Bonds – Plan of Finance	2
III. Marketing Plan	4
IV. Preliminary Financing Schedule	5
V. Documentation	6
VI. Appendix: Series 2012 Variable-Rate Bonds	7-13





Historical Tax-Exempt Interest Rates

- Despite some recent upward pressure and continued volatility, short-term and long-term tax-exempt interest rates remain near all-time historic lows



Date	10-Year Triple-A	20-Year Triple-A	30-Year Triple-A
1/26/12	1.79%	2.85%	3.27%
2/14/12	1.83%	2.78%	3.24%
Difference	+0.04%	(0.07%)	(0.03%)

Source: Thomson Municipal Market Monitor, as of 2/14/12.



Series 2012 Bonds – Plan of Finance

Size of New Money Borrowing

- \$300 million of net new money proceeds to fund next 12-18 months of capital needs
- At least \$200 million of fixed rate bonds and approximately \$100 million of variable rate bonds

Expected Structuring Parameters for New Money

- Use of subordinate lien, which has been working lien for DC Water
- Benefits of subordinate lien are:
 - Historically low spread to senior lien, with no investor issues at this time
 - Provides future flexibility to issue senior lien when credit spreads are wider
 - No DSRF required, thus no associated negative arbitrage
- Variable rate debt in the form of multi-modal bonds, initially in SIFMA indexed note mode

Refinancing Opportunity

- Authorize up to \$180 million of refunding bonds to refinance Series 2003 Bonds
- Estimated current market present value savings of \$19.1 million
- Monitoring present value savings, negative arbitrage and option value in order to assist in making a final decision on the refunding candidates as pricing approaches



Structuring of the Series 2012 Bonds

	Fixed Rate (New Money)	SIFMA Notes (New Money)	Fixed Rate (Refunding)
Series	2012A	2012B	2012C
Par Amount (\$)	175,005,000	103,610,000	154,080,000
Net Proceeds (\$)	200,000,000	100,000,000	180,278,604
Debt Service in Fiscal Years	2013 - 2037	2012 - 2045	2013 - 2034
Average Life (years)	15.41	29.29	17.18
All-In-TIC*	3.55%	Variable*	3.64%
Average Annual Debt Service*	11,984,472	5,293,986*	N/A
Average Annual Savings	N/A	N/A	1,489,395

Rates as of 2/14/12

*Assumes rate of 2.26% which is the 10 year average SIFMA Index of 1.61% plus 0.65% spread



Marketing Plan

Continuing to develop a multifaceted plan to generate investor interest and bolster ratings:

- Investor Relations:
 - Investor Meetings:
 - February 16th in New York
 - Expected audience of over 20 potential investors
 - Series 2012 Bonds Media Campaign:
 - Print advertisements week prior to pricing (Washington Post, Express, Capital Business and The Current Newspapers)
 - On line advertising (bloomberg.com and washingtonpost.com) with links to updated DC Water Investor Relations web page
- Rating Agency Strategy:
 - Meetings with Rating Analysts at DC Water:
 - Moody's and Fitch: February 21
 - S&P: February 23 (new analyst)
 - Focus rating meetings on DC Water's credit strengths
 - Highlight improvements since last meeting in connection with 2010 BABs issuance



Preliminary Financing Schedule

Date	Activity
December – early February	Structuring and Documentation
Thursday, February 16 th	Investor meetings in New York
February 21 st and 23 rd	Rating Agency Meetings at DC Water
Thursday, February 23 rd	Budget and Finance Committee Approval of financing documents and structure for 2012 Bonds
Week of February 27 th	Receive DC Auditor certification
Thursday, March 1 st	Board approval of bond documents
Week of March 5 th	Post POS and begin advertising campaign
Wednesday, March 14 th	Bond Pricing
Thursday, March 22 nd	Bond Closing



Documentation

DC Water's Budget and Finance Committee is being asked to approve the form of the following documents:

- Authorizing resolution, including parameters for the new money and refunding bonds
- Supplemental Indenture of Trust relating to the fixed rate, multi-modal variable rate, and refinancing bonds
- Preliminary Official Statement (one for all series)
- Bond Purchase Agreement(s) relating to the three series of bonds
- Escrow Agreement
- Continuing Disclosure Agreement

DC Water's Board will vote on these documents at the March meeting, assuming approval at the F&B Committee. DC Water will not release the POS prior to approval of the legal documents.



Appendix: Series 2012 Variable Rate Bonds



Series 2012 Variable Rate Bonds

Assets and Liabilities Matching Program

- Facts and Assumptions
 - Reduce risk and lower costs by matching the amount of DC Water’s permanent assets earning short-term interest rates with an equal amount of Bonds paying tax-exempt variable rates
 - Variable rate debt in the form of SIFMA index notes
- Current short-term rates near historical lows
 - Limits the amount of investment income
 - Creates significant cost/risk to DC Water, as nearly all of DC Water’s debt is fixed-rate and long-term

Assets

- Approximately \$225 million in cash
- Rate Stabilization Fund of \$16 million
- Bond proceeds of ~\$100-200 million

Liabilities

- \$35.2 million Commercial Paper debt outstanding
- \$225 million Commercial Paper Program (\$150 million tax-exempt, \$75 million taxable)
- Estimate for additional draws on CPs



Overview of Alternative Variable-Rate Products

	VRDBs with Bank Facility	SIFMA-Index Bonds (Hard or Soft Put)	Fixed-Rate Put Bonds (Hard Put or Soft Put)
Interest Rate:	Remarketed at a new rate weekly or daily	Fixed spread to SIFMA determined at pricing	Fixed rate until mandatory tender when bonds may be remarketed with fixed or variable-rate bonds
Maturity/Tender Period:	Long nominal maturity with investor right to tender	Long nominal maturity; mandatory tenders in 1 -7 years	Long nominal maturity; mandatory tenders in 1 -10 years
Investor Right To Tender:	Daily or weekly investor tenders	Mandatory tender on pre-determined dates	Mandatory tender on pre-determined dates
Extension Rate or Failed Remarketing Rate (Bank Bond Rate)	By formula, at Bank Bond rates for an extension period	Remarketing rate or a fail rate in the event of a failed remarketing	9 -12% for soft puts
Optional Redemption:	Anytime	Six months prior to mandatory tender date	None prior to mandatory tender date
Minimum Ratings:	Generally, Single-A or better	Generally, Single-A or better	N/A
Mechanics:	Stated long nominal maturity with rates reset on a daily or weekly basis	Bonds must be paid or refinanced prior to or on the mandatory tender date. If there is a failed remarketing, investors receive a pre-specified penalty rate (soft put) or there is an event of default (hard put)	Fixed rate bond until mandatory tender. At the mandatory tender date, the bonds may be remarketed with any mode of new bonds. If there is a failed remarketing investors receive a pre-specified penalty rate (soft put) or there is an event of default



Basic Mechanics of SIFMA Indexed Bonds

- Variable rate bonds would be long-term multi-modal bonds (including the SIFMA indexed rate mode, as well as traditional weekly and fixed rate modes)
- In the SIFMA Indexed rate mode, interest is determined by weekly SIFMA resets plus the fixed spread
 - Interest rate is calculated every Wednesday (based on that day’s SIFMA rate reset) and effective Thursday through the following Wednesday
 - Interest is paid monthly
 - Maximum interest rate is 12%
- The initial term of the the SIFMA indexed rate mode is set for 2-5 years
 - The spread to the SIFMA index increases as the final term does, but is set through negotiation with investors
 - The key consideration is the requirement for DC Water to remarket the bonds when the initial term comes due:
 - Either penalty rate (soft put) or event of default (hard put) occurs if DC Water cannot remarket bonds
 - DC Water will use two separate put dates, and will maintain significant cash reserves, CP capacity and market access to greatly minimize this risk

NEW BOND DOCUMENTS

Bond Ratings:
AAA
AA-
A-

\$241,735,000
DISTRICT OF COLUMBIA
(Washington, D.C.)

n/a	4.00%	4.00%	4.00%	4.00%
District Tax Revenue	District Tax Revenue	District Tax Revenue	District Tax Revenue	District Tax Revenue
Series 2011B	Series 2011C	Series 2011D	Series 2011E	Series 2011F
(Adjusted WYFMA Rate)	(Adjusted WYFMA Rate)	(Adjusted WYFMA Rate)	(Adjusted WYFMA Rate)	(Adjusted WYFMA Rate)

Date of Delivery: December 3, 2011

This page contains certain information for general information only. It is not a summary of this District's financial and revenue information and is not intended to provide the information requested in the outline of an information memorandum.

The District of Columbia Income Tax Revenue Backing Bonds, Series 2011A (the "Series 2011A Bonds"), Income Tax Revenue Backing Bonds, Series 2011B (the "Series 2011B Bonds"), Income Tax Revenue Backing Bonds, Series 2011C (the "Series 2011C Bonds"), Income Tax Revenue Backing Bonds, Series 2011D (the "Series 2011D Bonds"), Income Tax Revenue Backing Bonds, Series 2011E (the "Series 2011E Bonds"), and Income Tax Revenue Backing Bonds, Series 2011F (the "Series 2011F Bonds"), are issued as Income Tax Revenue Backing Bonds pursuant to the Income Tax Revenue Backing Bond Act of 2010, effective October 25, 2010 (the "Act"), and Law 2010-129, effective October 25, 2010, and the Income Tax Revenue Backing Bond Act of 2011, effective October 25, 2011 (the "Act 2011"), and the Income Tax Revenue Backing Bond Act of 2012, effective October 25, 2012 (the "Act 2012"). The Series 2011A Bonds, Series 2011B Bonds, Series 2011C Bonds, Series 2011D Bonds, Series 2011E Bonds, and Series 2011F Bonds are collectively referred to as the "Series 2011 Bonds". The Series 2011 Bonds are issued in accordance with the terms and conditions set forth in the prospectus supplement to the prospectus for the Series 2011 Bonds, Series 2011C Bonds, Series 2011D Bonds, Series 2011E Bonds, and Series 2011F Bonds, which are available at www.dcwater.com.

The proceeds of the Series 2011 Bonds will be used to fund capital and operating costs of the District, and will not be used for any other purpose.

The Series 2011 Bonds are subject to the terms and conditions set forth in the prospectus supplement to the prospectus for the Series 2011 Bonds, Series 2011C Bonds, Series 2011D Bonds, Series 2011E Bonds, and Series 2011F Bonds, which are available at www.dcwater.com.

For more information, please contact the District's Chief Financial Officer at (202) 724-3100.

Morgan Stanley
Investment Banker

Loop Capital Markets
Investment Banker

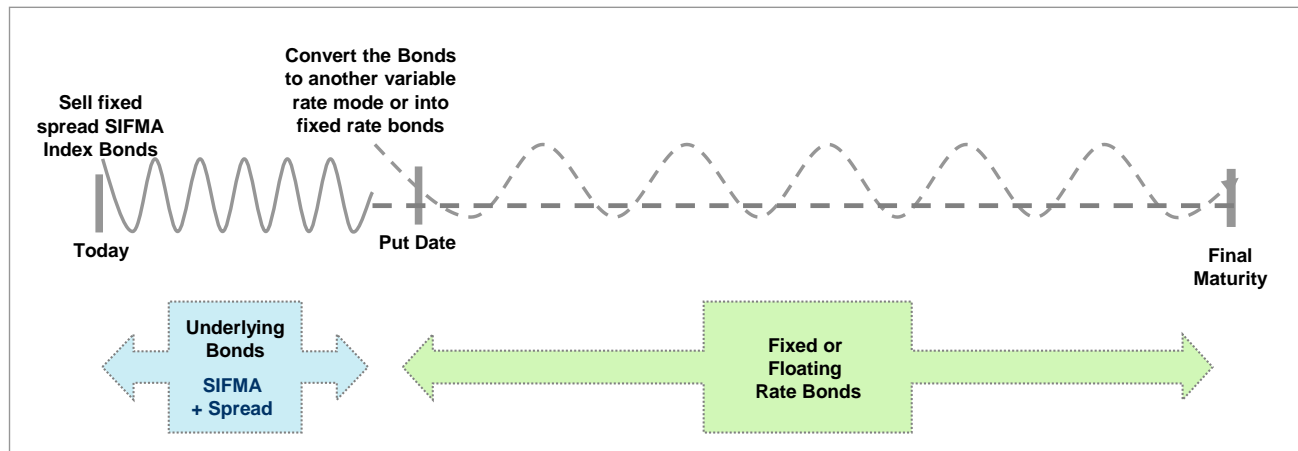




Call Feature for the SIFMA Indexed Mode

- During the SIFMA index mode, the bonds are subject to optional redemption 6 months prior to put date
 - 6 month window to refinance
 - Minimizes risk of lack of market access, given larger refinancing window
 - If DC Water cannot remarket the bonds in another mode or refinance the bonds at the put date of the initial mode, then DC Water could use its cash or CP capacity to purchase the bonds temporarily

SIFMA Indexed Bonds – Mechanics





Balancing Variable-Rate Risks and Costs

Risk Comparison of Variable Rate Alternatives

	Bank Facility-Backed VRDBs	SIFMA Index Bonds (Hard or Soft Put)	Soft Put Fixed-Rate Bonds
Interest Rate Risk	✓	✓	✓ ⁽¹⁾
Issuer Credit Risk	✓	✓ ⁽¹⁾	✓ ⁽¹⁾
Refinancing Risk	✓	✓ ⁽¹⁾	✓
Put Risk	✓	✓	✓
Availability of Bank Facility Capacity	✓		
Bank Renewal/Rollover Risk	✓		
Bank Credit Risk	✓		

- DC Water and its advisors have evaluated the risk of each variable-rate product
- The bonds in SIFMA indexed note mode fully remove bank facility risks
- The rate for SIFMA Index Bonds is reset each week “passively” by the changes in the SIFMA Index together with the fixed spread and no remarketing agent is required; Put Bond rates reset only at the mandatory tender Date

Principal Cost and Structure Considerations

- SIFMA Index mode Bonds structured with put features may require “balloon indebtedness” or short-term indebtedness features to comply the Indenture indenture
- Put bonds (hard or soft puts) will have a fixed coupon/yield until the mandatory tender date and must be remarketed in the future into another mode or new put bonds
- SIFMA Index Bonds structured with bullet maturities will have a slightly lower fixed spread than SIFMA Index Bonds structured with put features

(1) Only upon refinancing on the maturity date or mandatory tender date



Considerations for Variable Rate Component

There are a number of technical and policy considerations that DC Water has considered in setting up the variable rate component:

- Variable rate debt capacity:
 - Match with short-term assets to achieve risk-reducing asset/liability match
 - Rating agency allowances in their credit criteria
- Legal Considerations:
 - Indenture Treatment of put bonds
 - Additional Bonds Test and Rate Covenant calculations for variable rate debt
- Rating Agency Treatment:
 - Ability to show rating agencies that DC Water has sufficient liquidity and market access to limit hard put risk
 - Must have a positive or neutral impact to DC Water rating calculus
- Application to finance plan:
 - Lowers cost of the overall debt, given the short term rates near 0%
 - Optimized the financial structure with regard to placement of the fixed rate debt



ATTACHMENT 3



Briefing on
Rolling Owner Controlled Insurance Program

Finance and Budget Committee
February 23, 2012

DC Water Rolling Owner Controlled Insurance Program (ROCIP)

- Briefing Topics

What is a ROCIP?

~History and Background

ROCIP Program Goals

~Consistent with DC Water goals

Current program overview and results to date

~Positive and achieving forecasted goals

Status report on planned activity to extend the program for the next period of planned construction

~ Upcoming key action schedule

Overview

A ROCIP is a type of insurance program under which a project owner provides various insurance coverages to contractors and subcontractors; ROCIP's are typically used on very large construction projects involving many contractors and subcontractors.

ROCIPs provide:

- Consolidated risk management and insurance program
- Multiple interests coverage
 - allows for multiple insured to be bundled (or wrapped up) into one consolidated program
- Master insurance policies
- Common coverage and higher limits
- Uniform claims, loss prevention and safety
- Joint defense, limited cross-liability and coordinated post-loss management

A “rolling” OCIP covers a long-term capital improvement plan or similar group of separate projects.

Program Goals

- Reduced barriers for Disadvantaged Business Enterprises (minority, small, other)
 - Insurance requirements no longer an obstacle for contractors bidding work

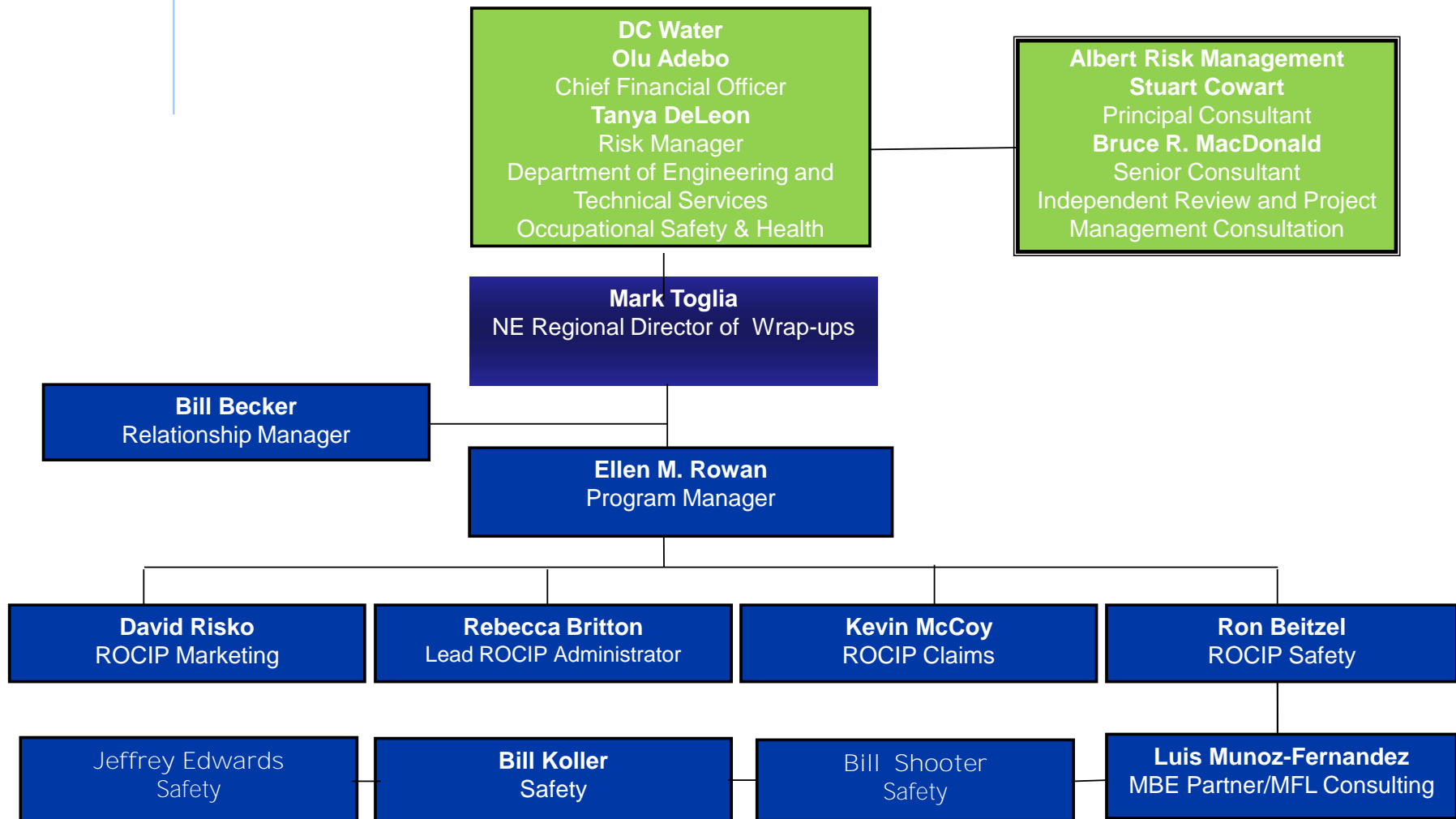
- Availability of broader insurance coverage with higher dedicated limits for contractors (provides better protection for DC Water)

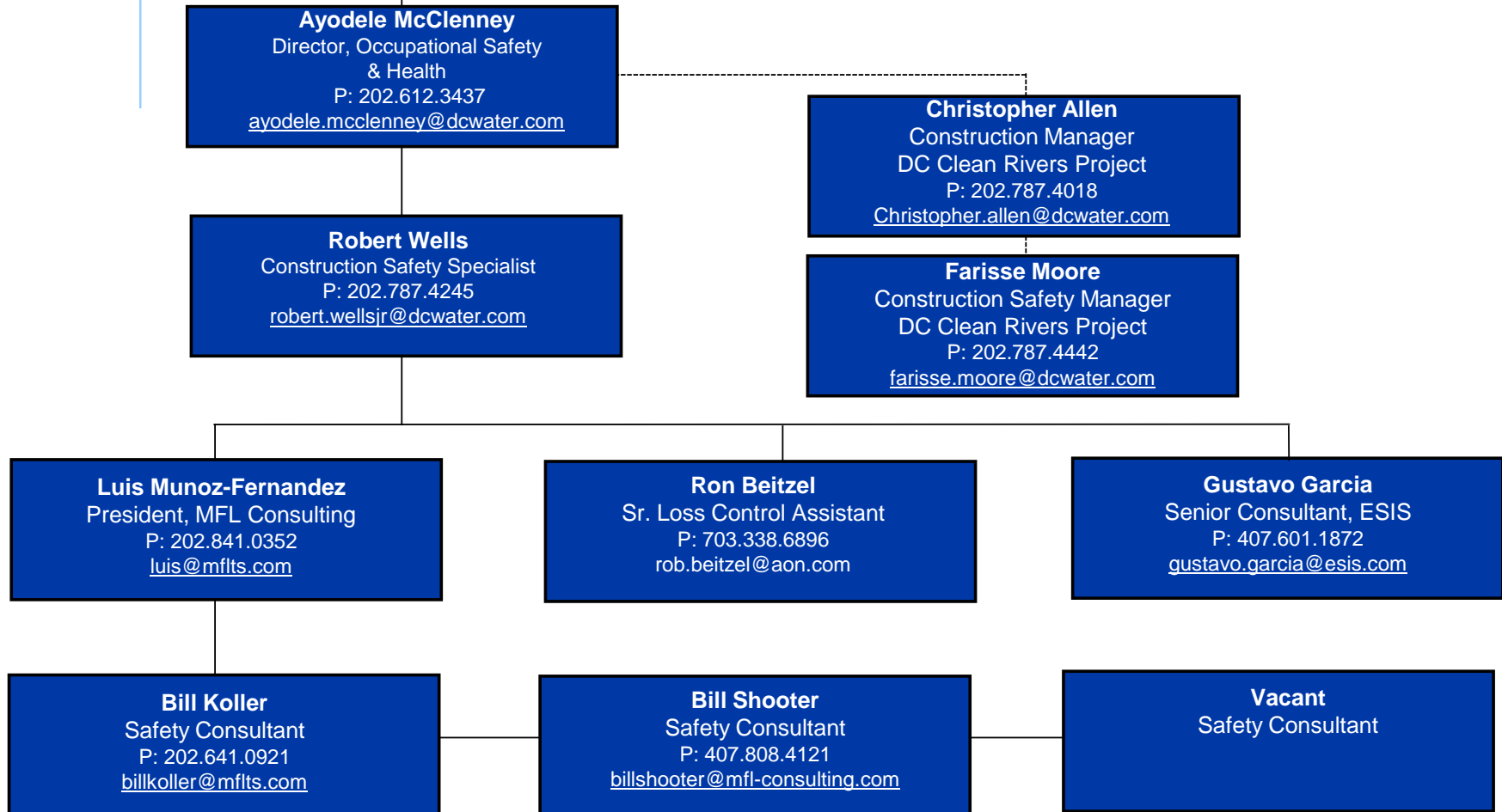
- Potentially lower construction costs resulting from:
 - volume discounts on insurance purchases; and
 - reduced losses from more effective, comprehensive, safety and loss control programs
 - Lock in insurance rates over several years

Program Goals (*Continued*)

-Targeted, superior, comprehensive and uniform risk management services (e.g., claims handling, loss control and safety program)

ROCIP Team





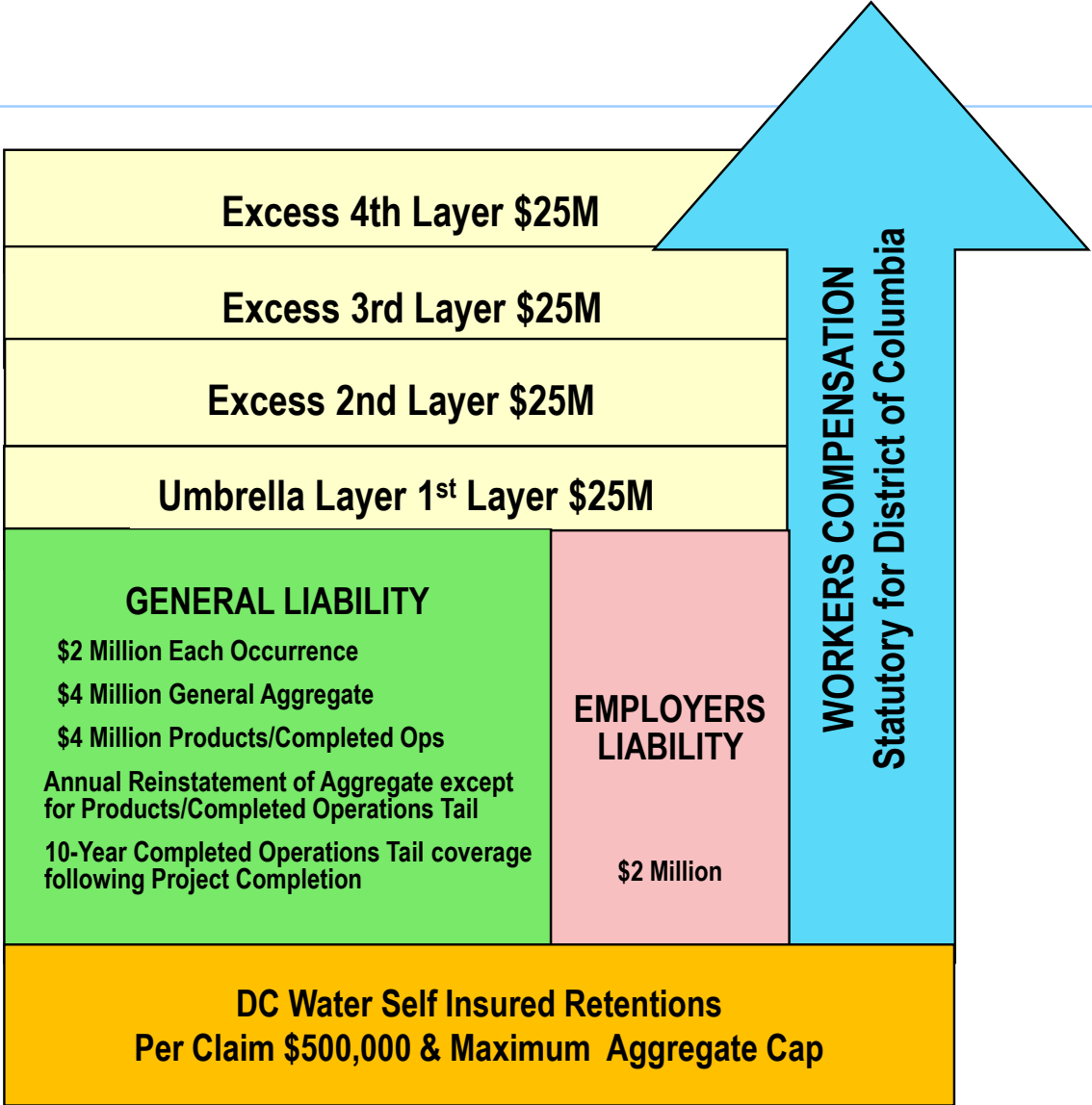
Background and History

- 2003 Driven by DC Water's sizeable CIP, a study was conducted to evaluate the feasibility of an OCIP
- 2004 ROCIP 1 Program authorized to facilitate DCWASA Goals through 2009 and then 4-15-2012
- 2008 Review of performance and success supported renewal/extension of the ROCIP program
- 2009 ROCIP 2 Procurement authorization
- 2009 ROCIP 2 Implemented for planned Construction Projects started 10-15-2009 / 10-15-2012
- 2012 ROCIP 3 Procurement process for October 2012 plan commences with this progress update

ROCIP Program Overview

- ROCIP 1 & 2 multi-year programs – started 2004, new contract rolling project enrollment ends mid Oct. 2012
 - Contract Value estimated @ \$1.75 (BIL) awarded projects
 - Contractor Payroll estimated @ \$301 (MIL)
- Insurance Plan Characteristics
 - Combined Workers Compensation and General Liability paid loss rating plan includes a fixed premium rate based upon Contractor site payroll
 - Deductible -\$500,000/ per line per loss deductible \$750,000 all lines per loss “clash”
 - Maximum aggregate stop loss guaranteed rate, dollar amount variable based on actual contractor payroll
- General Liability Limits are \$2 MIL/ \$4MIL per Occurrence / Aggregate
- Excess General Liability limits are \$100 million ~ premium cost is fixed
- Workers Compensation limits are statutory
- Employers Liability limits are \$2 MIL

ROCIP Limits



Program Results

Broader Insurance Coverage with Higher Limits

- All enrolled contractors have dedicated limits & comprehensive coverage
- \$100MM in excess liability coverage under the ROCIP
- Completed Operations coverage to Statute of Repose (Ten Years)

Lower Construction Costs with Reduced Insurance Costs

- Purchasing insurance for the Contractors on a wholesale basis generates insurance savings for DC Water; on target for \$9M savings for ROCIP I and II
- DC Water has maximized its purchasing power because of large volume of CV

Enhanced Risk Services for Claims Handling and Loss Prevention

- Quarterly insurance claim review with Insurers/ Adjusters
- All enrolled contractors are required to adhere to DC Water safety standards for their safety programs for ROCIP work
- Centralized oversight of all ROCIP Contractor safety
- Additional staff hired due to strong commitment to safety by DC Water

Program Results

Reduced Litigation

- Single insurance carrier for all enrolled Contractors minimizes cost with respect to subrogation and litigation
- Enhanced Risk Services

Insurance requirements no longer an obstacle for contractors

- Qualified MBE/LSDBE participants may end up bidding as Prime Contractors on future jobs
- Allows and encourages Prime Contractors to hire sub-contractors that might not be in a position to bid without a Controlled Insurance program in place
- Contractors without high limits of insurance can win bids
- Helps local small business build experience to develop their businesses
- DC Water MBE/LSDBE participation is above national wrap-up average
- FOR ROCIP 1 - 36 of the 65 Prime Contractors are qualified MBE/LSDBE participants
- FOR ROCIP 2 - 20 of the 31 enrolled Prime Contractors are qualified MBE/LSDBE participants

Program Utilization

ROCIP 1	ROCIP 2
65 Projects Enrolled	46 Projects Enrolled
391 Contractors Covered	330 Contractors Covered
\$488MM Original Projected CV	\$688MM Original Projected CV
\$603MM of Construction Value	\$932MM of Construction Value
\$7.5MM of Remaining CV	Expect to add more Projects & CV
Original Payroll Estimate:\$105MM	Original Payroll Estimate:\$151MM
Current Reported Payroll: \$100.5MM	Current Reported Payroll: \$25MM
Close Date on Target 4/15/2012	New Enrollments End 10/15/2012

ROCIP 1 Cost Performance

SAVINGS = CONTRACTOR INSURANCE COSTS (MINUS) the COST of the ROCIP PROGRAM

Original Budget Assumptions in October 2004

Insurance Credits	\$ 15,574,181
Expected Losses/Claims	\$ 4,288,000
Fixed Insurance Costs	\$ 7,044,000
Savings At Expected Losses	\$ 4,288,000
Savings At Maximum Losses	\$ 682,000

Where We Expect to be in April 2012

Insurance Credits	\$ 16,245,550
Expected Losses/Claims	\$ 4,241,000
Fixed Insurance Costs	\$ 7,758,589
Savings	\$ 3,812,000

ROCIP 2 Cost Performance

Original Budget Assumptions in October 2009

Insurance Credits	\$23,077,683
Expected Losses/Claims	\$ 7,258,571
Fixed Insurance Costs	\$ 8,964,121
Savings At Expected Losses	\$ 6,854,991
Savings At Maximum Losses	\$ 2,822,745

Where We Are Two Years Into Program

Insurance Credits	\$16,203,755*
Expected Losses/Claims	\$ 7,258,571
Program Fixed Costs	\$ 8,964,121
Savings At Expected Losses	\$ 6,854,991
Savings At Maximum Losses	\$ 2,822,745

***ON TRACK TO REACH CREDITS/SAVINGS/LOSSES GOALS**

DC Water ROCIP I & ROCIP II Safety Performance

Since January 1, 2005 (Cumulative)	Total Recordable Incidence Rate	Lost Workday Case Incidence Rate
All ROCIP 1&2 Projects Through Oct 2011	3.7	1.3
All ROCIP 1&2 Projects Through Nov 2011 (6 years 11 months)	3.6	1.3
Since January 1, 2011 (Year to Date)		
All ROCIP 1&2 Projects Through Oct 2011	2.4	0.5
All ROCIP 1&2 Projects Through Nov 2011 (11 months)	2.0	0.5

Construction Industry SIC 23	4.0	1.5
Water & Sewer Line & Structures Const. SIC 23711	4.5	1.4
Building Equipment Contractors SIC 2382	4.2	1.5

DC Water ROCIPs Const. 1/1/05-12/31/10 (6 year cumulative rate)	4.0	1.4
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Summary of Program Results

- Documented savings projected for the ROCIP
- Actual incurred loss values are as expected
- All other program factors are on target
- High level of minority contractor participation
- Safety performance continues better than local and national benchmarks
- This multi-department initiative continues to promote enhanced internal information sharing/communication and construction risk management beneficial practices

Recommendation To Extend

Management recommends we extend the ROCIP by approving another multiyear program. This recommendation is based on:

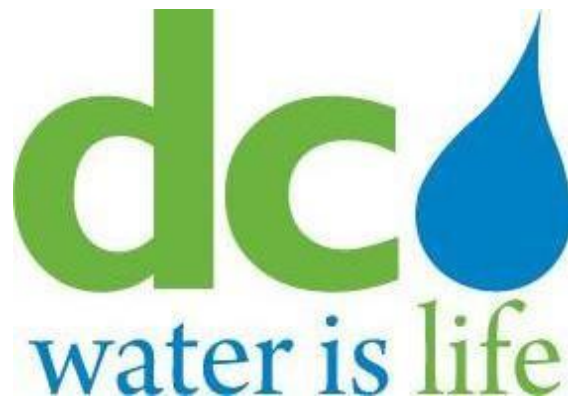
- Our documented program performance to date; and
- Expected sizable Capital Improvement Program

Next Steps

<u>ROCIP3 Task</u>	<u>Status</u>	<u>Proposed Milestones</u>
Feasibility evaluation for ROCIP extension	Complete	December 2011 - February 2012 – Indicates extension of the program may produce significant benefits for DCWater. Independent insurance consultant and DC WASA project team recommend extension, initiated Broker / Administrator procurement process
Finance & Budget Committee Review	Pending	February 23, 2012 -Briefing to the Finance and Budget Committee -Recommendation to extend program
Procurement Broker/ Administrator Selection	Pending	February - April 2012 - Proceed with RFP for Broker/Administrator, conduct interviews, verify references, execute service agreement.
Board authorization to Award Broker Administrator	Pending	May 2012 – Board approval , two actions~ 1) the Board authorizes the General Manager to proceed with the ROCIP 3 and 2) the Board authorizes the General Manager to execute Contract with successful broker administrator to implement ongoing ROCIP broker services
ROCIP 3 Insurance Procurement	Pending	May - August 2012 – Complete ROCIP insurance marketing activity, and execute contract with Broker/Administrator
Committee Review	Pending	September 2012 - Presentation and recommendation to Finance and Budget Committee meeting
Board Approval	Pending	October 2012 – Present resolution to Board for approval
Bind and Verify ROCIP 3 Insurance Program	Pending	No later than October 15, 2012
Start Date – 10/15/12		

District of Columbia Water and Sewer Authority

Capital Improvement Program Report



**FY-2012 1st Quarter
October 1st through December 31st, 2011**

**Board of Directors
Finance and Budget Committee**

**George S. Hawkins, General Manager
Leonard R. Benson, Chief Engineer**

February 2012



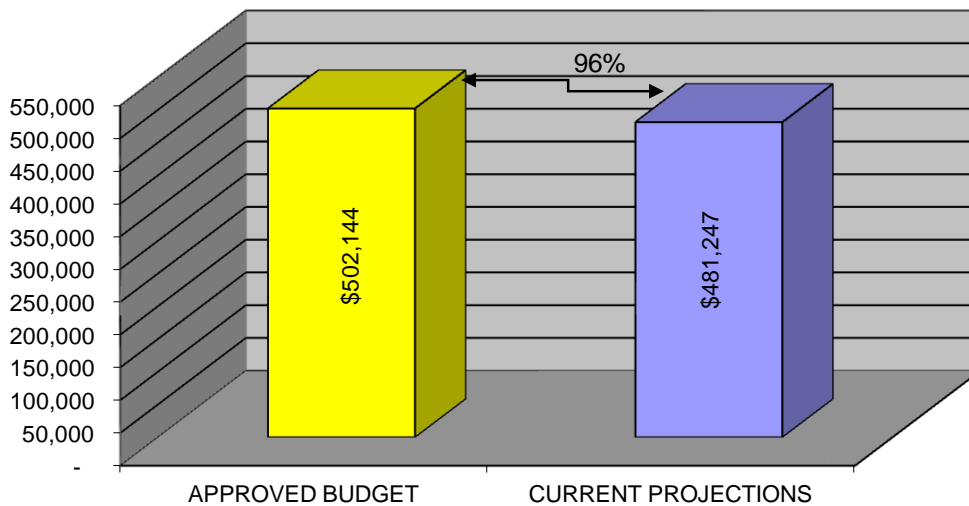
Capital Improvement Program Report 1st Quarter FY2012

Program Performance

Current projected program spending through the end of the fiscal year compared with the approved FY12 projection is shown in the chart below:

Disbursement Projections Summary

Capital Improvement Program Summary
FY12 Approved Budget vs Current Projection



Overall, progress is consistent with baseline projections.

Priority 1 Projects (Court Ordered, Stipulated Agreements, etc)

On July 11, 2008, DC Water issued notification advising of two issues that had the potential to delay achieving certification of Firm Pumping Capacity at Potomac Pumping Station. One issue, related to a failure of one new electric motor, was resolved, and all new pumping equipment was placed in service prior to the September 1, 2008, Consent Decree compliance date. The second issue, related to performance of the new pumping units under certain conditions, remains under investigation. This issue has prevented the design engineer from certifying Firm Pumping Capacity. A team of experts is working to resolve this issue. Monthly updates are provided to the Environmental Quality and Sewerage Services Committee and to the parties to the Consent Decree.

All other priority 1 projects are on schedule and within budget.



Capital Improvement Program Report 1st Quarter FY2012

Large Contract Actions Anticipated

Project HC – New Warehouse Facility at Blue Plains

Construction Contract (\$8M - \$15M) EQ&SS June, BOD July

Project XA – Biosolids Final Dewatering Contract 2C

Construction Contract (\$50M - \$70M) EQ&SS March, BOD April

Project FH – Discharge Piping Bryant Street Pump Station

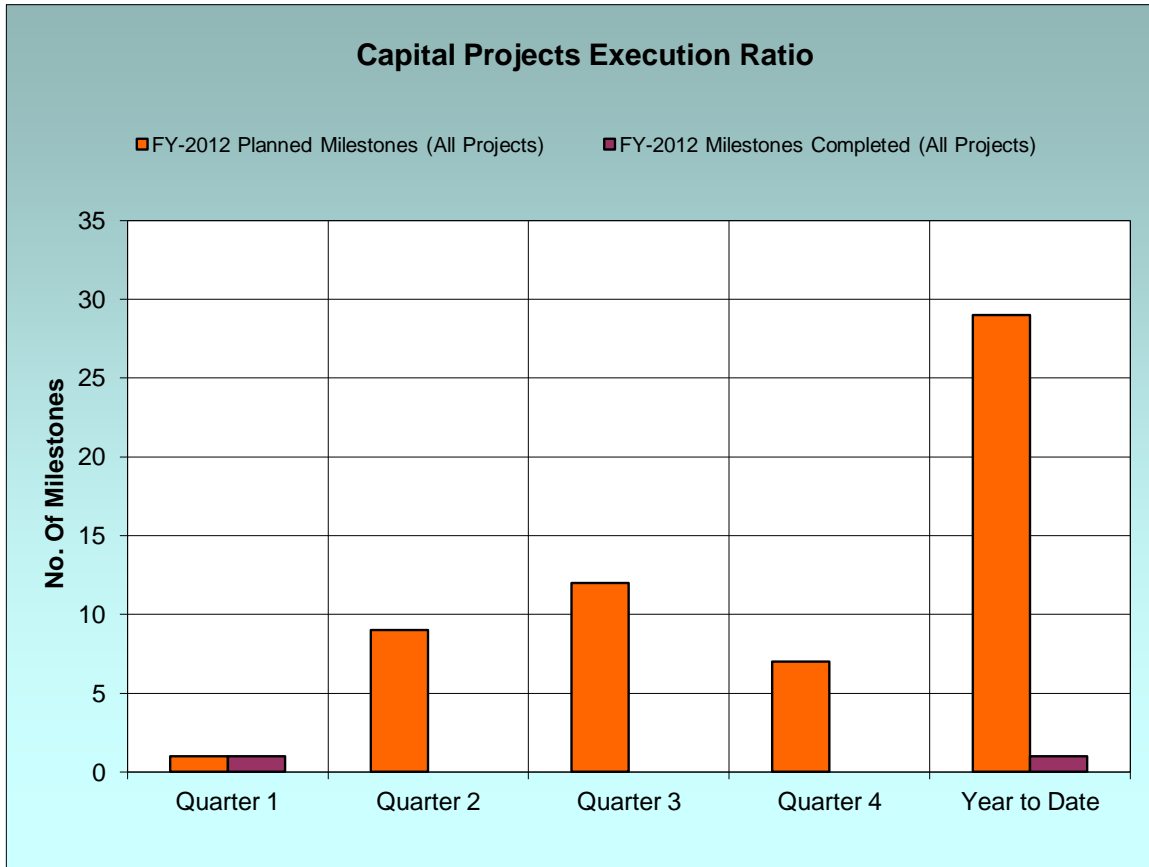
Construction Contract (\$5M - \$10M), WQ&WS June, BOD July



Capital Improvement Program Report 1st Quarter FY2012

Key Performance Indicators, Capital Program

Key performance indicators related to the Capital Improvement Program are shown below.

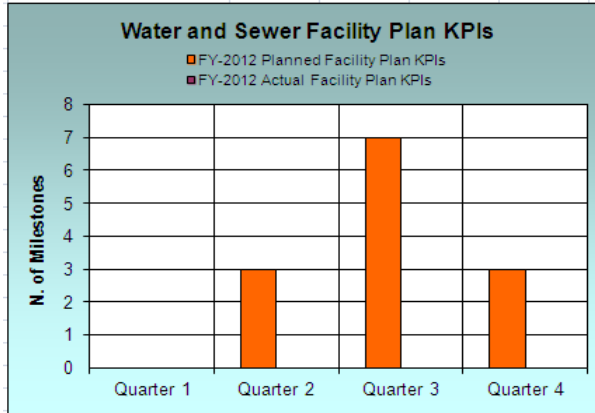


Note: Capital Projects Execution Ratio measures the completion of critical project milestones for large capital projects during the fiscal year. Critical project milestones include: Design Starts, Construction Starts and Construction Substantial Completion.

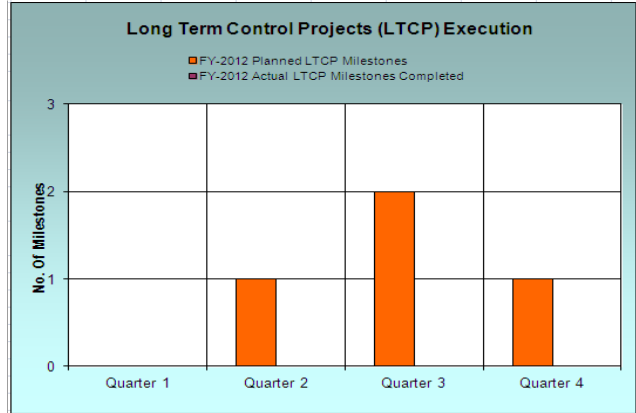
For the 1st Quarter, all planned milestones were achieved.



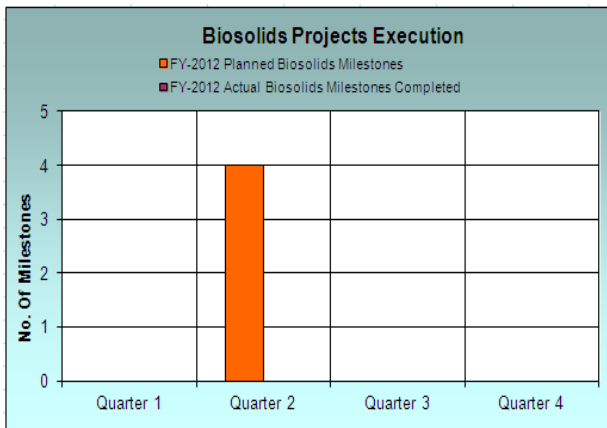
Capital Improvement Program Report 1st Quarter FY2012



Note: Water and Sewer Facility Plan KPIs measure the completion of critical project milestones for projects developed through either the Water or the Sewer Facility Plan.



Note: LTCP Project Execution measures the completion of critical project milestones for the LTCP projects during the fiscal year. Critical project milestones include all those required to meet Consent Decree dates.



Note: Biosolids Project Execution measures the completion of critical project milestones for the Biosolids projects during the fiscal year.



Capital Improvement Program Report 1st Quarter FY2012

For FY12, the following KPI Milestones will be monitored:

Quarter	Project	Job Name	KPI Name
1st	UC00	Filtration Concrete Repairs	Design Start Milestone
2nd	BZ00	Large Valve Replacement Contract 8	Construction Substantial Completion
2nd	CY00	Div Z - Poplar Point Pumping Sta. Replacement	Design Start Milestone
2nd	N700	Potomac Sewer - Odor Remedy (VA Sites)	Construction Start Milestone
2nd	XA00	Biosolids Combined Heat and Power (CHP)	Construction Start Milestone
2nd	XA00	Biosolids Site Preparation	Construction Substantial Completion Milestone
2nd	XA00	Biosolids Final Dewatering	Construction Start Milestone Contract 1C
2nd	XB00	Centrifuge Thickener Facility	Construction Substantial Completion Milestone
2nd	N900	Small Dia. Watermain Rehab 7-1	Construction Start Milestone
2nd	FV00	Lower East Side Interceptor Rehab - Div E	Construction Start Milestone
3rd	CY00	Div E - CSO 015-017 Structures/Diversions	Construction Start Milestone
3rd	F600	Steel Water Mains Contract 2	Design Start Milestone
3rd	F600	Steel Water Mains - Contract 1	Construction Start Milestone
3rd	S500	Large Dia. Watermain Internal Repairs 2	Construction Start Milestone
3rd	O100	Small Dia. Watermain Rehab 9	Design Start Milestone
3rd	CY00	Div I - Main Pumping Sta. Diversions	Design Start Milestone
3rd	BZ00	Large Valve Replacement Contract 9	Construction Start Milestone
3rd	Q300	12 inch Sewer Pope's Branch	Construction Start Milestone
3rd	I800	Large Valve Replacements 11	Design Start Milestone
3rd	DN00	Sewer Inspection & Cleaning Contract # 9	Inspection Start Milestone (NTP)
3rd	IN00	Cleaning/Inspection Upper East Side Sewer	Inspection Start Milestone (NTP)
3rd	XA00	Biosolids Final Dewatering	Construction Start Milestone Contract 2C
4th	CY00	Div B - Tingey Street Diversions	Design Start Milestone
4th	EV00	Area Substation No. 6	Construction Substantial Completion Milestone
4th	FH00	Discharge Piping Bryant Street Pump Station	Construction Start Milestone
4th	GU00	Crosstown Water Main Rehab	Construction Substantial Completion
4th	MX00	SDWM Replacement FY2010 -Contract 090250 with N802	Construction Substantial Completion
4th	N800	Small Dia. Watermain Rehab Contract 6	Construction Substantial Completion
4th	BR00	Nitrification RAS Piping Rehabilitation	Construction Start Milestone

Presented and Adopted: _____, 2012
Subject: Approval of _____

#12-____
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors (“Board”) of the District of Columbia Water and Sewer Authority (“Authority”), at its meeting on [_____], 2012, by a vote of _____ (___) in favor and _____ (___) opposed, decided to approve the following:

WHEREAS, the Authority is authorized pursuant to the *Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996*, as amended, D.C. Code Section 34-2201.01 et seq. (the “WASA Act”), and the *District of Columbia Water and Sewer Authority Act of 1996*, Public Law 104-184; 110 Stat. 1696, to issue revenue bonds for undertakings authorized by the WASA Act, including to finance or refinance any cost, as defined in the WASA Act, D.C. Code Section 34-2202.01(2); and

WHEREAS, in accordance with the WASA Act, the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”) (its predecessors in that capacity having been Norwest Bank Minnesota, N.A. and Wells Fargo Bank Minnesota, N.A.), entered into the Master Indenture of Trust, dated as of April 1, 1998 (the “Master Indenture” and, as supplemented and amended, the “Indenture”), to provide for financing or refinancing the acquisition, construction, operation, maintenance and extension of the System (as defined in the Master Indenture) by the issuance of bonds, notes and other obligations payable solely from Net Revenues (as such terms are defined in the Master Indenture); and

WHEREAS, the Authority has heretofore entered into twelve (12) supplemental indentures of trust with the Trustee in connection with the issuance of Senior Debt and Subordinate Debt (as defined in the Indenture) or in connection with clarifications of provisions of the Master Indenture; and

WHEREAS, the Authority now intends (i) to issue Public Utility Subordinate Lien Revenue Bonds, Series 2012A (the “Series 2012A Subordinate Bonds”) as Fixed Rate Series 2012 Subordinate Bonds, and Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (the “Series 2012B Subordinate Bonds” and, together with the Series 2012A Subordinate Bonds, the “Series 2012A-B Subordinate Bonds”) as Variable Rate Series 2012 Subordinate Bonds, to: finance certain Costs of the System; retire Series C Notes; fund a Series 2012A Debt Service Reserve Requirement (as defined herein), if any; fund a Series 2012B Debt Service Reserve Requirement (as defined herein), if any; fund capitalized interest on a portion of the Series 2012A-B Subordinate Bonds subject to specified limitations; and pay certain costs of issuance; (ii) to issue Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C (the “Series 2012C Subordinate Refunding Bonds” and, together with the Series 2012A-B

Subordinate Bonds, the "Series 2012 Subordinate Bonds"), as Fixed Rate Series 2012 Subordinate Bonds or Variable Rate Series 2012 Subordinate Bonds, or a combination thereof, to: advance refund some or all of the Authority's outstanding Series 2003 Subordinated Bonds; fund a Series 2012C Debt Service Reserve Requirement, (as defined herein), if any; and pay certain costs of issuance; (iii) to designate the Series 2012 Subordinate Bonds as Subordinate Debt for purposes of the Indenture; and (iv) to secure the Series 2012 Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, the General Manager, the Chief Financial Officer, the Chief Engineer and the General Counsel of the Authority have informed the Board that their offices have established "due diligence" procedures for reviewing the documents authorized by this Resolution with the Authority's bond counsel, financial advisors, underwriters and other consultants and advisors, with a view to ensuring the accuracy of disclosure; and

WHEREAS, the Finance and Budget Committee met on February 23, 2012, to review the issuance of the Series 2012 Subordinate Bonds and has recommended approval of this Resolution by the Board;

NOW, THEREFORE, BE IT RESOLVED, that:

Section 1. Definitions and Interpretations. Unless otherwise defined herein and unless the context indicates otherwise, the terms used herein and defined in the Indenture (including the Thirteenth Supplemental Indenture as hereby approved) shall have the meanings assigned to them therein. In addition, the following terms used as defined terms in this Resolution shall have the meaning ascribed to them in this Section:

"Authorized Officials" means the Chairman and Vice Chairman of the Board and the General Manager and Chief Financial Officer of the Authority, provided that any official other than the Chairman shall be designated by the Chairman as his designee for the purpose of executing and delivering any document authorized hereunder.

"Bond Purchase Agreement" means the Bond Purchase Agreement between the Authority and the Series 2012 Original Purchasers, dated as of the same date as the Certificate of Award.

"Certificate of Award" means the certificate of an Authorized Official awarding the Series 2012 Subordinate Bonds to the Series 2012 Original Purchasers and specifying terms of the Series 2012 Subordinate Bonds, as provided for in Section 5 of this Resolution.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement executed by the Authority and the Trustee, dated as of the same date as the date of issuance and delivery of the Series 2012 Subordinate Bonds, as originally executed and as it may be amended from time to time in accordance with its terms.

“Escrow Agreement” means the Escrow Agreement, dated the same date as the Series 2012C Subordinate Refunding Bonds, between the Authority and the Trustee as Escrow Agent, providing for the Refunded Bonds to be deemed paid and no longer Outstanding under the Indenture.

“Financial Advisor” means, collectively, Public Financial Management and G~Entry Principle, P.C.

“Fixed Rate Series 2012 Subordinate Bonds” means the Series 2012 Subordinate Bonds designated as such in the applicable Certificate of Award.

“Interest Payment Dates” means: (i) for the Fixed Rate Series 2012 Subordinate Bonds, each April 1 and October 1, commencing on the April 1 or October 1 specified in the Certificate of Award as the first Interest Payment Date, and thereafter during the time the Series 2012 Subordinate Bonds are Outstanding; and (ii) for the Variable Rate Series 2012 Subordinate Bonds, the “Interest Payment Date” as defined for Variable Rate Series 2012 Subordinate Bonds in the Thirteenth Supplemental Indenture.

“Refunded Bonds” means any Outstanding Series 2003 Subordinated Bonds to be caused to be deemed paid and no longer Outstanding under the Indenture as the result of the deposit of proceeds of the Series 2012C Subordinate Refunding Bonds and any other funds in escrow under the Escrow Agreement and identified as the Refunded Bonds in the applicable Certificate of Award.

“Refunding Savings Threshold” means that, as the result of the advance refunding of the Refunded Bonds with proceeds of Series 2012C Subordinate Refunding Bonds and any other legally available funds, the Authority will achieve an aggregate reduction in bond service charges that has a present value at the time of sale of the Series 2012C Subordinate Refunding Bonds equal to at least three percent (3%) of the aggregate principal amount of the Refunded Bonds and will fulfill any other standards that any Authorized Official executing the Certificate of Award deems appropriate.

“Remarketing Agent” means any Remarketing Agent designated for Variable Rate Series 2012 Subordinate Bonds under the Thirteenth Supplemental Indenture.

“Remarketing Agreement” means any Remarketing Agreement entered into for Variable Rate Series 2012 Subordinate Bonds under the Thirteenth Supplemental Indenture.

“Series 2012 Debt Service Reserve Requirement” means a required fund balance, if any, in the Series 2012 Debt Service Reserve Account or Accounts established under the Thirteenth Supplemental Indenture, the amount of which shall be specified in the Certificate of Award, but which shall not exceed the maximum amount permitted to constitute a “reasonably required reserve or replacement fund” under the size limitation set forth in Section 1.148-2(f)(2) of the Treasury Regulations promulgated under the Code (taking into account any moneys in any other fund or account that may be required to be included in such computation) unless the Authority furnishes to the Trustee an opinion of nationally recognized bond counsel to the effect that the required balance in the Series 2012 Debt Service Reserve Account does not exceed the amount that qualifies as a “reasonably required reserve or replacement fund” within the meaning

of Section 148(d) of the Code and the Treasury Regulations thereunder and that the existence of a balance in the Series 2012 Debt Service Reserve Account in the amount of the required fund balance will not cause the interest on any Series 2012 Subordinate Bonds that had been excluded from gross income for federal income tax purposes to cease to be so.

“Series 2012 Original Purchasers” for the Series 2012 Subordinate Bonds means the purchasers identified as such in the Bond Purchase Agreement for the Series 2012 Subordinate Bonds.

“Thirteenth Supplemental Indenture” means the Thirteenth Supplemental Indenture of Trust by and between the Authority and the Trustee, dated as of the same date as and relating to the Series 2012 Subordinate Bonds.

“Variable Rate Series 2012 Subordinate Bonds” means the Series 2012 Subordinate Bonds designated as such in the applicable Certificate of Award.

Any reference to the Authority or the Board, or to their members or officers, or to other public officers, boards, commissions, departments, institutions, agencies, bodies or entities, shall include those who or which succeed to their functions, duties or responsibilities by operation of law and also those who or which at the time may legally act in their place.

Section 2. Authorization, Designation and Purposes of Series 2012 Subordinate Bonds.

(a) Series 2012A-B Subordinate Bonds. The Authority is authorized to issue, sell and deliver, as provided in this Resolution and the Certificate of Award, not to exceed (except as provided below) Three Hundred Million Dollars (\$300,000,000) principal amount of bonds that shall constitute Subordinate Debt under the Indenture, which shall be designated “Public Utility Subordinate Lien Revenue Bonds, Series 2012A” if they are Fixed Rate Series 2012 Subordinate Bonds, or “Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B” if they are Variable Rate Series 2012 Subordinate Bonds, for the following purposes: (i) financing certain Costs of the System, including, without limitation, capitalized interest on a portion of the Series 2012A-B Subordinate Bonds to be specified in the Certificate of Award and for a period to be specified in the Certificate of Award, but subject to such restrictions as may apply under the Code to cause such capitalized interest to be consistent with the tax-exempt status of the Series 2012A-B Subordinate Bonds; (ii) retiring a portion of the Series C Notes specified in the Certificate of Award; (iii) funding a Series 2012A Debt Service Reserve Requirement, if any, or a Series 2012B Debt Service Reserve Requirement, if any; and (iv) paying issuance costs of the Series 2012A-B Subordinate Bonds. The proceeds from the sale of the Series 2012A-B Subordinate Bonds shall be allocated and deposited for those purposes and as provided in the Thirteenth Supplemental Indenture. If and to the extent that (i) any Series 2012A-B Subordinate Bonds are issued to fund a Series 2012A Debt Service Reserve Requirement or a 2012B Debt Service Reserve Requirement, or (ii) any Series 2012 Subordinate Bonds are sold to the Series 2012 Original Purchasers at an original issue discount, then the aggregate principal amount of Series 2012A-B Subordinate Bonds hereby authorized may exceed \$300,000,000 by the aggregate principal amount of the Series 2012A-B Subordinate Bonds to be issued to fund such debt service reserve requirements and by the amount of such original issue discount.

(b) Series 2012C Subordinate Bonds. The Authority is authorized to issue, sell and deliver, as provided in this Resolution and the Certificate of Award, bonds in an aggregate principal amount not greater than the amount determined in the Certificate of Award to be sufficient to accomplish the purposes for which their issuance is authorized, which shall be designated “Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C,” and constitute Subordinate Debt under the Indenture, for the following purposes: (i) advance refunding the Refunded Bonds and causing them to be deemed paid and no longer Outstanding for purposes of the Indenture, (ii) funding a Series 2012C Debt Service Reserve Requirement, if any; and (iii) paying issuance costs of the Series 2012C Subordinate Bonds; provided, however, that before an Authorized Official executes a Certificate of Award applicable to the Series 2012C Subordinate Refunding Bonds, the Authority’s Financial Advisor shall have given the Authority a written certification that identifies the Refunded Bonds (consistently with the Certificate of Award) and determines that the Authority’s issuance and sale of the Series 2012C Subordinate Refunding Bonds on the terms set forth in the Certificate of Award and the application of the proceeds of the Series 2012C Subordinate Refunding Bonds and any other legally available funds to advance refund the Refunded Bonds identified in the Financial Advisor’s certificate, will meet the Refunding Savings Threshold. The proceeds from the sale of the Series 2012C Subordinate Refunding Bonds shall be allocated and deposited for those purposes and as provided in the Thirteenth Supplemental Indenture.

Section 3. Terms and Provisions Applicable to Fixed Rate Series 2012 Subordinate Bonds.

(a) Form, Transfer and Exchange. The Fixed Rate Series 2012 Subordinate Bonds: (i) shall initially be issued only in fully registered form and substantially in the form or forms attached as Exhibits to the Thirteenth Supplemental Indenture; (ii) shall initially be issued only to a Depository for holding in a book entry system, and shall be registered in the name of the Depository or its nominee, as Holder, and immobilized in the custody of the Depository, and (iii) shall not be transferable or exchangeable except as provided in the Thirteenth Supplemental Indenture.

(b) Denominations and Dates. The Fixed Rate Series 2012 Subordinate Bonds shall be dated as of the date of issuance and delivery, but in no event later than December 31, 2012, and there shall be a single Series 2012 Bond representing each interest rate for each maturity of the Fixed Rate Series 2012 Subordinate Bonds bearing the same series or subseries designation.

(c) Principal Maturities and Interest Rates. The Fixed Rate Series 2012 Subordinate Bonds shall bear interest on their unpaid principal amount payable on each Interest Payment Date, commencing on the first Interest Payment Date specified in the Certificate of Award, at such fixed rates per annum as set forth in the Certificate of Award as provided in Section 5(c) hereof, provided, however, that the “true interest cost” (i.e., interest cost on bonds defined as the rate, compounded semiannually, necessary to discount the amounts payable on the respective interest and principal payment dates to the purchase price received for the bonds) on the Fixed Rate Series 2012 Subordinate Bonds shall not exceed six and one half percent (6.50%) per annum. The principal of the Fixed Rate Series 2012 Subordinate Bonds shall be paid in such amounts on each principal retirement date (whether at stated maturity date or a mandatory

redemption date) as set forth in the Certificate of Award, provided that the final principal retirement date shall be no later than December 31, 2044.

(d) Optional and Mandatory Redemption.

(i) *Optional* - The Fixed Rate Series 2012 Subordinate Bonds maturing on or before any date specified in the Certificate of Award as the Earliest Optional Redemption Date (which shall be no later than the tenth anniversary of the date of issuance and delivery of the Fixed Rate Series 2012 Subordinate Bonds), are not subject to prior optional redemption. Any Fixed Rate Series 2012 Subordinate Bond maturing after the Earliest Optional Redemption Date shall be subject to redemption at the option of the Authority, prior to their stated maturities on or after the Earliest Optional Redemption Date in whole or in part (in whole multiples of \$5,000) on any date, at redemption prices specified in the Certificate of Award, provided that no such redemption price (not including accrued interest) shall exceed 102% of the principal amount of the Fixed Rate Series 2012 Subordinate Bonds to be redeemed.

(ii) *Mandatory Sinking Fund Redemption* - Any Fixed Rate Series 2012 Subordinate Bonds may be designated in the Certificate of Award as Term Bonds and be subject to mandatory sinking fund redemption by lot on specified principal retirement dates at a price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

(e) Redemption Provisions. Redemption of Fixed Rate Series 2012 Subordinate Bonds shall be effected in accordance with Article IV of the Master Indenture, provided, however, that notices of redemption of Fixed Rate Series 2012 Subordinate Bonds sent pursuant to Section 402 of the Master Indenture may specify that the redemption is conditional upon the Authority's depositing the funds needed to effect that redemption prior to the specified redemption date.

(f) Places and Manner of Payment. The principal of and the interest and any redemption premium on the Fixed Rate Series 2012 Subordinate Bonds shall be payable at the places and in the manner specified in the Thirteenth Supplemental Indenture.

(g) Execution. The Authorized Officials are, and each of them is, authorized and directed to execute the Fixed Rate Series 2012 Subordinate Bonds, and the Secretary of the Board is authorized and directed to affix the seal of the Authority to the Fixed Rate Series 2012 Subordinate Bonds and to deliver them to the Trustee for authentication in accordance with the Indenture.

Section 4. Terms and Provisions Applicable to Variable Rate Series 2012 Subordinate Bonds. All capitalized words and terms used in this Section 4 not elsewhere defined herein are used with the definitions assigned to them in Section 102(b) of the Thirteenth Supplemental Indenture.

(a) Authorized Maximum Principal Amount. The aggregate principal amount of the Series 2012B Subordinate Bonds shall not exceed \$100,000,000, subject, however, to the last sentence in Section 2(a). The aggregate principal amount of the Series 2012C Subordinate

Refunding Bonds that are Variable Rate Series 2012 Subordinate Bonds shall not, when added to the aggregate principal amount of the Series 2012C Subordinate Refunding Bonds that are Fixed Rate Series 2012 Subordinate Bonds, exceed the authorized principal amount of the Series 2012C Subordinate Refunding Bonds.

(b) Interest Rates and Interest Rate Periods for the Variable Rate Series 2012 Subordinate Bonds. The Variable Rate Series 2012 Subordinate Bonds shall initially be issued as Index Rate Bonds and, as such, shall bear interest at the SIFMA Index Rate or the LIBOR Index Rate, as determined in the Certificate of Award, during the Initial Period. The Variable Rate Series 2012 Subordinate Bonds initially may be issued in multiple subseries, as determined in the Certificate of Award, each with its own initial Index Rate Bonds Purchase Date, none of which Index Rate Bonds Purchase Dates shall be later than December 31, 2017. After the Initial Period, the Variable Rate Series 2012 Subordinate Bonds may bear interest at Daily Rates, Weekly Rates, Short-Term Rates, Long-Term Rates, or a Fixed Rate, or may continue to bear interest at an Index Rate, all determined in accordance with the Thirteenth Supplemental Indenture, and shall be subject to conversion between Interest Rate Periods on the terms, in the manner, and subject to the conditions set forth in the Thirteenth Supplemental Indenture.

(c) Tender, Purchase, Remarketing and Optional Redemption of Variable Rate Series 2012 Subordinate Bonds. During the Initial Period, the Variable Rate Series 2012 Subordinate Bonds shall be subject to mandatory tender (either as Hard Tender Index Rate Bonds or Soft Tender Index Rate Bonds, as defined in the Thirteenth Supplemental Indenture and as designated in the Certificate of Award) by the Holders for purchase on the respective Initial Index Rate Bonds Purchase Dates applicable to Variable Rate Series 2012 Subordinate Bonds. During any Subsequent Index Rate Period, the Variable Rate Series 2012 Subordinate Bonds may be subject to optional and mandatory tender by the Holders for purchase and remarketing, all on the terms, in the manner, and subject to the conditions set forth in the Thirteenth Supplemental Indenture. For the purpose of effecting the provisions of the Thirteenth Supplemental Indenture relating to the tender, purchase and remarketing of the Variable Rate Series 2012 Subordinate Bonds, the Authority shall appoint or engage the Tender Agent and Remarketing Agent at the times, in the manner, and subject to the conditions set forth in the Thirteenth Supplemental Indenture. During any Index Rate Period, the Variable Rate Series 2012 Subordinate Bonds shall be subject to redemption at the option of the Authority in accordance with the Thirteenth Supplemental Indenture in whole or in part (in whole multiples of their Authorized Denominations) on such date or dates specified in the applicable Certificate of Award or Notice of Conversion, as the case may be, at a redemption price equal to the principal amount of the Variable Rate Series 2012 Subordinate Bonds to be redeemed plus interest accrued to the redemption date.

Section 5. Sale of Series 2012 Subordinate Bonds.

(a) General. The Series 2012 Subordinate Bonds shall be awarded and sold to the Series 2012 Original Purchasers in accordance with the Bond Purchase Agreement and the Certificate of Award, at a purchase price of not less than ninety-five percent (95%) of the aggregate of the products from multiplying the principal amount of each Series 2012 Bond times the percentage of such principal amount at which such Series 2012 Bond shall be initially offered to the public, after subtracting from the aggregate of such products the premium payable for any municipal bond insurance policy applicable to the Series 2012 Subordinate Bonds.

(b) Bond Purchase Agreement. The Authorized Officials are, and each of them is, authorized and directed to execute and deliver the Bond Purchase Agreement between the Authority and the Series 2012 Original Purchasers, substantially in the form presented to this Authority, but with such changes not inconsistent with the Indenture and this Resolution and not substantially adverse to the Authority as may be approved by the Authorized Official executing the same on behalf of the Authority. The approval of any such changes by such Authorized Official and the determination by such Authorized Official that no such change is substantially adverse to the Authority shall be conclusively evidenced by the execution of the Bond Purchase Agreement by such Authorized Official. The price for and terms of the Series 2012 Subordinate Bonds and the sale thereof, all as provided in this Resolution, the Bond Purchase Agreement, the Certificate of Award, and the Thirteenth Supplemental Indenture, are hereby approved and determined to be in the best interests of the Authority.

(c) Certificate of Award. Such sale and award shall be further evidenced by the Certificate of Award executed by an Authorized Official. The terms of the Series 2012 Subordinate Bonds approved in the Certificate of Award shall be incorporated into the Thirteenth Supplemental Indenture. The Certificate of Award, subject to the restrictions set forth herein, shall: (i) state, with respect to each series and subseries of the Series 2012 Subordinate Bonds, whether it shall be Fixed Rate Series 2012 Subordinate Bonds or Variable Rate Subordinate Bonds and specify as to each the aggregate principal amount, the purchase price, the Interest Payment Dates, the interest rate or rates (or, with respect to Variable Rate Series 2012 Subordinate Bonds, the initial interest rate mode), the principal retirement dates, the mandatory sinking fund requirements (if any), the redemption dates, and the redemption prices thereof; (ii) specify whether a municipal bond insurance policy, letter of credit, or other credit or liquidity facility shall be obtained with respect to the Series 2012 Subordinate Bonds and, if so, from whom and on what terms; (iii) specify the amount, if any, of the Series 2012 Debt Service Reserve Requirement and determine whether it shall be met entirely with (X) cash and Permitted Investments; (Y) a Qualified Reserve Credit Facility (as defined in the Indenture); or (Z) a specified combination of (X) and (Y); and (iv) include any additional information that may be required or permitted to be stated therein by the terms of this Resolution and the Bond Purchase Agreement.

(d) Authorization of Bond Insurance and Qualified Reserve Credit Facilities. The submission of applications to: (i) recognized providers of municipal bond insurance requesting the issuance of one or more municipal bond insurance policies to insure the Authority's obligation to make payments of principal of and interest on the Series 2012 Subordinate Bonds, and (ii) potential providers of Qualified Reserve Credit Facilities, is hereby ratified and approved. The Authorized Officials are, and each of them is, hereby authorized to specify in the Certificate of Award that the Authority shall accept one or more commitments for insurance from such providers, and one or more commitments for a Qualified Reserve Credit Facility. There is hereby authorized to be paid from the moneys deposited in the Series 2012 Costs of Issuance Subaccount such amount as is required to pay the premium and expenses for such insurance policies and Qualified Reserve Credit Facilities relating to the Series 2012 Subordinate Bonds. The Authorized Officials are, and each of them is, hereby further authorized to enter into a reimbursement agreement with the provider of any Qualified Reserve Credit Facility to provide for the Authority's reimbursement of the provider for any amounts drawn under the Qualified Reserve Credit Facility in a manner consistent with the Indenture. Any determination of the

Authorized Officials under this paragraph shall be based on the written advice of the Financial Advisor.

(e) Certificates. The General Manager and Chief Financial Officer of the Authority are authorized and directed, in their official capacities, to execute and deliver to the Series 2012 Original Purchasers the certificates required by the Bond Purchase Agreement to be executed on behalf of the Authority.

(f) Delivery of Bonds. The Authorized Officials are, and each of them is, authorized and directed to make the necessary arrangements with the Series 2012 Original Purchasers to establish the date, location, procedure and conditions for the delivery of the Series 2012 Subordinate Bonds to the Series 2012 Original Purchasers. The Authorized Officials are, and each of them is, further authorized and directed to make the necessary arrangements for the printing of the Series 2012 Subordinate Bonds, and the execution, authentication and delivery of the Series 2012 Subordinate Bonds to DTC for the accounts of the Series 2012 Original Purchasers in accordance with this Resolution and the Indenture, and upon the receipt of payment of the purchase price, to cause such amount to be applied in accordance with the terms and provisions of this Resolution and the Indenture.

Section 5. Allocation of Proceeds of the Series 2012 Subordinate Bonds; Tax Covenants.

(a) Allocation of Proceeds of the Series 2012 Subordinate Bonds. The proceeds from the sale of the Series 2012 Subordinate Bonds, including any accrued interest, shall be allocated, deposited and credited for the purposes approved in this Resolution and as specified in the Thirteenth Supplemental Indenture.

(b) Tax Covenants. The Board authorizes the Authorized Officials to approve the tax covenants, authorizations and agreements necessary to achieve and maintain the tax-exempt status of the Series 2012 Subordinate Bonds.

Section 6. Thirteenth Supplemental Indenture, Escrow Agreement, Remarketing Agreement and Other Documents. The Authorized Officials are, and each of them is, authorized in connection with the issuance of the Series 2012 Subordinate Bonds, to execute, acknowledge and deliver in the name of and on behalf of the Authority, the Thirteenth Supplemental Indenture and the Escrow Agreement, substantially in the respective forms thereof submitted to the Authority at or prior to this meeting, but with such changes therein as may be permitted by the Indenture and this Resolution and approved by the Authorized Officer executing the document on behalf of the Authority. The approval of those changes shall be conclusively evidenced by the execution of the document by an Authorized Official.

If any of the Series 2012 Subordinate Bonds are designated to be Variable Rate Series 2012 Subordinate Bonds, the Authorized Officials are, and each of them is, authorized at the time required under the Thirteenth Supplemental Indenture to designate the Remarketing Agent and to execute, acknowledge and deliver, in the name of and on behalf of the Authority, the Remarketing Agreement in a form determined by the Authorized Officer executing the document on behalf of the Authority to be consistent with the Indenture and this Resolution. The

determination of such consistency shall be conclusively evidenced by the execution of the document by an Authorized Official.

The Authorized Officials and any other member, officer or employee of the Authority are each authorized to execute and deliver, on behalf of the Authority, such other certificates, documents and instruments related to the Series 2012 Subordinate Bonds as are necessary in connection with the transactions authorized in this Resolution, and to do all other things required of them or the Authority pursuant to the Indenture, the Thirteenth Supplemental Indenture, the Bond Purchase Agreement and this Resolution.

No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Board or officer, employee or agent of the Authority in his or her individual capacity, and neither the members of the Board nor any officer of the Authority executing the Series 2012 Subordinate Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof. No member of the Board or officer, employee, agent or advisor of the Authority shall incur any personal liability with respect to any other action taken by him pursuant to this Resolution or the Indenture or any other document authorized by this Resolution, provided such member, officer, employee, agent or advisor acts in good faith.

Section 7. Official Statement; Continuing Disclosure. The Authorized Officials shall cause to be prepared and issued on behalf of the Authority, an official statement (the "Official Statement") relating to the original issuance of the Series 2012 Subordinate Bonds. The Authorized Officials are, and each of them is, authorized to execute the Official Statement on behalf of the Authority, which shall be in substantially the form of the Official Statement submitted to the Authority at this meeting, with such changes as the Authorized Official who executes it may approve, the execution thereof on behalf of the Authority by an Authorized Official to be conclusive evidence of such authorization and approval (including approval of any such changes), and copies thereof are hereby authorized to be prepared and furnished to the Series 2012 Original Purchasers for distribution to prospective purchasers of the Series 2012 Subordinate Bonds and other interested persons. The preliminary Official Statement shall be "deemed substantially final" by the Authority within the meaning of Rule 15c2-12 of the Securities Exchange Commission, subject to completion as provided below.

The distribution by the Authority and by the Series 2012 Original Purchasers of the preliminary Official Statement and the Official Statement, in such form and with any changes as may be approved in writing by an Authorized Official, is hereby authorized and approved.

The Authority shall make sufficient copies of the Official Statement, with any supplements, available to the Series 2012 Original Purchasers to sell book entry interests in the Series 2012 Subordinate Bonds, and will provide copies as appropriate to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access.

The Authorized Officials are each hereby authorized to furnish such information, to execute such instruments and to take such other action in cooperation with the Series 2012 Original Purchasers as may be reasonably requested to qualify the Series 2012 Subordinate Bonds for offer and sale under the Blue Sky or other securities laws and regulations and to determine

their eligibility for investment under the laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Series 2012 Original Purchasers; provided, however, that the Authority shall not be required to register as a dealer or broker in any such state or jurisdiction or become subject to the service of process in any jurisdiction in which the Authority is not now subject to such service.

The Authorized Officials are each hereby further authorized: (i) to supplement and complete the “deemed substantially final” preliminary Official Statement by affixing thereto or inserting therein information to identify the Series 2012 Original Purchasers and to specify the final principal amount, interest rates and redemption provisions of the Series 2012 Subordinate Bonds, the price of the Series 2012 Subordinate Bonds to the general public, any credit enhancement provisions with respect to the Series 2012 Subordinate Bonds and any change in ratings of the Series 2012 Subordinate Bonds resulting from such credit enhancement, and such other information as is necessary to supplement and complete the Official Statement with the approved and agreed upon terms of Series 2012 Subordinate Bonds, and (ii) to make such other changes to the preliminary Official Statement or the Official Statement as are, in the judgment of an Authorized Official, necessary and appropriate in order to make the preliminary Official Statement or the Official Statement not materially misleading and to comply with applicable securities laws or otherwise to enable the Authority to fulfill its obligations regarding the preliminary Official Statement or the Official Statement under the Bond Purchase Agreement.

The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Resolution or the Indenture, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Holder of Series 2012 Subordinate Bonds may, and the Trustee may (and, at the request of the Holders of at least 25% in aggregate principal amount of Outstanding Series 2012 Subordinate Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this paragraph. The Authorized Officials are, and each of them is, hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement in substantially the form submitted to the Authority at or prior to this meeting with such changes therein as may be approved by the officer executing the Continuing Disclosure Agreement. The approval of those changes shall be conclusively evidenced by the execution of the Continuing Disclosure Agreement by an Authorized Official.

Section 8. General. The appropriate officers and employees of the Authority will do all things necessary and proper to implement and carry out the orders and agreements set forth or approved in this Resolution for the proper fulfillment of the purposes thereof. The Authority shall furnish to the Series 2012 Original Purchasers of the Series 2012 Subordinate Bonds a true and certified transcript of all proceedings relating to the authorization and issuance of the Series 2012 Subordinate Bonds along with other information as is necessary or proper with respect to the Series 2012 Subordinate Bonds.

Section 9. Multiple Series. Notwithstanding anything herein to the contrary, the Series 2012 Subordinate Bonds may be issued in one or more separate series or subseries (including, without limitation, one or more separate series for the Series 2012A-B Subordinate

Bonds and the Series 2012C Subordinate Refunding Bonds), each bearing a distinctive designation, provided that each Series 2012 Subordinate Bond of each series, and the Series 2012 Subordinate Bonds of all series in the aggregate, must satisfy the requirements and comply with the restrictions of this Resolution and the Indenture. Separate series and subseries of Series 2012 Subordinate Bonds may be issued at the same or different times and so may have different dates of issuance. The Series 2012 Subordinate Bonds of each series and subseries shall be designated as provided in the applicable Certificate of Award. A separate Certificate of Award may be delivered for each series or subseries, and each reference in this Resolution to the Certificate of Award shall refer to each and all such Certificates of Award. A separate Supplemental Trust Indenture may be entered into for each series or subseries, and each reference in this Resolution to the Thirteenth Supplemental Indenture shall refer to each and all such Supplemental Trust Indentures, but any Supplemental Trust Indenture subsequent to the Thirteenth Supplemental Indenture shall bear a different designation. A separate Bond Purchase Agreement and Continuing Disclosure Agreement may be entered into for each series or subseries, and each reference in this Resolution to the Bond Purchase Agreement or to the Continuing Disclosure Agreement shall refer to each and all such Bond Purchase Agreements or Continuing Disclosure Agreements, respectively. A separate Official Statement may be prepared for each series or subseries, and each reference in this Resolution to the Official Statement shall refer to each and all such Official Statements.

Section 10. Effective Date. This Resolution shall take effect immediately.

Secretary to the Board of Directors

PRELIMINARY OFFICIAL STATEMENT DATED MARCH [], 2012

NEW ISSUE – BOOK-ENTRY ONLY

Ratings: Moody's: []
 S&P: []
 Fitch: []
 See "Ratings" herein.

In the opinion of Co-Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2012 Bonds 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 Series 2012 Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. Interest on the Series 2012 Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. See "TAX MATTERS."

[logo]

\$470,000,000*

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

<p>\$200,000,000* Public Utility Subordinate Lien Revenue Bonds Series 2012A</p>	<p>\$100,000,000* Public Utility Subordinate Lien Multimodal Revenue Bonds Series 2012B (SIFMA Index Rate Period) \$50,000,000* Subseries 2012B-1†</p>	<p>\$170,000,000* Public Utility Subordinate Lien Revenue Refunding Bonds Series 2012C \$50,000,000* Subseries 2012B-2‡</p>
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This cover page, including the inside cover page, contains certain information for quick reference only. It is not a summary of this Official Statement. Prospective purchasers must read the entire Official Statement to obtain the information essential to the making of an informed investment decision.

Dated: Date of Delivery

Due: As shown on inside cover

The Public Utility Subordinate Lien Revenue Bonds, Series 2012A (the "Series 2012A Bonds"), the Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (SIFMA Index Rate Period), consisting of Subseries 2012B-1 (the "Subseries 2012B-1 Bonds") and Subseries 2012B-2 (the "Subseries 2012B-2 Bonds" and, together with the Subseries 2012B-1 Bonds, the "Series 2012B Bonds" and, together with the Series 2012A Bonds, the "Series 2012A-B Bonds") and the Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C (the "Series 2012C Bonds" and, together with the Series 2012A-B Bonds, the "Series 2012 Bonds") are being issued by the District of Columbia Water and Sewer Authority (the "Authority", also commonly referred to as "DC Water") pursuant to a Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"), as amended and supplemented to the date of issuance of the Series 2012A-B Bonds (the "Indenture"). The proceeds of the Series 2012A-B Bonds will be used to (i) pay a portion of the costs of certain capital improvements to the System, (ii) pay capitalized interest on a portion of the Series 2012A-B Bonds and (iii) pay costs of issuing the Series 2012A-B Bonds. The proceeds of the Series 2012C Bonds will be used, together with other funds of the Authority, to (i) advance refund all or a portion of the Authority's outstanding Public Utility Subordinate Lien Revenue Bonds, Series 2003 and (ii) pay costs of issuing the Series 2012C Bonds. The Series 2012 Bonds are secured by a pledge of Net Revenues, as defined in the Indenture, on a parity with the pledge of Net Revenues that secures the Outstanding Subordinate Debt, as defined herein, and any additional Subordinate Debt to be issued in the future. See "SECURITY FOR THE SERIES 2012 BONDS."

The Series 2012 Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") under the book-entry only system maintained by DTC. So long as Cede & Co. is the registered owner of the Series 2012 Bonds, principal, premium, if any, and interest on the Series 2012 Bonds will be payable by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to beneficial owners of the Series 2012 Bonds, as more fully described herein. See Appendix E – "DTC BOOK-ENTRY ONLY SYSTEM."

The Series 2012 Bonds will be issued initially in denominations of \$5,000 or any integral multiple thereof and in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") under the book-entry only system maintained by DTC.

Interest on the Series 2012A Bonds and the Series 2012C Bonds will be calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each April 1 and October 1, commencing October 1, 2012. Interest on the Series 2012B Bonds while in the SIFMA Index Rate Period (as defined herein) will be calculated on the basis of a 365/366-day year for actual days elapsed and payable on the first business day of each month, commencing on [] 1, 2012.

The Series 2012 Bonds are subject to redemption prior to maturity, as more fully described herein. The Series 2012B Bonds will bear interest initially in a SIFMA Index Rate Period and are subject to mandatory tender for purchase prior to maturity. See "THE SERIES 2012 BONDS – Series 2012B Bond Provisions." **This Official Statement is not intended to describe the Series 2012B Bonds while in a Rate Period other than the initial SIFMA Index Rate Period.**

The Series 2012 Bonds shall be special, limited obligations of the Authority payable solely from the Net Revenues of the Authority. The Series 2012 Bonds shall be without recourse to the District. The Series 2012 Bonds shall not be general obligations of the District or of the Authority. The Series 2012 Bonds shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, the United States of America or any User Jurisdiction (as defined herein) or any agency or instrumentality of any User Jurisdiction, and neither the District, the United States, any User Jurisdiction nor any agency or instrumentality of any User Jurisdiction shall be liable thereon. The Series 2012 Bonds also shall not constitute the lending of the public credit for private undertakings as prohibited by the Home Rule Act. The Authority has no taxing power.

The Series 2012 Bonds are offered when, as and if issued by the Authority and received by the Underwriters. Certain legal matters with respect to the issuance of the Series 2012 Bonds are subject to the approval of Squire Sanders (US) LLP, Washington, D.C. and Leftwich & Ludaway, LLC, Washington D.C., Co-Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by Randy Hayman, its General Counsel, and for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Washington, D.C. and McKenzie & Associates, Washington D.C., Co-Underwriters' Counsel. It is expected that the Series 2012 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about March [], 2012.

Siebert Brandford Shank & Co., L.L.C.

J.P. Morgan†

Morgan Stanley‡

Dated: March [], 2012

* Preliminary; subject to change.

† Serves as [sole/senior] underwriter on the Subseries 2012B-1 Bonds.

‡ Serves as [sole/senior] underwriter on the Subseries 2012B-2 Bonds.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy them be accepted prior to the time this Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

\$470,000,000¹

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

\$200,000,000*

**Public Utility Subordinated Lien Revenue Bonds
Series 2012A**

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP²</u>
20__	\$			254845
20__				254845
20__				254845
20__			‡	254845

\$ _____ % Term Bonds, due October 1, ____, Yield ____% CUSIP _____ †

\$50,000,000*

**Public Utility Subordinated Lien Multimodal Revenue Bonds
Subseries 2012B-1
(SIFMA Index Rate Period)**

<u>Maturity Date (October 1)</u>	<u>Initial Index Rate Bonds Purchase Date</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP[†]</u>
20__	[__]	SIFMA Index plus [__]%	100%	254845

\$50,000,000*

**Public Utility Subordinated Lien Multimodal Revenue Bonds
Subseries 2012B-2
(SIFMA Index Rate Period)**

<u>Maturity Date (October 1)</u>	<u>Initial Index Rate Bonds Purchase Date</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP[†]</u>
20__	[__]	SIFMA Index plus [__]%	100%	254845

\$170,000,000*

**Public Utility Subordinated Lien Revenue Refunding Bonds
Series 2012C**

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
20__	\$			254845
20__				254845
20__				254845

\$ _____ % Term Bonds, due October 1, ____, Yield ____% CUSIP _____ †

¹ Preliminary; subject to change.

² CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers are provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of investors. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2012 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2012 Bonds.

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032
(202) 787-2150

www.dcwater.com

Principal Members

Jurisdiction

William M. Walker, Chairman	<i>District of Columbia</i>
Timothy L. Firestine, Interim Vice Chairman	<i>Montgomery County</i>
Adam Clampitt	<i>District of Columbia</i>
Anthony H. Griffin	<i>Fairfax County</i>
Robert Hoyt	<i>Montgomery County</i>
Allen Lew	<i>District of Columbia</i>
Alethia Nancoo	<i>District of Columbia</i>
Carla Reid	<i>Prince George's County</i>
F. Alexis H. Roberson	<i>District of Columbia</i>
Alan J. Roth	<i>District of Columbia</i>
Bradford Seamon	<i>Prince George's County</i>

Alternate Members

Jurisdiction

Kathleen Boucher	<i>Montgomery County</i>
Joseph Cotruvo	<i>District of Columbia</i>
Howard Croft	<i>District of Columbia</i>
Howard C. Gibbs	<i>District of Columbia</i>
David W. Lake	<i>Montgomery County</i>
Dawn Hawkins-Nixon	<i>Prince George's County</i>
James Patteson	<i>Fairfax County</i>
Brenda L. Richardson	<i>District of Columbia</i>
Samuel Wynkoop	<i>Prince George's County</i>

Key Staff Members

Title

George S. Hawkins	<i>General Manager</i>
Olu Adebó	<i>Chief Financial Officer</i>
Walter Bailey	<i>Assistant General Manager, Blue Plains</i>
Leonard R. Benson	<i>Chief Engineer</i>
Christopher Carew	<i>Chief of Staff</i>
Alan Heymann	<i>Chief of External Affairs</i>
Charles Kiely	<i>Assistant General Manager, Consumer Services</i>
Omer Siddiqui	<i>Chief Information Officer</i>
Randy Hayman, Esq.	<i>General Counsel</i>
Katrina J. Wiggins	<i>Assistant General Manager, Support Services</i>

Authority Consultants

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IMPORTANT NOTICES

This Official Statement is provided in connection with the issuance of the Series 2012 Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Authority and other sources which are believed to be reliable. Additional information, including financial information, concerning the Authority is available from the Authority's website. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations with respect to this offering, other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date thereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE SERIES 2012 BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXCEPTIONS CONTAINED IN THE ACT. NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SERIES 2012 BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Some statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," "plan," "budget," and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in this Official Statement.

The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or do not occur.

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PRELIMINARY OFFICIAL STATEMENT

\$470,000,000*

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

<p>\$200,000,000* Public Utility Subordinate Lien Revenue Bonds Series 2012A</p>	<p>\$100,000,000* Public Utility Subordinate Lien Multimodal Revenue Bonds Series 2012B (SIFMA Index Rate Period)</p>	<p>\$170,000,000* Public Utility Subordinate Lien Revenue Refunding Bonds Series 2012C</p>
	<p>\$50,000,000* Subseries 2012B-1 Bonds</p>	<p>\$50,000,000* Subseries 2012B-2 Bonds</p>

INTRODUCTION

General

This Official Statement, including the cover page and the appendices hereto (the “Official Statement”) is provided in connection with the issuance by the District of Columbia Water and Sewer Authority (the “Authority”, also commonly referred to as “DC Water”) of its Public Utility Subordinate Lien Revenue Bonds, Series 2012A, in the original principal amount of \$200,000,000* (the “Series 2012A Bonds”), its Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (SIFMA Index Rate Period), consisting of its Subseries 2012B-1, in the original principal amount of \$50,000,000* (the “Subseries 2012B-1 Bonds”) and its Subseries 2012B-2, in the original principal amount of \$50,000,000* (the “Subseries 2012B-2 Bonds” and, together with the Subseries 2012B-1 Bonds, the “Series 2012B Bonds” and, together with the Series 2012A Bonds, the “Series 2012A-B Bonds”), and its Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C in the aggregate principal amount of \$170,000,000* (the “Series 2012C Bonds” and, together with the Series 2012A-B Bonds, the “Series 2012 Bonds”).

The Series 2012 Bonds are being issued pursuant to the Master Indenture of Trust, dated as of April 1, 1998 (the “Master Indenture”), as amended and supplemented to the date of delivery of the Series 2012 Bonds (the “Indenture”), including by the Thirteenth Supplemental Indenture of Trust, to be dated the date of issuance and delivery of the Series 2012 Bonds (the “Thirteenth Supplemental Indenture”), each by and between the Authority and Wells Fargo Bank, N.A., as trustee (the “Trustee”).

Capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings ascribed thereto in APPENDIX C – “GLOSSARY AND SUMMARY OF THE INDENTURE.”

District of Columbia Water and Sewer Authority

The Authority is an independent authority of the District of Columbia (the “District”), which was created in April 1996 and began operating on October 1, 1996, under and pursuant to an act of the Council of the District (the “Council”) entitled the “Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996” (D.C. Law 11-111) (D.C. Code §§ 34-2201.01 *et seq.*), as amended and supplemented (the “Act”), and an act of the United States Congress entitled the “District of Columbia Water and Sewer Authority Act of 1996” (Public Law 104-184) (the “Federal Act”). See “THE AUTHORITY.”

* Preliminary; subject to change.

The Authority provides retail water and wastewater services to more than 600,000 people in the District and wholesale wastewater conveyance and treatment to approximately 1.6 million people in major suburban areas of Prince George's and Montgomery Counties in Maryland and Fairfax and Loudoun Counties in Virginia (collectively, the "User Jurisdictions"). Pursuant to the Act, the District authorized the Authority to use all of the property and assets of the water distribution system (the "Water System") and the wastewater collection, treatment and disposal system (the "Wastewater System" and, together with the Water System, the "System") formerly operated by the District, for as long as any revenue bonds of the Authority, including the Series 2012 Bonds, remain outstanding. In accordance with the Act, the District retains full legal title to and a complete equitable interest in the System. See "THE SYSTEM."

Use of the Series 2012 Bond Proceeds

The proceeds of the Series 2012A Bonds and the Series 2012B Bonds will be used to (i) pay a portion of the costs of certain capital improvements to the System, (ii) pay capitalized interest on a portion of the Series 2012A-B Bonds used to fund \$50 million of costs related to the Digester Project (as defined herein) and (iii) pay costs of issuing the Series 2012A Bonds and Series 2012B Bonds. The proceeds of the Series 2012C Bonds will be used, together with other funds of the Authority, to (i) advance refund all or a portion of the Authority's outstanding Public Utility Subordinate Lien Revenue Bonds, Series 2003 (the "Series 2003 Bonds") and (ii) pay costs of issuing the Series 2012C Bonds. See "SOURCES AND USES OF FUNDS" and "CAPITAL IMPROVEMENT PROGRAM – Categories of Current CIP Projects – *Wastewater Treatment Projects.*"

Series 2012B Bond Provisions

The Series 2012B Bonds will bear interest initially in a SIFMA Index Rate Period. See "THE SERIES 2012 BONDS – Series 2012B Bond Provisions." **This Official Statement is not intended to describe the terms of the Series 2012B Bonds in any other period other than the initial SIFMA Index Rate Period. The Authority expects that, if it elects to convert all or a portion of the Series 2012B Bonds to any other Rate Period, an offering document will be distributed describing such new Rate Period. Investors purchasing the Series 2012B Bonds in connection with a conversion to a different Rate Period should look to the offering document prepared in connection with such conversion.**

Senior Debt and Subordinate Debt

Under the Indenture, the Authority may issue "Senior Debt" and "Subordinate Debt" from time to time. The Series 2012 Bonds will constitute Subordinate Debt under the Indenture. The Series 2012 Bonds will be payable as to both principal and interest solely from the Net Revenues of the System, subject to the prior payment of the principal of and interest due and payable on all Senior Debt heretofore and hereafter issued or incurred by the Authority. The Series 2012 Bonds will be payable subject to the funding of certain Funds and Accounts established under the Indenture, and on a parity with all other Subordinate Debt heretofore or hereafter issued or incurred by the Authority. See "SECURITY FOR THE SERIES 2012 BONDS."

Security and Source of Payment

The Series 2012 Bonds will be secured by a pledge of Net Revenues that is subordinate to the pledge of Net Revenues that secures any Outstanding Senior Debt and other Senior Debt the Authority may issue from time to time in the future, and on a parity with the pledge of Net Revenues that secures the Outstanding Subordinate Debt and other Subordinate Debt the Authority may issue from time to time

in the future, without preference, priority or distinction of any Subordinate Debt over any other Subordinate Debt. Upon the issuance of the Series 2012 Bonds, approximately \$[____] aggregate principal amount of Subordinate Debt and \$1,539,691,000 aggregate principal amount of Senior Debt will be outstanding. See “OUTSTANDING INDEBTEDNESS.” The Series 2012 Bonds will be payable solely from Net Revenues, subject to the funding of certain Funds and Accounts established under the Indenture. The principal sources of Net Revenues are the payments received by the Authority pursuant to its rates and charges imposed for the use of and the services furnished by the System, as described in the Indenture. See “RATES AND CHARGES.”

The Series 2012 Bonds shall be special and limited obligations of the Authority. The Series 2012 Bonds shall be without recourse to the District. The Series 2012 Bonds shall not be general obligations of the District or of the Authority. The Series 2012 Bonds shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, the United States of America or any User Jurisdiction or any agency or instrumentality of any User Jurisdiction, and neither the District, the United States, any User Jurisdiction, nor any agency or instrumentality of any User Jurisdiction shall be liable thereon. The Series 2012 Bonds also shall not constitute the lending of the public credit for private undertakings as prohibited by the Home Rule Act of the District. The Authority has no taxing power.

Although the Series 2012 Bonds are not a debt of the District or of any User Jurisdiction, nor is the District or any User Jurisdiction in any way, directly or indirectly, obligated for the repayment thereof, the Authority’s service area consists of the District and certain areas of the User Jurisdictions and, therefore, certain demographic, economic and statistical information relating to the District and the User Jurisdictions may be relevant to prospective purchasers of the Series 2012 Bonds. Information relating to the District and the User Jurisdictions may be obtained by contacting the District or each of the User Jurisdictions directly. The Authority makes no representation as to the accuracy or completeness of such information.

Amendments to the Master Indenture

In connection with the issuance of the Authority’s Public Utility Subordinate Lien Revenue Bonds, Series 2010A (Federally Taxable – Direct Issuer Subsidy – Build America Bonds) (the “Series 2010A Bonds”) in October 2010, the Authority and the Trustee entered into a Twelfth Supplemental Indenture, which amended the Master Indenture to include provisions regarding Direct Payment Build America Bonds (“BABs”) and the deposit and crediting of Direct Payments in relation to the Rate Covenant, which amendment became effective upon the execution of the Twelfth Supplemental Indenture. In addition, the Twelfth Supplemental Indenture included proposed amendments to the Master Indenture regarding crediting of Direct Payments for the purpose of computing Annual Debt Service on any Direct Payment BABs or Other System Indebtedness as to which Direct Payments are expected to be made, which will only become effective upon receiving consent of holders of not less than a majority in aggregate principal amount of Outstanding Bonds (the term “Bonds” as defined in the Indenture, does not include Other System Indebtedness and Subordinate Debt). See “SECURITY FOR THE SERIES 2012 BONDS – Amendments to the Master Indenture.”

Limited Remedies of Holders of Subordinate Debt

The Indenture prohibits the acceleration of Subordinate Debt if any Senior Debt (including Bonds) is outstanding. The right of acceleration of the Series 2012 Bonds is also subject to the requirement that acceleration of the Series 2012 Bonds may occur only in connection with the acceleration of all Subordinate Debt, and accordingly shall be subject to the rights of the holders (including bond insurers acting on behalf of the bondholders to the extent their policies so provide) of

other Subordinate Debt. The Indenture confers upon the holders of not less than 25% of the aggregate principal amount of Outstanding Bonds (which includes Senior Debt only, not Subordinate Debt) the right to direct the Trustee to protect and enforce their rights by mandamus or other suit, action or proceeding, and confers upon the holders of a majority of the aggregate principal amount of Outstanding Bonds the right to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, in accordance with the provisions of law and the Indenture. The Indenture does not confer those rights upon any specified percentage of the holders of Subordinate Debt, including the Series 2012 Bonds. The Thirteenth Supplemental Indenture confers upon the holders of the Series 2012 Bonds comparable rights to direct the Trustee in the exercise of remedies (other than acceleration while any Senior Debt is outstanding) for the enforcement of their right to be paid debt service on the Series 2012 Bonds from moneys in the Subordinate Bond Fund required by the Indenture to be used for such payment, but the exercise of all other remedies for the protection of the rights of holders of the Series 2012 Bonds are discretionary with the Trustee and subject to the above-described rights of the holders of the Bonds. See “SECURITY FOR THE SERIES 2012 BONDS.”

Capital Improvement Program

The Authority utilizes an annually adopted ten-year Capital Improvement Program (the “Capital Improvement Program” or the “CIP”) to plan and manage the capital investments necessary to fulfill its service missions, comply with regulatory requirements and preserve and upgrade its water and wastewater systems. The Authority updates the CIP annually in conjunction with its budget process, based on detailed project review by engineering staff, external engineering consultants retained by the Authority and senior management.

Since its creation in 1996 through September 30, 2011, the Authority had expended approximately \$2.6 billion, on a cash disbursements basis, for capital improvement projects, including \$1.0 billion for projects at the Blue Plains Advanced Wastewater Treatment Plant (“Blue Plains”), \$559 million for Water System infrastructure projects, \$541 million for the CSO LTCP (as defined herein) and combined sewer projects and \$51 million for meter replacement/AMR projects. The Authority currently estimates the cost of the Fiscal Year 2011-2020 Capital Improvement Program (the “Current CIP”) (which includes funds spent in Fiscal Year 2011) at \$3.8 billion on a cash disbursements basis, including approximately \$1.4 billion for wastewater treatment projects at Blue Plains, \$1.2 billion for the CSO LTCP and combined sewer projects, \$567 million for Water System infrastructure projects, \$457 million for sanitary sewer projects and \$29 million for meter replacement/AMR projects. The Board of Directors of the Authority (the “Board”) approved the Current CIP on January 5, 2012. See “CAPITAL IMPROVEMENT PROGRAM.”

Funding of the Capital Improvement Program

The Authority intends to finance the costs of the Current CIP from a number of sources, including the proceeds of the Series 2012 Bonds, proceeds of future bonds, grants, certain operating revenues and wholesale customer contributions. See “CAPITAL IMPROVEMENT PROGRAM – Current CIP Financing Sources.”

Engineering Feasibility Report

The Indenture requires the Authority to retain, at least once every five years, an independent consulting engineer to inspect the System and prepare a written report with findings and recommendations regarding the maintenance of the System and the construction of additions, extensions and improvements to the System and the capital replacements thereof. The Authority retained URS

Corporation (“URS”) to prepare an Engineering Feasibility Report dated January 15, 2009 (the “Engineering Feasibility Report”). The Engineering Feasibility Report reviews the adequacy of the CIP to maintain the Authority’s System and to provide high quality, reliable service to the Authority’s customers, the Authority’s progress in implementing its CIP and its plans to commence additional capital improvements. The conclusions from the Engineering Feasibility Report are summarized in “ENGINEERING FEASIBILITY REPORT.” The Engineering Feasibility Report has not been updated since the date of its issuance. A copy of the Engineering Feasibility Report is available on the Authority’s website at www.dewater.com.

In preparing the Engineering Feasibility Report, URS reviewed and relied upon, among other documents, the Independent Engineering Inspection of the Authority’s Wastewater and Water Systems – Findings and Recommendations dated July 31, 2008 (the “Independent Inspection Report”), prepared by PB Consult Inc., an affiliate of Parsons Brinckerhoff Quade & Douglas, Inc. (“PB Consult”), for PB Consult’s findings, conclusions and recommendations regarding the maintenance of and improvements to the System. The Authority retained PB Consult as an independent consulting engineer to the Authority, in which capacity PB Consult conducted an inspection of the System and prepared the Independent Inspection Report. PB Consult generally found all the Authority facilities to be operating at levels allowing it to comply with permit requirements and meet service commitments. Where areas for improvement were identified, the report noted specific responses in the Authority’s CIP or identified mitigation actions that were underway. The Independent Inspection Report, a copy of which is available on the Authority’s website at www.dewater.com, has not been updated since the date of its issuance.

Financial Feasibility Opinion Letter

In connection with the issuance and sale of the Series 2012 Bonds, the Authority retained Amawalk Consulting Group LLC (“Amawalk”) to prepare an analysis and a Financial Feasibility Opinion Letter dated March [___], 2012 (the “Financial Feasibility Opinion Letter”), attached hereto as APPENDIX A. The Financial Feasibility Opinion Letter reflects, among other things, actual financial performance through the Fiscal Year ended September 30, 2011, retail water and wastewater rates effective October 1, 2011, operating and capital budgets for the Fiscal Year ending September 30, 2012, the Current CIP and the forecast of rates and cash flows for Fiscal Years 2012 through 2017. The Authority has relied on Amawalk’s analysis and the Financial Feasibility Opinion Letter for certain portions of this Official Statement. Portions of Amawalk’s analysis have been included in the following sections of this Official Statement: “CAPITAL IMPROVEMENT PROGRAM”, “CUSTOMER BASE, RATES AND CHARGES”; and “FINANCIAL OPERATIONS.” Where noted, Amawalk has assisted the Authority in preparing certain tables that are presented in the sections of this Official Statement referenced above. The data included in these tables has been provided by the Authority, unless otherwise noted. Amawalk has reviewed the reasonableness of the data and the underlying assumptions in the financial forecast. The conclusions from the Financial Feasibility analysis are summarized in “FINANCIAL FEASIBILITY OPINION LETTER.” Amawalk’s analysis and the Financial Feasibility Opinion Letter have not been updated to reflect the final terms of the Series 2012 Bonds, the planned refunding of all or a portion of the Series 2003 Bonds or any changes occurring after the date of the Financial Feasibility Opinion Letter.

The following table provides a summary of the Authority’s actual financial results for Fiscal Year 2011 and the financial forecast for the period from Fiscal Year 2012 through 2017 prepared by Amawalk. The period from Fiscal Year 2012 through Fiscal Year 2017 is referred to in this Official Statement as the “Reporting Period.” The information in the following table is based on a number of assumptions, including that the debt issued by the Authority after the issuance of the Series 2012 Bonds will be on a senior lien basis. The table does not reflect the issuance of the Series 2012C Bonds or the refunding of all

or a portion of the Series 2003 Bonds with the proceeds of the Series 2012C Bonds. For information regarding these assumptions, see “FINANCIAL OPERATIONS – Projected Financial Operations.”

Summary of Financial Forecast

Fiscal Years ended/ending September 30
(\$ in thousands)^{1,2}

	Actual	Projected					
	2011	2012	2013	2014	2015	2016	2017
Retail and Wholesale Revenue ³	\$347,588	\$376,402	\$407,804	\$436,070	\$460,805	\$491,507	\$524,007
Non-Operating Revenue	46,887	43,515	45,846	49,704	54,457	59,118	62,625
Transfer from Rate Stabilization Fund	9,500	6,500	6,500	-	2,950	4,000	5,000
(Contributions to Rate Stabilization Fund)	(9,500)	(12,250)	-	-	-	-	-
Total Revenue	\$394,474	\$414,166	\$460,150	\$485,774	\$518,211	\$554,625	\$591,632
(Refund to)/Payment from IMA	(3,861)	(5,250)	(3,000)	-	-	-	-
Transfer to DC PILOT Fund	(10,000)	-	-	-	-	-	-
Prior Year’s Federal Billing Reconciliations	1,669	(1,000)	(5,105)	(2,791)	-	-	-
Net Revenues	\$382,282	\$407,917	\$452,045	\$482,983	\$518,211	\$554,625	\$591,632
Operating Expenses	249,186	276,765	286,378	284,198	278,175	286,247	294,462
Net Revenues Available for Debt Service	133,096	131,152	165,667	198,786	240,036	268,378	297,171
Senior Debt Service	41,511	41,918	50,052	68,935	98,383	120,515	140,990
Subordinate Debt Service	50,377	58,859	77,575	81,452	86,049	87,017	86,685
Total Debt Service	\$91,888	\$100,776	\$127,627	\$150,387	\$184,431	\$207,532	\$227,674
Senior Debt Service Coverage	3.21x	3.13x	3.31x	2.88x	2.44x	2.23x	2.11x
Subordinate Debt Service Coverage	1.82x	1.52x	1.49x	1.59x	1.65x	1.70x	1.80x
Combined Debt Service Coverage	1.45x	1.30x	1.30x	1.32x	1.30x	1.29x	1.31x
PILOT/ROW Fee Payable to District	\$20,618	\$22,365	\$24,314	\$25,275	\$26,587	\$27,983	\$29,471
Revenue Less Debt Service and Expenses	20,590	8,011	13,725	23,123	29,018	32,862	40,026
Ending Balance Cash Reserve (Beginning Reserve Net of All Payments/Transfers)	150,035	125,500	125,500	125,500	125,500	125,500	125,500
District Stormwater Revenues	648	1,100	1,100	1,100	1,100	1,100	1,100
Cash Reserve Requirement Per Board Policy ⁴	125,500	125,500	125,500	125,500	125,500	125,500	125,500

¹ Debt service is shown on a cash basis, and may differ from the Authority’s comprehensive annual financial report (the “CAFR”).

² Debt service payments for the Series 2012A Bonds and the Series 2012B Bonds are calculated based on an assumed annual interest rate of 5.5%, a term of 30 years and level annual debt service. Debt service payments for anticipated future bonds starting in Fiscal Year 2013 are calculated based on an assumed annual interest rate of 6.5%, a term of 30 years and level annual debt service. Debt service does not reflect the issuance of the Series 2012C Bonds or the refunding of all or a portion of the Series 2003 Bonds with the proceeds of the Series 2012C Bonds.

³ Includes retail revenue from water and wastewater charges as well as the Clean River Impervious Area Charge.

⁴ Board financial policy requires the maintenance of a cash equivalent to 120 days of operating costs less District stormwater revenues, but not less than a cash balance of \$125.5 million.

Source: Amawalk

In the analysis of the forecast of future operations summarized in this Official Statement, Amawalk has reviewed certain assumptions with respect to conditions, events and circumstances which may occur in the future. Amawalk is of the opinion that these assumptions are reasonable and attainable as of the date of the Financial Feasibility Opinion Letter, although actual results may differ from those forecast as influenced by the conditions, events and circumstances which actually occur. See APPENDIX A – “FINANCIAL FEASIBILITY OPINION LETTER.”

Continuing Disclosure

The Authority will enter into a Continuing Disclosure Agreement dated March [__], 2012, the form of which is attached as APPENDIX D, to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the United States Securities and Exchange Commission (the "SEC"), as is in effect on the date hereof, by providing annual financial information and material event notices required by the Rule. For further information, interested persons may contact the Chief Financial Officer of the Authority at (202) 787-2150. See "CONTINUING DISCLOSURE" and APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Miscellaneous

This Official Statement contains brief descriptions of the Series 2012 Bonds, the Authority, the System, the Capital Improvement Program, the Indenture and certain provisions of the Act. Such descriptions and the summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be comprehensive or definitive and each such document, statute, report or instrument is qualified in its entirety by reference to each such document, statute, report or instrument, copies of which are available from the Authority. All references to the Series 2012 Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereof contained in the Indenture. Insofar as any statements are made in this Official Statement involving matters of opinion, regardless of whether expressly so stated, they are intended merely as such and not as representations of fact.

The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority or the Underwriters and the purchasers or owners of any of the Series 2012 Bonds.

Inquiries regarding information about the Authority and the financial matters contained in this Official Statement may be directed to the Chief Financial Officer of the Authority at (202) 787-2150.

THE SERIES 2012 BONDS

General

The Series 2012A Bonds and the Series 2012C Bonds will be dated their date of delivery and will bear interest at the rates set forth on the inside cover page hereof. Interest on the Series 2012A Bonds and the Series 2012C Bonds will be calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each April 1 and October 1, commencing October 1, 2012 (the "Series 2012A-C Bonds Interest Payment Date"), and will mature on October 1 in the years and in the principal amounts set forth on the inside cover page hereof.

The Series 2012B Bonds will be dated their date of delivery and will bear interest initially in a SIFMA Index Rate Period, as described in "THE SERIES 2012 BONDS – Series 2012B Bond Provisions" below. Interest on the Series 2012B Bonds while in the initial SIFMA Index Rate Period will be calculated on the basis of a 365/366-day year for actual days elapsed and will be payable on the first business day of each calendar month, commencing on [] 1, 2012 (the "Series 2012B Interest Payment Date" and, together with the Series 2012A-C Interest Payment Date, the "Interest Payment Date").

Book-Entry Only System

The Series 2012 Bonds will be issued in fully registered form and, when issued, will be held by DTC or its nominee, as securities depository with respect to the Series 2012 Bonds. Individual purchases of interests in the Series 2012 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchases of beneficial ownership interests in the Series 2012 Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of bond certificates. So long as Cede & Co. is the registered owner of the Series 2012 Bonds as nominee of DTC, references herein to the holders or registered owners of the Series 2012 Bonds will mean Cede & Co. and will not mean the beneficial owners of the Series 2012 Bonds. Beneficial interests in the Series 2012 Bonds may be held through DTC directly as a participant or indirectly through organizations that are participants in such system. See APPENDIX E – "DTC BOOK-ENTRY ONLY SYSTEM."

As long as the Series 2012 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each Interest Payment Date. If the book-entry only system is discontinued, bond certificates will be delivered as described in the Indenture, and Beneficial Owners (as defined herein) will become registered owners of the Series 2012 Bonds (the "Bondholders"). If the book-entry only system is discontinued, interest on the Series 2012 Bonds shall be payable on each Interest Payment Date by check or draft mailed to the registered owner at the address as it appears on the 15th day of the month preceding an Interest Payment Date on the registration books kept by the Trustee.

None of the Authority, the Trustee or the Underwriters 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 any 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 Series 2012 Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the Series 2012 Bonds. For more information on DTC and the book-entry only system, see APPENDIX E – "DTC BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Optional Redemption

The Series 2012A Bonds and the Series 2012C Bonds maturing on or after October 1, 20[] are subject to redemption prior to maturity on or after October 1, 20[] from any source, in whole or in part on any date, in such order of maturities as shall be determined by the Authority (and by lot within a maturity), at a redemption price of []% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

The Series 2012B Bonds are subject to redemption prior to maturity, from any source, in whole or in part on any date on or after [insert date 6 months prior to initial mandatory tender date for 2012B-1] in the case of the Subseries 2012B-1 Bonds, and [insert date 6 months prior to initial mandatory tender date for 2012B-2] in the case of the Subseries 2012B-2 Bonds, at a redemption price of 100% of the principal amount thereof, together with accrued interest, if any, to the redemption date.

Mandatory Redemption

The Series 2012A Bonds maturing on October 1, 20[] (the “20[] Series 2012A Term Bonds”) are subject to mandatory sinking fund redemption in part (in accordance with the procedures described below in “*Selection of the Series 2012 Bonds to be Redeemed*”), prior to maturity on October 1, in the years set forth below, at a redemption price equal to the principal amount of the Series 2012A Bonds called for redemption plus interest accrued to the redemption date.

\$[]
20[] Term Bonds

Year	Amount	Year	Amount
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† Final Maturity

The Subseries 2012B-1 Bonds maturing on October 1, 20[] (the “20[] Subseries 2012B-1 Term Bonds”) are subject to mandatory sinking fund redemption in part (in accordance with the procedures described below in “*Selection of the Series 2012 Bonds to be Redeemed*”), prior to maturity on October 1, in the years set forth below, at a redemption price equal to the principal amount of the Subseries 2012B-1 Bonds called for redemption plus interest accrued to the redemption date.

\$[]
20[] Term Bonds

Year	Amount	Year	Amount
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† Final Maturity

The Subseries 2012B-2 Bonds maturing on October 1, 20[] (the “20[] Subseries 2012B-2 Term Bonds”) are subject to mandatory sinking fund redemption in part (in accordance with the procedures described below in “*Selection of the Series 2012 Bonds to be Redeemed*”), prior to maturity on October 1, in the years set forth below, at a redemption price equal to the principal amount of the Subseries 2012B-2 Bonds called for redemption plus interest accrued to the redemption date.

\$[]
20[] Term Bonds

Year	Amount	Year	Amount
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† Final Maturity

The Series 2012C Bonds maturing on October 1, 20[] (the “20[] Series 2012C Term Bonds” and, together with the 20[] Subseries 2012B-1 Term Bond, the 20[] Subseries 2012B-2 Bonds and the 20[] Series 2012A Term Bonds, the “Series 2012 Term Bonds”) are subject to mandatory sinking fund redemption in part (in accordance with the procedures described below in “*Selection of the Series 2012 Bonds to be Redeemed*”), prior to maturity on October 1, in the years set forth below, at a redemption price equal to the principal amount of the Series 2012C Bonds called for redemption plus interest accrued to the redemption date.

\$[]
20[] Term Bonds

Year	Amount	Year	Amount
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† Final Maturity

The principal amount of the Series 2012 Term Bonds required to be redeemed on any redemption date pursuant to the operation of mandatory sinking fund redemption provisions will be reduced, at the option of the Authority, by the principal amount of any Series 2012 Term Bond scheduled for redemption on such redemption date or dates, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) have been acquired by the Authority and delivered to the Trustee for cancellation, (2) have been acquired and canceled by the Trustee, at the direction of the Authority, at a price not exceeding the principal amount of such Series 2012 Term Bond plus accrued interest to the date of acquisition thereof, or (3) have been redeemed pursuant to the optional redemption provisions and not previously credited to a scheduled mandatory redemption. Upon such purchase of such Series 2012 Term Bonds, the Trustee shall then credit an amount equal to the principal of such Series 2012 Term Bonds so purchased towards the sinking fund installments for the Series 2012 Term Bonds of such maturity in such order as may be determined by the Authority in a certificate of an Authorized Official, which will direct the reduction of a ratable portion of each annual mandatory sinking fund installment requirement in accordance with the procedures set forth under “*Selection of the Series 2012 Bonds to be Redeemed*” below.

Selection of the Series 2012 Bonds to be Redeemed

The particular maturities of the Series 2012 Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

If less than all of the Series 2012 Bonds of a maturity are called for prior redemption and if the Series 2012 Bonds are registered in book-entry only form and DTC or a successor securities depository is the sole registered owner of such Series 2012 Bonds, the particular Series 2012 Bonds or portions thereof to be redeemed shall be selected by DTC in accordance with DTC procedures, or, if the book-entry only system is discontinued, by the Trustee by lot in such manner as the Trustee in its discretion may determine. In either case, (a) the portion of any Series 2012 Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and (b) in selecting Series 2012 Bonds for redemption, each Series 2012 Bond shall be considered as representing that number of the Series 2012 Bonds which is obtained by dividing the principal amount of such Series 2012 Bond by \$5,000.

Notice of Redemption

General. The Authority shall not be responsible for mailing a notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Series 2012 Bonds. If no qualified securities depository is the registered owner of the Series 2012 Bonds, a notice of redemption shall be mailed to the registered owners of the Series 2012 Bonds. See “THE SERIES 2012 BONDS – Book-Entry Only System”.

Series 2012A Bonds and Series 2012C Bonds. The Trustee shall send notice of the call for redemption, identifying the Series 2012A Bonds and/or the Series 2012C Bonds or portions thereof to be redeemed, not less than 30 nor more than 60 days prior to the redemption date (a) by registered or certified mail or overnight express delivery, to the holder of each Series 2012 Bond to be redeemed at the address as it appears on the registration books kept by the Trustee, (b) by registered or certified mail or overnight express delivery, to all organizations registered as securities depositories with the SEC and (c) to each nationally recognized municipal securities information repository designated as such by the SEC. Failure to give any notice specified in (a) above, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2012A Bond or Series 2012C Bonds with respect to which no such failure or defect has occurred. Failure to give any notice specified in (b) or (c) above, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2012 Bond with respect to which the notice specified in (a) above is correctly given. If the notices of redemption are sent before there is sufficient money on deposit in the applicable fund or account to pay the full redemption price of the Series 2012A Bonds or the Series 2012C Bonds, the notices of redemption of the Series 2012A Bonds or the Series 2012C Bonds, as applicable, shall specify that the redemption is conditional upon there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Series 2012A Bonds or the Series 2012C Bonds to be redeemed.

Series 2012B Bonds. The Trustee shall cause notice of any redemption of the Series 2012B Bonds to be (i) mailed to the Holders of all of the Series 2012B Bonds to be redeemed at the registered addresses appearing in the Register, (ii) transmitted by Electronic Means to each Depository and to the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board; provided however, failure to deliver notice as described in (ii) shall not affect the validity of the redemption of any Series 2012B Bond. Each such notice shall (i) be sent not more than 45 nor fewer than 15 calendar days prior to the date fixed for redemption, (ii) identify the Series 2012B Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Series 2012B Bonds), (iii) specify the redemption date and the redemption price, (iv) set forth the name, address and telephone number of the person from whom

information pertaining to the redemption may be obtained, and (v) state that on the redemption date the Series 2012B Bonds called for redemption will be payable at the designated office of the Trustee, that from that date interest will cease to accrue, and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Series 2012B Bonds. No defect affecting any Series 2012B Bond, whether in the notice of redemption or the delivery thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Series 2012B Bonds.

If at the time of mailing of notice of an optional redemption of the Series 2012B Bonds there has not been deposited with the Trustee moneys sufficient to redeem all Series 2012B Bonds called for such redemption, then such notice shall state that the redemption is conditional upon the deposit of moneys sufficient for the redemption with the Trustee and satisfaction of such requirements not later than the opening of business on the redemption date, and such notice will be of no effect and such Series 2012B Bonds shall not be redeemed unless such moneys or such Direct Obligations are so deposited.

Any notice of redemption shall be mailed by first-class mail, postage prepaid. Notice of redemption also shall be given by Electronic Means to a Depository. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes.

Series 2012B Bond Provisions

This Official Statement is not intended to describe the terms of the Series 2012B Bonds in any other period other than the SIFMA Index Rate Period. The Authority expects that, if it elects to convert all or a portion of the Series 2012B Bonds to any other Rate Period, an offering document will be distributed describing such new Rate Period. Investors purchasing the Series 2012B Bonds in connection with a conversion to a different Rate Period should look to the offering document prepared in connection with such conversion.

Interest Rate Provisions

The Series 2012B Bonds will bear interest initially in a SIFMA Index Rate Period. During the SIFMA Index Rate Period, the Series 2012B Bonds will bear interest from and including the date of delivery at the SIFMA Index Rate.

Except for the initial SIFMA Index Rate applicable to the Series 2012B Bonds upon their issuance, which will be determined by the Calculation Agent on the date of delivery, the Calculation Agent shall determine the SIFMA Index Rate on each Computation Date, and such rate shall become effective on the SIFMA Index Reset Date next succeeding the Computation Date; provided that in no event will the SIFMA Index Rate exceed the maximum rate of 12%.

Upon determining the SIFMA Index Rate for each week, the Calculation Agent shall notify the Authority and the Trustee of such SIFMA Index Rate by Electronic Means. Such notice shall be provided not later than [___] on the SIFMA Index Reset Date.

The determination of the SIFMA Index Rate (absent manifest error) shall be conclusive and binding upon the Authority and the holders of the Series 2012B Bonds. If for any reason the SIFMA Index Rate shall not be established, the Series 2012B Bonds shall bear interest at the SIFMA Index Rate last in effect until such time as a new SIFMA Index Rate shall be established pursuant to the Thirteenth Supplemental Indenture.

“**Applicable Spread**” means [____] basis points for the Subseries 2012B-1 Bonds and [____] basis points for the Subseries 2012B-2 Bonds.

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

“**Computation Date**” means, with respect to the Series 2012B Bonds during the SIFMA Index Rate Period, each Wednesday immediately preceding a SIFMA Index Interest Period.

“**Conversion Date**” means any day on which the Series 2012B Bonds are converted from one Rate Period to another Rate Period in accordance with the Thirteenth Supplemental Indenture.

“**Electronic Means**” means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“**Initial Index Rate Bonds Purchase Date**” means [____] with respect to the Subseries 2012B-1 Bonds and [____] with respect to the Subseries 2012B-2 Bonds.

“**Initial Period**” means the initial SIFMA Index Rate Period commencing on the date of delivery of the Series 2012B Bonds, and ending on the first to occur of (i) the Initial Index Rate Bonds Purchase Date, (ii) the Conversion Date next succeeding the date of delivery of the Series 2012B Bonds, and (iii) the maturity date of the Series 2012B Bonds.

“**SIFMA Index**” means, for any Computation Date, the level of the index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association and issued on Wednesday of each week, or if any Wednesday is not a Business Day, the next preceding Business Day. If the SIFMA Index is no longer published, then “SIFMA Index” shall mean the Standard & Poor’s Weekly High Grade Index. If the Standard & Poor’s Weekly High Grade Index is no longer published, then “SIFMA Index” shall mean the prevailing rate determined by the Calculation Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Calculation Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association to determine the SIFMA Index immediately prior to the date on which the Securities and Financial Markets Association ceased publication of the SIFMA Index.

“**SIFMA Index Rate**” means a per annum rate of interest equal to the sum of the Applicable Spread *plus* the relevant SIFMA Index.

“**SIFMA Index Rate Period**” means (a) the Initial Period and (b) any subsequent period during which the Series 2012B Bonds will bear interest at the SIFMA Index Rate.

“**SIFMA Index Reset Date**” means Thursday of each week.

Mandatory Tender of the Series 2012B Bonds

The Series 2012B Bonds shall be subject to a mandatory tender for purchase by the Tender Agent at the Purchase Price on (i) the Initial Index Rate Bonds Purchase Date, which shall be [____], with respect to the Subseries 2012B-1 Bonds, and [____], with respect to the Subseries 2012B-2 Bonds (the “Purchase Date”), and (ii) at the option of the Authority on any Business Day on or after [____] 1,

20__]. “Purchase Price” means the principal amount of the Series 2012B Bonds tendered for purchase plus accrued and unpaid interest thereon to the Purchase Date.

Notice of Mandatory Tender for Purchase

Notice of mandatory tender of the Series 2012B Bonds shall be given not fewer than 10 days prior to the Purchase Date by the Trustee via Electronic Means or by first-class mail to the holders of the Series 2012B Bonds, the Authority, the Remarketing Agent, the Tender Agent and any Credit Facility Provider. The notice shall specify the proposed Purchase Date and the event which gives rise to the proposed Purchase Date and state that (i) the Series 2012B Bonds shall be subject for mandatory tender for purchase on such Purchase Date, (ii) holders may not elect to retain the Series 2012B Bonds subject to mandatory tender, (iii) the Series 2012B Bonds subject to mandatory tender shall be required to be delivered to the Designated Office of the Tender Agent at or before 1:00 p.m., New York City time, on the Purchase Date, (iv) if the holder of any Series 2012B Bonds subject to mandatory tender fails to deliver such Series 2012B Bonds to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of funds sufficient to pay the Purchase Price thereof, such Series 2012B Bonds shall nevertheless be deemed to be purchased on the Purchase Date and the ownership thereof shall be transferred to the purchaser thereof, (v) any holder that fails to deliver such Series 2012B Bonds for purchase shall have no further rights thereunder or under the Indenture except the right to receive the Purchase Price thereof upon presentation and surrender of such Series 2012B Bonds, and (vi) in the case of a mandatory tender upon a proposed conversion, such conversion and such mandatory tender will not occur if certain events and conditions specified in the Thirteenth Supplemental Indenture do not occur or are not satisfied (and summarize those events and conditions).

Remarketing Provisions

No less than 90 days prior to the Purchase Date, the Authority will use its best efforts to appoint a Remarketing Agent pursuant to a Remarketing Agreement. While the Series 2012B Bonds are in a SIFMA Index Rate Period, the Remarketing Agent will offer for sale and use its best efforts to sell all of the Series 2012B Bonds on the Purchase Date at a Purchase Price equal to the principal amount.

Consequences Related to Insufficient Funds for Purchase Upon Mandatory Tender

In the event the proceeds of the remarketing of Series 2012B Bonds are insufficient to effect the purchase of the Series 2012B Bonds on the Purchase Date and the Authority fails to provide the additional funds necessary to effect the purchase, the failure of the Authority to pay the Purchase Price on the Purchase Date constitutes an Event of Default under the Thirteenth Supplemental Indenture.

Conversion to Another Rate Period

The Authority may elect to convert all or a portion of the Series 2012B Bonds from one Rate Period to another Rate Period, including a Daily Rate Period, a Weekly Rate Period, a Short-Term Rate Period, a Long-Term Rate Period, a Fixed Rate Period or another Index Rate Period, all as defined and provided in the Thirteenth Supplemental Indenture. The Authority shall give written notice of any proposed conversion to the Trustee, the Remarketing Agent and the Calculation Agent not fewer than seven (7) Business Days (14 Business Days in the case of a proposed conversion to a Short-Term Rate Period) prior to the date the notice to affected holders must be given by the Trustee, which shall be given not later than 10 days prior to the proposed Conversion Date. The Thirteenth Supplemental Indenture provides specific conditions that must be met for a conversion to be effective. The Series 2012B Bonds are subject to conversion only upon and in connection with the mandatory tender, remarketing and purchase of the Series 2012B Bonds, as described above.

SOURCES AND USES OF FUNDS

General

The proceeds of the Series 2012 Bonds are expected to be applied as follows:

	Series 2012A	Series 2012B	Series 2012C	Total
Sources of Funds				
Par Amount of Bonds				
Original Issue Premium/Discount				
Other Authority Funds				
	=====	=====	=====	=====
Uses of Funds				
Deposit to 2012A-B				
Construction Account				
Deposit to 2012[A-B] Construction				
Account for Capitalized Interest				
Deposit to 2012 Escrow Account				
Underwriters' Discount				
Other Costs of Issuance*				
Total Uses	=====	=====	=====	=====

* Costs of issuance include legal fees, Trustee fees, co-financial advisor fees, rating agency fees and other costs of issuing the Series 2012 Bonds.

Plan of Refunding

The proceeds of the Series 2012C Bonds, together with other funds of the Authority, will be deposited into the Series 2012 Escrow Account held by the Trustee pursuant to an Escrow Agreement between the Authority and the Trustee dated as of the date of issuance of the Series 2012C Bonds, and will be used by the Trustee to redeem all or a portion of the outstanding Series 2003 Bonds (the "Refunded Bonds") on the redemption date and at the redemption price set forth below. The sufficiency of the amounts deposited in the Series 2012 Escrow Account will be verified by [____], as verification agent. See "VERIFICATION AGENT."

Maturity (October 1) Principal Amount Interest Rate Redemption Date Redemption Price

SECURITY FOR THE SERIES 2012 BONDS

Pledge of the Master Indenture

General

The Series 2012 Bonds are authorized and will be issued in accordance with the statutes of the District and the United States, and will constitute valid and legally binding special and limited obligations of the Authority.

Under the Indenture, the Authority may at any time issue Subordinate Debt and pledge Net Revenues thereto so long as rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of such Subordinate Debt. The Series 2012 Bonds will constitute Subordinate Debt under the Indenture, payable solely from the Net Revenues of the System, subject to the prior payment of the principal of and interest due and payable on the Outstanding Senior Debt and any other Senior Debt hereafter issued or incurred by the Authority, the replenishment of the Debt Service Reserve Fund for the Senior Debt and the funding of the Operating Reserve Fund and the Renewal and Replacement Reserve Fund. The Series 2012 Bonds are payable and secured on a parity with the Outstanding Subordinate Debt and all other Subordinate Debt hereafter issued or incurred by the Authority pursuant to the Indenture. The Authority expects to issue additional Senior Debt and Subordinate Debt in the future. For a listing of the Authority's Outstanding Senior Debt and Subordinate Debt, see "OUTSTANDING INDEBTEDNESS."

The Master Indenture defines "Senior Debt" as Bonds and Other System Indebtedness, and "Bonds" as bonds, notes or other obligations issued pursuant to the Master Indenture, but not including Other System Indebtedness and Subordinate Debt. "Other System Indebtedness" means any indebtedness in connection with the System that the Authority is required, or has elected, to treat as payable on a parity with the Bonds with respect to the pledge of Net Revenues. "Subordinate Debt" means bonds, notes or other obligations issued in connection with the System that are expected to be paid from and have pledged to their payment Net Revenues on a subordinate lien basis after the pledge of Net Revenues to Senior Debt.

The Indenture pledges to the payment of the principal of and premium, if any, and interest on all Senior Debt and Subordinate Debt (at their respective levels of priority of security) that may from time to time be outstanding: (i) all right, title and interest of the Authority in and to the Net Revenues; (ii) all moneys or securities in any of the funds or Accounts established under the Indenture (other than the Operating Fund, and all Accounts in the Construction Fund other than the Construction Account, except to the extent a specific Account or subaccount therein relates, and is pledged, solely to specific series of Bonds or Subordinate Debt); and (iii) all rights and privileges of every kind and nature appurtenant to, all proceeds of, and all right, title and claim which the Authority now or may hereafter acquire in the aforesaid property, subject only to the provisions of the Indenture and the Act relating to the use and application thereof. Furthermore, the Indenture provides for specific Accounts in the Debt Service Reserve Fund to be pledged solely to the Senior Debt to which they relate and specific Accounts in the Subordinate Debt Service Reserve Fund to be pledged solely to the Subordinate Debt to which they relate. No such Account has been established for the Series 2012 Bonds.

The Direct Payments on the Series 2010A Bonds do not constitute Revenues under the Indenture and so are not part of the pledged Net Revenues, but the Twelfth Supplemental Indenture provides that, upon receipt of any Direct Payment, the Authority or the Trustee shall cause it to be deposited (i) in the appropriate subaccounts in the Interest Account in the Bond Fund if such Direct Payment relates to Bonds or Other System Indebtedness, and (ii) in the appropriate subaccount in the Subordinate Interest Account

in the Subordinate Bond Fund if such Direct Payment relates to Subordinate Debt, and shall cause it to be applied solely to the purposes to which the Indenture permits funds in such subaccount, account and fund to be applied.

Amendment of the Master Indenture

Effective October 26, 2010

The Twelfth Supplemental Indenture amended the Master Indenture to provide that, for purposes of determining the Authority's compliance with the Rate Covenant (but not for the purposes of determining compliance with the Indenture's restrictions on the Authority's issuance of additional Senior Debt or additional Subordinate Debt), the amount of any Direct Payment received by the Authority or the Trustee in any Fiscal Year shall be credited against (i) Annual Debt Service on Senior Debt in such Fiscal Year if such Direct Payment is related to Senior Debt or (ii) Annual Debt Service on Subordinate Debt in such Fiscal Year if such Direct Payment is related to Subordinate Debt. This amendment became effective upon the execution of the Twelfth Supplemental Indenture.

Springing Amendment

The Twelfth Supplemental Indenture also included a proposed amendment to the Master Indenture which provides that for the purposes of computing Annual Debt Service on any Direct Payment BABs or Other System Indebtedness as to which Direct Payments are expected to be made (whether previously issued or proposed to be issued by the Authority) in connection with any proposed issuance of additional Bonds or Other System Indebtedness, the amount of any Direct Payment expected to be received by the Authority or the Trustee in the then current or any future Fiscal Year shall be credited against the Annual Debt Service on such Direct Payment BABs.

This proposed amendment is subject to the requirements of the Master Indenture for obtaining the consent of the holders of not less than a majority in aggregate principal amount of Outstanding Bonds to certain amendments to the Master Indenture and will only become effective upon receiving consent of holders of not less than a majority in aggregate principal amount of Outstanding Bonds. The Authority intends to seek such consent in connection with its future issuances of additional Bonds, however, there is no assurance that the Authority will be able to obtain such consent.

Limited Remedies of Holders of Subordinate Debt

The Indenture prohibits the acceleration of Subordinate Debt if any Senior Debt (including Bonds) is outstanding. In addition, the acceleration of the Series 2012 Bonds may occur only in connection with the acceleration of all Subordinate Debt. Therefore, the right of acceleration of the Series 2012 Bonds also is subject to the rights of the holders (including bond insurers acting on behalf of the bondholders to the extent their policies so provide) of other Subordinate Debt. The Indenture confers upon the holders of not less than 25% of the aggregate principal amount of Outstanding Bonds (which includes Senior Debt only, not Subordinate Debt) the right to direct the Trustee to protect and enforce their rights by mandamus or other suit, action or proceeding, and confers upon the holders of a majority of the aggregate principal amount of Outstanding Bonds the right to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture, in accordance with the provisions of law and the Indenture. The Indenture does not confer those rights upon any specified percentage of the holders of Subordinate Debt, including the Series 2012 Bonds. The Thirteenth Supplemental Indenture confers upon the holders of the Series 2012 Bonds comparable rights to direct the Trustee in the exercise of remedies

(other than acceleration while any Senior Debt is outstanding) for the enforcement of their right to be paid debt service on the Series 2012 Bonds from moneys in the Subordinate Bond Fund required by the Indenture to be used for such payment, but the exercise of all other remedies for the protection of the rights of holders of the Series 2012 Bonds are discretionary with the Trustee and subject to the above-described rights of the holders of Bonds.

Flow of Funds

Pursuant to the Indenture, all Revenues received by the Authority shall be deposited in the Revenue Fund to be held by the Authority; provided, however, that upon an Event of Default, the Authority will transfer all amounts in all Authority-held funds to the Trustee, and the Trustee shall hold such moneys in trust for the benefit of the holders of Indebtedness.

Each month, the Authority shall transfer from the Revenue Fund to the Operating Fund an amount sufficient to pay Operating Expenses during such month. Thereafter, Net Revenues shall be disbursed on the last Business Day of each month in the following order (except that deposits pursuant to (1) and (2) below shall be on a parity with each other):

- (1) To the subaccounts in the Interest Account established for each Series of Bonds the amounts, if any, set forth in the applicable Supplemental Indentures with respect to each Series of Bonds, and an amount equal to 1/6 of the interest due on each Series of Bonds to pay interest required to be paid on any interest payment date related to such Series of Bonds.
- (2) To the subaccounts in the Principal Account established for each Series of Bonds and Sinking Fund Account in the Bond Fund the amounts, if any, set forth in the applicable Supplemental Indentures with respect to each Series of Bonds and an amount equal to 1/12 of the principal due on each Series of Bonds.
- (3) To the applicable Account in the Debt Service Reserve Fund with respect to each Series of Bonds the amounts, if any, necessary to restore the amount on deposit therein to the related Series Debt Service Reserve Requirement. For a description of the requirements for and the uses of the Debt Service Reserve Fund, see “Certain Reserve Funds – Debt Service Reserve Fund and Subordinate Debt Service Reserve Fund” below.
- (4) To the Operating Reserve Fund the amounts, if any, necessary to restore the amounts on deposit therein to the Operating Reserve Requirement, which requirement shall be funded within 24 months of any withdrawal and replenished from time to time by depositing 1/24 of the Operating Reserve Requirement on the last Business Day of each month after such withdrawal, if necessary. For a description of the requirements for and the uses of the Operating Reserve Fund, see “Certain Reserve Funds – *Operating Reserve Fund*” below.
- (5) To the Renewal and Replacement Reserve Fund, to the extent that there has been a withdrawal from such fund, the Authority shall deposit Net Revenues to the fund, in the amounts necessary to make the amounts on deposit therein equal to the Renewal and Replacement Reserve Requirement. Such withdrawn amounts shall be funded within 24 months by depositing in such fund 1/24 of the Renewal and Replacement Reserve Requirement on the last Business Day of each month after such withdrawal. For a description of the uses of the Renewal and Replacement Reserve Fund, see “Certain Reserve Funds – *Renewal and Replacement Reserve Fund*” below.

- (6) To the Subordinate Bond Fund, the amount equal to the deposits to such funds and Accounts required by the related Supplemental Indentures or other documents evidencing such debt. Generally, an amount equal to 1/6 of the interest and 1/12 of the principal next due on any fixed rate Subordinate Debt shall be deposited each month, and generally an amount equal to interest and principal next due on any variable rate Subordinate Debt shall be deposited prior to any date on which such interest and principal is due.
- (7) To the applicable Account, if any, in the Subordinate Debt Service Reserve Fund with respect to each Subordinate Debt issue the amounts, if any, necessary to restore the amount on deposit therein to the related Subordinate Debt Reserve Requirement or to reimburse the provider of any Qualified Reserve Credit Facility for amounts drawn thereunder and to pay related costs.
- (8) To the System Fund, any moneys remaining in the Revenue Fund, after all deposits and transfers required by (1) through (7) above have been made. Moneys in the System Fund may be used for any authorized purpose. On the following dates, moneys on deposit in the System Fund shall be used to make the following payments:
 - (i) on each May 15, and quarterly thereafter, to the District to make the payment in lieu of taxes (the "PILOT") required by the District Memorandum of Understanding relating to the PILOT dated January 29, 1998;
 - (ii) on each September 1:
 - (a) an amount to the District to make those certain principal and interest prepayments related to the District General Obligation Bonds pursuant to the District Memorandum of Understanding relating to the Payment of General Obligation Debt; and
 - (b) an amount retained by the Authority in the System Fund necessary to satisfy the Cash Reserve Requirement (\$125.5 million as of the date of this Official Statement); and
 - (iii) on each September 30, to the Rate Stabilization Fund, the amount that the Board determines based on an analysis of the Authority's financial performance conducted by the General Manager and reported to the Board for approval not later than its regularly scheduled meeting in September of each Fiscal Year. For a description of the uses of the Rate Stabilization Fund, see "Certain Reserve Funds – *Rate Stabilization Fund*" below.

The Twelfth Supplemental Indenture amended the above-described deposit requirements in the Master Indenture by providing that, upon receipt of any Direct Payment, the Authority or the Trustee shall cause it to be deposited (i) in the appropriate subaccounts in the Interest Account in the Bond Fund if such Direct Payment relates to Bonds or Other System Indebtedness, and (ii) in the appropriate subaccount in the Subordinate Interest Account in the Subordinate Bond Fund if such Direct Payment relates to Subordinate Debt, and shall cause it to be applied solely to the purposes to which the Indenture permits funds in such subaccount, account and fund to be applied. See "– Amendments to the Master Indenture" above.

For a more extensive discussion of the terms and provisions of the Indenture including the security for the Series 2012 Bonds, the funds and Accounts established by the Indenture and the purposes

to which moneys in such funds and Accounts may be applied, see APPENDIX C – “GLOSSARY AND SUMMARY OF THE INDENTURE.”

Certain Reserve Funds

Debt Service Reserve Fund and Subordinate Debt Service Reserve Fund. The Indenture creates a Debt Service Reserve Fund and a Subordinate Debt Service Reserve Fund, each to be held by the Trustee. The Indenture permits, but does not require, the Authority to specify a debt service reserve requirement for each issuance of Senior Debt or Subordinate Debt and to make provision for the means by which any such reserve requirements will be met. **The Authority has no plans to specify a debt service reserve requirement for the Series 2012 Bonds.**

The Series 1998 Senior Bonds are the only outstanding Senior Debt for which the Authority has specified a debt service reserve requirement. The Account in the Debt Service Reserve Fund securing the Series 1998 Senior Bonds is funded in the amount sufficient to meet the Debt Service Reserve Requirement for the Series 1998 Senior Bonds, which is equal to 125% of the average annual principal and interest due on the Series 1998 Senior Bonds in the current and each future Fiscal Year, and as of December 31, 2011, totaled \$24.2 million.

The Series 2003 Bonds are the only outstanding Subordinate Debt for which the Authority has specified a debt service reserve requirement. The Series 2003 Debt Service Reserve Requirement is equal to the maximum Annual Debt Service on all Series 2003 Bonds outstanding, but in no event more than the maximum amount permitted to constitute a “reasonably required reserve or replacement fund” under the Internal Revenue Code of 1986, as amended (the “Code”). The Authority funded the Series 2003 Debt Service Reserve Requirement by depositing a municipal bond debt service reserve fund policy (as further defined in the Fourth Supplemental Indenture, the “Reserve Policy”) issued by Financial Guaranty Insurance Company (together with MBIA Insurance Corporation, which serves as the Administrator of the Reserve Policy, the “Reserve Insurer”) in the Series 2003 Debt Service Reserve Account. As a result of the downgrade of the Reserve Insurer’s ratings by each of the three rating agencies in 2008, the Reserve Insurer ceased to maintain the “AAA” credit rating requirement for a Qualified Reserve Credit Facility specified in the Fourth Supplemental Indenture. Although the Fourth Supplemental Indenture pursuant to which the Series 2003 Bonds were issued does not require the Authority to provide another Qualified Reserve Credit Facility in this event, on December 19, 2008, the Authority obtained a Letter of Credit issued by TD Bank, N.A. and entered into the Ninth Supplemental Indenture in order to confer on the Holders of the Series 2003 Bonds additional rights in connection with the Series 2003 Debt Service Reserve Account.

Operating Reserve Fund. The Master Indenture creates an Operating Reserve Fund in which the Authority must maintain a balance equal to at least 60 days of operating and maintenance expenses. Moneys in the Operating Reserve Fund shall be used to pay, to the extent necessary, Operating Expenses of the Authority. In addition, to the extent that moneys on deposit in the Bond Fund are insufficient to make the required interest and principal payments, moneys in the Operating Reserve Fund shall be used prior to any withdrawal from the Debt Service Reserve Fund to satisfy any such deficiencies. The Board has adopted a policy of funding operating reserves to a level in excess of that required by the Master Indenture. See “ – *Discretionary Reserves*” below. As of December 31, 2011, the balance in the Operating Reserve Fund was \$41.5 million.

Renewal and Replacement Reserve Fund. The Master Indenture creates a Renewal and Replacement Reserve Fund to be held by the Authority to provide funding for unforeseen or emergency needs. Moneys in the Renewal and Replacement Reserve Fund may be used to pay for any capital expenditures related to the System. In addition, to the extent that moneys on deposit in the Bond Fund

and the Operating Reserve Fund are insufficient to make the required interest and principal payments, moneys in the Renewal and Replacement Reserve Fund shall be used prior to any withdrawal from the Debt Service Reserve Fund, to satisfy any such deficiencies. The Master Indenture allows this requirement to be met if an amount equal to 2% of original plant in service cost, or some other amount as approved by the Board, is held by the Authority. The Board has adopted a policy requiring the Authority to maintain a balance of at least \$35 million in the Renewal and Replacement Reserve Fund. As of December 31, 2011, the balance in the Renewal and Replacement Reserve Fund was \$35.0 million.

Rate Stabilization Fund. The Master Indenture creates a Rate Stabilization Fund to be held by the Authority, the moneys in which may be transferred by the Authority to the Revenue Fund at any time. The Board has adopted a policy allowing moneys to be transferred to the Rate Stabilization Fund from the System Fund annually based on an analysis of the Authority's financial performance conducted by the General Manager and reported to the Board for approval during the fourth quarter of each Fiscal Year, and at other times at the direction of the Board. The Authority expects to withdraw the funds on deposit in the Rate Stabilization Fund between Fiscal Years 2012 and 2017, in order to limit future increases in rates. See "FINANCIAL OPERATIONS – Reserve Funds – Rate Stabilization Fund." The Rate Stabilization Fund has no minimum balance requirements. As of December 31, 2011, the balance in the Rate Stabilization Fund was \$16.7 million.

Discretionary Reserves. The Board has adopted a policy of funding operating reserves to a level in excess of the 60-day operating and maintenance reserve required by the Master Indenture. To comply with the Board's policy, the Authority is required to have cash reserves equal to 120 days of budgeted operating and maintenance costs calculated on an average daily balance basis, with the objective of maintaining at least \$125.5 million in operating reserves. For purposes of calculation of this requirement, the balances in the Operating Reserve Fund and the Renewal and Replacement Reserve Fund are included. For Fiscal Year 2011, the 120-day operating and maintenance reserve requirement was \$125.5 million. As of December 31, 2011, the Authority had \$163.9 million in operating reserve funds.

Rate Covenant

Master Indenture Covenant. The Authority has included a rate covenant (the "Rate Covenant") in the Master Indenture as described below. Rates, fees and charges are established by the Authority and are not subject to regulatory approval, nor are they subject to other regulations under current law. The Authority has never failed to satisfy the Rate Covenant, which provides that the Authority covenants to fix, charge, revise and collect rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that:

(A) Revenues collected by the Authority in such Fiscal Year will be sufficient to pay at least: (i) the actual Operating Expenses; (ii) Annual Debt Service on Senior Debt; (iii) any amount necessary to be deposited in any Account in the Debt Service Reserve Fund relating to a Series of Bonds to restore the amount on deposit therein to the Series Debt Service Reserve Requirement; (iv) the amount required to pay Annual Debt Service on the Subordinate Debt (including any reserves in connection therewith and the restoration thereof); (v) any amount necessary to be deposited in the Operating Reserve Fund and the Renewal and Replacement Reserve Fund to maintain the required balances therein; and (vi) any amount necessary to make any PILOT payments in such Fiscal Year; and

(B) Net Revenues shall be sufficient in each Fiscal Year to be at least equal to the sum of (i) an amount equal to one hundred and twenty percent (120%) of the Annual Debt Service on Senior Debt; and (ii) one hundred percent (100%) of the Annual Debt Service on Subordinate Debt.

If at the end of any Fiscal Year the Authority is not in compliance with the Rate Covenant, or if the Authority fails for three consecutive months to make the deposits required under the Indenture to the Interest Account and the Principal Account (or the Sinking Fund Account, as applicable) or there is a deficiency in a Series Debt Service Reserve Account for longer than three consecutive months, the Authority shall immediately request a Qualified Independent Consultant to submit a written report and recommendations with respect to increases in the Authority's rates, fees and other charges and improvements in the operations of and the services rendered by the System and the Authority's accounting and billing procedures necessary to bring the Authority into compliance with the Rate Covenant. The report and recommendations shall be filed with the Trustee and the Authority within 120 days from the date of discovery of noncompliance with the Rate Covenant. The Authority shall promptly revise its rates, fees and charges, and alter its operations and services to conform with the report and recommendations of the Qualified Independent Consultant to the extent permitted by law.

Deposit and Crediting of Direct Payments. The Twelfth Supplemental Indenture amends the Master Indenture to provide that, for purposes of determining the Authority's compliance with the Rate Covenant (but not for the purposes of determining compliance with the Indenture's restrictions on the Authority's issuance of additional Senior Debt or additional Subordinate Debt), the amount of any Direct Payment received by the Authority or the Trustee in any Fiscal Year shall be credited against (i) Annual Debt Service on Senior Debt in such Fiscal Year if such Direct Payment related to Senior Debt or (ii) Annual Debt Service on Subordinate Debt in such Fiscal Year if such Direct Payment related to Subordinate Debt. See "SECURITY FOR THE SERIES 2012 BONDS – Amendments to the Master Indenture."

Additional Board Policy. In addition to the Rate Covenant described above, in 1997, the Board adopted a financial policy of fixing, charging, revising and collecting rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that Net Revenues shall be at least equal to one hundred and forty percent (140%) of the Annual Debt Service on Senior Debt in each such Fiscal Year. See "FINANCIAL OPERATIONS – Financial Policies." To date, the Authority consistently has met or exceeded this policy goal. There can be no assurance, however, that the Board will not change this additional financial policy or that the Authority will continue to meet this policy goal.

Additional Senior Debt

The Indenture provides that the Authority may issue additional Senior Debt and Other System Indebtedness, including Bonds, to pay Costs of the System only upon satisfaction of certain requirements, including, among other things, receipt by the Trustee of the following:

- (a) evidence that upon issuance of such Bonds, each Series Debt Service Reserve Account within the Debt Service Reserve Fund will contain the applicable Series Debt Service Reserve Requirement; and
- (b) either (A) a certificate of the Authorized Representative of the Authority stating that, based on the Authority's financial records, the Authority would have been able to meet the Rate Covenant taking into account (i) the maximum Annual Debt Service on the proposed additional Series of Bonds, and (ii) the rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds, or (B) a written statement of a Qualified Independent Consultant, which projects Operating Expenses, Revenues and Net Revenues for five (5) full Fiscal Years following the date of issuance of such proposed additional Series of Bonds, which projection does not include the actual debt service for any Indebtedness to be refunded, and which demonstrates that, on the basis of such projection, the Authority can comply with the Rate Covenant.

If any Bonds are issued to refund any Indebtedness, the Trustee must receive the following:

- (a) evidence that the Authority has made provision as required by the Indenture for the payment or redemption of all Indebtedness to be refunded; and
- (b) either: (A) a written determination by the Authorized Representative of the Authority that the Annual Debt Service requirements for each Fiscal Year in which there will be Outstanding Indebtedness not to be refunded will not increase more than 5% over what the Annual Debt Service requirements for such Fiscal Year would have been on all Senior Debt immediately prior to the issuance of such Bonds, and that the final maturity of Indebtedness being refunded has not been extended; or (B) a certificate of the Authority stating that, based on the Authority's financial records, the Authority would have been able to meet the Rate Covenant, taking into account (i) the maximum Annual Debt Service on the proposed additional Series of Bonds, and (ii) the rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds; or (C) a written statement of a Qualified Independent Consultant, that projects Operating Expenses, Revenues and Net Revenues for five (5) full Fiscal Years following the date of issuance of such proposed additional Series of Bonds, which projection does not include the actual debt service for any Indebtedness to be refunded, and that demonstrates that, on the basis of such projection, the Authority can comply with the Rate Covenant.

The Authority may incur or refinance Other System Indebtedness provided that: (1) the documents relating to the Other System Indebtedness acknowledge that such debt constitutes Other System Indebtedness under the Master Indenture and is subject to the applicable terms and conditions thereof, and specify the amounts and due dates of Annual Debt Service with respect to the Other System Indebtedness; (2) the conditions of the Master Indenture regarding the issuance of Bonds have been met as if the Other System Indebtedness was an additional Series of Bonds; (3) the Trustee receives written notice of the issuance of the Other System Indebtedness and the material terms and conditions thereof, and the Trustee shall register the holder as owner thereof as such on its books and records; and (4) the Trustee receives an Opinion of Counsel that the documents creating the Other System Indebtedness have been duly authorized, executed and delivered on behalf of the Authority and constitute valid, binding and enforceable obligations. In connection with the incurrence of any Other System Indebtedness, the Trustee shall enter into an intercreditor arrangement with the holder of such Other System Indebtedness, the terms of which shall be determined at the time of incurrence of such Other System Indebtedness.

The Authority has proposed to modify the Master Indenture to include provisions regarding crediting of Direct Payments for the purposes of computing Annual Debt Service on any Direct Payment BABs or Other System Indebtedness as to which Direct Payments are expected to be made in connection with any proposed issuance of additional Bonds or Other System Indebtedness. See "SECURITY FOR THE SERIES 2012 BONDS – Amendments to Master Indenture."

Additional Subordinate Debt

Under the Indenture, the Authority may at any time issue Subordinate Debt and pledge Net Revenues thereto so long as rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of such Subordinate Debt. The Authority has proposed to modify the Master Indenture to include provisions regarding crediting of Direct Payments for the purposes of computing Annual Debt Service on any Direct Payment BABs or other Indebtedness as to which Direct Payments are expected to be made in connection with any proposed issuance of additional Bonds or Other System Indebtedness. See "SECURITY FOR THE SERIES 2012 BONDS – Amendments to Master Indenture."

District and User Jurisdictions Not Liable

Neither the members of the Board, nor employees or agents of the Authority executing the Series 2012 Bonds shall be liable personally on the Series 2012 Bonds by reason of the issuance thereof. The Series 2012 Bonds shall be special and limited obligations of the Authority payable solely from the Net Revenues of the Authority. The Series 2012 Bonds shall be without recourse to the District. The Series 2012 Bonds shall not be general obligations of the District or of the Authority. The Series 2012 Bonds shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, the United States of America or any User Jurisdiction or any agency or instrumentality of any User Jurisdiction, and neither the District, the United States, any User Jurisdiction nor any agency or instrumentality of any User Jurisdiction shall be liable thereon. The Series 2012 Bonds also shall not constitute the lending of the public credit for private undertakings as prohibited by the Home Rule Act. The Authority has no taxing power.

DEBT SERVICE REQUIREMENTS

The following tables set forth the annual principal and interest requirements for (i) Outstanding Senior Debt, (ii) Outstanding Subordinate Debt and (iii) the Series 2012 Bonds, as well as annual and aggregate totals.

Fiscal Year Ending September 30 ¹	Outstanding Senior Debt	Outstanding Subordinate Debt ²	Direct Payments Relating to Series 2010A Bonds	Series 2012 Bonds			Total Subordinate Debt ^{3,5}	Total Senior and Subordinate Debt ^{3,5}
				Principal	Interest ^{3,4}	Total ³		
2012	41,917,583	41,619,234						
2013	41,903,783	41,526,663						
2014	42,045,433	40,946,730						
2015	42,320,433	40,568,941						
2016	42,478,583	40,412,191						
2017	42,688,533	40,217,191						
2018	42,949,683	40,010,441						
2019	43,317,358	39,682,191						
2020	43,264,008	39,773,191						
2021	43,746,633	39,332,441						
2022	43,915,528	39,210,441						
2023	44,191,668	38,981,441						
2024	27,220,503	55,975,191						
2025	25,546,068	57,698,941						
2026	24,558,443	58,741,529						
2027	24,681,968	58,660,366						
2028	26,444,368	51,684,116						
2029	18,782,655	59,386,866						
2030	19,515,305	58,850,616						
2031	20,166,775	58,284,116						
2032	20,837,675	57,542,846						
2033	21,518,675	56,932,596						
2034	22,224,975	56,304,346						
2035	39,770,575	38,895,596						
2036	39,780,275	38,895,659						
2037	39,885,875	38,898,346						
2038	39,978,625	38,896,846						
2039	40,158,575	38,896,596						
2040	-	38,896,071						
2041	-	38,897,097						
2042	-	-						
2043	-	-						
2044	-	-						
Total	\$1,007,321,235	\$1,426,588,199						

¹ Amounts due October 1 are shown as debt service for the preceding Fiscal Year ending September 30 (since the amounts actually are required to be set aside in such Fiscal Year). For example, debt service payments due October 1, 2012, are shown in the Fiscal Year ending September 30, 2012.

² Assumes Series C CP Notes will be outstanding in the amount of \$[] million through Fiscal Year 2012, \$[] million through Fiscal Year 2013 and \$[] million through Fiscal Year 2014 at an interest rate equal to the 10-year historical average of the "Taxable CP 90 Day" index rate published by Thomson Municipal Market Monitor, which was []% as of February [], 2012. Reflects the prepayment of District General Obligation Bonds one year prior to actual maturity dates.

³ Net of capitalized interest.

⁴ Reflects an assumed annual interest rate of []% for the Series 2012B Bonds.

⁵ Represents the aggregate annual debt service on all outstanding Senior and Subordinate Debt, including the Series 2012 Bonds, adjusted to reflect the Direct Payments the Authority is entitled to receive from the United States Treasury equal to 35% of the interest payable on the Series 2010A Bonds. The Authority has agreed to deposit the Direct Payments related to the Series 2010A Bonds into the Series 2010A Interest Account of the Subordinate Lien Bond Fund to pay interest when due on the Series 2010A Bonds.

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Fiscal Year Ending September 30 ¹	Series 2012A Bonds			Subseries 2012B-1 Bonds			Subseries 2012B-2 Bonds			Series 2012B Total	Series 2012C Bonds			Series 2012 Total ¹
	Principal	Interest ¹	Total ¹	Principal	Interest ²	Total	Principal	Interest ²	Total		Principal	Interest	Total	
2012														
2013														
2014														
2015														
2016														
2017														
2018														
2019														
2020														
2021														
2022														
2023														
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2036														
2037														
2038														
2039														
2040														
2041														
2042														
2043														
2044														
Total														

¹ Net of capitalized interest.

² Reflects an assumed annual interest rate of [__]% for the Series 2012B Bonds.

OUTSTANDING INDEBTEDNESS

Outstanding Senior Debt

As of December 31, 2011, the Authority had Senior Debt outstanding in the aggregate principal amount of \$515,020,000 consisting of its Public Utility Senior Lien Revenue Bonds, Series 1998 (the “Series 1998 Senior Bonds”) and its Public Utility Senior Lien Revenue Bonds, Series 2009A (the “Series 2009A Senior Bonds”). The Series 1998 Senior Bonds, the Series 2009A Senior Bonds and any other Senior Debt hereafter issued or incurred by the Authority are secured and payable on a basis senior to all Subordinate Debt heretofore or hereafter issued or incurred by the Authority as described below. See “SECURITY FOR THE SERIES 2012 BONDS.” The debt service on the Senior Debt is set forth in the table under the caption “DEBT SERVICE REQUIREMENTS.” The Authority expects to issue additional Senior Debt in the future to finance capital improvements to the System. See “CAPITAL IMPROVEMENT PROGRAM.”

Outstanding Subordinate Debt

The Subordinate Debt consists of the following categories of outstanding debt: (i) Subordinate Revenue Bonds; (ii) District General Obligation Bonds; (iii) Government Notes; and (iv) Commercial Paper Notes. As of the date of this Official Statement, the Authority had Subordinate Debt outstanding in the aggregate principal amount of \$1,024,671,000. Upon the issuance of the Series 2012 Bonds, the amount of Outstanding Subordinate Debt, including the Series 2012 Bonds, will be \$[_____]. The debt service on the Outstanding Subordinate Debt is set forth in the table under the caption “DEBT SERVICE REQUIREMENTS.”

Subordinate Revenue Bonds. As of the date of this Official Statement, three series of the Authority’s Subordinate Lien Revenue Bonds were outstanding in the aggregate principal amount of \$974,890,000 (the “Subordinate Revenue Bonds”), consisting of its Series 2003 Bonds, its Public Utility Subordinate Lien Revenue Bonds, Series 2007A (the “Series 2007A Bonds”), its Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2008A (the “Series 2008A Bonds”) and the Series 2010A Bonds. The Authority intends to refund all or a portion of the Series 2003 Bonds with proceeds of the Series 2012C Bonds.

District General Obligation Bonds. Under the Act, the Authority is obligated to make payments to the District in such amounts and at such times as are sufficient to provide for the payment of certain outstanding general obligation bonds of the District (the “District General Obligation Bonds”) that were issued to finance capital projects of the System and the Washington Aqueduct (the “Aqueduct”). See “THE SYSTEM – The Water System – The Washington Aqueduct.” The District General Obligation Bonds constitute Subordinate Debt under the Indenture. The final debt service payment, which is due June 2012, was prepaid by the Authority to the District in September 2011.

Government Notes. The Authority is responsible for debt service on the following notes payable to the federal government and the Washington Suburban Sanitary Commission (“WSSC”):

- The Authority is responsible for a share of the federal government debt issued for the construction of the Jennings Randolph Reservoir. As of the date of this Official Statement, the Authority’s share of this outstanding debt was \$14,273,000.
- The Authority is responsible for a portion of the debt issued by the WSSC for construction of the Little Seneca Reservoir. As of the date of this Official Statement, the Authority’s share of this outstanding debt was \$63,000.

Commercial Paper Notes. The Authority has established a commercial paper program to provide interim financing for Costs of the System. Three series of notes have been issued under the commercial paper program: the tax-exempt Series A CP Notes in an aggregate principal amount not to exceed \$100 million, the tax-exempt Series B CP Notes in an aggregate principal amount not to exceed \$50 million, and the taxable Series C CP Notes in an aggregate principal amount not to exceed \$75 million (collectively, the “Commercial Paper Notes”), each as Subordinate Debt. To provide liquidity and credit support for the Commercial Paper Notes, the Authority obtained irrevocable, direct-pay letters of credit (the “Letters of Credit”) issued by J.P. Morgan Chase Bank and U.S. Bank, National Association (collectively, the “Banks”) which expire on May 31, 2013. In connection with the Banks’ issuance of the Letters of Credit, the Authority and each Bank entered into a Reimbursement Agreement dated as of June 1, 2010 (collectively, the “Reimbursement Agreements”) that obligates the Authority to pay Bank Obligations and Reimbursement Obligations (both as defined in the Eleventh Supplemental Indenture relating to the Commercial Paper Notes) and Fee Obligations (as defined in each Reimbursement Agreement) to the applicable Bank. The Bank Obligations, the Reimbursement Obligations and Fee Obligations are Subordinate Debt under the Indenture. As of the date of this Official Statement, \$6 million of the Series B CP Notes and \$29.2 million of the Series C CP Notes were outstanding.

List of Outstanding Indebtedness

A table summarizing the Authority’s existing indebtedness as of September 30, 2011 and as of December 31, 2011 is set forth below. For a summary of the annual debt service payments for the Authority’s existing indebtedness, see “FINANCIAL OPERATIONS – Debt Service.”

Outstanding Indebtedness
(\$ in thousands)

	Original Principal Amount	Interest Rates	Final Maturity	Amount ¹ Outstanding as of 9/30/2011	Amount ² Outstanding as of 12/31/2011
Senior Debt					
Series 1998 Bonds	\$ 266,120	5.50-6.00%	2028	\$ 229,315	\$ 218,815
Series 2009A Bonds	300,000	3.00-6.00	2039	298,225	296,205
Total Senior Debt	\$ 566,120			\$ 527,540	\$ 515,020
Subordinate Debt					
Series 2003 Bonds	176,220	5.00-5.25	2033	176,220	176,220
Series 2007A Bonds	218,715	4.75-5.50	2042	218,715	218,715
Series 2008A Bonds	290,375	4.00-5.00	2034	285,540	279,955
Series 2010A Bonds	300,000	4.70-5.52 ³	2044	300,000	300,000
District of Columbia General Obligation Bonds ⁴	271,963	5.05-6.50	2012	245	245
Jennings Randolph Reservoir Debt	18,269	3.25	2041	14,603	14,273
Little Seneca Reservoir Debt	3,258	5.98-6.60	2014	104	63
Series A CP Notes (tax-exempt)	-	0.28-0.35	2013	-	-
Series B CP Notes (tax-exempt)	6,000	0.28-0.35	2013	6,000	6,000
Series C CP Notes (taxable)	29,200	0.28-0.35	2013	29,200	29,200
Total Subordinate Debt	1,014,000			1,030,627	1,024,671
Total	\$ 1,580,120			\$ 1,558,167	\$ 1,539,691

¹ Amount outstanding reflects principal payments made through 9/30/2011, as shown in the CAFR.

² Amount outstanding reflects principal payments made on 10/1/2011.

³ Taking into account the Direct Payment subsidy, the Series 2010A Bonds had an all-in-true interest cost of 3.6%.

⁴ The final debt service payment, which is due June 2012, was prepaid by the Authority to the District in September 2011.

Source: Authority records.

Swap Agreements and Guaranteed Investment Contracts

The Authority has not entered into any interest swap agreements or any guaranteed investment contracts.

THE AUTHORITY

General

The Authority is a corporate body and an independent authority created pursuant to the Act that has a separate legal existence within the District government. It was created in 1996 to expedite the repair, replacement, rehabilitation, modernization and extension of existing water distribution and sewage collection, treatment and disposal systems, and the financing, on a self-sustaining basis, of capital and operation expenses relating thereto. The Authority began operations on October 1, 1996, and in June 2010, adopted a new logo and rebranded itself as “DC Water.” Prior to creation of the Authority, the District, through its Department of Public Works, Water and Sewer Utility Administration (“WASUA”), owned, operated and maintained the System. In accordance with the Act, the District authorized the Authority to use all of the property and assets of the System and transferred to the Authority any liabilities of the District that were directly attributable to the System. The District has retained full legal title to, and a complete equitable interest in, the System. In accordance with the Act, however, the System must remain under the control of the Authority for as long as any Authority revenue bonds remain outstanding.

The Authority currently provides retail water and wastewater services to more than 600,000 residents of the District of Columbia and wholesale wastewater services to approximately 1.6 million residents of Prince George’s and Montgomery Counties in Maryland and Fairfax and Loudoun Counties in Virginia. In addition, the Authority annually serves approximately 16.6 million visitors to the area and approximately 700,000 workers in the District. In addition to providing services to the White House, the U.S. Congress and the Supreme Court, the Authority also counts among its customers a number of international organizations, including the International Monetary Fund and numerous diplomatic embassies. The Authority also provides services to a number of nationally-recognized cultural and educational institutions, including the John F. Kennedy Center for the Performing Arts, Georgetown, Howard, American and George Washington Universities.

The Authority operates the largest advanced wastewater treatment facility in the United States and is in compliance with all requisite permits. Since its creation as an independent authority of the District, the Authority has become a leader in the water and wastewater industry. The Board has provided stable leadership and a focus on establishing long-term policies and planning, particularly financial stability. Under its leadership, the Authority has adopted and implemented financial and rate-setting policies that have enhanced financial performance. The Authority’s unrestricted cash, cash equivalents and investment balances have increased from \$20.5 million as of September 30, 1997, to \$182.7 million as of September 30, 2011. The Authority’s operating revenues have increased substantially, from \$221.5 million in Fiscal Year 1997 to \$408.2 million in Fiscal Year 2011. The Authority’s accomplishments have been recognized by several industry associations:

- *Government Finance Officers Association*: Distinguished Budget Presentation Award (2001 – 2011) and Certificate of Achievement for Excellence in Financial Reporting (1997 – 2010).
- *National Association of Clean Water Agencies*: National Environmental Achievement Award in Research and Technology (2012) for innovation of external carbon based suspended growth technology for enhanced nitrogen removal; Platinum Peak Performance Award (2010-2011) for 100 percent compliance with the National Pollutant Discharge Elimination System (“NPDES”) requirements for a consecutive five-year period; Gold Peak Performance Award (2002-2009) for wastewater treatment facilities that have achieved outstanding plant effluent quality and 100 percent compliance with the NPDES requirements at Blue Plains; Research and Technology Award (2009) for its

collaboration with the Alexandria Sanitation Authority on “Enhancing Nitrogen Removal and Increasing Sustainability with Innovative Sidestream Treatment”; and Public Information and Education Award (2009) for public information and outreach efforts as part of the Virginia Biosolids Council.

- *Water Environmental Research Foundation*: Award for Excellence in Innovation (2011) for the Digester Project.
- *Emerson Process Management Power and Solutions*: Innovation Award for Water and Wastewater for the Blue Plains Process Control System (2011).
- *Water Environmental Federation*: George Bradley Gascoigne Medal for Operational Problem Solving and Improvement (2011).
- *Computerworld and Storage Networking Industry Association*: Best Practice Award for Adopting Emerging and Innovative Technologies (2011).
- *ESRI*: Special Achievement Geographic Information System (“GIS”) Award (2009) for innovative use of GIS technology for managing data on public fire hydrants.
- *CIO Magazine*: Chief Information Officer Top 100 Award (2009 and 2011), for creating business value using innovative technology for new infrastructure to support Supervisory Control and Data Acquisition system needs.
- *Association of Metropolitan Water Agencies*: Platinum Award for Utility Excellence (2008) for operational and strategic excellence in water utility management.

Purposes and Powers

The Act requires the Authority to establish, fix and revise fees, rates or other charges for the use of, or services furnished, rendered or made available by the System, owned, leased or utilized by the Authority at least in an amount sufficient, together with other revenues available to the Authority, if any, to pay its costs, the principal of and interest on and other requirements pertaining to its bonds, and to make transfers to the District of amounts equal to the debt service payments on the District General Obligation Bonds, which financed WASUA capital projects, as such debt service and transfers become due and payable.

Pursuant to the authority set forth in the District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198; 87 Stat 777; D.C. Official Code, 2006 Repl., §§ 1-201 *et. seq.*), as amended (the “Home Rule Act”), the Council delegated to the Authority, under the Act, its power to issue revenue bonds, including the Series 2012 Bonds, for the purpose of financing “water and sewer facilities” (as such term is defined in the Home Rule Act). Pursuant to the Home Rule Act and the Act, the Authority is required to submit its annual operating budget to the District for its review and recommendations; however, the District has no power to change the annual budget of the Authority. See “FINANCIAL OPERATIONS – Annual Budget.”

The Authority may not borrow money or issue bonds unless it first certifies to the reasonable satisfaction of the District Auditor that the revenues of the Authority are sufficient to pay its costs, the principal of and interest on and the other requirements pertaining to the proposed debt and outstanding revenue bonds of the Authority, and amounts owed to the District for the District General Obligation Bonds in the then current Fiscal Years. On February [___], 2012, the Authority received the District

Auditor's certificate regarding the sufficiency of such revenues in connection with the issuance of the Series 2012 Bonds.

Board of Directors

The Authority is governed by a Board of Directors consisting of 11 principal and 11 alternate members, each appointed for a staggered four-year term. Six principal members (appointed by the Mayor of the District with the advice and consent of the Council) represent the District and five principal members (appointed by the Mayor on the recommendations of the User Jurisdictions) represent the User Jurisdictions, two each from Prince George's and Montgomery Counties in Maryland, and one from Fairfax County, Virginia. The powers of the Authority are vested in and exercised by the Board at meetings duly called and held where a quorum of at least six members is present. All Board members participate in decisions directly affecting the management of joint-use facilities which are those facilities used by all three jurisdictions. Only the District members participate in those matters that affect District ratepayers and in setting fees for various services that affect only District residents. The Board meets monthly and operates through various standing and ad-hoc committees. The committees include Environmental Quality and Sewerage Services, Water Quality and Water Services, Finance and Budget, Human Resources and Labor Relations, Audit, Strategic Planning, Governance, and District of Columbia Retail Water and Sewer Rates. The current principal members of the Board are listed below.

<u>Principal Board Members</u>	<u>Appointing Authority</u>	<u>Term Start Date*</u>	<u>Term Expiration</u>
William M. Walker, Chairman	District of Columbia	December 2008	September 2012
Timothy L. Firestine, Interim Vice Chairman	Montgomery County	March 2007	September 2012**
Adam Clampitt	District of Columbia	July 2011	September 2015
Anthony H. Griffin	Fairfax County	October 1996	September 2015**
Robert Hoyt	Montgomery County	January 2008	September 2011**
Allen Lew	District of Columbia	July 2011	September 2011**
Alethia Nancoo	District of Columbia	February 2010	September 2014
Carla Reid	Prince George's County	April 2011	September 2015
F. Alexis H. Roberson	District of Columbia	September 2003	September 2010**
Alan J. Roth	District of Columbia	April 2007	September 2011**
Bradford Seamon	Prince George's County	April 2011	September 2015

* Term start date indicates start of the Board member's initial term.
 ** Member serves until member is renominated or successor is appointed.

Source: Authority records.

The following are short biographies of the principal members of the Board.

William M. Walker (Chairman) (District of Columbia)

Mr. Walker was appointed as a principal member to the Board in December 2008. He is the president and chief executive officer of Walker & Dunlop, Inc., which is based in Bethesda, Maryland, and is one of the largest apartment lenders in the United States with significant Fannie Mae, Freddie Mac and HUD origination and servicing expertise. Mr. Walker has held several senior management positions in Europe and Latin America with TeleTech Holdings, Inc., one of the largest business process outsourcing companies in the world. He also has experience in the aviation industry, having worked at Newbridge Latin America, a private equity firm focused on aviation, water and the apparel industries, and as general manager of ALTA Airlines, a regional start-up airline based in Argentina. Mr. Walker earned his B.A. in Government from St. Lawrence University and his M.B.A. from Harvard University.

Timothy L. Firestine (Interim Vice Chairman) (Montgomery County)

Mr. Firestine was appointed as a principal member to the Board in March 2007. Mr. Firestine serves as the Chief Administrative Officer for Montgomery County. Prior to his current position, Mr. Firestine was Chief Financial Officer for Montgomery County and held other positions in public sector financial management. Mr. Firestine serves as Chairman for the Board of Investment Trustees for the Employee Retirement System for Montgomery County, Maryland. Mr. Firestine holds a B.A. in Political Science from Albright College and an M.P.A. from the University of Pittsburgh.

Adam Clampitt (District of Columbia)

Mr. Clampitt was appointed as a principal member to the Board in July 2011. He is the president of The DC Group, a specialized communications consultancy. Mr. Clampitt is a strategic communications and public relations consultant who has spent the past decade leading communications efforts and providing expert counsel and brand management to a variety of public and private stakeholders. Prior to founding The DC Group, he held the position of vice president at Burson-Marsteller, Washington, D.C. and Hill & Knowlton, Los Angeles, CA. Mr. Clampitt also worked for Gen. Stanley McChrystal as the Director of Public Affairs Planning and Social Media for the NATO-led International Security Assistance Force in Kabul, Afghanistan. He earned a B.A. in Political Science from the University of Michigan, Ann Arbor and a Master's degree in Public Policy from the University of California, Los Angeles.

Anthony H. Griffin (Fairfax County)

Mr. Griffin was appointed as a principal member to the Board in October 1996. Mr. Griffin serves as the County Executive for Fairfax County, Virginia. Mr. Griffin has held the positions of Deputy County Executive for Planning and Development, Falls Church City Manager and Deputy County Manager of Arlington County. Mr. Griffin holds a B.A. in History with a minor in Political Science from Hobart College, and Master's degrees in Urban and Regional Planning and Urban Affairs with a concentration in Urban Management from Virginia Polytechnic Institute and State University.

Robert Hoyt (Montgomery County)

Mr. Hoyt was appointed as a principal member to the Board in January 2008. Mr. Hoyt serves as Director of Montgomery County Department of Environmental Protection. He also has served as Senior Vice President for the Chesapeake Bay Foundation, as Deputy Attorney General for the New Jersey Division of Law and has taught environmental law at the University of Maryland School of Law and Widener University School of Law. He also founded The EcoLogix Group, Inc. which provides organizations with solutions that temper economic goals with environmental and social values. Mr. Hoyt holds a B.A. in Political Science from Princeton University and a J.D. from Rutgers University.

Allen Lew (District of Columbia)

Mr. Lew was appointed as a principal member to the Board in July 2011. Mr. Lew serves as District of Columbia City Administrator. He also has served as Executive Director of the District of Columbia Office of Public Education Facilities Modernization, as chief executive officer of the DC Sports and Entertainment Commission where he managed the renovation of historic RFK Stadium and the development and construction of the Washington Nationals Baseball Stadium, as the managing director of the Washington Convention Center Authority, acting chief executive officer and general manager for the new Washington Convention Center, vice president of capital programs for the New York City Health and Hospitals Corporation, vice president of Rose Associates, Inc., a private commercial and residential

development company, executive vice president and chief operating officer of the New York Convention Center Operating Corporation and acting president and chief executive officer of the Operating Corporation and the New York Convention Center Development Corporation. Mr. Lew holds a B.S. in Architecture from the City College of New York School of Architecture and a Master's degree in Architecture and Urban Design from the Columbia University Graduate School of Architecture and Planning.

Alethia Nancoo (District of Columbia)

Ms. Nancoo was appointed as a principal member to the Board in February 2010. Ms. Nancoo is a Partner at Hogan Lovells US LLP. Her practice focuses on public finance, securities, and general corporate law. She primarily handles municipal financings and private equity transactions, including a variety of matters relating to corporate organization, structure, governance, public/private partnerships, private placements and financings. Ms. Nancoo obtained a B.A. in Psychology and a Masters degree in Education from the University of Maryland and also holds a J.D. from the University of Wisconsin Law School.

Carla Reid (Prince George's County)

Ms. Reid was appointed as a principal member to the Board in April 2011. Ms. Reid is the Deputy Chief Administrative Officer for Economic Development and Public Infrastructure in the Office of the County Executive, Prince George's County. She has over 21 years of experience leading organizations, which includes serving as Deputy General Manager of the Washington Suburban Sanitary Commission and as the Director of Permitting Services in Montgomery County Government. Ms. Reid also was an adjunct professor at the University of the District of Columbia. She currently serves on the Board of Directors of Melwood, Montgomery Alliance and Arts on the Block. Ms. Reid has a B.S. in Civil Engineering from Howard University and a Master's degree in Human Resource Management from the University of Maryland, University College.

F. Alexis H. Roberson (District of Columbia)

Ms. Roberson was appointed as a principal member to the Board in September 2003. She currently serves as the President and CEO of the Opportunities Industrialization Center of DC and has extensive experience in leadership positions in local government management. Ms. Roberson has served on numerous boards and commissions. She holds a B.A. in Education and a M.A. in Administration from Howard University.

Alan J. Roth (District of Columbia)

Mr. Roth was appointed as a principal member to the Board in April 2007. He is Senior Executive Vice President of the United States Telecom Association and has 23 years of senior congressional staff and government relations consulting experience. Mr. Roth served as Staff Director and Chief Counsel to the Committee on Energy and Commerce, U.S. House of Representatives, Counsel to the Committee's Chairman and Counsel to the Committee's Minority. Prior to those management roles, Mr. Roth also served as Counsel to the Committee. Mr. Roth earned his B.A. in Government, *magna cum laude*, from American University and his J.D. from New York University School of Law.

Bradford Seamon (Prince George's County)

Mr. Seamon was appointed as a principal member to the Board in April 2011. Mr. Seamon is the Acting Chief Administrative Officer for Prince George's County. He also has served in roles for the

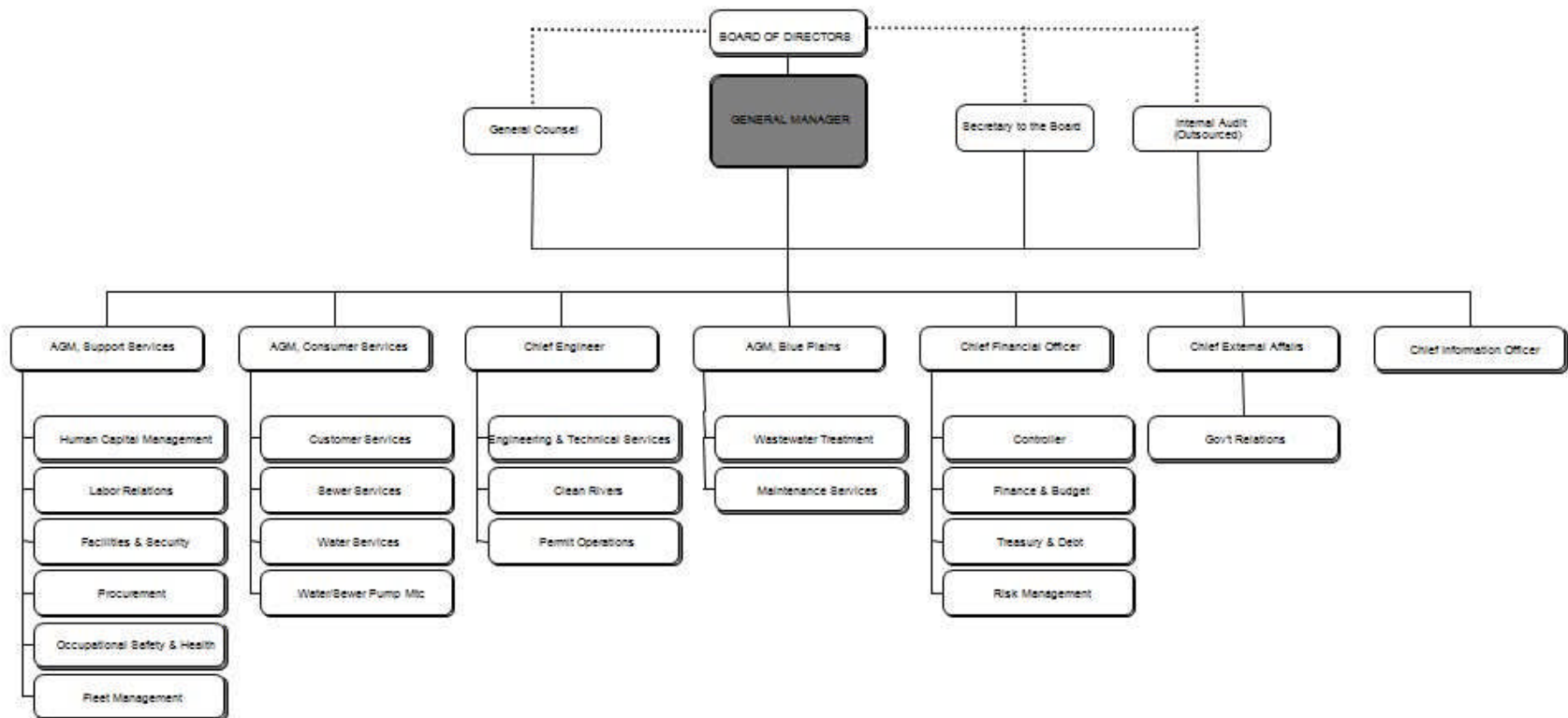
Office of the County Executive as the Deputy Chief Administrative Officer (“DCAO”) for Health, Human Services and Education, as well as the DCAO for Budget, Finance and Administration. Prior to his service in the County, he served as Senior Staff Auditor at Deloitte. Mr. Seamon has 20 years of experience as Chief Executive Officer for a professional services firm managing Human Resources, Information Technology, and Finance and Business Development departments. Mr. Seamon is a Certified Public Accountant with a B.S. in Business Administration and Accounting from Howard University. He also holds a Master’s degree in Financial Management from University of Maryland.

Organizational Structure

The Authority’s day-to-day operations are managed by the General Manager, who is appointed by the Board. The General Manager is supported by the Assistant General Managers for Blue Plains, Consumer Services, and Support Services; the Chief Financial Officer; and the Chief Engineer. The Assistant General Manager for Blue Plains oversees the departments of Wastewater Treatment Services and Maintenance Services. The Assistant General Manager for Consumer Services oversees the departments of Customer Service, Sewer Services, Water Services and Water / Sewer Pump Maintenance. The Assistant General Manager for Support Services oversees the departments of Human Resources, Labor Relations, Facilities, Procurement, Fleet Management, and Safety and Security. The Chief Financial Officer oversees the departments of the Controller, Finance and Budget, Treasury and Debt, and Risk Management. The Chief Engineer oversees the Capital Improvement Program as well as the departments of Engineering and Technical Services, Permit Operations, and Long Term Control Plan. Also reporting to the General Manager are the offices of the General Counsel, Information Technology and Public Affairs.

The current organizational chart of the Authority is set forth on the next page.

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Organizational Chart**



Senior Management

The Authority has in place a senior and mid-level management team with a broad range of private and public sector utility experience. Over half of the Authority's mid-level management team has been with the Authority since 1996, and some have been with the organization for more than 20 years. The following are short biographies of key members of the Authority's senior management.

George S. Hawkins, General Manager

Mr. Hawkins was appointed General Manager in September 2009. Prior to joining the Authority, Mr. Hawkins served as the Director of the District Department of the Environment. Prior to coming to the District, Mr. Hawkins served as Executive Director of New Jersey Future, a non-profit organization promoting smart growth, and Executive Director of the Stony Brook-Millstone Watershed Association. He also has held senior posts with the U.S. Environmental Protection Agency. Mr. Hawkins has served as the Chair of the Green Building Advisory Council, a member of the Mayor's Green Collar Jobs Advisory Committee and a Board member of the Authority. Since 1999, Mr. Hawkins has taught Environmental Law and Policy for the Princeton Environment Institute at Princeton University. He began his career practicing law for the Boston firm of Ropes & Gray, and is a member of the Bar in Massachusetts and the District of Columbia. Mr. Hawkins holds an A.B. from Princeton University and a J.D. from Harvard Law School.

Olu Adebo, Chief Financial Officer

Mr. Adebo was appointed Chief Financial Officer in December 2008, after having served as Acting Chief Financial Officer for three years. Since joining the Authority in August 1999, Mr. Adebo has served as Accounting Manager, Procurement Director, Controller and Director of Finance. Mr. Adebo holds a B.S. in Electrical Engineering from the University of Lagos, Nigeria and an M.B.A. from the University of the District of Columbia. Mr. Adebo also is a Certified Public Accountant.

Walter Bailey, Assistant General Manager, Blue Plains

Mr. Bailey was appointed Assistant General Manager of Blue Plains in November 2009. He has served as the Director of Blue Plains for more than 20 years. Prior to this assignment, he served as Wastewater Operations Manager, Plant Process Engineer and Civil Engineer in the Department of Engineering and Technical Services. He is a Licensed Professional Engineer, a Licensed Wastewater Treatment Plant Operator, and a Board Certified Environmental Engineer. Mr. Bailey holds a B.S. in Civil Engineering from Virginia Polytechnic Institute and State University (Virginia Tech) and a M.S. in Environmental Engineering from George Washington University.

Leonard R. Benson, Chief Engineer

Mr. Benson was appointed Chief Engineer in August 2010, after serving as Acting Chief Engineer and Deputy General Manager since May 2008. Mr. Benson transferred to the Authority as Director of Engineering and Technical Services from its predecessor agency when the Authority was created in 1996. Mr. Benson began his career as a Project Manager for the District of Columbia's Department of Highways and Traffic in 1968 and later transferred to the Department of Sanitary Engineering, and successor agencies including the Department of Environmental Services and the Department of Public Works. Mr. Benson holds a B.S. in Civil Engineering from the University of Maryland.

Christopher Carew, Chief of Staff

Mr. Carew was appointed Chief of Staff in the Office of the General Manager in December 2009. Prior to joining the Authority, Mr. Carew served as Chief of Staff for the District Department of the Environment (“DDOE”), a liaison with New Jersey municipal and county governments and the state’s regulatory agencies on behalf of Governor Corzine’s Office of Economic Growth, and as Interim Director of the DDOE Energy Office. Mr. Carew holds a B.A. in Political Science from Albright College and a M.P.A. from Kean College (now Kean University).

Charles W. Kiely, Assistant General Manager, Consumer Services

Mr. Kiely joined the Authority as Director of Customer Services Department in November 2002. Prior to joining the Authority, Mr. Kiely was Executive Vice President of Customer Services for Commonwealth Electric, Cambridge Electric and Commonwealth Gas Companies serving 78 communities in eastern and central Massachusetts. He was later appointed Vice President of Customer Care for NSTAR, formed after the BEC Energy and Commonwealth Energy merger, creating the largest investor-owned gas and electric utility in Massachusetts. Mr. Kiely received a B.S. in Management from the University of Massachusetts and an M.B.A. from Bentley College.

Omer Siddiqui, Chief Information Officer

Mr. Siddiqui was appointed Chief Information Officer in July 2010. Mr. Siddiqui joined the Authority in September 2000 as Manager of Systems and Operations for the Information Technology Department. Prior to joining the Authority, he served as an information technology operations specialist and an information technology coordinator at PricewaterhouseCoopers, LLP, in Indianapolis, Indiana. Mr. Siddiqui holds a B.S. in Computer Information Systems and an Associate of Arts in Computer Information Systems, both from the University of Indianapolis.

Randy Hayman, General Counsel

Mr. Hayman assumed the position of General Counsel on November 1, 2010. He previously served as General Counsel to the Metropolitan St. Louis Sewer District (“MSD”), which provides wastewater collection, treatment, and stormwater management to 1.4 million people. Prior to joining MSD in 2000, Mr. Hayman worked as an attorney in law firms in Washington, D.C., Kansas City and St. Louis, Missouri, and served as an Assistant Attorney General for the State of Missouri in Jefferson City. Prior to attending law school, he worked as an intern for ABC News, a reporter for KMOX Radio and, more recently, as a talk show host with KTRS Radio. Mr. Hayman holds a B.A. in Political Science from the University of Michigan and a J.D. from Georgetown University Law Center.

Katrina J. Wiggins, Assistant General Manager, Support Services

Ms. Wiggins was appointed Assistant General Manager of Support Services in July 2010, after serving as Acting Assistant General Manager of Support Services for six months. She joined the Authority in June 2006 as the Director of Human Resources. Prior to joining the Authority, Ms. Wiggins served as Director of Human Resource Management and Planning at the Washington Metropolitan Area Transit Authority and as Director of Human Resources at the American Red Cross. Ms. Wiggins holds a B.A. in Business Administration and a M.S. in Human Resources both from American University and is a certified Senior Professional in Human Resources.

Relationship to District

Section 424A of the Home Rule Act (D.C. Official Code Section 1-204.25) sets forth the powers and responsibilities of the District's Chief Financial Officer (the "District's CFO"). The "District of Columbia Water and Sewer Authority Independence Preservation Act", P.L. 110-273, enacted by the Congress on July 15, 2008, amended the Home Rule Act to make clear that (i) the authority of the District's CFO to hire, supervise and remove certain financial management employees does not apply to personnel of the Authority and (ii) the financial management, personnel and procurement functions and responsibilities of the Authority shall be established exclusively pursuant to the rules and regulations adopted by the Board. The Act provides that, except as provided in the Act, the District will not limit or alter rights vested in the Authority to fulfill agreements made with holders of the bonds, or in any way impair the rights and remedies of the holders of the bonds. See "COVENANT BY THE DISTRICT OF COLUMBIA."

The Authority is presently operating under, and is in compliance with, the following Memoranda of Understanding (each, a "Memorandum of Understanding" or "MOU") with the District.

- A January 29, 1998 Memorandum of Understanding provides that the Authority will pay the District a PILOT for government services it receives from the District (e.g., police, fire, emergency services, etc.). This MOU provides that, beginning in Fiscal Year 1999, the annual PILOT will be based on the amount due from the Authority to the District for the previous Fiscal Year plus a percentage increase in an amount equivalent to the Authority's System-wide rate increase for the current Fiscal Year. The amount the Authority pays to the District, however, shall not exceed the amount provided in the annual cost certification produced by the District CFO. In June 2009, the Authority received a cost certification from the District CFO that estimated the value of the government services rendered by the District to the Authority in Fiscal Year 2008. The District CFO's estimates were significantly higher than the amounts permitted based on the criteria established in the MOU. The Authority is engaged in negotiations with the District regarding the District's estimates. The Authority has continued to make payments of the undisputed portions of its PILOT obligations to the District at the levels paid in Fiscal Year 2007, and has set aside approximately \$10 million in reserves for the disputed portion of the PILOT pending resolution of its negotiations with the District.
- A March 23, 1998 Memorandum of Understanding addresses the obligation of the Authority to make payments to the District for debt service on the District General Obligation Bonds issued by the District to finance certain capital projects of WASUA, the predecessor to the Authority. This MOU provides that the Authority will (i) prepay each immediately succeeding Fiscal Year's debt service on the District General Obligation Bonds out of the Authority's cash reserves, and (ii) establish a reserve as part of the Authority's cash reserves for the outstanding District General Obligation Bonds equal to 10% of each immediately succeeding Fiscal Year's debt service payments on the District General Obligation Bonds. In September 2011, the Authority prepaid the final debt service payment on the District General Obligation Bonds in the amount of \$245,000. The final payment will be made by the District to the bondholders in June 2012.
- A September 12, 2003 Memorandum of Understanding provides that the Authority will make quarterly payments to the District for its public right of way occupancy permit fee. This fee is levied on all utilities in the District for the occupancy of public rights of way for underground infrastructure. Under the terms of the MOU, the Authority's annual obligation

under this fee is capped at \$5.1 million through September 30, 2013, the expiration date of the MOU.

- Effective February 2007, the administration of the District’s stormwater program was transferred to DDOE. In July 2008, the Authority executed a Memorandum of Understanding with DDOE pursuant to which the Authority collects a stormwater fee on behalf of DDOE and transfers it to DDOE. See “THE SYSTEM – The Wastewater System – District Stormwater Permit and Management Program” and “CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges.”
- A October 25, 2007 Memorandum of Understanding provides for the replacement and upgrade of all fire hydrants in the District, with the initial phase of the upgrade program providing for the replacement of 3,500 hydrants within 5 years of the MOU execution. The MOU also provides that while the District of Columbia Fire and Emergency Medical Services Department is responsible for the inspection of all fire hydrants in the District, the Authority is responsible for identifying and installing new fire hydrants, determining protocols for inspection and inspection data collection and management, as well as for appropriate fire hydrant use and maintenance standards to ensure that they are maintained and fully operational.

Employees and Labor Relations

The total number of authorized positions for the Authority for Fiscal Year 2012 was 1,202. As of January 1, 2012, the Authority had 1,034 full time equivalent employees, of which approximately 707 were represented by the following five unions:

- American Federation of Government Employees (“AFGE”) consisting of Locals 631, 872 and 2553, representing 428 employees;
- American Federation of State, County and Municipal Employees (“AFSCME”), Local 2091, representing 260 employees; and
- National Association of Government Employees (“NAGE”), representing 19 employees.

The Authority and the unions operate under a single Master Collective Bargaining Agreement for Compensation which expired on September 30, 2011, but remains in full force and effect until a new agreement takes effect or, in the event of an impasse, pending the completion of mediation and arbitration. There are five separate working conditions agreements with the unions, all of which also expired on September 30, 2011. By law, the Authority employees may not strike.

The percentage of current employees eligible to retire within the next ten years (based on age and years of service) is shown in the table below.

Percentage of Current Employees Eligible to Retire Within the Next Ten Years
(based on age and years of service)

	12/31/2011	12/31/2016	12/31/2021
Employees	13.16%	26.09%	38.20%
Directors and Executives	16.67%	33.33%	50.00%

Source: Authority records.

Although the percentage of current Authority employees eligible to retire in five years is higher than the median for combined water and wastewater utilities, which is 22%, it is within the range experienced by other large municipal water and wastewater utilities. To prepare for future retirements, since 2006, the Authority has had in place a comprehensive succession planning program for senior executives and a knowledge capture program for operational elements of the organization. In addition to identifying tacit knowledge use in operational activities, the knowledge capture program is identifying needed competencies to improve the replacement process, as well as improving the efficiency of the studied processes.

Retirement/Pension Plan

The Authority employees hired before October 1, 1987, participate in the U.S. Civil Service Retirement System (the "CSRS"). The employees and the Authority each annually contribute 7% of the employee's base pay to the CSRS. The Authority employees who retire under the CSRS receive retiree medical and life insurance benefits under the Federal Employees' Health Benefits Program and the Federal Employees' Group Life Insurance Program at no cost to the Authority. The Authority has no other post-employment benefits liability relating to medical or life insurance benefits under the CSRS programs.

With a few exceptions, all of the employees hired after September 30, 1987, participate in the U.S. Social Security System and the Authority's Defined Contribution Plan. Under the Authority's Defined Contribution Plan, the Authority annually contributes 7% of base pay plus an additional 5% of base pay earning above the Social Security Wage Base. Employees do not contribute to this plan and are 100% vested in the plan after three years of continuous service. The Authority has no other post-employment benefits liability relating to medical or life insurance benefits under the Defined Contribution Plan. The Authority employees hired after September 30, 1987, do not receive any retiree medical or life insurance benefits.

In 2007, the Authority implemented a retirement health savings plan ("RHS") for non-union employees hired after September 30, 1987, which allows eligible employees to receive funds equal to the value of their unused sick leave upon separation from service which in turn can be used to pay for post-employment medical expenses. Employees vest in the RHS plan at five years of service and must have a minimum of 100 hours of sick leave at the time of separation to be eligible to participate in the program.

The Authority also sponsors a voluntary deferred compensation plan. The Authority makes a matching contribution to the Authority Defined Contribution Plan of 100% of the amount that an employee contributes to the deferred compensation plan up to a maximum of 5% of base pay.

The Authority has no unfunded pension liability or other post-employment benefits liability under any of the plans described above.

Risk Management and Insurance

The Authority has developed a comprehensive risk management and insurance program which is annually reviewed and periodically bid by management and their independent insurance advisors through qualified brokers and direct insurance writers. The most recent risk management, insurance assessment and bid process was completed in July 2011. The Authority's insurance policies (including liability insurance and workers' compensation, property, equipment, crime, fiduciary, public officials' and employment practices liability) renew in July 2012. Since the passage of the Terrorism Risk Insurance Act of 2002 ("TRIA"), terrorism coverages are included under all insurance policies.

Commercial property insurance is maintained by the Authority for its facilities above a self-funded level of \$1 million on most events, with maximum coverage per occurrence of \$1 billion. The insurance coverage includes various sub-limits as follows: (i) \$100 million of flood coverage, with a sublimit of \$25 million for locations in a 100-year flood zone; (ii) \$100 million for earthquake coverage; and (iii) \$600 million for terrorism.

The Authority maintains liability insurance for coverage of claims for damages or injuries caused by automobile accidents, broken water and sewer lines, construction and other operational activities. The Authority self funds the first \$1.0 million of each loss, and has liability insurance coverage of up to \$100 million.

The Authority is self-insured to meet its workers' compensation statutory requirements for work-related injuries. The Authority has purchased excess workers' compensation coverage for full statutory benefits in excess of a \$1.0 million self-funded level. A third party administrator is retained by the Authority to assist in managing its workers' compensation, general liability and auto liability claims.

The Authority also maintains a \$120 million public officials' liability insurance policy to cover the Authority directors and officers for management errors and omissions. A deductible of \$250,000 applies on this coverage. The Authority maintains \$100 million employment-related practices liability coverage, with a deductible of \$1.0 million per occurrence. In addition, the Authority maintains crime and fiduciary policies. The Authority's insurance policies are effective through July 1, 2012.

In Fiscal Year 2005, the Authority implemented a rolling owner-controlled insurance program ("ROCIP"). Under this program, the Authority procures insurance for all contractors working on construction projects at Blue Plains and on certain projects outside of Blue Plains. The ROCIP includes general liability and umbrella liability insurance of up to \$100 million and workers' compensation insurance covering statutory benefits due under the law. A deductible of \$500,000 applies on this coverage. The benefits of this program are broader coverage, enhanced safety and loss control, minority participation in capital projects (use of subcontractors who could not participate because of insufficient insurance coverage) and potential cost savings. At the end of Fiscal Year 2011, ROCIP included 105 projects utilizing a total of 593 contractors.

Organizational Initiatives

Number of Personnel

The Authority has enhanced its use of technology and best practices in recent years, including increasing levels of automation and changing work processes, which has enabled the Authority to reduce its budgeted staffing levels while simultaneously improving the levels of performance. This trend is shown in the following table, highlighting the budgeted staffing levels reduction from Fiscal Year 1998 through Fiscal Year 2009. Starting in Fiscal Year 2011, the Authority began to increase full time authorized positions as a result of a planned reduction in the reliance on contract staff for core functions and staffing of new programs, both of which have reduced overall Authority expenses and improved efficiency.

Full Time Authorized Positions

Fiscal Years 1998-2012

Fiscal Year ended/ending September 30	Full time Positions	Percentage Change
1998	1,508	-
1999	1,344	(10.9%)
2000	1,344	-
2001	1,309	(2.6%)
2002	1,198	(8.5%)
2003	1,144	(4.5%)
2004	1,122	(1.9%)
2005	1,138	1.4%
2006	1,134	(0.4%)
2007	1,128	(0.5%)
2008	1,124	(0.4%)
2009	1,124	-
2010	1,124	-
2011	1,165	3.6%
2012	1,202	3.1%

Source: Authority records.

Personnel Training

The Authority provides internal training opportunities for its employees that are specific to their positions as well as health and safety training to promote a safe work environment. The Authority participates in external industry forums that allow personnel from different utilities to exchange ideas, information and practices.

Performance Measurement

In Fiscal Year 2008, the Authority established a “performance design team” to enhance the methods by which it measures its performance. The team considered the Authority’s objectives and industry best practices. Based on this analysis, the Authority now tracks and reports a greater number of key performance measures covering financial, consumer services, operational and low income assistance matters. Examples of the key measures include operating cash balances, yield on investments, lead concentrations and other water quality indicators, first call resolution, hydrants out of service, electricity usage, sewer backups and participation in the Customer Assistance Program (“CAP”). The Board receives monthly reports from the General Manager providing both a performance dashboard and supporting data.

Asset Management

The Authority has implemented an Enterprise Asset and Work Management System (“TEAMS-Maximo”) to better manage its water and sewer infrastructure as well as its plant equipment. The system also manages the material and parts inventory that is used in support of the maintenance and repair effort.

Integration has been developed between TEAMS-Maximo and the Authority’s enterprise GIS that allows for the graphical representation of assets (mains, hydrants, valves, etc.) in context with their surroundings (e.g., streets, buildings, etc.), which greatly enhances users’ ability to view, plan and schedule work and to spot trends in the system. Integration also has been developed between TEAMS-Maximo and the Authority’s financial system, Lawson, which allows purchase requisitions that are created in TEAMS-Maximo based on inventory reorders to be automatically passed to Lawson as requisitions. This eliminates the duplication of data entry that occurred previously.

TEAMS-Maximo also allows the Authority to better monitor asset performance and administer repairs, including preventive maintenance, and has resulted in reduced emergency response times. Over time, it is anticipated that this asset management system will improve work order scheduling and ultimately lower service calls as preventive maintenance activities reduce the number of issues that require resolution.

The Authority continues to enhance TEAMS-Maximo to support different business processes related to work and asset management. Current and future initiatives that will be completed over the next few years include: field computing, fleet management, integration with the Authority’s electronic document management system (i.e., LiveLink), integration with SCADA, mobile inventory management, meter management and IT asset management. In addition, the Authority is working in collaboration with IBM on a “first-of-a-kind” project entitled “Analytics Driven Asset Management” (“ADAM”) which combines TEAMS-Maximo with analytics tools. ADAM has allowed the Authority to more effectively use TEAMS-Maximo data to perform trending and analysis and to more effectively plan and execute maintenance, repair and replacement of assets. For example, using ADAM, the Authority launched a water meter anomaly detection pilot program, which allows the Authority to identify failing meters and thereby recoup lost water revenue and avoid future revenue loss while minimizing the expense of performing meter tests.

THE SYSTEM

The Authority provides retail water distribution to the District and wastewater treatment, collection and disposal services to the District and certain neighboring counties in Maryland and Virginia. The following section describes the Water and Wastewater Systems of the Authority, including a description of the Aqueduct.



The Wastewater System

History and Description of Blue Plains Advanced Wastewater Treatment Plant

The Authority operates the Blue Plains Advanced Wastewater Treatment Plant, the largest advanced wastewater treatment facility in the United States. The original wastewater treatment facility at the site of Blue Plains was built in 1938. The original facility provided only primary treatment for up to 130 million gallons per day (mgd). Subsequently, there have been several expansions and upgrades. Since 1983, Blue Plains has provided advanced treatment, which includes nutrient removal, filtration and dechlorination. The most recent expansion of Blue Plains was completed in 1997, which increased the plant’s capacity to 370 mgd.

Service Area

The Blue Plains service area includes the District (retail service), parts of Fairfax and Loudoun Counties, the Town of Vienna in Virginia, parts of Prince George's and Montgomery Counties in Maryland, Washington Dulles International Airport and various U.S. Government agencies located in Virginia and Maryland (wholesale service). The population of the Blue Plains service area totals approximately 2.2 million, comprising of more than 600,000 residents of the District and 1.6 million residents of the surrounding jurisdictions. In addition, the Authority annually serves approximately 16.6 million visitors to the area and approximately 700,000 workers in the District.

Wholesale Customer Agreements

Intermunicipal Agreements – In 1985, the District signed the Blue Plains Intermunicipal Agreement of 1985 (the “IMA”) with Fairfax County in Virginia, Montgomery and Prince George's Counties in Maryland and the WSSC. The IMA outlines terms relating to facility location, sizing, capacity allocations and funding and long-term management of the wastewater treatment and disposal process. The cost of operations, maintenance and the capital program of Blue Plains is shared among the IMA signatories, which comprise 60% of the Blue Plains capacity. The IMA also establishes the Authority's right to require the User Jurisdictions to off-load flows to other wastewater treatment plants as necessary to provide the Authority capacity as needed to serve the District portion of the service area. The IMA signatories and the Authority have negotiated a new Intermunicipal Agreement (the “2012 IMA”), which is pending approval and execution by each of the signatories, including the Authority, in early 2012. The terms of the 2012 IMA will not affect the projected cash flows of the Authority and will not materially affect the allocation of costs among the signatories.

Potomac Interceptor Agreements – Since October 1963, the District has entered into separate agreements with various entities that were tributary to the Potomac Interceptor sewer. The agreements still in effect include those users who did not participate in the IMA as signatories, namely the Washington Dulles International Airport, the Department of the Navy, the National Park Service and the Town of Vienna, Virginia. The Potomac Interceptor agreements provide for the pro-rata recovery of the Authority's costs of constructing, operating and maintaining the Potomac Interceptor sewer and certain major interceptor sewers within the District and Blue Plains.

Loudoun County Sanitation Authority Agreement – In November 1998, the Authority executed an agreement with the Loudoun County Sanitation Authority (“LCSA”) allocating capacity at Blue Plains to LCSA. The agreement requires LCSA to pay for its share of operating and capital costs based on the IMA methodology, i.e., metered flows for operating costs and capacity allocation for capital costs.

Wastewater Collection

The wastewater collection system consists of approximately 1,800 miles of sanitary, stormwater and combined sewers, 125,000 building sewer laterals, 22 flow-metering stations, nine off-site wastewater pumping stations and 16 stormwater pumping stations. The sewers range from eight inches in diameter to 27 foot arch sewers. The sewers are generally constructed of vitrified clay, brick and concrete. Force mains are generally constructed of iron, steel or concrete. The system is predominantly sanitary sewers; however, combined sanitary and stormwater sewer systems are prevalent in the downtown area and older portions of the service area. Combined sewers serve approximately one-third of the District. The Authority has completed detailed assessments and a large number of improvements to many of the pumping stations. See “THE SYSTEM – Wastewater Regulation and Permits” below.

Sanitary Sewer System

A sanitary sewer system serves two-thirds of the District's land area. The system includes 1,200 miles of interceptor and sewer collection pipes with eight sanitary pumping stations. The typical operation is a gravity flow system with a few pumping stations to pump across higher grades in the District.

Combined Sewer Overflow Wastewater System

Approximately one-third of the District's land area is served by a combined sewer overflow ("CSO") wastewater system that combines both stormwater and wastewater in a single conveyance system. Combined sewer systems are common among older cities throughout the United States. The District's combined sewer system conveys only sanitary flow to Blue Plains during dry weather. During and immediately following periods of heavy rainfall, however, the combined sanitary and stormwater flows frequently exceed the capacity of the combined sewer system and a combination of stormwater and untreated wastewater is discharged through one or more of the 53 existing CSO outfalls authorized in the Authority's National Pollutant Discharge Elimination System ("NPDES") Permit. See "Wastewater Regulation and Permits – NPDES Permit" below.

Biosolids Disposal

Blue Plains currently produces more than 1,200 wet tons or 60 truckloads of biosolids on a daily basis. Currently these biosolids are considered Class B and are applied directly to land at various sites in Virginia and Maryland, with disposal in landfills being utilized as an alternate method if weather conditions do not allow land application. Land application of Class B biosolids, however, is becoming more expensive and is subject to increased regulations. As a result, the Authority has approved use of a new two-stage thermal hydrolysis solids digestion process, which will (i) produce Class A biosolids, thereby increasing beneficial reuse options, (ii) reduce the volume of biosolids by approximately 50% and (iii) reduce the Authority's energy use. The Current CIP includes approximately \$376.8 million for the costs of implementing the new biosolids disposal process. The Authority expects to begin operating the new biosolids digestion process in Fiscal Year 2014. See "CAPITAL IMPROVEMENT PROGRAM – Categories of Current CIP Projects – Wastewater Treatment Projects."

Wastewater Regulation and Permits

NPDES Permit. Blue Plains is authorized to discharge to the Potomac River treated effluent through two outfalls (Outfalls 001 and 002) pursuant to a NPDES Permit that was reissued to the Authority by Region III Office ("EPA Region III") of the United States Environmental Protection Agency (the "EPA") and became effective on September 30, 2010. Discharges through Outfall 002, which consist of sanitary flow and some combined sanitary and stormwater flow during and following rainfall events, receive complete treatment. Combined sanitary and stormwater flows that exceed Blue Plains' capacity to provide complete treatment receive partial treatment and are discharged through Outfall 001. The NPDES Permit also authorizes discharges to the Anacostia River, the Potomac River and Rock Creek from the combined sewer system through a total of 53 CSO outfalls. The Authority's NPDES Permit expires on September 30, 2015. The Authority is currently meeting the very stringent removal goals of the NPDES Permit and was the first agency to meet the voluntary nutrient reduction goal of the 1987 Chesapeake Bay Agreement. See "*The Chesapeake Bay Agreements*" below.

The Authority is required by the NPDES Permit and the Clean Water Act, 33 U.S.C. 1251 et seq. (the "Clean Water Act") to develop and implement a program of best management practices known as the Nine Minimum Controls ("NMC"). The NMC are designed to minimize adverse affects on water quality

of the Authority's CSO discharges. Pursuant to the NPDES Permit and the Clean Water Act, the Authority developed and is implementing its NMC program. The Authority has completed most of the NMC related projects including the rehabilitation of four major pumping stations to increase their capacity. The only outstanding obligations are certification of firm pumping capacity at one of the four major pumping stations and the replacement of a deteriorated segment of outfall sewer, which will be completed in early 2013.

The Authority is required by the NPDES Permit and the Clean Water Act to develop and implement the CSO Long-Term Control Plan (the "CSO LTCP"), which is designed to control combined sewer overflow discharges to prevent them from causing or contributing to violations of applicable water quality standards. The goal of the CSO LTCP is to construct combined sewer storage/conveyance tunnels that will intercept and store water until Blue Plains can receive and treat the combined sewage. When completed, the CSO LTCP will reduce the combined sewer overflows by at least 96%, reducing pollution to the Potomac, Anacostia and Rock Creek waterways and exceeding the EPA standard of 85%.

In Fiscal Year 2002, the Authority submitted a proposed CSO LTCP to EPA Region III. The Authority's 2003 NPDES Permit, however, was challenged by an environmental group on the basis of the CSO LTCP. In December 2004, the Authority reached agreement with the environmental plaintiffs, the EPA, the District and the U.S. Department of Justice on the CSO LTCP, which resulted in some modifications to the NPDES Permit. This agreement was formalized in a judicial consent decree entered in U.S. District Court in March 2005 (the "2005 Consent Decree"), which requires the Authority to implement the CSO LTCP over a 20-year period starting in March 2005.

An April 2006 decision issued by the U.S. Court of Appeals for the D.C. Circuit in a lawsuit filed by an environmental group requires EPA Region III to express the total maximum daily loads ("TMDLs") on a daily basis and not as annual loads. This court decision affects the water quality objectives that form the basis of the CSO LTCP design including the measurement of Total Suspended Solids ("TSS") and Biochemical Oxygen Demand ("BOD") limits. The EPA Region III approved the TMDL for TSS in July 2007 and the TMDL for BOD in June 2008. In January 2009, two lawsuits were filed against EPA by Anacostia Riverkeeper, Inc., et al., challenging the TMDLs for certain waters in the District of Columbia. The Authority has intervened in one of the cases.

The CSO LTCP project continues on schedule. The Anacostia River Facilities Plan was approved by EPA in July 2010 and the implementation of the plan commenced. The Current CIP includes approximately \$1.2 billion for the costs of the CSO LTCP and combined sewer projects. See "CAPITAL IMPROVEMENT PROGRAM – Categories of Current CIP Projects – Combined Sewer Overflow Projects." Effective May 1, 2009, the Authority implemented a rate structure that more equitably allocates the costs of the CSO LTCP to retail customers based on the impervious surface area on customers' properties. See "CUSTOMER BASE, RATES AND CHARGES – Rate-Setting Authority – Components of Retail Rates and Charges – Clean Rivers Impervious Area Charge."

Industrial Pretreatment Program. As with most large wastewater systems, the Authority, under the provisions of the Clean Water Act, operates an industrial pretreatment program to control the discharge into the wastewater system of industrial wastewater containing certain toxins or prohibited pollutants. The Authority regulates 71 "significant industrial users" as defined by EPA regulations. Twenty-five of these users are located within the District; the remainder are located in the User Jurisdictions.

Wastewater Consent Decree and Stipulated Agreement and Orders. Upon its creation, the Authority assumed responsibility for compliance with various legal actions taken against the District related to operation of, and discharges from, Blue Plains, specifically including a judicial Consent Decree

issued in 1995 (the “1995 Consent Decree”) and a subsequent Stipulated Agreement and Order (the “1996 Stipulated Agreement and Order”). The Authority has completed all of the requirements under both the 1995 Consent Decree and the 1996 Stipulated Agreement and Order. The EPA Region III has acknowledged satisfaction of these requirements, although the 1995 Consent Decree remains in effect.

The Chesapeake Bay Agreements. In 1987, the Mayor of the District and the Governors of the Commonwealths of Virginia and Pennsylvania and the State of Maryland entered into the 1987 Chesapeake Bay Agreement, committing themselves to, and subsequently achieving, a 40% reduction of nutrients such as nitrogen and phosphorus reaching the main stem of the Chesapeake Bay by the year 2000. In 2000, the parties entered into Chesapeake 2000, a comprehensive agreement to guide further efforts to improve the water quality in the Chesapeake Bay through 2010. Unlike many municipal wastewater treatment facilities that discharge into the Chesapeake Bay, the Authority has historically removed phosphorus and nitrogen and is currently meeting the reduction goal. As a supplemental environmental project in settlement of liability for stipulated penalties under the 1995 Consent Decree, the Authority installed a pilot program to test a nitrogen reduction process on one-half of its wastewater, which demonstrated a greater than 40% nitrogen reduction in completely treated effluent. As a result, in 2000, the Authority began operation of full plant scale biological nutrient removal.

The NPDES Permit requires the Authority to comply with a new total nitrogen discharge limit by January 1, 2015. The new total nitrogen discharge limit matches the 2010 goal of the Chesapeake 2000 Agreement. The Authority has negotiated with EPA Region III to define the scope and schedule of capital improvements that are necessary to implement this modification and as a result has developed the Blue Plains Total Nitrogen Program (“BTN”), which is designed to improve treatment processes to achieve advanced treatment with nitrification and denitrification facilities. The Current CIP includes approximately \$673 million for the cost of the BTN, which is expected to be completed in 2025. See “CAPITAL IMPROVEMENT PROGRAM – Categories of Current CIP Projects – Wastewater Treatment Projects.”

Air Quality Issues. In March 2008, the Authority submitted an application to the District of Columbia Department of Environment for a Title V air quality operating permit pursuant to Chapter 3 of Title 20 of the District of Columbia Municipal Regulations (referred to as a Chapter 3 Operating Permit). As of the date of this Official Statement, the Authority’s application was still pending.

Future Matters. In addition to continued compliance with its current permits and regulations described above, in the future, the Authority’s wastewater discharges may become subject to additional requirements based on new federal or local requirements. As the EPA promulgates additional regulations, the Authority may be required to modify operations and/or construct facilities beyond those contemplated in the Current CIP.

The Water System

The Washington Aqueduct

Established in 1852, the Washington Aqueduct Division of the United States Army Corps of Engineers (the “Army”) provides water to the District and parts of Virginia. The Army owns and operates the Aqueduct, including its two water treatment plants, raw water conduits, reservoirs, pumping stations and treated water transmission lines.

The Aqueduct facilities supply treated water to distribution systems of the Authority, the federal government, Arlington County, the City of Falls Church and other parts of northern Virginia. The Authority is responsible for managing the treated Water System that serves the District and several other

governmental customers outside the District. The Authority purchases approximately 75% of the finished water produced by the Aqueduct, and Arlington County and the City of Falls Church, Virginia (collectively, the “Aqueduct Customers”) purchase the remainder. The Authority’s share of the water purchased from the Aqueduct in the last ten Fiscal Years is set forth in the following table. For a discussion regarding the reduction in consumption and customer demand, see “CUSTOMER BASE, RATES AND CHARGES – Customer Demand.”

Historical Water Demand

Fiscal Year ended September 30	Annual Deliveries to System (MG)	Average Day (mgd)	Max Day (mgd)
2002	48,634	133.2	170.3
2003	45,655	125.1	164.9
2004	46,725	128.0	164.6
2005	45,057	123.4	149.6
2006	41,541	113.8	161.6
2007	41,687	114.2	156.5
2008	40,755	111.7	150.5
2009	39,998	109.6	150.4
2010	38,589	105.7	146.9
2011	37,556	102.9	143.7

Source: Authority’s CAFR.

The federal Safe Drinking Water Act Amendments of 1996 authorized the Aqueduct Customers to establish a non-federal public or private utility to receive title to operate, maintain and manage the Aqueduct or to allow the Army to remain as owner and operator with the Aqueduct Customers having some input into strategic operations, direction, operations and capital improvement of the Aqueduct. In May 1998, the Aqueduct Customers and the Army executed a Memorandum of Understanding that the Army would continue to own and operate the Aqueduct facilities.

The Aqueduct has developed a capital improvement program for its facilities, including improvements to the Dalecarlia and McMillan Water Treatment Plants (each a “WTP”), raw water conduits, pumping stations and reservoirs. The Authority’s share of Aqueduct capital improvements in the Current CIP totals approximately \$107.1 million. See “CAPITAL IMPROVEMENT PROGRAM – Categories of Current CIP Projects – Washington Aqueduct Projects.”

Water Sales Agreement

Pursuant to a Water Sales Agreement, dated as of July 31, 1997, by and between the Authority and the Army (the “Water Sales Agreement”), the Army sells and furnishes to the Authority all of the finished water that the Authority requires for the operation of the Water System to the extent that the Army has water and facilities available at the Aqueduct. In accordance with the Water Sales Agreement, the Authority is obligated to make monthly payments into an escrow account to be used by the Army to cover the Authority’s pro rata share, based on its consumption of water, of the costs of the operation and capital improvement of the Aqueduct. The Authority currently contributes approximately 75% of capital and operating expenditures of the Aqueduct. The Water Sales Agreement will remain in effect until September 30, 2023, unless earlier terminated in accordance with its terms. Thereafter, the Water Sales Agreement may continue until terminated by either party giving the other party not less than six months’ prior written notice.

Water Supply

The Aqueduct obtains its water supply from two Potomac River intakes at Great Falls and Little Falls. Two other regional water suppliers, the Fairfax County Water Authority (“FCWA”) and the WSSC also obtain water from the same general area of the Potomac River. Water for the Authority is withdrawn at the Great Falls intake and flows by gravity through two nine-mile conduits and is then pumped to the Dalecarlia Reservoir. Water also may be withdrawn from the Little Falls intake and pumped to the Dalecarlia Reservoir. The Dalecarlia Reservoir acts as a presedimentation basin for water drawn into the Dalecarlia WTP and for water diverted to the Georgetown Reservoir for subsequent treatment at the McMillan WTP.

In 1978, the U.S. Government, the District, the State of Maryland, the Commonwealth of Virginia and the FCWA entered into a Low Flow Allocation Agreement to provide a basis for allocation of resources during severe drought conditions and outline procedures to be followed in such circumstances. Water supply reservoirs developed on Little Seneca Creek and the north branch of the Potomac River are designed to augment the natural flow of the Potomac River during low flow conditions and ensure that the Washington metropolitan area will have sufficient water for years to come. These reservoirs were first used during the drought of 1999 and then again in 2002.

Raw Water Supply Agreements

A series of agreements ensures the continuous adequate supply of water to the Aqueduct’s and the Authority’s customers. The following are the Authority’s raw water supply agreements:

The Savage Reservoir Maintenance and Operation Cost Sharing Agreement was executed in June 1982. Pursuant to the laws of the State of Maryland, the Upper Potomac River District contracted with the District, WSSC, FCWA and Allegheny County, Maryland, to share the operation, maintenance, repair and replacement costs of the Savage Reservoir project located in western Maryland. This agreement provides for releases from Savage Reservoir that mix with, and thereby reduce, the acidic nature of the Jennings Randolph Lake waters. The Savage Reservoir cost-sharing agreement was incorporated by reference into the Water Supply Coordination Agreement described below.

The Little Seneca Lake Cost Sharing Agreement was executed in July 1982 by and among the District, WSSC and FCWA to construct a dam and reservoir to provide an adequate supply of potable water continuing into the current century. This agreement calls for WSSC to finance, construct, operate and maintain Little Seneca Lake. The Authority’s share of the project and operating and maintenance costs under the agreement is 40%. The Little Seneca Lake Cost Sharing Agreement was incorporated by reference into the Water Supply Coordination Agreement described below.

The Water Supply Coordination Agreement was executed in July 1982 by and among WSSC, FCWA and the Aqueduct to provide for the coordinated operation of its water supply sources and cooperative regional management of the water supply system and the cost-sharing arrangement for any water supply projects for the Washington metropolitan area, if and when they are needed.

The Novation and Future Water Supply Storage Agreement was executed in July 1982, by and among the United States, the Maryland Potomac Water Authority, WSSC, FCWA and the District, to provide for an initial water supply storage in the Jennings Randolph Lake reservoir of approximately two billion gallons. The Novation and Future Water Supply Storage Agreement increases the amount of water supply storage to 13.4 billion gallons, or 32% of the reservoir’s total storage. Of the remaining reservoir storage 40% is designated for water quality and 28% for flood control.

Water Treatment and Storage

The Authority receives finished water from the Dalecarlia and McMillan WTPs. The original Dalecarlia WTP was completed in 1928, and underwent major expansion and improvements in 1964. The McMillan WTP was constructed in 1985 on the site of the original 1905 plant. The design capacity of the Dalecarlia and McMillan WTPs was based on population growth and water use projections that are greater than have been realized to date. The total treatment capacity of the plants of 320 mgd currently exceeds the day-to-day demands and peak requirements of their respective service areas.

Finished water from the Dalecarlia WTP is pumped by the Dalecarlia Pumping Station to the following reservoirs which serve various pressure zones within the District: Brentwood, Foxhall, Van Ness and Fort Reno Reservoir No. 1 and No. 2. Finished water from the McMillan WTP is pumped by the Authority’s Bryant Street Pumping station to District customers. Brentwood and Reno No. 1 reservoirs, which can store up to 143.5 MG of finished water, are the Authority facilities. The other three reservoirs are owned and operated by the Aqueduct and can store up to 125 MG of finished water. Flexibility in the distribution system is provided so that each of the two water pumping stations can pump to other reservoirs in the distribution system as circumstances dictate.

Sold vs. Pumped Ratio

The Authority regularly monitors the ratio of water billed to customers (sold water) versus water it purchases from the Aqueduct (pumped water). Unlike many other water utilities, the Authority does not adjust this ratio for water used in normal system activities, such as firefighting and system maintenance, including flushing of water mains and hydrant testing. The Authority’s historical sold vs. pumped ratio for the past ten Fiscal Years is shown on the following table.

Sold vs. Pumped Ratio

Fiscal Year ended September 30	Delivered From Aqueduct (MG)	Billed (MG)	Sold/Pumped Ratio %
2002	48,634	32,147	66.10
2003	45,655	31,335	68.63
2004	46,725	31,643	67.70
2005	45,057	31,179	69.20
2006	41,541	31,717	76.35
2007	41,687	31,581	75.76
2008	40,755	30,603	75.09
2009	39,998	29,344	73.36
2010	38,589	29,004	75.16
2011	37,556	29,040	77.32

Source: Authority records.

The sold vs. pumped ratio increased from 69% in 2003, to 76% in 2007, partly due to improvements in meter reading as a result of the Authority’s comprehensive meter replacement and Automated Meter Reading (“AMR”) project which began in 2002. The Authority has replaced approximately 98.9% of all meters designated for replacement. See “CAPITAL IMPROVEMENT PROGRAM – Categories of Current CIP Projects – Meter Replacement Projects.” Water sales are derived from the operating budget of the Authority and may not be consistent with the audited financial statements for each year. The cost of unbilled water is not substantial relative to total annual expenses of the Authority.

Water System Regulation and Permits

Drinking Water Quality

The water operations of the Aqueduct and the Authority are subject to the requirements of the federal Safe Drinking Water Act of 1974, as amended in 1986 and 1996 by Congress. The 1986 amendments to the Safe Drinking Water Act extended the regulatory agenda of the EPA to include, among other things, the development of drinking water standards for 89 contaminants.

The Aqueduct and the Authority are in substantial compliance with all physical, chemical, radiological and bacteriological standards established by the regulations currently in effect under the Safe Drinking Water Act and are studying the potential impacts of proposed rules as well as those still under development by the EPA. As the EPA promulgates additional regulations, there is a potential that the Aqueduct or the Authority will be required to modify operations and/or construct facilities beyond those contemplated by the Current CIP. The Aqueduct and the Authority management believe, however, that planned capital projects should address all known current and future regulatory requirements.

NPDES Permit and Water Treatment System Sediments

Until April 2003, during high flow periods, the Aqueduct discharged into the Potomac River the river sediments that are removed during the treatment process. The NPDES Permit issued in March 2003 included discharge limitations on sediments. The Aqueduct entered into a Federal Facilities Compliance Agreement (“FFCA”) with EPA Region III, which provides a legally-mandated plan and an enforceable compliance schedule for achieving the effluent discharge limitations in the NPDES Permit. The Aqueduct evaluated various options for residuals collection, conveyance, processing and disposal and selected a process which dewateres the residuals on site and transports them off-site for disposal. Construction on this project commenced in Fiscal Year 2008, and is expected to be completed in March 2012. The Authority’s share of the total cost of this project is \$86.5 million. See “CAPITAL IMPROVEMENT PROGRAM – Categories of Current CIP Projects – Washington Aqueduct Projects.”

Disinfectants/Disinfection Byproducts Rule

The EPA has restricted the levels of disinfection byproducts in the Water System and has imposed additional restrictions under the Disinfectants and Disinfection Byproducts Rule (“DBPR”). The EPA promulgated this rule in two stages.

Stage 1. In December 1998, the EPA lowered permitted levels of certain contaminant and disinfection byproduct levels. To comply with this requirement, in 2000, the Aqueduct converted from free chlorine disinfection to chloramines disinfection.

Stage 2. In January 2006, the EPA established maximum contaminant level goals for chloroform, monochloroacetic acid and trichloroacetic acid, a requirement for extensive distribution monitoring and more stringent compliance readings at the tap. The Aqueduct has implemented additional disinfection practices and altered plant operations to meet these requirements.

Enhanced Surface Water Treatment Rule

In January 2002, the EPA promulgated in final form its “Long Term 1 Enhanced Surface Water Treatment Rule,” directed toward control of microbial pathogens, specifically the protozoan *Cryptosporidium*, in public drinking water systems. The rule requires systems to meet strengthened filtration requirements as well as to calculate levels of microbial inactivation to ensure effective reduction

of microbial contaminants. The Aqueduct has installed individual turbidity monitors on each filter and has set operational turbidity and *Cryptosporidium* reduction goals below those established by the rule.

In January 2006, the EPA published its “Long Term 2 Enhanced Surface Water Treatment Rule,” to reduce illness linked with *Cryptosporidium* and other pathogenic microorganisms in drinking water. Under this rule, public water systems must monitor their water sources to determine treatment requirements. This monitoring includes an initial two years of monthly sampling for *Cryptosporidium*. Treatment measures used by the Aqueduct currently meet these regulations.

Lead Levels

Pursuant to the Safe Drinking Water Act, the Lead and Copper Rule promulgated in 1991 by the EPA (the “Lead and Copper Rule”) establishes maximum contaminant level goals and action levels for lead and copper. Large water suppliers, such as the Authority, are required to perform periodic monitoring and optimize corrosion control of water so as to minimize leaching of lead and copper contaminants into drinking water. If more than 10% of the tap water samples contain lead above the “action level” of 15 micrograms per liter, the water supplier is required to perform public education and to optimize the corrosion control treatment. If, after optimal corrosion control treatment has been implemented, the lead level in water at the tap continues to exceed the action level, the supplier must annually replace 7% of existing lead service lines that it owns. Alternatively, the supplier may demonstrate through testing that individual lead service lines that it owns do not have lead levels above the action level (called “sampling in lieu of replacement”). The supplier may perform a combination of these two actions to attain the 7% annual replacement level.

In August 2002, the Authority reported to EPA Region III that results for the sampling period from July 2001 to June 2002 demonstrated lead levels in excess of the threshold for action established by the Lead and Copper Rule. Elevated lead levels were believed to be linked to changes in the Aqueduct’s water treatment methods. In November 2000, the Aqueduct had switched from free chlorine to chloramines disinfection to reduce the concentration of disinfection byproducts under the federal Disinfectant Byproducts Rule. Elevated lead levels began appearing within a year of the chlorine/chloramines switchover.

In February 2004, EPA Region III commenced an audit of the Authority’s compliance with the Lead and Copper Rule and found noncompliance with regard to sampling, monitoring, public notification and reporting requirements. In an Administrative Order dated June 17, 2004, as supplemented on January 14, 2005, and amended on June 8, 2005 (collectively, the “Administrative Order”), EPA Region III and the Authority agreed to remedies for the issues identified by the compliance audit. The Authority and the Aqueduct undertook appropriate measures to implement corrosion control treatment. Lead levels have consistently been below the action level since 2005 and the Authority is no longer subject to the Administrative Order from EPA Region III.

Pursuant to a Consent Agreement and Final Order (“CAFO”) executed on May 2, 2007, the Authority agreed to pay a civil penalty in the amount of \$10,000 to EPA Region III for certain alleged reporting violations of the Lead and Copper Rule. The CAFO resolved all of the civil claims in connection with these allegations. EPA Region III and the U.S. Department of Justice also conducted an investigation to determine whether any criminal violations occurred in connection with the Annual Report on Lead Service Replacement Program the Authority filed with EPA Region III in October 2003 and the two different methods the Authority used to test lead levels. In October 2008, EPA Region III and U.S. Department of Justice informed the Authority that it would take no adverse action against the Authority, thereby resolving all criminal claims against the Authority in connection with this matter.

In addition to the measures undertaken by the Authority pursuant to the Administrative Order, in 2004 the Authority commenced a voluntary lead service replacement program, even though not legally required to do so under the Lead and Copper Rule. In order to reduce adverse impacts and costs to ratepayers, lead service replacement construction work was performed in conjunction with sewer laterals, small valves and water main repair work, and the replacement of broken or defective hydrants. However, this resulted in a large number of partial lead service replacements because many property owners declined to replace the lead service line on their private property. In 2008, in response to research indicating that partial lead service replacements are not effective in reducing lead levels, the Authority discontinued its accelerated replacement program. In September 2009, the Board approved modifications of the Authority's lead service replacement policy to encourage full service line replacements and to manage costs. Under the modified policy, public lead service lines (between the main and the property line) will continue to be replaced with copper pipes in conjunction with: (i) the Authority's water main replacement projects when the Authority must replace the water service pipe to connect to a new water main, and (ii) when the customer replaces the private portion of lead service lines and requests that the Authority replace the public portion of the lead service line.

A study authored by Marc Edwards, PhD, an engineer at the Virginia Polytechnic Institute and State University, and Dana Best, MD, a physician at the Children's National Medical Center, published in the March 1, 2009, issue of *Environmental Science and Technology*, found that the number of toddlers and infants with high blood-lead concentrations more than doubled in certain District neighborhoods that experienced rising lead concentrations in 2001 (the "Edwards Study"). These findings contradicted a report published by the Centers for Disease Control and Prevention (the "CDC") on March 30, 2004 (the "2004 CDC Report"), which found that lead might have contributed a small increase in blood lead levels and claimed that no children with dangerously high blood lead levels were found in the District.

The Edwards Study prompted the United States House of Representative's Committee on Science and Technology to open an investigation into the 2004 CDC Report. The Majority Staff of the Subcommittee on Investigations and Oversight of the Committee on Science and Technology issued a report on May 20, 2010, releasing its findings. The Subcommittee's primary findings include, among others, that (i) the CDC knowingly used flawed data in drafting the 2004 CDC Report, leading to "scientifically indefensible" claims being included in the 2004 CDC Report, and (ii) the CDC failed to publicize later research showing that the harm was more serious than the 2004 CDC Report suggested. In May and June 2010, the CDC issued two notices to the readers of its digest, *Morbidity and Mortality Weekly Report*, admitting that the 2004 CDC Report was misleading and that it "should not be used to make conclusions about the contribution of water lead to blood levels in DC, to predict what might occur in other situations where lead levels in drinking water are high, or to determine safe levels of lead in drinking water." In December 2010, the CDC published a study of the District's water supply conducted from 1998 to 2006, which concluded that children living in the District were exposed to high levels of lead despite an attempt to prevent the water from being contaminated by partial lead service replacements. The 2010 CDC Study confirms information the Authority received in previous years which led the Authority in 2008 to discontinue the partial lead service line replacements. Partial line replacements can cause agitation that temporarily releases lead into the home, which can cause a temporary spike in lead levels. As described above, the Authority modified its lead service line replacement program in 2009 and continues its efforts to address lead in drinking water by: (i) monitoring household lead levels to ensure drinking water is in compliance with the EPA drinking water standards, (ii) conducting research on household plumbing characteristics, (iii) offering free lead testing, (iv) recommending full lead service replacements on public and private property, (v) providing free water filters and lead testing following a full or partial lead service line replacement, (vi) recommending that pregnant women and children under the age six should use filtered tap water for drinking and cooking until all sources of lead impacting water are removed, and (vii) participating in coordinated District interagency meetings and responses to lead in water issues.

The Authority estimates the cost of the lead service line replacement program in the Current CIP at \$21.7 million. Since inception through December 31, 2011, the Authority expended \$139.6 million on the lead service line replacement program. See “CAPITAL IMPROVEMENT PROGRAM – Categories of Current CIP Projects – Water Projects.”

Protection of the Water System and Wastewater System

In 2000, the Authority developed and began implementing an extensive security program in conjunction with the District’s Metropolitan Police Department and various federal agencies, including the Federal Bureau of Investigation and the Bureau of Alcohol, Tobacco and Firearms (the “2000 Security Program”). After the events of September 11, 2001, and in response to certain provisions of the Bioterrorism Act of 2002 and amendments to the Safe Drinking Water Act pertaining to security for community water systems, the Authority developed and implemented additional security measures beyond the 2000 Security Program.

The Aqueduct and each of the Aqueduct Customers have independent obligations under the law to protect the community water systems they operate. Both the Authority and the Aqueduct completed studies of Water System vulnerability using the Sandia National Laboratories RAM-W methodology. The vulnerability reports were submitted to EPA Region III in March 2003 to fulfill the Bioterrorism Act requirement for a vulnerability assessment.

Blue Plains and the primary water and sewer distribution facilities it owns and operates are fenced, gated and manned 24 hours by security officers. Major security technology video surveillance, intrusion alarm monitoring, and access control management system upgrades are in progress at these facilities. The secondary distribution facilities are monitored by vehicular security patrols. The Authority also employs cameras and other monitoring equipment at these facilities.

Access to facilities operated by the Aqueduct is also controlled and the Aqueduct has increased security at both staffed and remotely operated facilities. In conformance with the requirements of the Safe Drinking Water Act, the Aqueduct contracted with the Interstate Commission on the Potomac River Basin to develop a source water assessment and monitoring program. The program was implemented in 2002.

While the Aqueduct and the Authority have taken these actions to help ensure the security of the System, the Authority does not represent that any existing or additional safety and security measures will be adequate in the event that terrorist activities are directed against the System.

CAPITAL IMPROVEMENT PROGRAM

General

The Authority utilizes an annually adopted ten-year Capital Improvement Program to plan and manage the capital investments necessary to fulfill its service missions, comply with regulatory requirements and preserve and upgrade its Water and Wastewater Systems. The Authority updates the CIP annually in conjunction with its budget process, based on detailed project review by engineering staff, external engineering consultants retained by the Authority and senior management.

The Authority evaluates and prioritizes capital projects based on specific criteria. These criteria are fundamental in developing a CIP based on demonstrated needs and are set forth in the following table and described below.

Capital Improvement Program Criteria
(\$ in thousands)

Category	Mandates	Health & Safety	Board Policy	Potential Failure	High Profile / Good Neighbor	Good Engineering Practices / High Payback	Good Engineering Practices / Low Payback	Total
FY 2011	\$114,836	\$4,883	\$12,891	\$54,924	\$7,710	\$92,176	\$9,958	\$297,378
FY 2012	230,758	8,499	13,053	52,680	6,582	206,230	13,941	531,741
FY 2013	264,921	10,730	11,722	62,810	7,043	294,875	13,599	665,701
FY 2014	179,609	24,885	13,358	69,860	8,225	165,553	8,853	470,343
FY 2015	214,822	23,496	11,083	54,011	3,897	104,732	5,931	417,972
FY 2016	226,372	9,866	11,348	39,372	-	84,107	12,580	383,644
FY 2017	205,415	6,685	9,361	31,701	-	84,259	24,967	362,387
FY 2018	66,879	8,510	8,367	24,096	-	88,239	45,051	241,142
FY 2019	68,909	9,296	5,818	18,898	-	102,803	8,679	214,401
FY 2020	99,930	5,975	7,857	12,577	-	101,577	11,545	239,462
Total	\$1,672,449	\$112,825	\$104,857	\$420,928	\$33,456	\$1,324,550	\$155,104	\$3,824,170
% of Total	43.73%	2.95%	2.74%	11.01%	0.87%	34.64%	4.06%	100.00%

Source: Authority records.

- 1A. Mandates – projects undertaken to comply with agreements, regulatory standards, court orders, issues and permit requirements such as the CSO LTCP.
- 2A. Health and safety – projects required to address public health and safety, including workplace health and safety.
- 2B. Board policy, the Authority’s commitment to outside agencies – projects undertaken as a result of the Board’s commitment to outside agencies such as the hydrant replacements for the District’s Fire and Emergency Management Services and capital projects of the Washington Aqueduct.
- 2C. Potential failure/ability to continue meeting permit requirement – projects to construct or rehabilitate facilities or equipment in danger of failing or critical to ensuring future compliance with permit requirements.
- 2D. High profile, good neighbor policies – projects addressing concerns communicated by customers, citizens or public officials.
- 3A. Good engineering, high payback, mission/function – projects needed for existing facilities and infrastructure required for the Authority to fulfill its mission as well as resolving operational issues.
- 3B. Good engineering, low mission/function over long-term – lower priority projects which are needed for rehabilitation and upgrading of facilities and infrastructure.

Since its creation in 1996 through September 30, 2011, the Authority has expended approximately \$2.6 billion, on a cash disbursement basis, for capital improvement projects, including \$1.0 billion for projects at Blue Plains, \$559 million for Water System infrastructure projects, \$541 million for the CSO LTCP and combined sewer projects, \$138 million for sanitary sewer projects and \$51 million for meter replacement/AMR projects. The Authority estimates the cost of the Current CIP (which includes funds spent in Fiscal Year 2011) at \$3.8 billion on a cash disbursement basis, including approximately \$1.4 billion for wastewater treatment projects at Blue Plains, \$1.2 billion for the CSO LTCP and combined sewer projects, \$567 million for Water System infrastructure projects, \$457 million for sanitary sewer projects and \$29 million for meter replacement/AMR projects. The Board approved the Current CIP on January 5, 2012.

An overview of the Current CIP project categories and the sources of funding is set forth in the following table.

FISCAL YEAR 2011-2020 CAPITAL IMPROVEMENT PROGRAM
SOURCES AND USES OF CAPITAL FUNDS
 Fiscal Years ending September 30
 (\$ in millions)¹

	2011	2012	2013	2014	Projected		2017	2018	2019	2020	CIP Total
					2015	2016					
BEGINNING BALANCE	\$7.43	\$132.63	\$173.75	\$36.67	\$35.87	\$2.37	\$3.11	\$2.97	\$1.90	\$1.63	\$398.33
SOURCES OF FUNDS											
Proceeds from Revenue											
Bonds/Commercial Paper	\$211.72	\$300.00	\$200.00	\$250.00	\$236.58	\$248.74	\$237.73	\$151.85	\$130.70	\$162.62	\$2,129.95
Proceeds from Treasury											
Notes/Digester Financing Option	75.00	-	-	-	-	-	-	-	-	-	75.00
Capital Equipment Financing	6.00	8.18	12.28	12.27	9.91	7.34	-	-	-	-	55.98
Pay-Go Financing	2.55	32.55	13.73	23.12	29.02	32.86	40.03	42.63	50.76	50.71	317.96
EPA Grants/D.C. Reimbursement	16.01	25.46	34.42	40.91	22.50	16.50	16.50	16.50	16.50	16.50	221.80
CSO Grants	28.26	31.33	30.00	-	-	-	-	-	-	-	89.59
Wholesale Customer Contributions	82.01	175.24	237.90	141.35	84.10	75.83	65.02	27.19	14.54	7.99	911.17
Interest Income	1.03	0.09	0.30	1.88	2.37	3.11	2.97	1.90	1.63	2.03	17.31
TOTAL SOURCES OF FUNDS	\$422.58	\$572.85	\$528.63	\$469.54	\$384.47	\$384.39	\$362.25	\$240.07	\$214.14	\$239.86	\$3,818.77
USES OF FUNDS											
Wastewater Treatment Projects	\$125.88	\$275.85	\$378.65	\$209.31	\$110.80	\$104.08	\$95.92	\$42.22	\$16.82	\$4.35	\$1,363.88
Sanitary Sewer Projects	24.49	39.92	45.38	56.78	64.34	44.57	41.29	55.93	44.42	40.11	457.22
Combined Sewer Projects	36.46	16.09	12.17	19.65	18.04	19.67	13.62	11.73	12.29	14.58	174.30
CSO LTCP Projects	41.42	115.92	139.86	92.11	145.17	137.87	128.31	45.45	66.26	98.04	1,010.40
Stormwater Projects	2.16	2.78	4.28	2.55	0.80	0.78	0.74	0.81	0.90	0.51	16.29
Washington Aqueduct Projects	9.49	11.37	10.60	10.74	11.02	11.28	11.59	10.89	10.32	9.84	107.15
Water Projects	44.11	51.59	57.65	65.49	55.48	54.92	60.19	63.13	52.84	61.78	567.17
Capital Equipment	10.59	15.35	15.34	12.38	9.17	7.28	7.35	7.65	6.78	6.78	98.66
Meter Replacement/AMR	2.78	2.88	1.79	1.33	3.17	3.21	3.39	3.33	3.77	3.47	29.11
TOTAL USES OF FUNDS	\$297.38	\$531.74	\$665.70	\$470.34	\$417.97	\$383.64	\$362.39	\$241.14	\$214.40	\$239.46	\$3,824.17
SOURCES MINUS USES	\$125.20	\$41.11	(\$137.08)	(\$0.80)	(\$33.50)	\$0.74	(\$0.14)	(\$1.07)	(\$0.26)	\$0.40	(\$5.40)
ENDING BALANCE	\$132.63	\$173.75	\$36.67	\$35.87	\$2.37	\$3.11	\$2.97	\$1.90	\$1.63	\$2.03	\$392.93

¹ Totals may not add due to rounding.

Source: Amawalk

Categories of Current CIP Projects

Wastewater Treatment Projects. Capital projects in the wastewater treatment service area are required to rehabilitate, upgrade or provide new facilities at Blue Plains to ensure that it can reliably meet its NPDES Permit requirements and produce a consistent, high-quality dewatered solids product for land application. Several major capital improvement projects to rehabilitate, replace or add new processes and capacity at Blue Plains were completed in recent years, including upgrades to the grit and screen facilities, primary treatment facilities and secondary treatment facilities. Improvements to the additional dewatering facilities, including seven new centrifuges and expanded storage facilities, have been completed. In addition, construction of new chemical handling facilities for metal salts, polymers and sodium hypochlorite has been completed, thereby eliminating bulk chlorine and sulfur dioxide gas storage and a major safety risk to workers and the surrounding neighborhood. In conjunction with placing these new facilities in service, the Authority has implemented the process computer controls system projects associated with each of these long-term improvements to enable monitoring and control of the upgraded equipment and systems, allowing the Authority to achieve greater control over operating costs, process and treatment efficiency.

The Authority currently contracts to haul the biosolids removed in the wastewater treatment process at Blue Plains to farms, forests and mine reclamation sites for recycling. This process involves costs for hauling as well as recycling. On an average, the Authority annually hauls approximately 453,000 wet tons of biosolids. In Fiscal Year 2010, the Authority commenced implementation of a digester project, which involves the design and installation of a thermal hydrolysis solids digestion process (the “Digester Project”). The Digester Project is expected to be completed in Fiscal Year 2014. Once operational, the digestion process is expected to: (i) reduce the volume of biosolids produced and hauled by approximately 50%, thereby reducing hauling and recycling costs; (ii) produce Class A biosolids, which can be applied to the land without any pathogen-related restrictions at the site and also can be bagged and marketed to the public for application to lawns and gardens, thereby increasing beneficial reuse options; (iii) generate up to 30% of energy used for, and thereby reduce overall power costs of, operations at Blue Plains by converting organic matter to methane which will be burned to create electricity and by recovering excess heat generated during the combustion process; and (iv) substantially reduce the Authority’s carbon footprint.

The Current CIP budget for wastewater treatment projects is approximately \$1.4 billion, which includes approximately \$459.6 million for solids processing projects such as major improvements to solids dewatering and thickening facilities and \$673.5 million for the BTN program. In the event the EPA Region III requires the Authority to revise its current plans and/or proposals for the BTN, the cost of implementing the BTN could be substantially greater than the amount included in the Current CIP. See “THE SYSTEM – Wastewater Regulation and Permits – *The Chesapeake Bay Agreements.*”

Sanitary Sewer Projects. The Current CIP includes approximately \$457.2 million for sanitary sewer projects including the rehabilitation of three sanitary sewer pumping stations – Rock Creek, Earl Place and Upper Anacostia, sewer condition assessments that cover 90 miles of the system per year through year 2016, reconstruction of the 50-mile Potomac Interceptor and other on-going sewer projects such as repairs and replacement of manholes and improvements to access roads.

In 2009, the Authority completed a Sewer System Facilities Plan. This document culminated a five year effort involving sewer inspection and condition assessment, development of a sewer GIS database, hydraulic monitoring and modeling to assess system capacity and the development of prioritized activities for system improvement. The Sewer System Facilities Plan identified a significant increase in funding needed for sewer infrastructure improvement. As a result, the current CIP budget includes approximately \$220 million to make improvements recommended in the Sewer System Facilities Plan.

Combined Sewer Overflow Projects. The Current CIP includes \$1.2 billion for the CSO LTCP and combined sewer projects. The CSO LTCP is designed to control combined sewer overflow discharges to prevent them from causing or contributing to violations of applicable water quality standards. See “THE SYSTEM – Wastewater Regulation and Permits – *NPDES Permit.*” Pursuant to the CSO LTCP, the Authority will construct combined sewage storage/conveyance tunnels that are designed to intercept and store water until Blue Plains can receive and treat the combined sewage. When completed, the CSO LTCP will reduce the combined sewer overflows by at least 96%, reducing pollution to the Potomac, Anacostia and Rock Creek waterways and exceeding the EPA standard of 85%. The Authority expects to implement the CSO LTCP over a 20-year period, which commenced in March 2005, at a total estimated cost (including funds spent prior to Fiscal Year 2010) of \$2.6 billion.

Stormwater Projects. The budget for the stormwater service area in the Current CIP is approximately \$16.3 million and includes extensions to the system and relief of certain sewers as well as rehabilitation or replacement of deteriorated storm sewers.

Washington Aqueduct Projects. The Washington Aqueduct provides wholesale water treatment services to the Authority and other Aqueduct Customers. See “THE SYSTEM – The Water System – *The Washington Aqueduct.*” Under federal legislation enacted and a memorandum of understanding executed in 1997, the Aqueduct Customers have a role in the oversight of the Aqueduct’s operations and its capital improvement program. The Aqueduct successfully designed, constructed and implemented a new orthophosphate corrosion control system at its water treatment plants in 2005 that meets the optimal corrosion control requirements of the Lead and Copper Rule. As a result, periodic sampling by the Authority shows that lead levels are below the action level, which supported the decision of the Authority to significantly modify its lead pipe replacement program. The Current CIP includes approximately \$107.1 million for Aqueduct projects, including funds for modifications to existing sedimentation basins to permit the installation of new continuous residuals collection equipment, construction of three new residuals pumping facilities, installation of several underground liquid residuals conveyance pipelines and construction of a new central residuals processing facility. See “THE SYSTEM – The Water System – Water System Regulation and Permits – *NPDES Permit and Water Treatment System Sediments.*”

Water System Projects. Projects in the water service area are designed to maintain an adequate and reliable potable water supply to customers and fire protection. Categories of projects include the rehabilitation and replacement of water mains, storage facilities and pumping stations. They also include water service connection and meter replacement. Major water projects have included lead service replacements, rehabilitation and/or construction of pumping stations such as Anacostia and Bryant Street, elimination of dead ends, rehabilitation, replacement and extension of water mains, fire hydrant replacement and valve replacement. The Authority has completed several critical improvements to the Water System, including cross connection removal and storage facility rehabilitation.

The Authority completed its first Water System Facilities Plan in September 2000. The Water System Facilities Plan evaluated the existing Water System and provided an assessment of improvements that are needed, including 14 specific projects as well as a small diameter water main rehabilitation program. An update of the Water System Facilities Plan completed in Fiscal Year 2009 identified current Water System needs and potential related CIP projects, including the need for a more aggressive small diameter water main rehabilitation program, given that approximately half of the small diameter water mains in service are more than 75 years old and over 15% are more than 100 years old.

The Current CIP includes approximately \$567 million in improvements to the Water System, including new system storage facilities, a wide range of water distribution piping improvements such as new main extensions, major valve replacements, water main dead-end elimination and a large number of water transmission and distribution rehabilitation/replacements, fire-hydrant replacements, DDOT-related

water main projects, and approximately \$21.7 million for the water lead program. See “THE SYSTEM – The Water System – Water System Regulation and Permits – *Lead Levels*.”

Capital Equipment Projects. The Current CIP includes approximately \$98.7 million for major information technology projects, vehicle fleet upgrades and maintenance of large equipment projects at Blue Plains and the major water and sewer pumping stations.

Meter Replacement Projects. The Current CIP includes approximately \$29.1 million for ongoing meter replacements and continued AMR system improvements and upgrades to the AMR equipment. This planned upgrade is part of the Authority’s preventative maintenance program for the Data Collection Units (“DCUs”), which collect approximately 260,000 meter readings per day and are an essential asset to the Authority’s billing process. The upgrades allow the Authority to move to the current version of AMR software and provide two-way communication from the meter transmitting units to the DCUs.

Current CIP Financing Sources

The Authority will finance the Current CIP from the sources summarized below.

- *Revenue Bonds/Commercial Paper Notes* – The Authority expects to finance approximately \$2.13 billion, or 55.7%, of the Current CIP with new long-term debt. The Authority has used, and expects to use in the future, its Commercial Paper Notes to fund capital needs on an interim basis, followed by issuance of long-term revenue bonds to retire outstanding Commercial Paper Notes and provide permanent financing for Current CIP costs. As approved by the Board, the total amount of Commercial Paper Notes outstanding at any time cannot exceed \$225 million. As of the date of this Official Statement, \$6 million of the Series B CP Notes and \$29.2 million of the Series C CP Notes were outstanding. The Series C CP Notes will be retired in installments from proceeds of future tax-exempt bonds.

- *Wholesale Customer Contributions* – Under the terms of the IMA, the Authority’s wholesale customers share the cost of operating, maintaining and making capital improvements at Blue Plains. A separate agreement with the Loudoun County Sanitation Authority (“LCSA”) allows the Authority to recoup capital and operating costs from the LCSA on the same basis as provided for in the IMA. Contribution levels are governed by the agreements that provide for the pro-rata reimbursement for capital improvements based on the capacity allocated to each wholesale customer. The Authority expects to finance approximately \$911 million, or 23.8%, of the Current CIP, with capital funding from wholesale customers. As of the date of this Official Statement, all wholesale customers were current on their capital contributions payments.

- *Federal and Other Grants* – The Authority receives annual grants under the Clean Water Act and Safe Drinking Water Act for a variety of projects at Blue Plains and for the Water System. In addition, the Authority has received a special Congressional appropriation for improvements to the combined sewer system. The Authority expects to finance approximately \$311 million, or 8.1%, of the Current CIP with federal grants. Pursuant to the Safe Drinking Water Act and the Clean Water Act, the federal government makes annual appropriations for projects to improve drinking water supplies and wastewater treatment. Unlike most public water or wastewater utilities, the Authority receives appropriations in the form of grants and not as loans pursuant to a State Revolving Fund program. Under the terms of these grants, payments to the Authority are made on a reimbursable basis, with unclaimed appropriations remaining available to be obligated in subsequent years.

Under the Wet Weather Water Quality Act of 2000 that codified the EPA’s 1994 National CSO Policy, the United States Congress authorized grant funding for the CSO LTCP projects. These

appropriations require a 50% match from the Authority. As of December 31, 2011, the Authority had received \$156 million in grant funding for the CSO LTCP projects.

- *Pay-As-You-Go Financing* – Revenues in excess of those required to meet operating and maintenance expenses, to make debt service payments and to fund reserves can be used, at the discretion of the Authority, to fund a portion of the Current CIP. In addition, the Board has adopted a policy that authorizes any funds in excess of the operations and maintenance reserve and any other significant one-time cash infusions to be used to finance the Current CIP or to pay off higher cost taxable debt. The Authority expects to finance approximately \$318 million, or 8.3% of the Current CIP, with pay-as-you-go funds.

- *Interest Income on Bond Proceeds* – Subject to Federal tax law requirements relating to use of the proceeds of tax-exempt bonds, the Authority uses interest earned on the proceeds of its bonds as a source of funds for the CIP. This interest income is treated as non-operating revenue of the Authority that is available to pay debt service, if needed. The use of this income for capital funding purposes represents another source of pay-as-you-go capital. The Authority estimates that \$17.3 million in interest income will be available to finance the Current CIP. These amounts are separate from the earnings on other funds of the Authority. The Authority's forecast assumes that bond proceeds will be available for investment for a portion of each year and that investment rates will be 50 basis points. Interest earnings in excess of applicable bond yields (if any) are subject to rebate.

The Authority expects to capitalize the interest due on the portion of the Series 2012 Bonds used to fund certain costs of the Digester Project, which will reduce the amount of proceeds available from the Series 2012 Bonds for the cost of the Current CIP and may require the Authority to increase the anticipated size of the projected issuance of bonds in Fiscal Year 2013.

Cost Estimates

Although actual bid prices for recent construction projects, on average, have been slightly below the engineering cost estimates for such projects, the costs shown in the Current CIP reflect the Authority's practice of increasing construction cost estimates by 3% annually to the midpoint of construction. There are no assurances that the actual rate of inflation in construction costs will not increase significantly above the assumed rate of inflation or that such increases will not have an adverse impact on the financial operations of the Authority. In the event that the actual rate of inflation in construction prices in the District and the surrounding areas is significantly above the assumed rate of inflation or if the financial markets or other factors cause the Authority to conclude that lower than planned spending is advisable, the Authority would have a number of options available including, but not limited to, delaying the scheduled start dates of certain projects.

An additional consideration regarding the construction cost estimates is the value of change orders relative to the total cost of construction work performed. The construction-related change orders executed by the Authority for contracts undertaken during the five-year period from Fiscal Year 2007 through Fiscal Year 2011 were \$35.1 million, or 3% of the total original value of the contracts of \$1.3 billion for this period. The relatively low value of change orders compared to the total construction costs incurred is an indication that project designs are thorough and that projects are being effectively managed during construction.

Technical Assessment

The Engineering Feasibility Report prepared by the URS Corporation in January 2009 concluded that the CIP as of the date of the URS Report was structured to provide a systematic program to replace

and rehabilitate aging infrastructure on a priority basis. It also concluded that implementation of the Authority's CIP will address identified system needs and priorities and that the budgeted disbursements for the CIP are reasonable as of the date of the URS Report.

The Authority's capital project evaluation criteria enable the Authority to make informed choices to defer certain projects if financial conditions or other factors suggest that the pace of the CIP should be slowed. Most capital projects listed under the categories of Sanitary Sewers or Water Projects could be deferred for a period of time, if necessary, without impeding the ability of the System to provide services.

CUSTOMER BASE, RATES AND CHARGES**Customer Base**

The Authority's customer and revenue base is diverse, consisting of a wide variety of residential, commercial and governmental customers, as well as wholesale wastewater customers. For the three year period from Fiscal Year 2009 through Fiscal Year 2011, the commercial customer revenue represented about 21.5% of total operating revenue.

In Fiscal Year 2011, commercial revenue totaled approximately 44.1% of the commercial, multi-family and residential customer groups and approximately 29% of total operating revenues. This group includes a variety of commercial uses, including nationally-recognized universities and regional hospitals, commercial office space with tenants that are national associations, lobbying firms, major law firms and large hotels. The following table reflects the Authority's ten largest commercial customer accounts in Fiscal Year 2011, which as an aggregate represented 3.5% of total revenues.

Ten Largest Commercial Customer Accounts

Customer	FY 2011 Revenues	% of Total Revenues
Georgetown University	\$ 2,238,766	0.5%
George Washington University	2,122,176	0.5
Howard University	1,862,880	0.5
William C. Smith & Co.	1,709,334	0.4
Georgetown University Hospital	1,371,035	0.3
Washington Hospital Center	1,270,789	0.3
Horning Brothers	1,122,879	0.3
The Barac Company	927,022	0.2
Amtrak	903,475	0.2
Soldiers Home	897,121	0.2
Total	\$ 14,425,477	3.5%

Source: Authority records.

The Authority serves many facilities of the federal government as well as the District of Columbia. In Fiscal Year 2011, government revenue represented approximately 14.6% of total operating revenues. The following table reflects the Authority's ten largest government customer accounts in Fiscal Year 2011, which consist of federal and District government agencies, which as an aggregate represented 9% of total revenues.

Ten Largest Government Customer Accounts

Customer	FY 2011 Revenues	% of Total Revenues
U.S. General Services Administration	\$ 6,724,672	1.6%
D.C. Housing Authority	6,145,466	1.5
U.S. Congress	4,098,919	1.0
Smithsonian Institution	3,938,312	1.0
Department of the Navy	3,788,238	0.9
D.C. Department of Human Services	3,246,636	0.8
Department of Defense (VA)	2,865,238	0.7
National Park Service	2,137,177	0.5
Department of Defense (DC)	2,104,140	0.5
D.C. Board of Education	1,916,001	0.5
Total	\$ 36,964,799	9.0%

Source: Authority records.

Customer Categories and Accounts

As of September 30, 2011, the System had 125,653 active, metered water and wastewater accounts. Except for wholesale accounts, the majority of accounts receive both water and wastewater service. The Authority’s customer accounts are divided into four categories: residential, commercial, governmental and wholesale. The number of accounts in each of the categories is as follows:

<u>Customer Category</u>	<u>Number of Accounts</u>
Residential	103,857
Commercial	19,165
Governmental	
Federal	549
District of Columbia	607
D.C. Housing Authority ¹	1,431
Authority ¹	35
Aqueduct	2
Wholesale	7
Total	<u>125,653</u>

¹ D.C. Housing Authority and the Authority are the only District agencies that are billed separately. The remainder of District agencies is billed as part of a composite bill for the government.

Source: Authority records.

Customer Demand

The District of Columbia’s economic base is driven by federal and local government agencies, diplomatic embassies, domestic and international organizations, and numerous commercial properties. Regional forecasts prepared by the Metropolitan Washington Council of Government (“COG”) in the Fall of 2006 projected that population in the region (including the District and the nearby counties) will increase to 6.6 million by 2030, an increase of 33% from 2005 levels. COG employment forecasts for the region predict a 39% increase in the number of jobs from 2005 to 2030. These forecasts reflect continued growth in private sector employment and the continued diversification of the economy to complement the stable presence of government agencies and other organizations. The projected growth in the number of residents and businesses is expected to help offset some of the reduction in consumption attributable to water conservation measures and the replacement of old fixtures and appliances with more efficient units.

The following table shows the average percentage of annual water consumption by customer category for the period from Fiscal Year 2008 through Fiscal Year 2011. The results illustrate the diversification of the Authority’s customer base.

Average Annual Consumption By Customer Category
Fiscal Years 2008 – 2011
(millions of Ccf)

	Average Annual	Percent of Total
Residential Single-Family	8.37	21.5%
Residential Multi-Family	8.04	20.6%
Commercial	13.23	34.0%
Federal Government	6.26	16.1%
D.C. Municipal Government	1.28	3.3%
D.C. Housing Authority	1.02	2.6%
Authority	0.31	0.8%
Exempt	0.45	1.2%
Total Consumption	38.97	100.0%

Source: Authority records.

The following table shows historical consumption for the Authority’s customer categories for Fiscal Years 2008 through 2011, and projected consumption for Fiscal Years 2012 through 2017. The Authority’s implementation of the AMR program, which included the replacement and repair of meters, significantly reduced estimated meter readings and improved the reporting of actual consumption.

Some fluctuation in consumption can occur in a given year due to variations in weather conditions and other factors such as billing adjustments. In Fiscal Years 2009 and 2010, consumption by Authority customers declined from the level of usage in Fiscal Year 2008. The decline in Fiscal Year 2009 was greater than has been experienced in recent years. Other major cities and jurisdictions surrounding the District also experienced greater than typical declines in water consumption in 2008 and 2009; a period of time that covers part of the recent economic recession. The rate of decline in customer usage slowed in Fiscal Year 2010. Consumption increased slightly in Fiscal Year 2011 by 0.6%.

The Authority anticipates that consumption will total 37.70 million Ccf in Fiscal Year 2012, representing a decrease of approximately 2.2% compared to Fiscal Year 2011. In Fiscal Year 2013, consumption is expected to decrease to 37.32 million Ccf, or 1%, compared to the Fiscal Year 2012 projections. In Fiscal Year 2014, consumption is expected to decrease to 36.95 million Ccf, or 1%, compared to Fiscal Year 2013. The Authority assumes that long-term water consumption will decline at the rate of 1% per year beginning in Fiscal Year 2013, recognizing that weather conditions and other factors may affect water demand in a given year. The expectation that future sales will decline is consistent with recent trends in the Washington, D.C. region as well as the projected sales in other large cities in the northeast United States.

Year-to-date demand through December 31, 2011 (the first three months of Fiscal Year 2012) was 8.0% lower than the comparable period in Fiscal Year 2011, excluding use by the Aqueduct. It is too early in the Fiscal Year to reach any conclusions concerning the likely Fiscal Year 2012 consumption by retail customers since revenue in a given month may be affected by billing adjustments or other factors. However, there is some risk that consumption could be lower than anticipated during the Projection Period. The risk is mitigated to some extent in that lower-than-expected water demand in Fiscal Years 2012 and 2013 would only affect consumption-based water and sewer revenues within the District, and not revenues from the federal government or wholesale customers. Retail revenue that is not consumption-related, such as the meter charge and the Clean Rivers Impervious Area Charge (“CRIAC”),

would also be unaffected. Consumption-based water and sewer revenues within the District are estimated to comprise about 58.9% of total revenues (excluding withdrawals from the Rate Stabilization Fund) in Fiscal Years 2012 through 2017. The Authority evaluates its water consumption projections annually in connection with its budget preparations and more frequently if the need arises.

The risk of lower-than-projected revenues in Fiscal Year 2012 and subsequent years due to lower-than-assumed consumption is expected to be mitigated, in part, by the Authority's track record of keeping its costs below budget. The Authority also anticipates that it will have a surplus of funds in Fiscal Year 2012. In addition, the Authority has the ability to adjust its rates, as necessary, to provide the required revenues in each year.

Historical and Projected Annual Consumption by Major Customer Category

Fiscal Years ended/ending September 30
(Millions of Ccf)

	Actual				Projected					
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential Single-Family	8.59	8.30	8.32	8.27	8.15	8.07	7.99	7.91	7.83	7.75
Residential Multi-Family	8.34	8.01	7.99	7.83	7.64	7.56	7.48	7.41	7.34	7.26
Commercial	13.34	13.00	13.16	13.44	13.42	13.29	13.15	13.02	12.89	12.76
Federal Government	6.84	6.30	5.91	6.00	5.84	5.78	5.72	5.66	5.61	5.55
D.C. Municipal Government	1.27	1.25	1.26	1.32	1.25	1.24	1.23	1.21	1.20	1.19
D.C. Housing Authority	1.16	1.07	0.94	0.91	0.84	0.83	0.82	0.82	0.81	0.80
DC Water	0.30	0.29	0.33	0.34	0.33	0.33	0.33	0.32	0.32	0.32
Exempt	0.53	0.43	0.41	0.44	0.23	0.23	0.22	0.22	0.22	0.22
Total Consumption	40.38	38.65	38.32	38.54	37.70	37.32	36.95	36.58	36.21	35.85

Note: Projections for Fiscal Years 2013 through 2017 assume a 1% annual decline in water consumption for each customer category.
Source: Authority records.

Rate-Setting Authority

Retail Rates and Fees

The Board establishes the Authority's rates, fees and charges. Only the six Board members representing the District vote on setting retail water and wastewater rates and fees for the retail customers who are customers within the District. No approvals from federal or local officials are required in order to set rates.

The Authority receives annual grant funding under the Clean Water Act which requires the maintenance of wastewater charges sufficient to defray costs of operation, maintenance and replacement and surcharges for industrial discharges into the System's sewers levied in conformity with formulas set forth in the Clean Water Act and regulations thereunder. Retail revenues, including the Federal Government, are expected to constitute approximately 75.2% of the Authority's total annual revenues during Fiscal Year 2012 through Fiscal Year 2017 (excluding withdrawals from the Rate Stabilization Fund).

Federal Government Charges

The Authority's forecasted water and wastewater charges for the federal government are prepared and included in the federal budget 18 months in advance of the commencement of the Authority's Fiscal Year based on the prevailing consumption estimates, projected retail rate increases as included in the current 10-year financial plan and adjustments for prior year true-ups. The federal government budgets for and pays its bills quarterly, directly from the U.S. Treasury, based on the estimates provided by the

Authority in advance. Under the current billing process, any differences between the projected and the actual charges are netted against a future year's billing. Federal government revenues are expected to constitute approximately 9.2% of the Authority's total annual revenues during Fiscal Year 2012 through Fiscal Year 2017 (excluding withdrawals from the Rate Stabilization Fund).

Wholesale Customer Charges

The Authority provides wholesale wastewater treatment services to User Jurisdictions at Blue Plains. The wholesale customers' share of operating costs at Blue Plains are recovered in accordance with the Blue Plains Intermunicipal Agreement of 1985, the Potomac Interceptor Agreements and the Loudoun County Sanitation Authority Agreement (as discussed in more detail in "THE SYSTEM – The Wastewater System"), and are based on actual costs of operating and maintaining the plant and the collection facilities, prorated to each User Jurisdiction based on its respective actual share of wastewater flows. The User Jurisdiction's share of capital costs is based on each User Jurisdiction's share of capacity allocations in the plant. Both operating and capital payments are made on a quarterly basis. Wholesale customer revenues are expected to constitute approximately 14.3% of the Authority's total annual revenues during Fiscal Year 2012 through Fiscal Year 2017 (excluding withdrawals from the Rate Stabilization Fund).

Wholesale customers are billed based on the adopted budget for that Fiscal Year. Capital-related charges are billed quarterly with payments due on the 15th day of the second month following the end of the quarter. The operating and maintenance-related charges are billed annually by mid-October and payments are due each of November, February, May and August. Following each Fiscal Year, the Authority prepares a reconciliation that determines the actual costs and each wholesale customer's appropriate share of such costs. Adjustments are then billed or credited to the wholesale customers in the first quarter of the subsequent Fiscal Year.

Components of Retail Rates and Charges

Water and Wastewater Charges

The Authority recovers the costs of operating and maintenance and debt service through retail rates and fees, wholesale customer charges and other miscellaneous non-operating income such as interest earnings. The primary retail rates and fees are as follows:

- Water and Wastewater Consumption Rates – These rates are based on metered water usage and are stated in terms of hundred cubic feet, also known as "Ccf." All customer groups are charged the same consumption rates. In 2009, the Authority retained Raftelis Financial Consultants, Inc. ("RFC") to review the allocation of costs between the water and wastewater rates and prepare the Fiscal Year 2009 Cost of Service Study ("2009 COS Study"). Based on the 2009 COS Study, RFC recommended a shift in the water and wastewater volumetric rates due to higher capital costs in the water service area. As a result, the Authority adjusted the water and wastewater volumetric rates in Fiscal Year 2011, from the allocation of 41/59 percent to 45/55 percent. This allocation ratio was again used in developing the water and wastewater rates for Fiscal Year 2012.
- Customer Metering Fee – The Authority assesses a metering fee to recover costs associated with installing, operating and maintaining meters and the AMR system. The metering fee is charged as a separate line item on retail customer bills and varies by meter size. Based on the 2009 COS Study recommendations, the Authority increased the metering fee effective October 1, 2010, to better reflect the actual cost of installing, operating and maintaining meters

and the AMR system. The metering fee in Fiscal Year 2012 remains unchanged from the prior year.

Clean Rivers Impervious Area Charge

In Fiscal Year 2009, the Authority approved the development and implementation of the CRIAC to recover the costs of the CSO LTCP, mandated by the EPA Region III pursuant to the 2005 Consent Decree. The CSO LTCP will be implemented over a 20-year period at a total cost of \$2.2 billion. See “THE SYSTEM – Wastewater Regulation and Permits – NPDES Permit.” Prior to the implementation of the CRIAC, the CSO LTCP project cost was bundled in the wastewater rate based on the amount of water used.

The CRIAC is based on the amount of impervious area on a property, rather than on the amount of water consumption, which is a more equitable method of recovering the CSO LTCP costs. It allows the Authority to expand its customer base by charging all properties that generate stormwater, including those that do not use water (e.g., some parking lots). Impervious area is a man-made surface that cannot be easily penetrated by water, such as a rooftop, a paved driveway, a patio, a swimming pool or a parking lot, that impedes the percolation of water into the subsoil and plant growth. The Authority has created a database of every property in the District, which is used as a basis for billing the CRIAC. All surfaces in the District have been classified as either pervious or impervious.

The Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008 (the “2008 Amendment Act”), enacted by the Council in 2008, amended the Act to authorize the Authority’s General Manager to restrict combined sewer flow into the District from Maryland and Virginia and to require the Authority to, among other things, offer financial assistance programs to mitigate the impact of any increases in retail water and sewer rates on low-income residents of the District, including a low-impact design incentive program. The 2008 Amendment Act also amended the District of Columbia Public Works Act of 1954 to broaden the bases for the determination of sanitary sewer service charges to include impervious surface area and to provide for an appeal process for the assessment of an impervious surface fee.

The Authority began charging customers a separate CRIAC based on the amount of impervious area on May 1, 2009. Effective October 1, 2010, a new residential CRIAC structure replaced the original structure under which all residential customers are charged Equivalent Residential Units (“ERUs”) based upon six tiers and the amount of impervious surface area on each residential lot as described in the following table.

Tiers	Size of Impervious Area (square feet)	Equivalent Residential Unit	No. of Properties
Tier 1	100 – 600	0.6	18,563
Tier 2	700 – 2,000	1.0	77,514
Tier 3	2,100 – 3,000	2.4	5,736
Tier 4	3,100 – 7,000	3.8	2,499
Tier 5	7,100 – 11,000	8.6	124
Tier 6	11,100 and more	13.5	47

Source: Authority records.

The CRIAC is applied to all lots, parcels, properties and private streets throughout the District that are greater than 100 square feet, except for District or federally owned rights-of-way. The CRIAC is added to the customer’s metered service bill and billed monthly unless the property is impervious only

and has no other metered water or wastewater service. The CRIAC will be reviewed regularly and adjusted as appropriate by the Board. Effective October, 1, 2011, the Authority’s CRIAC rate was \$6.64 per ERU.

D.C. PILOT/Right of Way Occupancy Fee

This fee recovers the cost of the PILOT and the District’s Right of Way Fee (“PILOT/ROW Fee”) which is a charge levied by the District for payment in lieu of taxes and occupancy or use of public space or public rights of way including that used by the Authority’s underground infrastructure. The Authority passes through the PILOT/ROW Fee to retail customers based on metered water consumption as a separate line item on the bills. Effective October 1, 2011, the Authority’s PILOT/ROW Fee was \$0.64 per Ccf.

Stormwater Fee

The Authority’s retail water and wastewater bills also include a stormwater fee levied on behalf of the District government. The stormwater fee is charged as a separate line item on retail customer bills. Although the Authority no longer administers the program, it will continue to be reimbursed by the District for any stormwater-related expenditures. The DDOE has rate-setting authority for stormwater services provided by the District and the Authority expects to work collaboratively with the DDOE to set future rates. See “THE AUTHORITY – Relationship with the District.” As of the date of this Official Statement, the stormwater fee charged to retail customers was \$2.67 per ERU.

Historical and Projected Water and Wastewater Retail Rates

The Board has raised retail water and wastewater rates regularly since 1996, in line with its policy of implementing rate increases in a gradual and predictable manner. In Fiscal Year 2011, the Authority’s retail rates were \$3.10 per Ccf for water and \$3.79 per Ccf for wastewater. Effective October 1, 2011, water rates increased by \$0.14 per Ccf to \$3.24 per Ccf, and the wastewater rates increased by \$0.17 per Ccf to \$3.96 per Ccf. Federal government customers in Virginia pay the Arlington County retail rate, which, as of May 1, 2011, was \$2.75 per Ccf for water or \$3.68 per 1,000 gallons. Federal government customers in Maryland pay according to the WSSC rates, which include a fixed charge and a consumption-based charge that increases with higher levels of usage. Effective October, 1, 2011, the Authority’s CRIAC rate was \$6.64 per ERU.

Since 2000, the Board has adopted a series of ten-year financial plans that include annual, gradual rate increases. The latest of these was a retail rate increase for water and wastewater charges of 4.5% effective October 1, 2011, for Fiscal Year 2012. For Fiscal Years 2013 through 2017, the Authority’s financial plan projects retail water and wastewater rate increases of 6.5%, 5.0%, 6.5%, 6.5% and 6.5%, respectively. Rate increases take effect at the beginning of the Fiscal Year (October 1).

The Authority’s financial forecast includes an anticipated increase in the CRIAC from \$6.64 per ERU in Fiscal Year 2012 to \$9.73 per ERU in Fiscal Year 2013 and to \$14.52 per ERU in Fiscal Year 2014. Further increases in the CRIAC are expected in Fiscal Years 2015 through 2017.

The following table sets forth the historical water and wastewater rates and the CRIAC of the Authority and the projected rate adjustments of the Authority for Fiscal Years 2013 through 2017. The revenue resulting from the CRIAC reduces the amount of revenue that must be raised through wastewater charges, resulting in a lower wastewater rate. The wastewater rate for Fiscal Year 2009 is shown in the following table before and after the effects of the CRIAC.

Historical and Projected Water and Wastewater Retail Rates
(\$ in Ccf)

Fiscal Year ended/ending September 30	Water Consumption Rate	Wastewater Usage Rate	Combined Rate	Combined Percentage Increase	CRIAC (Per ERU)
<i>Historical</i>					
1996	1.00	1.86	2.87	0.0%	-
1997	1.38	2.71	4.09	42.6%	-
1998	1.38	2.71	4.09	0.0%	-
1999	1.38	2.71	4.09	0.0%	-
2000	1.58	2.71	4.29	4.8%	-
2001	1.79	2.71	4.50	4.9%	-
2002	1.79	2.71	4.50	0.0%	-
2003 ¹	1.69	2.57	4.26	(5.3%)	-
2004	1.74	2.63	4.37	2.5%	-
2005	1.83	2.76	4.59	5.0%	-
2006	1.93	2.91	4.84	5.5%	-
2007	2.03	3.06	5.09	5.0%	-
2008	2.14	3.23	5.37	5.5%	-
2009 ²	2.30	3.47	5.77	7.5%	-
2009 ³	2.30	3.31	5.61	4.5%	\$1.24
2010	2.51	3.61	6.12	9.0%	2.20
2011	3.10	3.79	6.89	12.5%	3.45
2012	3.24	3.96	7.20	4.5%	6.64
<i>Projected</i>					
2013 ⁴	3.45	4.22	7.67	6.5%	9.73
2014 ⁴	3.62	4.43	8.05	5.0%	14.52
2015 ⁴	3.86	4.72	8.58	6.5%	17.66
2016 ⁴	4.11	5.03	9.14	6.5%	20.33
2017 ⁴	4.38	5.36	9.74	6.5%	23.19

¹ In Fiscal Year 2003, the Authority began charging a meter fee and a ROW fee, which are shown as separate line items on customer bills. Previously, these charges were recovered through the retail consumption rates. As a result of this unbundling, the Authority decreased retail rates by 5.3%. In addition, prior to Fiscal Year 2003, the Authority's rates were set to three decimal places. Starting in Fiscal Year 2003, the Authority began setting rates to two decimal places.

² The wastewater rate for Fiscal Year 2009 reflects the rate in effect at the beginning of the year before the CRIAC was implemented on May 1, 2009.

³ Reflects the rates in effect in the latter part of the year the CRIAC was implemented.

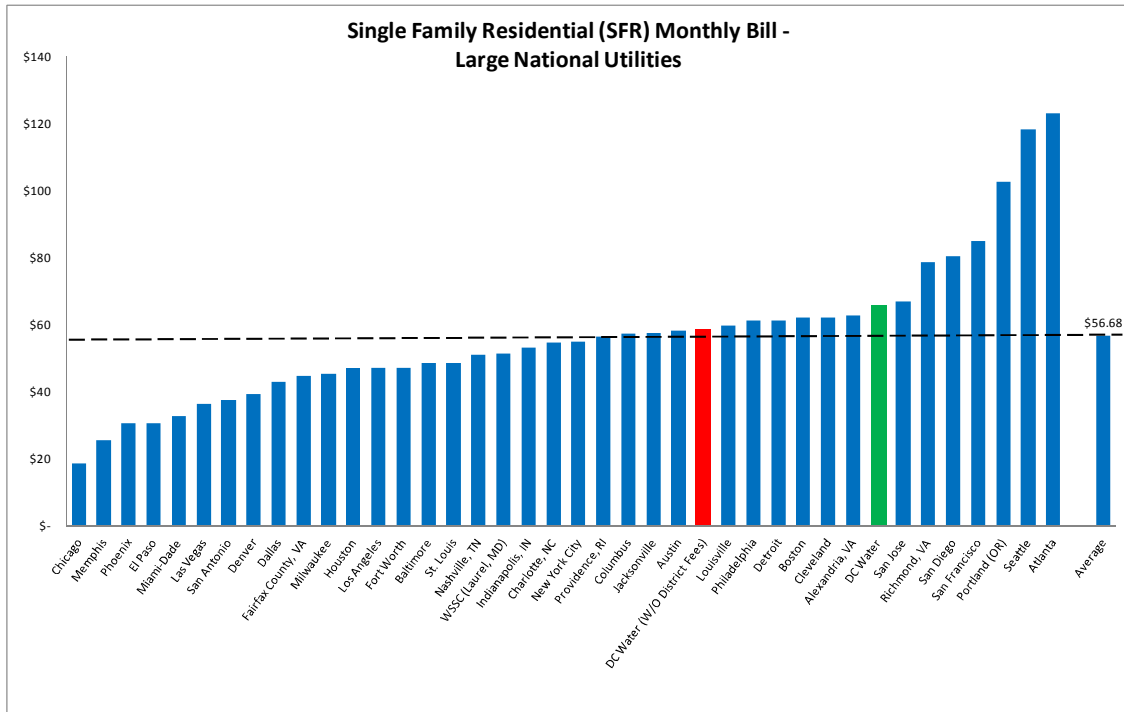
⁴ Rates for Fiscal Years 2013 through 2017 are projected and subject to change.

Source: Amawalk.

Retail Rate Comparison

The Authority's retail rates are comparable to those of other utilities in the metropolitan Washington, D.C. region and other similar utilities in the eastern United States. The following chart compares the Authority's combined water, wastewater and impervious area residential charges to these utilities. The table reflects the Authority's current Fiscal Year 2012 rate and fee charges, while other utilities' rates are as of August 2011. The Authority's Fiscal Year 2012 rate and fee charges are shown both with and without the pass-through of the District's PILOT/ROW Fee in the amount of \$0.64 per Ccf, and the DDOE residential stormwater rate of \$2.67 per ERU per month.

**Water and Wastewater Bills
Average Monthly Residential Bill Comparison^{1,2}**



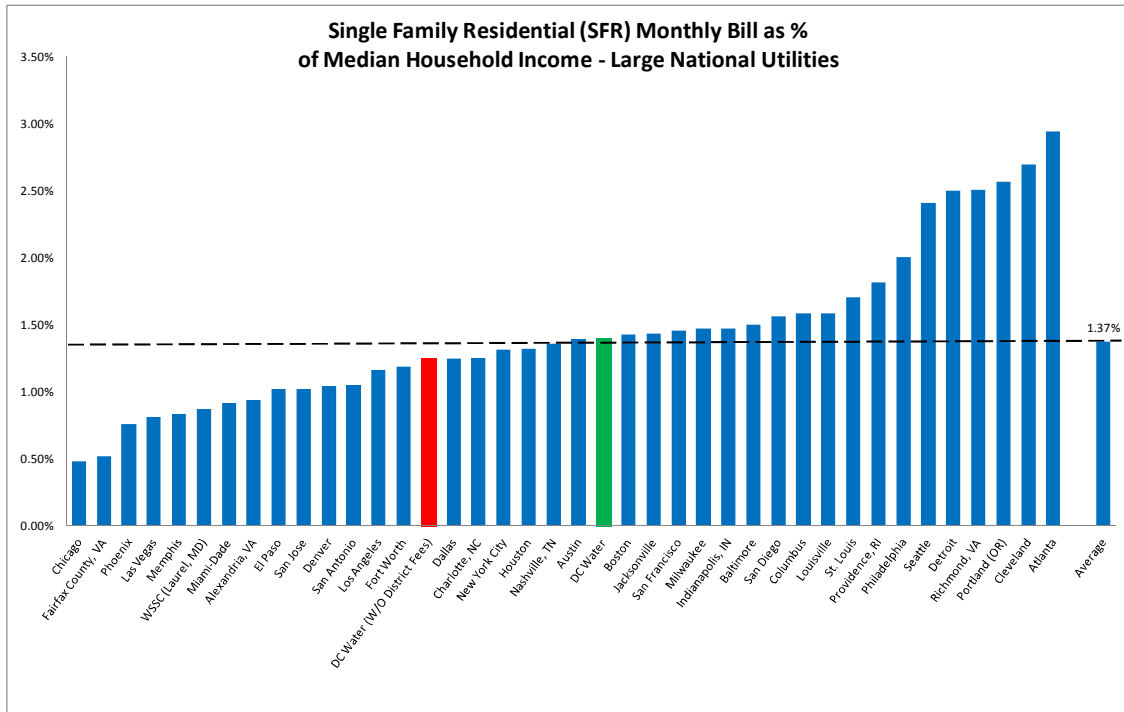
¹ Assumes average residential consumption of 6.69 Ccf, or 5,004 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

² Reflects the Authority's rate and fee charges as of October 1, 2011, while the other utilities' rates are as of August 2011. The Authority's rate includes the PILOT/ROW Fee totaling \$0.64 per Ccf (effective October 1, 2011) and the DDOE residential stormwater rate of \$2.67 per ERU per month.

Source: Amawalk

The median income in the District is competitive with the median income in many other jurisdictions. The following chart illustrates the Authority's charges for a single family residential customer as a percentage of median income compared to similar data for other water and wastewater utilities.

**Water and Wastewater Bills
Average Monthly Residential Bill Comparison^{1,2}**



¹ Assumes average residential consumption of 6.69 Ccf, or 5,004 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.

² Reflects the Authority's rate and fee charges as of October 1, 2011, while the other utilities' rates are as of August 2011. The Authority's rate includes the PILOT/ROW Fee totaling \$0.64 per Ccf (effective October 1, 2011) and the DDOE residential stormwater rate of \$2.67 per ERU per month.

Source: Amawalk

Collections

The Authority has implemented policies and business practices intended to optimize the collection of customer billings. Measures are taken (including cross-checks with property records) to ensure that all users of the Authority's system are being billed. With the implementation of AMR and the new Customer Information System, the Authority can access customer usage data at any time and can alert customers to apparent leaks immediately. In 2009, the Authority achieved the lowest 90-day receivable balance in the Authority's history. The low level of the 90-day receivable balance generally continued in Fiscal Years 2010 and 2011. This is the result of a comprehensive strategy that integrates several consumer services functions along with an aggressive customer contact process that addresses collections issues early in the process when outstanding balances are within the range of customers' ability to pay, improves lien processing for delinquent accounts, and enhances coordination efforts with other District agencies.

The Authority's collection program includes: (i) assessing customers a 10% late fee if their bill is not paid on day 31 after the date of billing and sending customers a friendly reminder notice; (ii) placing a call to the customer using an automatic notification call program on day 34; (iii) sending the customer notice of intent to disconnect service on day 39 (which, in accordance with District laws and regulations

gives customer 15 days to pay the delinquent bill and maintain service); (iv) mailing to the owner of the property an intent to place a lien on the property on day 65 (which gives the owner 10 additional days to pay the bill before a lien is placed on their property) and imposing an additional 1% penalty per month on all delinquent balances; (v) placing a call to the customer on day 67 to inform him/her of the Authority's intent to place a lien on the property if the delinquent bill is not paid; (vi) placing a lien on the property on day 80. The lien becomes a part of the public record and appears on the owner's credit report and adversely affects their FICO score. The Authority will remove a lien only if the account balance is paid in full, and/or if the lien was placed in error. Once paid, the lien is removed and reflected as "satisfied" on the credit report but the customer's FICO score is not changed. The Authority's liens are continuous, which entitles the Authority to collect the current outstanding balance owed by a customer regardless of the balance at the time the lien was placed.

The Authority utilizes collection analysts who make calls to owners of delinquent accounts with a focus on the top 200 delinquent accounts. The Authority also places delinquent multi-family apartment building owners in receivership, which allows the Authority to be paid a percentage of the tenants rent that is collected by a court-appointed receiver before the owner can collect any rent. The account stays in receivership until paid in full.

If not successful in using any other method, the Authority will disconnect service for non-payment and not restore it until the delinquent bill is paid. The Authority's sophisticated meter reading system allows the Authority to know if water is being used after the Authority disconnects it for non-payment. If this occurs, the Authority will remove the meter and not restore service unless the delinquent amount is paid in full.

The following table shows that the cumulative retail (including commercial) customer balances that were delinquent more than 90 days declined by 78% between Fiscal Years 2003 and 2009. There were no government delinquencies as of the date of this Official Statement.

Retail Customer Cumulative Delinquent Balances
(\$ in millions)

<u>As of September 30,</u>	<u>Amount¹</u>	<u>Percent of Operating Revenue</u>
2003	\$21.8	8.5%
2004	16.3	6.8%
2005	10.9	3.8%
2006	7.4	2.5%
2007	7.1	2.3%
2008	6.1	1.7%
2009	4.9	1.4%
2010	5.1	1.9%
2011	5.5	1.8%

¹ Amounts shown are as of the end of each Fiscal Year for amounts delinquent more than 90 days and do not include disputed amounts for Howard University and the Soldier's Home discussed below.

Source: Authority records.

Special Accounts

The Authority has historically provided Howard University ("Howard") and the U.S. Soldiers' and Airmen's Home ("Soldiers' Home") with free water service in exchange for the use of certain parcels of property for the Authority's utility operations. Howard had 34 special accounts and Soldiers' Home has four special accounts with respect to which the Authority provided free water services but it billed

Howard and Soldiers' Home for sewer services under these same accounts. Both Howard and Soldiers' Home, however, have challenged and not paid these bills since August 2004. The Authority has been in discussions with representatives of both Howard and Soldiers' Home actively pursuing a resolution of this matter.

In June 2011, Howard reached an agreement with the Authority and began paying current bills on its special accounts without waiving rights to contest. Howard and the Authority are in ongoing discussions regarding the estimated back payments due to the Authority in the amount of \$5.45 million. Effective October 1, 2011, the Authority began billing Howard for water as well as sewer service. The projected consumption and revenues for Fiscal Year 2012 and each year thereafter assume that the special Howard accounts have been shifted into the commercial account category. The Authority anticipates there will be six exempt accounts from Soldiers' Home in Fiscal Year 2012.

Customer Assistance Programs

The Authority sponsors two programs to assist low income customers in paying their water bills: Customer Assistance Program or the "CAP" and Serving People by Lending A Supporting Hand ("S.P.L.A.S.H."). The Authority implemented the CAP in 2000 providing a discount of 4 Ccf per month of water service for single family residential homeowners that meet income eligibility guidelines. In Fiscal Year 2004, the Authority expanded the CAP to include tenants who meet the financial eligibility requirements and whose primary residence is separately metered by the Authority. In January 2009, the Authority further expanded the CAP to provide a discount of 4 Ccf per month of sewer services to eligible customers. In Fiscal Year 2010, a total of 6,107 customers received a discount on their bills totaling \$919,156. Effective October 1, 2010, the Board expanded the CAP discount to include the first 4 Ccf of PILOT/ROW fees. In Fiscal Year 2011, 6,025 customers received a discount on their bills totaling \$1,380,207. In the first two months of Fiscal Year 2012, the Authority provided assistance totaling \$60,898. The projected revenues of the Authority take into consideration the discounts provided to low-income customers under the CAP.

Through the S.P.L.A.S.H. program, the Authority offers assistance to families in need so that they can maintain critical services such as water until they get back on their feet. S.P.L.A.S.H. is funded solely by contributions from the community, as well as from the Authority's customers. The Authority has redesigned its water and sewer bills to make it easier for its customers to make contributions to S.P.L.A.S.H. The Authority pays all administrative costs of this program, which is administered directly by the Greater Washington Urban League ("Urban League"). All contributions are deposited in a bank account from which the Urban League makes payments on behalf of eligible customers. Every dollar received by the Authority is distributed to eligible customers. In Fiscal Year 2010, the Authority provided assistance to 300 customers totaling \$94,767. In Fiscal Year 2011, the Authority provided assistance to over 300 customers totaling \$100,030.

Customer Service Operations

The Department of Customer Services reports to the Assistant General Manager of Consumer Service and is responsible for meter installations, meter reading, meter testing, billing and collections. The Authority continuously evaluates its customer service offerings to ensure that customers receive the best possible service.

FINANCIAL OPERATIONS

Historical Financial Operations

The Authority derives its revenues primarily from retail customer payments for water and wastewater treatment services, which account for approximately 77.5% of total revenues, and wholesale customer payments for wastewater treatment services, which account for approximately 22.0% of total revenues. The Authority's operating revenues have steadily increased since its creation, due largely to rate and fee increases approved by the Board which are discussed in more detail in the section entitled "RATES AND CHARGES – Historical and Projected Water and Wastewater Retail Rates." The average annual rate of increase in revenues for Fiscal Years 2007 through 2011 was 7.9%.

The Authority is committed to optimizing the cost of service it offers and as a result places emphasis on managing its expenses. The Authority's Department of Finance and Budget closely monitors spending to ensure compliance with approved operating and capital budgets. This includes preparation of daily and monthly management reports for each operating unit and financial system controls that prevent overspending. In addition, the Authority provides detailed monthly reports on cash and investments, revenues, operating budget and capital spending to the Board's Finance and Budget Committees and quarterly updates on the CIP status to the Board's Environmental Quality and Operations Committees. The average annual rate of increase in expenses for Fiscal Years 2007 through 2011 was 7.4%; however, the actual expenses for each of these Fiscal Years were less than the budgeted amount.

The following table presents historical revenues, expenses and changes in net assets using information contained in the audited financial statements for Fiscal Years 2007 through 2011. The Authority's complete financial statements for the Fiscal Years ended September 30, 2011, and 2010, are attached as APPENDIX B.

Historical Revenues, Expenses and Change in Net Assets

(\$ in thousands)

	Fiscal Year ended September 30				
	2007	2008	2009	2010	2011
REVENUES					
Operating revenues:					
Residential, commercial and multi-family customers	\$182,327	\$183,553	\$191,543	\$209,796	\$241,475
Federal government	30,751	35,888	35,195	37,845	43,033
District government and DC Housing Authority	17,266	16,193	16,804	21,947	25,123
Charges for wholesale wastewater treatment	73,378	82,854	85,519	87,505	90,414
Other	2,735	3,846	3,337	6,655	8,210
Total Operating Revenues	\$306,457	\$322,334	\$332,398	\$363,748	\$408,255
Non-operating revenues:					
Interest income	\$20,239	\$13,573	\$2,285	\$1,561	\$2,008
Total Revenues	\$326,696	\$335,907	\$334,683	\$365,309	\$410,263
EXPENSES					
Operating expenses					
Personnel services	\$70,956	\$75,838	\$82,248	\$88,210	\$93,240
Contractual services	52,116	55,127	61,277	66,747	68,286
Chemicals, supplies and small equipment	24,510	28,816	29,074	29,003	28,188
Utilities and rent	32,238	37,843	32,813	29,929	29,429
Depreciation and amortization	49,355	54,418	59,291	64,425	70,209
Water Purchases	24,042	25,746	25,371	27,587	27,170
Other	4,452	3,603	3,236	2,750	2,769
Total operating expenses	\$257,669	\$281,391	\$293,310	\$308,651	\$319,291
Non-operating Expenses					
Interest expenses and fiscal charges	\$30,524	\$39,342	\$51,431	\$58,370	\$71,613
Payment in lieu of taxes and right of way fee	17,514	17,525	19,183	20,474	21,990
Total non-operating expenses	\$48,038	\$56,867	\$70,614	\$78,844	\$93,603
Total Expenses	\$305,707	\$338,258	\$363,924	\$387,495	\$412,894
	8.3%	9.6%	7.1%	6.1%	6.2%
Income before Federal grants and contributions	\$20,989	(\$2,351)	(\$29,241)	(\$22,186)	(\$2,631)
Federal grants and contributions	25,083	42,208	27,752	30,403	47,374
Change in net assets	\$46,072	\$39,587	(\$1,489)	\$8,217	\$44,743
Net Assets, beginning of year	\$934,818	\$980,890	\$1,020,747	\$1,072,218	\$1,019,258
Net Assets, end of year	\$980,890	\$1,020,747	\$1,019,258	\$1,027,475	\$1,072,218

Source: Authority's CAFR.

Management's Discussion and Analysis

A summary of the Authority's management discussion and analysis for Fiscal Years 2010 and 2011 set forth below was derived from the financial statements prepared by the Authority for such period and audited by its independent accountants. The Authority's complete financial statements for the Fiscal Years ended September 30, 2011, and 2010, are attached as APPENDIX B.

Fiscal Year 2010 Results

The Authority's financial performance was strong in Fiscal Year 2010, with net assets increasing by \$8.2 million, or 0.8%, to \$1.0 billion, as a result of capital contributions and Fiscal Year 2010 operations.

Operating revenues increased by \$31.4 million, or 9.4%, to \$363.7 million, primarily due to increased revenues from residential and commercial customers, the federal government and the wholesale wastewater customers.

Operating expenses increased by \$15.3 million, or 5.2%, to \$308.7 million, primarily due to a \$6 million increase in personnel services, a \$5.5 million increase in contractual services and a \$2.2 million increase in water purchases. These increases were offset by a decrease of \$2.9 million in utilities and rent.

Current assets decreased by \$64.1 million, or 20.6%, to \$247.4 million, primarily due to a decrease in investment balances and a decrease in receivables from the federal government and other jurisdictions at the end of the Fiscal Year.

Restricted assets decreased by \$120.5 million, or 43.5%, to \$156.8 million, primarily due to planned draw downs on the construction fund account.

Net utility plant (capital assets) increased by \$196.5 million, or 7.6%, to \$2.8 billion, due to planned increases in capital expenditures in line with the Authority's approved \$3.8 billion 10-year CIP.

The Authority's long-term debt, including current maturities, decreased by \$14.1 million, or 1.1%, to \$1.25 billion, primarily due to principal payments of \$13.1 million on the Series 1998 Bonds and the District of Columbia General Obligation Bonds.

Fiscal Year 2011 Results

The Authority's financial performance remained strong in Fiscal Year 2011, with net assets increasing by \$44.7 million, or 4.4%, to \$1.1 billion, as a result of Fiscal Year 2011 operations and capital contributions.

Operating revenues increased by \$44.5 million, or 12.2%, to \$408.3 million, primarily due to increased revenues from the residential and commercial customers, the federal government and the wholesale wastewater customers.

Operating expenses increased by \$10.6 million, or 3.5%, to \$319.3 million, primarily due to a \$5.0 million increase in personnel services; a \$5.8 million increase in depreciation and amortization expense and a \$1.5 million increase in contractual services. These increases were offset by a \$0.8 million decrease in chemicals, supplies and small equipment, a \$0.5 million decrease in utilities and rent and a \$0.4 million decrease in water purchases.

Current assets increased by \$18.8 million, or 7.6%, to \$266.1 million, primarily due to an increase in cash and cash equivalents and receivables from other jurisdictions, partially offset by a decrease in receivables from the federal government.

Restricted assets increased by \$124.4 million, or 79.3%, to \$281.2 million, primarily due to the issuance of the Series 2010 Bonds.

Net utility plant (capital assets) increased by \$275.2 million, or 9.9%, to \$3.1 billion, due to planned increases in capital expenditures in line with the Authority's approved \$3.8 billion 10-year CIP.

The Authority's long-term debt, including current maturities, increased by \$282.2 million, or 22.7%, to \$1.5 billion, primarily due to the issuance of the Series 2010 Bonds.

Unaudited Fiscal Year 2012 Results Through December 31, 2011

As of December 31, 2011, operating revenues increased by \$5.8 million to \$103.5 million, compared to the same period in Fiscal Year 2011, and operating expenses increased by \$1.8 million to \$64.8 million, compared to the same period in Fiscal Year 2011, primarily due to increased personnel costs.

Net utility plant (capital assets) increased by \$307.0 million to \$3.1 billion, compared to the same period in fiscal year 2011, primarily due to a planned increase in capital expenditures.

As planned, based on the Fiscal Year 2012 budget and the result of operations through December 31, 2011, the Authority expects to end the year with a new operating surplus. Approximately \$12.3 million of the projected surplus is expected to be transferred to the Rate Stabilization Fund. The following table sets forth the unaudited financial results for the first quarter of Fiscal Year 2012 compared to the first quarter of Fiscal Year 2011.

Statements of Revenues, Expenses and Changes in Net Assets
For the quarter ended December 31, 2011 and December 31, 2010
(\$ in thousands)

	Quarter Ended December 31,	
	2011	2010
	<hr/>	<hr/>
Operating revenue:		
Water and wastewater user charges	\$ 78,293	\$ 75,983
Charges for wholesale wastewater treatment	23,982	21,136
Other	1,268	657
Total operating revenue	<hr/> 103,543	<hr/> 97,776
Operating expense:		
Personnel Services	21,052	20,867
Contractual Services	9,097	9,183
Chemicals, supplies and small equipment	4,507	4,472
Utilities and rent	4,786	5,032
Depreciation and amortization	18,163	16,872
Water purchases	6,690	6,280
Other	455	241
Total operating expenses	<hr/> 64,750	<hr/> 62,947
Operating income	38,793	34,829
Nonoperating revenue (expense):		
Interest Income	472	230
PILOT/ROW Fee	(5,500)	(5,500)
Interest and Fiscal Charges	(17,871)	(16,275)
Total nonoperating revenue (expenses)	<hr/> (22,899)	<hr/> (21,545)
Income before contributions and transfers	15,984	13,284
Federal grants contributions	10,468	9,555
Change in net assets	<hr/> 26,362	<hr/> 22,839
Total net assets, beginning of quarter	<hr/> 1,072,218	<hr/> 1,027,475
Total net assets, ending of quarter	<hr/> \$1,098,580	<hr/> \$1,050,314

Source: Authority records.

Historical Debt Service Coverage

The Authority has exceeded the Rate Covenant requirement of 1.20x Senior Debt service coverage set forth in the Indenture and the Authority's policy goal of 1.40x Senior Debt service coverage in each of the last five Fiscal Years, as shown in the following table.

Historical Debt Service Coverage¹
(\$ in thousands)

	Fiscal Year ended September 30				
	2007	2008	2009	2010	2011
Revenues:					
Retail	\$206,932	\$216,684	\$217,995	\$241,842	\$278,327
Wholesale	55,745	62,841	65,680	67,471	69,261
Other Non-Operating	41,064	41,918	32,761	36,225	46,887
(Contributions to/Transfers from Rate Stabilization Fund)	(10,000)	24,900	15,000	11,900	-
Total Revenues (A)	\$293,741	\$346,343	\$331,436	\$357,438	\$394,475
Operating Expenses (B)	208,406	231,428	235,060	243,976	249,186
Revenues Less Operating Expenses (C=A-B)	\$85,335	\$114,915	\$96,376	\$113,462	\$145,289
Debt Service:					
Senior Debt Service (D)	\$23,367	\$22,767	\$33,631	\$41,278	\$41,511
Subordinate Debt Service (E)	27,474	44,918	41,147	42,236	50,377
Total Outstanding and Projected Debt Service (F=D+E)	\$50,841	\$67,685	\$74,778	\$83,514	\$91,888
Calculation of Net Revenues Available for Senior Debt Service:					
Revenues Less Operating Expenses (C)	\$85,335	\$114,915	\$96,376	\$113,462	\$145,289
Prior Year Federal Billing Reconciliation	(4,371)	(5,308)	(982)	(839)	1,669
(Refund to)/Payment from wholesale customers	(781)	(3,157)	4,483	752	(3,861)
(Additions to)/Transfers from DC PILOT Fund	-	-	-	-	(\$10,000)
Net Revenues Available for Senior Debt Service (G)	\$80,183	\$106,450	\$99,877	\$113,375	\$133,097
Senior Debt Service Coverage (G/D)	3.43	4.68	2.97	2.75	3.21
Calculation of Subordinate Debt Service Coverage:					
Net Revenue Available for Senior Debt Service	\$80,183	\$106,450	\$99,877	\$113,375	\$133,097
Less Senior Debt Service (D)	(23,367)	(22,767)	(33,631)	(41,278)	(41,511)
Net Revenues Available for Subordinate Debt Service (G-D)	\$56,816	\$83,683	\$66,246	\$72,097	\$91,586
Subordinate Debt Service Coverage [(G-D)/E]	2.07	1.86	1.61	1.71	1.82
Combined Debt Service Coverage (G/F)	1.58	1.57	1.34	1.36	1.45

¹ Prepared in accordance with the Indenture, which closely corresponds to cash basis accounting.

Source: Authority's CAFR.

Annual Budget

Annual Budget Process

The Authority's budgetary process is based on an integrated approach that links its operating and capital requirements to its ten-year financial plan. Preparation of the Authority's budget begins with the preparation of the ten-year financial plan in the spring of each year. The Authority's operating budgets and the CIP are developed based on the financial parameters laid out in the financial plan and in Board policy. Management presents its proposed operating budgets, the CIP and ten-year financial plan to the Board's Environmental Quality and Operations and Finance and Budget Committees for their review, with final action by the full Board scheduled for January of each year. Upon final approval by the Board, the Authority's budget is forwarded to the District for inclusion in its submission to the President as described below.

Under the Act and the Federal Act, the Authority is required to prepare and annually submit to the Mayor of the District for inclusion in the annual budget of the District estimates of the expenditures and appropriations necessary for the operation of the Authority for each Fiscal Year. All such estimates are required to be forwarded by the Mayor to the Council for its action without revision, but subject to the

Mayor's recommendations. The Council may comment or make recommendations concerning such annual estimates but has no authority to revise such estimates. Such annual estimates constitute a part of the annual budget of the District required to be submitted by the Mayor to the President of the United States for transmission by the President to the United States Congress. In accordance with the District's Home Rule Act, except as noted below, no amount may be obligated or expended by any officer or employee of the District, including the Authority, unless such amount has been approved by act of Congress and then only according to such act. Pursuant to the Federal Act, the limitation described in the preceding sentence is not applicable to expenditures by the Authority for any of the following purposes: (i) any amount obligated or expended from the proceeds of any revenue bonds of the Authority; (ii) any amount obligated or expended for debt service on such revenue bonds; (iii) any amount obligated or expended to secure any revenue bonds of the Authority; or (iv) any amount obligated or expended for repair, maintenance, or capital improvement to the System facilities financed by any revenue bonds of the Authority. In addition, pursuant to Public Law 105-33 (D.C. Code Section 1-204.45a(b)), if the Authority has excess revenues, such excess revenues may be obligated or expended for capital projects.

Approved Fiscal Year 2012 Budget

The Board adopted the Fiscal Year 2012 budget on February 3, 2011 (the "Approved Fiscal Year 2012 Budget"), and submitted it to the District for review and inclusion in the District's annual budget, which must be approved by the U.S. Congress.

The Approved Fiscal Year 2012 Budget for expenditures totals \$422.4 million, an increase of \$19 million or 4.7% over the Revised Fiscal Year 2011 Budget, primarily due to personnel service increases resulting from in-sourcing of design services related to CIP projects as well as increased debt service.

Projected revenues for the Fiscal Year 2012 total \$412.2 million, an increase of 3.3% over the Revised Fiscal Year 2011 Budget, reflecting the proposed 6% increase in combined water and wastewater rates, the \$3.45 increase in the CRIAC and the proposed increase of \$0.04 per Ccf in the PILOT portion of the PILOT/ROW Fee and the proposed increase of \$0.01 per Ccf in the ROW portion of the fee.

Revised Fiscal Year 2012 Budget

The Board adopted the Revised Fiscal Year 2012 budget (the "Revised Fiscal Year 2012 Budget") on July 7, 2011. The Revised Fiscal Year 2012 budget totals \$415.4 million, which is \$6.9 million lower than the Approved Fiscal Year 2012 Budget, primarily due to reductions in personnel costs, debt service and water purchases from the Aqueduct. Projected revenues for Fiscal Year 2012 total \$414.2 million, an increase of 3.8% over the Revised Fiscal Year 2011 Budget, reflecting the actual 4.5% increase in combined water and wastewater rates, the \$3.19 increase in the CRIAC and the increase of \$0.01 per Ccf in the ROW portion of the of the PILOT/ROW Fee.

Projected Financial Operations

The following table was prepared by Amawalk in its capacity as the financial feasibility consultant to the Authority, and it shows (i) the actual cash flows, cash reserves and debt service coverage for Fiscal Year 2011 and (ii) projected cash flows, cash reserves and debt service coverage for Fiscal Years 2012 through 2017. The projected revenues reflect the increases in rates and charges adopted by the Authority for Fiscal Year 2012 and the anticipated increases in rates and charges for Fiscal Years 2013 through 2017. The projected increases in retail water and wastewater consumption-based rates are 6.5% in Fiscal Year 2013, 5.0% in Fiscal Year 2014 and 6.5% annually in Fiscal Years 2015 through 2017. The Authority's financial forecast includes an anticipated increase in the CRIAC from \$6.64 per ERU in Fiscal Year 2012 to \$9.73 per ERU in Fiscal Year 2013 and to \$14.52 per ERU in Fiscal Year

2014. Further increases in the CRIAC are expected in Fiscal Years 2015 through 2017. The projected debt service coverage in the following table assumes that, following the issuance of the Series 2012 Bonds, anticipated future bonds will be issued on a senior lien basis with an assumed interest rate of 6.5%, and level annual debt service. The Authority has the option, however, to issue future bonds on either a senior lien or a subordinate lien basis. The combined debt service coverage would remain the same if the Authority were to elect to issue subordinate lien debt in the future in lieu of senior lien debt. Decisions regarding the issuance of future debt on either a senior lien or a subordinate lien basis will be made by the Authority at the time of debt issuance.

In the analysis of the forecast of future operations summarized in this Official Statement, including the information set forth in the following table, Amawalk reviewed certain assumptions with respect to conditions, events and circumstances which may occur in the future. Amawalk is of the opinion that these assumptions are reasonable and attainable as of the date of the Financial Feasibility Opinion Letter, although actual results may differ from those forecast as influenced by the conditions, events and circumstances which actually occur.

Analysis of Actual and Projected Financial Results^{1,2}

Fiscal Year ended/ending September 30

(\$ in thousands)

	Actual 2011	Projected					
		2012	2013	2014	2015	2016	2017
Payment of Obligations							
Revenues							
Retail Revenues ³	\$278,327	\$302,041	\$330,358	\$363,549	\$393,713	\$422,499	\$453,078
Wholesale Revenues	69,261	74,361	77,446	72,521	67,091	69,008	70,929
Other Non-Operating Revenues	46,887	43,515	45,846	49,704	54,457	59,118	62,625
Transfers from Rate Stabilization Fund	9,500	6,500	6,500	-	2,950	4,000	5,000
(Contributions to Rate Stabilization Fund)	(9,500)	(12,250)	-	-	-	-	-
Total Revenues	\$394,474	\$414,166	\$460,150	\$485,774	\$518,211	\$554,625	\$591,632
Prior Year Federal Billing Reconciliation	\$1,669	(\$1,000)	(\$5,105)	(\$2,791)	-	-	-
Transfer to DC PILOT Fund	(10,000)	-	-	-	-	-	-
(Refund to)/Payment from IMA	(3,861)	(5,250)	(3,000)	-	-	-	-
Net Revenues (A)	\$382,282	\$407,917	\$452,045	\$482,983	\$518,211	\$554,625	\$591,632
Operating Expenses (B)	\$249,186	276,765	286,378	284,198	278,175	286,247	294,462
Net Revenues Available for Debt Service (C=A-B)	\$133,096	131,152	165,667	198,786	240,036	268,378	297,171
Total Senior Debt Service (D)	\$41,511	41,918	50,052	68,935	98,383	120,515	140,990
Total Subordinate Debt Service (E)	50,377	58,859	77,575	81,452	86,049	87,017	86,685
Total Outstanding & Projected Debt Service (F=D+E)	\$91,888	100,776	127,627	150,387	184,431	207,532	227,674
Debt Service Coverage							
Calculation of Net Revenues Available for Senior Debt Service							
Senior Debt Service Coverage (C/D)	3.21x	3.13x	3.31x	2.88x	2.44x	2.23x	2.11x
Calculation of Subordinate Debt Service Coverage							
Net Revenue Available for Senior Debt Service (C)	\$133,096	131,152	165,667	198,786	240,036	268,378	297,171
Less Senior Debt Service (D)	(41,511)	(41,918)	(50,052)	(68,935)	(98,383)	(120,515)	(140,990)
Net Revenue Available for Subordinate Debt Service (C-D)	\$91,585	89,234	115,615	129,850	141,653	147,862	156,181
Subordinate Debt Service Coverage [(C-D)/E]	1.82x	1.52x	1.49x	1.59x	1.65x	1.70x	1.80x
Combined Debt Service Coverage with Direct Payments (C/F)	1.45x	1.30x	1.30x	1.32x	1.30x	1.29x	1.31x
Payment In Lieu of Taxes/Right of Way Fee (G)	\$20,618	\$22,365	24,314	25,275	26,587	27,983	29,471
Revenues Less Debt Service and Expenses (H=C-F-G)	\$20,590	\$8,011	13,725	23,123	29,018	32,862	40,026
Reserve Balances							
Beginning Cash Reserve Balance (I)	\$131,996	\$150,035	\$125,500	\$125,500	\$125,500	\$125,500	\$125,500
Cash Reserve Balance Breakdown							
Beginning Undesignated Reserve Balance	56,292	74,331	49,538	45,004	43,424	43,424	43,424
Additions to/(Transfers from) Undesignated Reserve							
Annual Balance from Operations	32,782	14,261	21,830	25,914	29,018	32,862	40,026
Prior Year Federal Billing Reconciliation	1,669	(1,000)	(5,105)	(2,791)	-	-	-
(Refund to)/Payment from IMA	(3,861)	(5,250)	(3,000)	-	-	-	-
Transfer to DC PILOT Fund	(10,000)	-	-	-	-	-	-
Pay-Go Capital Financing	(2,551)	(32,546)	(13,725)	(23,123)	(29,018)	(32,862)	(40,026)
(Transfers to)/Transfers from 60-Day Reserve	-	(258)	(4,533)	(1,580)	-	-	-
Ending Undesignated Reserve Balance	\$74,331	\$49,538	\$45,004	\$43,424	\$43,424	\$43,424	\$43,424
Beginning 60-Day Operating Reserve Balance	\$40,704	\$40,704	\$40,962	\$45,496	\$47,076	\$47,076	\$47,076
Additions to/(Transfers from) 60-Day Reserve	-	258	4,533	1,580	-	-	-
60-Day Operating Reserve Balance	\$40,704	\$40,962	\$45,496	\$47,076	\$47,076	\$47,076	\$47,076
Beginning Renewal & Replacement Balance	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Additions to/(Transfers from) Renewal & Replacement Reserve	-	-	-	-	-	-	-
Renewal & Replacement Reserve Balance	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Ending Balance Cash Reserve	\$150,035	\$125,500	\$125,500	\$125,500	\$125,500	\$125,500	\$125,500
Stormwater Receipts – DC Water Share (J)	648	1,100	1,100	1,100	1,100	1,100	1,100
Cash Reserve Requirement Per Board Policy [(B-J)/(120/365) or \$125.5 million] ⁴	125,500	125,500	125,500	125,500	125,500	125,500	125,500
Beginning Rate Stabilization Fund Balance	16,700	16,700	22,450	15,950	15,950	13,000	9,000
Transfers from Operations (Additions to Rate Stabilization Fund)	9,500	12,250	-	-	-	-	-
Additions to Operations/(Transfers from) Rate Stabilization Fund	(9,500)	(6,500)	(6,500)	-	(2,950)	(4,000)	(5,000)
Rate Stabilization Fund Balance	16,700	22,450	15,950	15,950	13,000	9,000	4,000

¹ Debt service is shown on a cash basis, and may differ from the CAFR.

² Debt service payments for the Series 2012 Bonds are calculated based on an assumed annual interest rate of 5.5%, a term of 30 years and level annual debt service. Debt service for anticipated future bonds starting in Fiscal Year 2013 is calculated based on an assumed annual interest rate of 6.5%, a term of 30 years and level annual debt service. Debt service does not reflect the refunding of the Refunded Bonds with the proceeds of the Series 2012C Bonds.

³ Includes retail revenue from water and wastewater charges as well as the Clean River Impervious Area

⁴ Board financial policy requires the maintenance of a cash equivalent to 120 days of operating costs less District stormwater revenues, but not less than a cash balance of \$125.5 million.

System Revenues

The Authority collects revenues from retail and wholesale customers as well as other sources that include fees paid by developers and interest earnings on available funds. Authority revenues also include transfers from the Rate Stabilization Fund. The following table shows historical revenues of the Authority for Fiscal Years 2008 through 2011, and the projected revenues for Fiscal Years 2012 through 2017.

Historical and Projected Revenue on a Cash Basis
(\$ in millions)

	Actual				Projected					
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retail Revenue										
Residential, Commercial, Multi-Family	\$165.93	\$166.12	\$176.67	\$197.97	\$205.04	\$215.96	\$224.47	\$236.64	\$249.47	\$263.00
Federal Government	31.56	33.30	38.61	42.31	41.48	42.85	44.55	46.97	49.52	52.21
D.C. Municipal Government	7.47	6.95	7.48	7.72	9.00	9.49	9.86	10.40	10.97	11.56
D.C. Housing Authority	6.20	6.15	5.73	4.91	6.05	6.38	6.63	6.99	7.37	7.77
Groundwater ⁽¹⁾	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01
Metering Fee	5.53	5.47	5.33	9.76	10.78	10.78	10.78	10.78	10.78	10.78
CRIAC	-	-	8.04	15.66	29.69	44.90	67.26	81.94	94.39	107.76
Total Retail Revenue	\$216.68	\$218.00	\$241.84	\$278.33	\$302.04	\$330.36	\$363.55	\$393.71	\$422.50	\$453.08
Wholesale Revenue										
WSSC	\$45.34	\$48.96	\$49.91	\$49.19	\$53.31	\$55.88	\$52.36	\$48.48	\$49.86	\$51.25
Fairfax County	10.22	10.63	11.08	12.52	13.48	13.94	13.04	12.05	12.40	12.74
Loudoun County & Potomac Interceptor	7.28	6.10	6.48	7.55	7.57	7.63	7.12	6.56	6.75	6.93
Total Wholesale Revenue	\$62.84	\$65.68	\$67.47	\$69.26	\$74.36	\$77.45	\$72.52	\$67.09	\$69.01	\$70.93
Other Revenues										
District Stormwater Revenues	\$0.43	\$0.59	\$1.28	\$0.65	\$1.10	\$1.10	\$1.10	\$1.10	\$1.10	\$1.10
Transfer from Rate Stabilization Fund	24.90	25.00	28.00	9.50	6.50	6.50	0.00	2.95	4.00	5.00
Miscellaneous Revenues	15.87	11.14	12.97	22.32	18.90	18.90	18.90	18.90	18.90	18.90
Aqueduct Debt Service Revenue from Falls Church and Arlington	0.55	0.48	0.42	0.31	0.22	0.21	0.20	0.19	0.19	0.19
Interest Income	7.43	1.92	1.16	1.33	0.79	1.33	4.23	7.68	10.94	12.96
D.C. Right of Way Occupancy Fee/PILOT	17.64	18.63	20.39	22.27	22.51	24.31	25.28	26.59	27.98	29.47
Total Other Revenue	\$66.82	\$57.76	\$64.22	\$56.39	\$50.01	\$52.35	\$49.70	\$57.41	\$63.12	\$67.62
Total Operating Cash Receipts	\$346.34	\$341.44	\$373.54	\$403.97	\$426.42	\$460.15	\$485.77	\$518.21	\$554.62	\$591.63
Less: Contributions to Rate Stabilization Fund	-	(10.00)	(16.10)	(9.50)	(12.25)	-	-	-	-	-
Total Operating Cash Receipts with Rate Stabilization Fund Transfers	\$346.34	\$331.44	\$357.44	\$394.47	\$414.17	\$460.15	\$485.77	\$518.21	\$554.62	\$591.63

¹ Groundwater revenue refers to receipts from customers that pump groundwater into the sewer system.

Source: Amawalk

An overview of the revenue components is provided below.

Retail Water and Wastewater Revenues

Retail revenues comprise the vast majority of all System revenues. In Fiscal Year 2008 through Fiscal Year 2011, retail revenues accounted for approximately 69.3% of total revenue (excluding the effects of withdrawals from the Rate Stabilization Fund), wholesale customer payments represented about 19.3% of total revenues, with the remaining 11.4% coming from a variety of sources, such as interest

income, penalties and fines, and fees from service installations. Retail revenues will comprise an increasing percentage of total revenues during the period of Fiscal Year 2012 through Fiscal Year 2017 primarily due to the increasing cost of the CSO LTCP, which will result in additional revenues being collected from the CRIAC. Retail revenues are derived primarily from water and wastewater service charges of the Authority that are based on water consumption as described earlier in this Official Statement. Other sources of retail revenue include the customer metering fee. See “CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges.”

The Authority has projected that revenues from retail customers will be \$302.0 million in Fiscal Year 2012, or 71.9% of the Authority’s revenues (excluding the effects of withdrawals from the Rate Stabilization Fund). This amount includes approximately \$29.7 million from the CRIAC and excludes the PILOT/ROW fees. Without the effects of the CRIAC, the Fiscal Year 2012 projected revenue represents an increase of \$9.7 million or 3.7% compared to the Fiscal Year 2011 revenues. The projected increases in retail revenue anticipate that the customer metering fee will be unchanged from the current fee schedule.

Revenues from retail consumption are anticipated to be \$330.4 million in Fiscal Year 2013. This amount includes approximately \$44.9 million from the CRIAC. Without the effects of the CRIAC, the Fiscal Year 2013 projected revenue represents an increase of \$13.1 million or 4.8% compared to the projected Fiscal Year 2012 revenues.

Revenues from retail consumption are projected to be \$363.5 million in Fiscal Year 2014. This amount includes approximately \$67.3 million from the CRIAC. Without the effects of the CRIAC, the Fiscal Year 2014 projected revenue represents an increase of \$10.8 million or 3.8% compared to the projected Fiscal Year 2013 revenues.

Retail revenues in Fiscal Years 2015 through 2017 are anticipated to increase in each year reflecting both the effects of projected rate increases as well as the expectation that water demand will decrease by 1% annually.

Clean Rivers Impervious Area Charge Revenues

The revenues from the CRIAC were \$15.7 million in Fiscal Year 2011. Based on increases in the CRIAC in each year, revenues are expected to increase to \$29.7 million in Fiscal Year 2012, \$44.9 million in Fiscal Year 2013 and \$67.3 million in Fiscal Year 2014. The revenues from the CRIAC in Fiscal Year 2015 through 2017 are projected to increase reflecting the effects of projected rate increases.

The Authority is evaluating a CRIAC credit program that will provide discounts for properties that install facilities and utilize practices that retain stormwater or divert stormwater away from the wastewater system, such as rain gardens and green roofs. The potential program policies and credits have not been approved at this time. The Authority has budgeted \$500,000 per year starting in Fiscal Year 2013 for the value of the credit program. The effects of this credit were considered by the Authority in developing its projection of annual revenues.

Stormwater Revenues

In Fiscal Years 2012 through 2017, the Authority anticipates that it will collect \$1.1 million in stormwater fees from its retail accounts to cover its share of District stormwater expenditures. The District Council has stormwater rate-setting authority for stormwater services provided by the District. The Authority will work collaboratively with the District Council to set future rates. The projected

revenue from stormwater fees that are payable to the District are based on the current stormwater rate. For more information regarding the stormwater fee, see “CUSTOMER BASE, RATES AND CHARGES – Components of Retail Rates and Charges – Stormwater Fee.”

Wholesale Revenues

The Authority’s wholesale revenues for wastewater operations are stable and reflect modest increases in the cost of service and changes in the volumes of wastewater flow from suburban customers. In Fiscal Year 2011, the Authority received \$69.3 million in revenue from its wholesale customers pursuant to the IMA.

Revenue from wholesale customers is projected to increase to \$74.4 million in Fiscal Year 2012 and \$77.4 million in Fiscal Year 2013. Revenues are expected to decrease to \$72.5 million in Fiscal Year 2014 and decrease further in Fiscal Year 2015. The reason for this anticipated decline in payments is that the Authority expects to begin operation of its new biosolids digestion facilities in Fiscal Year 2014 and Fiscal Year 2015. The Authority expects such facilities to produce a net reduction in operating expenses; the benefits of which would be shared by both retail and wholesale customers. The projected revenue needs in Fiscal Year 2014 for both retail and wholesale customers reflect the anticipated effects of such savings. Wholesale customers are paying for their share of the capital costs of the new digestion facilities upfront in the form of cash contributions towards the CIP; retail customers will pay their share of the capital costs over time through the payment of debt service on bonds issued by the Authority. The revenues from the wholesale customers in Fiscal Year 2016 and Fiscal Year 2017 are projected to increase reflecting the effects of projected rate increases, allocated digester savings, as well as the expectation that water demand will decrease by 1% annually.

Loan Repayment from Arlington County and Falls Church

The Authority provided a loan to the Aqueduct to finance certain improvements at the Aqueduct. This loan is repaid to the Authority by Arlington County, Virginia and Falls Church, Virginia, as Aqueduct Customers, in the form of a credit that is issued to the Authority on the monthly water bills generated by the Aqueduct. The amount of the credit is determined by the Aqueduct in accordance with the Water Sales Agreement, and is expected to be \$75,476.82 in Fiscal Year 2012 and \$71,605.70 in Fiscal Year 2013.

Interest Income on Reserve Funds

Interest income is earned on the available funds of the Authority and a portion of the interest earnings may be used to pay operating and maintenance expenses or capital costs of the Authority.

Interest earnings will fluctuate from year to year based on changes in cash flow, fund balances and market conditions affecting interest rates and other investment terms. The Authority has projected interest earnings of \$0.79 million for Fiscal Year 2012, \$1.33 million in Fiscal Year 2013, \$4.23 million in Fiscal Year 2014, and increasing to \$12.96 million in Fiscal Year 2017, including interest earned from the bond reserves. The assumed annual interest earnings rates for the funds are 0.39% in Fiscal Year 2012, 0.80% in Fiscal Year 2013, 3.0% in Fiscal Year 2014, 4% in Fiscal Year 2015 and increasing to 5.0% in Fiscal Year 2016 and Fiscal Year 2017. Projected fund balances and interest rate assumptions are reviewed annually as part of the Authority’s budget process. The available interest earnings for secure investments are very low in today’s financial markets. The Authority’s assumed interest earnings reflect these conditions. Recognizing the low earnings rates, the current interest rates on borrowed funds, including commercial paper interest, are also very low compared to historical experience. This helps

reduce interest costs (and resulting revenue requirements) of the Authority. The Authority assumes for forecasting purposes that interest earnings rates will increase over time while simultaneously assuming that borrowing rates for future Authority debt also will increase from 5.5% in Fiscal Year 2012 to 6.5% in Fiscal Year 2013 and each year thereafter.

Miscellaneous Revenue

The Authority realizes revenue from several sources classified as miscellaneous, such as charges for late payments by customers, service installation charges, service line repairs, engineering reviews, the sale of manuals, the District fire protection fee, and fees charged to commercial waste haulers. Miscellaneous revenues in Fiscal Year 2011 were \$22.32 million, or \$9.4 million higher than the amounts received in Fiscal Year 2010 due primarily to a large increase in payments from the District for fire protection services. Revenues from these sources are expected to decrease to \$18.9 million in Fiscal Year 2012 due to a decline in payments for fire protection services and are assumed to remain constant through Fiscal Year 2017. These amounts include payments for various development-related services provided by the Authority and charges to the District for fire protection services. The Authority's annual investments (operating and capital) in fire protection assets and services increased significantly following the execution of the Memorandum of Understanding between the Authority and the District of Columbia Fire and EMS Department (FEMS) on October 25, 2007. The fees charged by the Authority are intended to recover the costs incurred by Authority related to fire protection services provided by the water system including, but not limited to, the ability to deliver water for firefighting as well as maintaining and upgrading fire hydrants. The Authority's investments will continue in future years but at a pace that is much lower than the peak years of Fiscal Year 2008 and Fiscal Year 2009. The projected miscellaneous revenues assume that the District will make such payments in each year or that a combination of payments and credits against Authority payments to the District will result in the Authority receiving the full amounts expected from the District.

PILOT/ROW Fee

The total combined revenues from the PILOT/ROW Fee are expected to total \$22.5 million in Fiscal Year 2012, and increase to \$29.5 million in Fiscal Year 2017.

System Expenditures

Operating Expenses

The following table presents the historical Operating and Maintenance ("O&M") expenses of the Authority for Fiscal Years 2008 through 2011, and the projected O&M expenses for Fiscal Years 2012 through 2017. The average annual rate of increase in expenses for Fiscal Years 2008 through 2011 was 2.5%, excluding PILOT payments to the District.

The projected expenses for Fiscal Year 2012 reflect the current adopted budget of the Authority which represents an 11.1% increase over the expenses for Fiscal Year 2011. The anticipated expenses for Fiscal Year 2013 reflect an annual increase of 3.5%, excluding the PILOT payments to the District. Starting in Fiscal Year 2014 and continuing in Fiscal Year 2015, energy savings resulting from new biosolids digestion facilities are expected to more than offset potential increases in expenses, resulting in a decrease in the anticipated annual expenses. The Personnel Services amounts shown in operating and maintenance costs table are net of amounts charged to capital projects.

Historical and Projected Operating and Maintenance Costs

Fiscal Years ended/ending September 30

(\$ in millions)^{1,2}

	Actual				Projected					
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Digester Project – Operating Savings	-	-	-	-	-	-	(\$13.78)	(\$28.65)	(\$29.70)	(\$30.87)
Personnel Services	\$75.87	\$83.20	\$87.47	\$92.74	\$97.11	\$101.11	104.14	107.26	110.48	113.80
Contractual Services	63.60	66.00	69.69	72.69	79.75	82.35	87.83	90.38	93.00	95.70
Water Purchases	25.74	23.32	26.84	27.01	31.52	32.52	33.50	34.50	35.54	36.60
Chemical & Supplies	28.54	29.99	30.52	27.74	29.95	31.36	32.30	33.27	34.27	35.29
Utilities & Rent	36.91	31.78	28.75	27.94	37.45	38.05	39.19	40.36	41.57	42.82
Small Equipment	0.78	0.78	0.71	1.06	1.00	0.99	1.02	1.05	1.09	1.12
Total O&M Expenses	231.43	235.06	243.98	249.19	276.77	286.38	284.20	278.18	286.25	294.46
PILOT & D.C. Occupancy ROW Fee	17.51	17.51	14.41	20.62	22.36	24.31	25.28	26.59	27.98	29.47
Total Expenses	\$248.94	\$252.57	\$258.39	\$269.80	\$299.13	\$310.69	\$309.47	\$304.76	\$314.23	\$323.93

¹ All figures are presented on a cash disbursement basis.

² Fiscal Year 2012 revenue projections are based on the Authority's year-to-date Fiscal Year 2012 revenues through December 31, 2012, and its expected revenues for the remainder of Fiscal Year 2012.

Source: Amawalk

The actual annual O&M expenses for Fiscal Years 2008 through 2011 were below the amounts budgeted by the Authority. The following table provides a comparison of the budgeted versus actual costs from Fiscal Year 2008 to Fiscal Year 2011 on an accrual basis. The Authority has historically under-spent its annual budget (including O&M expenses), as illustrated in the following table.

Budget to Actual Expense Comparison

Fiscal Years ended September 30

(\$ in millions)¹

Category	2009			2010			2011 ²		
	Approved Budget	Actual Cost	Variance	Approved Budget	Actual Cost	Variance	Approved Budget	Actual Cost	Variance
Personnel Services	\$92.92	\$91.76	(\$1.16)	\$96.20	\$98.19	\$1.99	\$105.29	\$102.57	(\$2.72)
Contractual Services	71.76	64.51	(7.24)	77.12	69.50	(7.62)	79.11	73.77	(5.34)
Water Purchases	25.77	25.37	(0.40)	30.30	27.59	(2.71)	33.00	27.01	(5.99)
Chemical & Supplies	29.56	27.78	(1.78)	29.48	26.72	(2.76)	29.23	25.98	(3.25)
Utilities & Rent	38.66	32.81	(5.84)	37.15	29.93	(7.22)	34.94	30.40	(4.54)
Small Equipment	0.79	0.53	(0.26)	0.90	0.86	(0.04)	1.10	0.70	(0.40)
Lead Abatement	-	-	-	-	-	-	-	-	-
Long Term Control Plan	0.37	-	(0.37)	-	-	-	-	-	-
Debt Service	84.24	74.78	(9.47)	90.69	83.51	(7.17)	98.73	92.07	(6.66)
Payment in Lieu of Taxes & ROW	19.18	19.18	0.00	20.45	20.47	0.03	21.98	21.98	-
Total Costs	363.23	336.72	(26.51)	382.28	356.78	(25.50)	403.38	374.48	(28.90)
Personnel Services Charged to Capital Projects	(8.40)	(9.51)	(1.11)	(9.30)	(9.98)	(0.68)	(11.00)	(10.72)	0.28
Total Net O&M Costs	\$354.83	\$327.21	(\$27.62)	\$372.98	\$346.79	(\$26.19)	\$392.38	\$363.77	(\$28.61)

¹ All figures are presented on an accrual basis.

² Fiscal Year 2011 costs are preliminary.

Source: Amawalk

Several factors affecting future expenses are described herein. The Authority has undertaken long-term initiatives to optimize the cost of service. Management's forecast of operations and maintenance expenses reflects continued emphasis on managing such expenses. Examples of historical and ongoing initiatives are outlined in the description of the major categories of expense. Management continually monitors expenditures and reports the results monthly to the Board's Budget and Finance

Committee. The Authority also has the option, in any given year, to defer certain expenses in order to stay within its budget and conform to Board policy requirements.

Labor-Related Expenses

Personnel costs are directly affected by staffing levels, salaries and wages, fringe benefits including pension contributions, overtime expenditures and other factors. As described in “THE AUTHORITY – Organizational Initiatives – Number of Personnel”, the Authority has significantly reduced the number of authorized positions, reflecting initiatives to increase efficiency and control operational costs.

Certain individuals at the Authority are responsible for planning and implementing the CIP. The salaries, wages and fringe benefits of such personnel are charged to capital projects and are paid for through the sources of funds for the CIP. In Fiscal Year 2012, the costs of such personnel are budgeted at \$16.0 million.

Salaries and Fringe Benefits. The Authority has a Master Agreement on Compensation and five working condition agreements with unions representing approximately 90% of its workforce. All of the collective bargaining agreements expired on September 30, 2011. The Master Agreement on Compensation provides for salary increases of 3.8% in Fiscal Year 2012 and 4% in Fiscal Year 2013.

The Authority provides its employees with a comprehensive fringe benefit package, including coverage for health insurance, group term life insurance, dental care, vision care, disability coverage and retirement plans. The fringe benefit component of total labor costs has increased at a greater rate than salaries and wages in recent years, primarily due to the increasing cost of health care coverage. Fringe benefits are budgeted to be approximately 27% of salaries in Fiscal Year 2012. This percentage is relatively consistent with the budgeted fringe benefit rates in Fiscal Years 2010 and 2011.

While employed by the Authority, employees contribute to a retirement fund and the Authority contributes a proportional match. Once an employee retires, the Authority has no further financial obligations relating to those employees. Some retired employees may be eligible to receive a federal pension. In addition, the federal government also may assume the employer portion of the healthcare coverage for eligible employees. The Authority is and expects to continue to remain current with its benefit payments.

Overtime Expenses. The Authority uses overtime work by its employees to address unplanned repairs and service needs (e.g., to repair water main breaks that occur outside of normal business hours) as well as to provide resources to offset unfilled positions and to reduce the need for contractual labor. Overtime expenses in Fiscal Year 2011, including an allowance for fringe benefits, totaled \$5.77 million, or about 5.6% of total personnel services costs. The following table illustrates historical overtime costs from Fiscal Year 2001 through Fiscal Year 2011. Overtime spending in Fiscal Years 2007 and 2008 on a percentage basis was higher than in the prior six years due to higher than expected vacancy rates, a challenging winter which resulted in a record number of water main breaks, and increased activities related to maintenance and repair including fire hydrant inspections. Overtime spending in Fiscal Years 2009 through 2011 was more consistent with the experience of Fiscal Years 2001 through 2006.

Overtime Spending¹
(\$ in millions)

Fiscal Year ending September 30	Overtime Spending	Personnel Services Spending	Overtime Expenditures as % of Personnel Services
2000	\$4.98	\$63.08	7.9%
2001	4.60	62.06	7.4%
2002	4.04	62.16	6.5%
2003	4.39	64.09	6.8%
2004	4.28	62.45	6.9%
2005	4.30	64.04	6.7%
2006	4.88	66.94	7.3%
2007	5.60	70.96	7.9%
2008	6.33	75.84	8.3%
2009	5.30	82.25	6.4%
2010	5.40	88.21	6.1%
2011	5.27	93.24	5.7%

Source: Authority's CAFR.

Overtime Spending on an Accrual Basis
(\$ in millions)

Fiscal Year ended/ending September 30	Overtime Spending	Personnel Services Spending	Overtime Expenditures as % of Personnel Services
2001	\$4.60	\$68.38	6.7%
2002	4.04	68.51	5.9%
2003	4.39	71.03	6.2%
2004	4.28	69.97	6.1%
2005	4.30	71.72	6.0%
2006	4.88	73.57	6.6%
2007	5.60	78.50	7.1%
2008	6.33	84.52	7.5%
2009	5.30	91.76	5.8%
2010	5.71	98.19	5.8%
2011*	5.77	102.57	5.6%

* Fiscal Year 2011 overtime spending and cost of personnel services are preliminary.

Source: Authority records.

Total Personnel Expenses. The Authority's personnel costs increased at an average of 6.9% per year from Fiscal Year 2008 through Fiscal Year 2011. Budgeted personnel expenses for Fiscal Year 2012 are \$97.11 million, a 4.7% increase over Fiscal Year 2011. Personnel costs are expected to increase by 4.1% in Fiscal Year 2013. Beginning in Fiscal Year 2014, personnel costs are projected to increase at an average annual rate of 3.0%. The projected rate of increase is supported by the Authority's demonstrated ability to reduce staffing levels and overtime costs through improvements in its facilities and business practices, as well as the expectation that new employees in the upcoming years will have lower salaries and benefits compared to the employees who will retire during that same period.

Non-Labor Operating Expenses

There are four major categories of operating expenses that are not labor-related: Contractual Services (which includes the processing and disposal of biosolids), Water Purchases, Chemicals and Supplies and Utilities and Rent (which includes electricity needed to operate the Authority facilities). The following table summarizes the actual expenses incurred by the Authority under these categories for Fiscal Years 2008 through 2011.

Major Non-Labor Expenditures

(\$ in thousands)

	Fiscal Year ended September 30					
	Actual FY 2008	Revised FY 2009	Revised FY 2010	Actual FY 2011	Revised FY 2012	Approved FY 2013
<u>Contractual Services</u>						
Wastewater Treatment	\$20,359	\$21,135	\$21,598	\$21,120	\$23,556	\$24,013
Sewer Services	1,092	2,060	1,929	1,875	2,918	3,232
Water Services	4,603	4,117	4,780	3,960	4,589	5,564
Maintenance Services	5,409	6,358	5,161	5,572	5,565	5,783
Water/Sewer Pumping Maintenance	-	-	1,078	1,168	1,297	1,298
Others	26,736	30,843	34,952	37,372	41,822	42,459
Total	\$58,199	\$64,513	\$69,498	\$71,067	\$79,747	\$82,349
<u>Water Purchases</u>						
Water Services	\$25,746	\$25,371	\$27,587	\$27,170	\$31,517	\$32,523
Total	\$25,746	\$25,371	\$27,587	\$27,170	\$31,517	\$32,523
<u>Chemicals and Supplies</u>						
Wastewater Treatment	\$22,986	\$22,656	\$22,140	\$21,604	\$24,227	\$25,493
Sewer Services	450	414	509	636	630	693
Water Services	897	1,091	1,009	842	1,020	1,090
Maintenance Services	2,533	2,700	1,574	1,798	2,342	2,352
Water/Sewer Pumping Maintenance	-	-	549	354	492	491
Others	955	920	943	1,178	1,236	1,241
Total	\$27,821	\$27,781	\$26,724	\$26,412	\$29,947	\$31,360
<u>Utilities</u>						
Wastewater Treatment	\$27,838	\$24,248	\$20,787	\$19,985	\$25,794	\$26,356
Sewer Services	3,331	2,562	2,825	3,024	3,297	3,297
Water Services	4,011	3,585	3,308	3,741	4,487	4,487
Maintenance Services	70	113	88	75	118	122
Water/Sewer Pumping Maintenance	-	-	-	13	13	13
Others	2,593	2,305	2,921	2,591	3,737	3,772
Total	\$37,843	\$32,813	\$29,929	\$29,429	\$37,446	\$38,047

Source: Amawalk

A brief overview of the four major categories of non-labor expenses is provided below.

Contractual Services. Contractual services include the outside services necessary for the Authority to operate and maintain facilities, including the hauling of biosolids from the Blue Plains treatment facility to the disposal location, building maintenance and repair, the maintenance of certain machinery, equipment and vehicles, and other contractual or professional services. The hauling of

biosolids at Blue Plains is expected to be reduced by approximately 50% once the Digester Project is completed. See “CAPITAL IMPROVEMENT PROGRAM – Categories of Current CIP Projects – Wastewater Treatment Projects.”

The actual costs for contractual services in Fiscal Year 2011 were \$72.69 million. The budgeted amounts for contractual services in Fiscal Year 2012 and Fiscal Year 2013 are \$79.75 million and \$82.35 million, respectively. Contractual services expenses are assumed to increase at the average rate of 6.7% in Fiscal Year 2014 and then 2.9% per year for Fiscal Years 2015 through 2017.

Also included within Contractual Services is the Authority’s purchase of annual insurance policies. The policies cover property, equipment, workers compensation, umbrella and excess liability, crime and fidelity, public officials’ liability, and fiduciary liability.

Water Purchases. The Authority purchases all of its treated drinking water from the Aqueduct on the basis of a 1997 agreement between the Authority and the Corps of Engineers, the operator of the Aqueduct. Under the terms of the agreement and based on its usage in relation to the other Aqueduct Customers, the Authority pays an average of 75% of the Aqueduct’s operating costs. The Authority’s share of Aqueduct capital costs is reflected in the Authority’s CIP.

The costs for water purchases in Fiscal Year 2011 were \$27.01 million. The budgeted amount for water purchases in Fiscal Year 2012 is \$31.52 million, reflecting an increase in rates by the Corps of Engineers. An increase in water supply costs of approximately 3.2% is assumed in Fiscal Year 2013, followed by assumed annual increases of 3.0% per year for Fiscal Years 2014 through 2017.

Chemicals and Supplies. The chemicals and supplies component of the Authority’s operating and maintenance expenses includes, but is not limited to, office, laboratory, custodial and maintenance supplies, automotive supplies, uniforms, and chemicals. Chemicals are the largest portion of this component. The Authority has developed an improved polymer management program for use at Blue Plains in cooperation with the University of Delaware. A method for “fingerprinting” polymer has been developed to make sure it is effective before it is used.

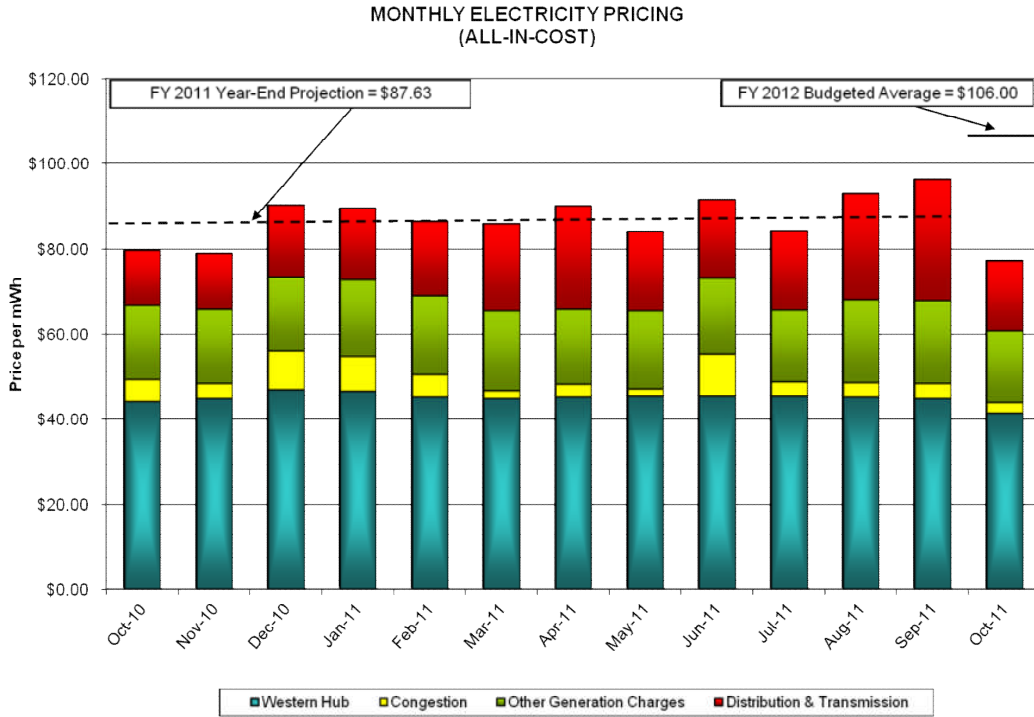
Volatility in the pricing of chemicals has been experienced by most water and wastewater utilities in recent years. The Authority had previously participated in the COG Cooperative Purchasing Program but has since determined that it can secure better pricing through its own procurement of chemicals.

The expenses for chemicals and supplies in Fiscal Year 2011 were \$27.74 million. The budgeted amount for chemicals and supplies in Fiscal Year 2012 is \$29.95 million. The costs for chemicals and supplies are assumed to increase 4.7% in Fiscal Year 2013, followed by assumed annual increases of 3% per year for Fiscal Year 2014 through Fiscal Year 2017, reflecting expected increases in unit prices offset to a certain extent by improved efficiency in chemical usage.

Utilities and Rent. The Authority is a major user of energy, primarily for the operation of the Blue Plains Wastewater Treatment Facilities. Approximately 80% of the expenses associated with utilities and rent are attributable to the cost of power. The Authority has taken a proactive approach to the procurement of power and its pricing. In Fiscal Year 2005, the Authority entered into a full service electricity contract to purchase power from Amerada Hess in the deregulated environment. As part of its power purchasing strategy under deregulation, the Authority has entered into a successor five-year contract for generation that allows it to lock in blocks of power at a fixed price when futures pricing meets budget targets. To the extent that the Authority has power needs that exceed the locked in fixed price blocks, the price of the additional power would be established each day at market rates with direct pass-through of all costs. This contract includes an enhanced process for block power purchases that gives

the Authority access to the wholesale market. The Authority's Department of Finance and Budget monitors the energy market on a continuous basis.

The Authority's contracts for energy purchases only. Transmission and distribution rates are still regulated. PEPCO provides local distribution service to the Authority's facilities. The Authority's historical electricity pricing experience is similar to the spot market pricing averages and generally below the regulated rates. Future price movements cannot be predicted at this time. The following chart shows the Authority's actual expenditures for electricity in Fiscal Year 2011 and budgeted prices for electricity in Fiscal Year 2012.



Source: Amawalk

The Authority employs an Energy Manager who has the responsibility for optimizing the energy use of the Authority. The Authority's approach and market conditions have historically resulted in actual electricity prices and costs that are below the budgeted amounts. The expenses for utilities and rent (including electricity) in Fiscal Year 2011 were \$27.94 million, which was 15.8% less than the budgeted amount. The budgeted amount for utilities and rent in Fiscal Year 2012 is \$37.45 million. The Authority has locked-in the electricity rates for the majority of its expected usage in Fiscal Year 2012. The costs for utilities and rent are assumed to increase at the rate of 1.6% in Fiscal Year 2013 and then increase at the rate of 3% per year through Fiscal Year 2017, not taking into account the effects of the reduction in energy use attributable to the new biosolids digestion process. The anticipated effects of the biosolids digestion facilities on the operation and maintenance expenses are shown separately.

Debt Service

Debt Service on Outstanding Obligations

The following table shows the projected debt service for the existing debt of the Authority for Fiscal Years 2012 through 2017.

Projected Debt Service for Outstanding Obligations
(\$ in thousands)^{1,2}

	Fiscal Year ending September 30					
	2012	2013	2014	2015	2016	2017
Senior Debt Service						
Series 1998 Bonds	\$23,370	\$23,366	\$23,370	\$23,372	\$23,368	\$23,363
Series 2009A Bonds	18,547	18,538	18,675	18,949	19,110	19,325
	<u>\$41,918</u>	<u>\$41,904</u>	<u>\$42,045</u>	<u>\$42,320</u>	<u>\$42,479</u>	<u>\$42,689</u>
Subordinate Debt Service						
Series 2003 Bonds	\$ 8,890	\$ 8,890	\$ 8,890	\$ 8,890	\$ 8,890	\$ 8,890
Series 2007A Bonds	11,351	11,351	11,351	11,351	11,351	11,351
Series 2008A Bonds	19,743	19,826	19,750	19,523	19,366	19,171
Series 2010A Bonds	7,552	7,552	9,079	10,605	10,605	10,605
Capital Equipment Financing	1,557	3,680	7,003	10,325	11,449	11,312
Jennings Randolph Debt	805	805	805	805	805	805
Little Seneca Reservoir Debt	47	45	23	-	-	-
	<u>\$49,946</u>	<u>\$52,149</u>	<u>\$56,901</u>	<u>\$61,498</u>	<u>\$62,466</u>	<u>\$62,134</u>
Total	<u>\$91,863</u>	<u>\$94,053</u>	<u>\$98,947</u>	<u>\$103,819</u>	<u>\$104,945</u>	<u>\$104,822</u>

¹ Debt service is shown on a monthly accrued basis and may differ from the CAFR.

² Excludes debt service on the Series 2012 Bonds, Commercial Paper Notes and projected future Bonds.

Source: Amawalk

Projected Debt Service

The future debt service requirements for both the Series 2012 Bonds as well as anticipated future bond issues are set forth in the following table. The projected debt service requirements were calculated using the following assumptions:

- Series 2012A Bonds and the Series 2012B Bonds will have a 30-year term, principal payments that begin in Fiscal Year 2013 and a net average annual interest rate of 5.50%.
- From Fiscal Year 2012 through Fiscal Year 2014, the Authority expects to capitalize the interest due on the portion of the Series 2012A Bonds and the Series 2012B Bonds issued to pay for the construction of the Digester Project, which will reduce the amount of proceeds available from the Series 2012A Bonds and the Series 2012B Bonds for the cost of the Current CIP and may require the Authority to increase the anticipated size of the projected issuance of bonds in Fiscal Year 2013.
- Additional bonds will be issued as senior lien debt with a 30-year term, level annual debt service and an average annual interest rate of 6.5%. The Authority reserves the right to issue debt on a subordinate lien basis.

- Little or no Commercial Paper Notes will be outstanding at the beginning of Fiscal Year 2013. Beginning in the second half of Fiscal Year 2013 and in each year thereafter, \$100 million of Commercial Paper Notes will be outstanding at an average annual interest rate of 3.25%.

Projected Debt Service

(\$ in thousands)^{1,2,3}

Size of Issue	Fiscal Year ending September 30						
	2012	2013	2014	2015	2016	2017	
Senior Debt Service							
Subtotal Existing Debt Service	-	\$41,918	\$41,904	\$42,045	\$42,320	\$42,479	\$42,689
Series 2013 Bonds	\$212,813	-	8,148	16,297	16,297	16,297	16,297
Series 2014 Bonds	266,016	-	-	10,593	20,371	20,371	20,371
Series 2015 Bonds	263,346	-	-	-	19,395	20,166	20,166
Series 2016 Bonds	276,882	-	-	-	-	21,203	21,203
Series 2017 Bonds	264,626	-	-	-	-	-	20,264
	<u>\$1,283,684</u>	<u>\$41,918</u>	<u>\$50,052</u>	<u>\$68,935</u>	<u>\$98,383</u>	<u>\$120,515</u>	<u>\$140,990</u>
Subordinate Debt Service							
Subtotal Existing Debt Service	-	\$49,946	\$52,149	\$56,901	\$61,498	\$62,466	\$62,134
Series 2012 Bonds ⁴	\$309,580	5,325	21,301	21,301	21,301	21,301	21,301
Commercial Paper	-	3,588	4,125	3,250	3,250	3,250	3,250
	<u>\$309,580</u>	<u>\$58,859</u>	<u>\$77,575</u>	<u>\$81,452</u>	<u>\$86,049</u>	<u>\$87,017</u>	<u>\$86,685</u>
Total	<u>1,593,264</u>	<u>\$100,776</u>	<u>\$127,627</u>	<u>\$150,387</u>	<u>\$184,431</u>	<u>\$207,532</u>	<u>\$227,674</u>

¹ Debt service is shown on a monthly accrued basis and may differ from the CAFR.

² Anticipated future bonds in Fiscal Years 2013 through 2017 are assumed to be issued on a senior lien basis. The Authority may decide in the future to issue such bonds on a subordinate basis.

³ The existing debt service does not reflect the expected refunding of the Refunded Bonds with the proceeds of the Series 2012C Bonds.

⁴ The projected debt service for the Series 2012A Bonds and the Series 2012B Bonds assumes a 30-year term, principal payments that begin in Fiscal Year 2013, level principal and interest payments and a net average annual interest rate of 5.5%.

Source: Amawalk

Reserve Funds

Historical Reserve Balances

The Authority has maintained reserve balances for Fiscal Years 2008 through 2011 as set forth in the following table. In July 2009, the Board revised its policy from maintaining 180 days of operating and maintenance expense cash reserves to 120 days with the objective of maintaining at least \$125.5 million in reserves. See “SECURITY FOR THE SERIES 2012 BONDS – Certain Reserve Funds – *Discretionary Reserves.*”

Historical Reserve Balances
(\$ in thousands)¹

	Fiscal Year ended September 30				
	2007	2008	2009	2010	2011
Beginning Cash Reserve Balance	\$128,424	\$116,743	\$139,050	\$131,298	\$131,996
Beginning Undesignated Reserve Balance	60,339	47,024	66,221	57,295	56,292
Ending Undesignated Reserve Balance	47,024	66,221	57,295	56,292	73,522
Beginning 60-day Operating Reserve Balance	33,085	34,719	37,829	39,003	40,704
Ending 60-day Operating Reserve Balance	34,719	37,829	39,003	40,704	41,514
Beginning Renewal and Replacement Reserve Balance	35,000	35,000	35,000	35,000	35,000
Ending Renewal and Replacement Reserve Balance	35,000	35,000	35,000	35,000	35,000
Ending Cash Reserve Balance	\$116,743	\$139,050	\$131,298	\$131,996	\$150,036
Cash Reserve Requirement Based on Board Policy	\$103,303	\$115,499	\$125,500	\$125,500	\$125,500
Beginning Rate Stabilization Fund Balance	\$58,500	\$68,500	\$43,600	\$28,600	\$16,700
Ending Rate Stabilization Fund Balance	\$68,500	\$43,600	\$28,600	\$16,700	\$16,700

¹ Prepared in accordance with the Indenture, which closely corresponds to cash basis accounting.

Source: Authority’s CAFR.

Debt Service Reserve

The Authority maintains a debt service reserve fund for its Series 1998 Bonds and Series 2003A Bonds in accordance with the Indenture and consistent with rating agency requirements. See “SECURITY FOR THE SERIES 2012 BONDS – Certain Reserve Funds – *Debt Service Reserve Fund and Subordinate Debt Service Reserve Fund.*”

Operating Reserve

The Operating Reserve Fund serves as a source of working capital that the Authority may draw on although it is not expected to be used under routine operating conditions. It is the current policy of the Board to fund operating reserves, including amounts on deposit in the Operating Reserve Fund, to a level equal to 120 days of operating and maintenance expenses. See “SECURITY FOR THE SERIES 2012 BONDS – Certain Reserve Funds – *Operating Reserve Fund.*” As of September 30, 2011, the balance of all operating reserves was in excess of four months of operating and maintenance expenses for Fiscal Year 2012.

Rate Stabilization Fund

The Authority may allocate a portion of the additional cash that it generates each year for deposit to the Rate Stabilization Fund. Additional cash at year-end may result from higher than expected cash collections or lower than anticipated debt service or operating and maintenance expenses. Withdrawals

from the Rate Stabilization Fund are available to pay debt service in the year the withdrawal occurs and are included in the calculation of debt service coverage. See “SECURITY FOR THE SERIES 2012 BONDS – Certain Reserve Funds – *Rate Stabilization Fund.*”

The financial forecast anticipates that there will be deposits to and withdrawals from the Rate Stabilization Fund in Fiscal Year 2012 and future years. The following table sets forth actual and projected activities in the Rate Stabilization Fund and its projected end-of-year balance for Fiscal Years 2012 through 2017. The Authority plans to withdraw funds from the Rate Stabilization Fund gradually to reduce the need for increases in rates and charges for water and wastewater service.

Rate Stabilization Fund
Fiscal Year ended/ending September 30
(\$ in thousands)¹

Fiscal Year	Actual	Projected					
	2011	2012	2013	2014	2015	2016	2017
Beginning Balance	\$16,700	\$16,700	\$22,450	\$15,950	\$15,950	\$13,000	\$9,000
Additions							
Transfer from Operations/Contributions to Rate Stabilization Fund	9,500	12,250	-	-	-	-	-
Total Additions	\$9,500	\$12,250	-	-	-	-	-
Subtractions							
Transfer to Operations	\$9,500	\$6,500	\$6,500	-	\$2,950	\$4,000	\$5,000
Total subtractions	\$9,500	\$6,500	\$6,500	-	\$2,950	\$4,000	\$5,000
Net Additions	-	\$5,750	(\$6,500)	-	(\$2,950)	(\$4,000)	(\$5,000)
Ending Balance	\$16,700	\$22,450	\$15,950	\$15,950	\$13,000	\$9,000	\$4,000

¹ Fiscal Year 2012 revenue projections are based on the Authority’s year-to-date Fiscal Year 2012 revenues through December 31, 2011, and its expected revenues for the remainder of Fiscal Year 2012.

Source: Amawalk

Renewal and Replacement Reserve Fund

The Board has adopted a policy requiring the Authority to maintain a balance of at least \$35 million in the Renewal and Replacement Reserve Fund. See “SECURITY FOR THE SERIES 2012 BONDS – Certain Reserve Funds – *Renewal and Replacement Reserve Fund.*” As of September 30, 2011, the balance in the Renewal and Replacement Reserve Fund was \$35 million.

Discretionary Reserve

The Authority also maintains an undesignated discretionary reserve that is not required by the Master Indenture. The undesignated reserve represents a contingency that could be used for working capital or other financial needs of the Authority. The Authority expects to maintain this balance during Fiscal Years 2012 through 2017, but is under no legal or contractual obligation to do so. See “SECURITY FOR THE SERIES 2012 BONDS – Certain Reserve Funds – *Discretionary Reserves.*”

Financial Policies

The Authority has developed a ten-year financial plan to ensure compliance with certain Indenture requirements and the Board's financial policies. This plan is updated annually, taking into account revisions to the Capital Improvement Program, current and prior year financial performance and other changes. The Board adopted a series of financial policies in 1997 that the Authority utilizes to develop its ten-year financial plan, operating budgets and rate proposals. The policies summarized below reflect revisions adopted by the Board and effective July 2, 2009.

Capital Financing Policy

In order to secure the lowest practical cost of capital to finance the Authority's long-term capital program, the Authority will aim to achieve the following goals:

1. Maintain Senior Debt service coverage of 1.40x.*
2. Maintain cash reserves equivalent to 120 days of budgeted operations and maintenance costs calculated on an average daily balance basis with the objective of maintaining at least \$125.5 million in operating reserves. The annual reserve amount will be formally approved by the Board as part of its annual approval of the operating and capital budgets. The operating reserve requirement will be evaluated every five years by the Authority's independent rate consultant in conjunction with the Indenture-required system assessment. At a minimum include in the operating reserve any reserve requirements contained in the Indenture, excluding any debt service reserve funds and the rate stabilization fund.
3. Utilize operating cash in excess of the Board's reserve requirement and any other significant one-time cash infusions for capital financing or for repayment of higher cost debt
4. Whenever possible, use the least costly type of financing for capital projects, based on a careful evaluation of the Authority's capital and operating requirements and financial position for each year.
5. Attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.
6. Finance its capital equipment needs (e.g., computer equipment and systems; minor utility equipment such as pumps, motors, etc.) and certain taxable costs of the Aqueduct with operating cash or short-term financing instruments with the same or shorter average lives as the related assets.

Rate-Setting Policies

The Authority's rate-setting policies are based on the following principles:

1. Rates and fees will be based on the actual cost to deliver each service.
2. Current rates must be sufficient to cover current costs and to meet all bond covenants.
3. The Authority will achieve a positive net income and cash flow each year.
4. Rates will be based on an annually updated ten-year financial plan (both operating and capital).
5. Rate increases will be implemented in a gradual and predictable manner, avoiding large one-time rate increases.
6. Contributions to and usage of the Rate Stabilization Fund as needed to avoid "rate shock." Each year, after reviewing financing improvements from cash and any other non-recurring

* This policy goal exceeds the Rate Covenant requirement of 1.20x as provided in the Indenture.

financing uses of excess operating cash, the annual Rate Stabilization Fund deposit, if any, is determined.

Cash Management and Investment Policies

In October 2007, the Board adopted a comprehensive Statement of Investment Policy. The statement outlines broad investment policies to include delegation of certain authority to the General Manager, investment objectives, collateralization of deposits, selection of financial institutions, protection of funds, permitted investments, limits on maturities, investment of bond proceeds and investment reporting.

The Office of Finance and Budget produces daily and monthly internal reports on all cash management and investment activities, with significant peer oversight within the Chief Financial Officer's office, monthly reports to the General Manager and quarterly reports to the Board's Finance and Budget Committee that enables them to monitor compliance with Board policies.

ENGINEERING FEASIBILITY REPORT

The Authority retained URS Corporation to prepare an Engineering Feasibility Report dated January 15, 2009, a copy of which is available on the Authority's website at www.dewater.com. The Engineering Feasibility Report has not been updated since its dated date. Pursuant to the Indenture requirement for an inspection of the System at least once every five years, the Engineering Feasibility Report reviews the Authority's progress in implementing capital projects and its plans to initiate additional capital improvements. In conjunction with prior work performed by URS, as well as consideration of the work performed by other consultants, including Amawalk and PB Consult, the Engineering Feasibility Report assessed the adequacy of the Authority's CIP to maintain its water and wastewater infrastructure and to continue providing reliable service of a high quality to its customers. The Engineering Feasibility Report has not been updated since the date of its issuance.

The Engineering Feasibility Report presented findings and conclusions based upon information provided by the Authority or others which is summarized or referred to therein. Set forth below are the URS' principal findings and conclusions. The Engineering Feasibility Report should be read in its entirety for a complete understanding of the assumptions, considerations, estimates and calculations upon which these conclusions are based.

- The Authority has continued implementing its vision and strategic plan, focusing on increasing the operational efficiency of the Water and Wastewater Systems and providing satisfactory service to its customers.
- The Authority staff, including both management and key operations and maintenance personnel, is well qualified, effectively organized and sufficient to meet overall staffing needs.
- The existing Water and Wastewater Systems are effectively maintained and operated.
- The Authority has developed and continues to implement thorough programs for ensuring the integrity of the Water and Wastewater Systems.
- Through appropriate management, operational practices, technology, staffing, tools and equipment and selective outsourcing, the Authority has developed

capital, operations and maintenance programs that should ensure the continued effective operation of the systems for the foreseeable future. The systems should continue to provide high levels of service with minimal disruption.

- The Authority's wastewater and drinking water facilities are in material compliance with all applicable permits and regulations and continue to provide uninterrupted service to its wholesale and retail customers. Such compliance is anticipated to continue through the foreseeable future.
- Substantial progress has been made by the Authority in improving the operating condition of existing facilities. The CIP is structured to provide a systematic program to replace and rehabilitate aging infrastructure on a priority basis.
- Implementation of the Authority's CIP is intended to address identified system needs and priorities and is within budget.

FINANCIAL FEASIBILITY OPINION LETTER

The Authority retained Amawalk Consulting Group LLC as its financial feasibility consultant, in which capacity Amawalk prepared the Financial Feasibility Opinion Letter dated March [], 2012, which is attached hereto as APPENDIX A. Amawalk provides financial and management consulting services to water and wastewater utilities, local governments and other organizations. Examples of the consulting services offered by the firm include: cost of service and rate studies; financial modeling; feasibility studies to support the issuance of debt; competitive assessments, including benchmarking and implementation of best practices; analyses supporting the consolidation of services; and the formation/start-up of public authorities including transition planning.

The conclusions set forth in the Financial Feasibility Opinion Letter reflect actual performance through the Fiscal Year ended September 30, 2011, year-to-date performance through December 31, 2011, for Fiscal Year 2012, approval of new water and wastewater rates effective October 1, 2011, adoption of operating and capital budgets for the Fiscal Year ending September 30, 2012, and the adoption of the Current CIP. Amawalk has assisted the Authority in preparing certain portions of this Official Statement relating to historical and projected financial performance of the Authority. The Financial Feasibility Opinion Letter has not been updated to reflect any changes occurring after the date of the Financial Feasibility Opinion Letter.

The Financial Feasibility Opinion Letter presents findings and conclusions based upon the analysis of financial statements and reports prepared by or for the Authority and other information provided by the Authority or others which is summarized or referred to therein, including conclusions, assumptions, considerations and recommendations regarding the operation of the System, the necessary improvements and betterments thereto and the steps that should be taken to assure adequate reliable bulk power supply at reasonable cost. Set forth below are Amawalk's principal conclusions. The Financial Feasibility Opinion Letter and this Official Statement should be read in its entirety for a complete understanding of the assumptions, considerations, estimates and calculations upon which these conclusions are based.

Amawalk concluded that the Authority has the ability to effectively execute its mission, operate its System to provide uninterrupted service, maintain regulatory compliance, and finance and implement its CIP within the parameters set forth in the Indenture and the applicable Board policies. In addition, Amawalk makes the following observations:

- Net Revenues (including projected revenue increases resulting from anticipated future rate increases to be implemented by the Authority) will be sufficient during the Reporting Period to be at least equal to the sum of (i) an amount equal to one hundred and twenty percent (120%) of the Annual Debt Service on Senior Debt; and (ii) one hundred percent (100%) of the Annual Debt Service on Subordinate Debt.

- Revenues of the Authority (including projected revenue increases resulting from anticipated future rate increases to be implemented by the Authority) in such Fiscal Years will be sufficient to pay: (i) the actual Operating Expenses; (ii) Annual Debt Service on Senior Debt; (iii) any amount necessary to be deposited in any Account in the Debt Service Reserve Fund relating to a Series of Bonds to restore the amount on deposit therein to the Series Debt Service Reserve Requirement; (iv) the amount required to pay Annual Debt Service on the Subordinate Debt (including any reserves in connection therewith and the restoration thereof); (v) any amount necessary to be deposited in the Operating Reserve Fund and the Renewal and Replacement Reserve Fund to maintain the required balances therein; and (vi) any amount necessary to make any payments in lieu of taxes in such Fiscal Years. Sufficient funds are projected to be on deposit in each of the required reserve funds during the Reporting Period.

- In addition to the Rate Covenant described above, in 1997, the Authority adopted a financial policy of fixing, charging, revising and collecting rates, fees and other charges for the use of and the services furnished by the System sufficient in each Fiscal Year so that Net Revenues shall be at least equal to one hundred and forty percent (140%) of the Annual Debt Service on Senior Debt in each such Fiscal Year. Revenues of the Authority (including projected revenue increases resulting from anticipated future rate increases to be implemented by the Authority) in such Fiscal Years will be sufficient to achieve the more stringent financial policy established by the Authority. There can be no assurance that the Board will not change this additional financial policy.

- The water and wastewater rates, fees and charges of the Authority, including projected increases, are reasonable and compare favorably to the rates and charges of other major cities.

In the analysis of the forecast of future operations summarized in this Official Statement, Amawalk has reviewed certain assumptions with respect to conditions, events and circumstances which may occur in the future. These assumptions are reasonable and attainable as of the date of the Financial Feasibility Opinion Letter, although actual results may differ from those forecast as influenced by the conditions, events and circumstances which actually occur.

TAX MATTERS

General

In the opinions of Squire Sanders (US) LLP and Leftwich & Ludaway, LLC, Co-Bond Counsel, under existing law: (i) interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of 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 Series 2012 Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes.

Co-Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2012 Bonds.

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 Authority contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2012 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of the Authority's certifications and representations or the continuing compliance with the Authority's covenants.

The opinions of Co-Bond Counsel are based on current legal authority and cover certain matters not directly addressed by such authority. The opinions represent Co-Bond Counsel's legal judgment as to exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinions are not binding on the Internal Revenue Service ("IRS") or any court. Co-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 Authority may cause loss of such status and result in the interest on the Series 2012 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012 Bonds. The Authority has covenanted to take the actions required of it for the interest on the Series 2012 Bonds 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 Series 2012 Bonds, Co-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 Co-Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2012 Bonds or the market value of the Series 2012 Bonds.

A portion of the interest on the Series 2012 Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2012 Bonds 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 Series 2012 Bonds. Co-Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2012 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2012 Bond 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 District Council. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2012 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2012 Bonds will not have an adverse effect on the tax status of interest on the Series 2012 Bonds or the market value or marketability of the Series 2012 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2012 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, both the American Jobs Act of 2011 proposed by President Obama on September 12, 2011, and introduced into the Senate on September 13, 2011, and the federal budget for fiscal year 2013 as proposed by President Obama on February 13, 2012, contain provisions that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt obligations, including the Series 2012 Bonds, if they have incomes above certain thresholds.

Prospective purchasers of the Series 2012 Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2012 Bonds at other than their original issuance at the respective prices indicated on the inside 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 Co-Bond Counsel expresses no opinion.

Co-Bond Counsels' engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the Authority or the owners of the Series 2012 Bonds 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 Series 2012 Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series 2012 Bonds 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 Series 2012 Bonds 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 Series 2012 Bonds.

Original Issue Discount and Original Issue Premium

Certain of the Series 2012 Bonds ("Discount Series 2012 Bonds") may be 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 Series 2012 Bond. The issue price of a Discount Series 2012 Bond 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 Series 2012 Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Series 2012 Bond 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 Series 2012 Bond (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 Series 2012 Bonds, 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 Series 2012 Bond. The amount of OID that accrues each year to a corporate owner of a Discount Series 2012 Bond is taken into account in

computing the corporation's liability for federal alternative minimum tax. A purchaser of a Discount Series 2012 Bond in the initial public offering at the price for that Discount Series 2012 Bond stated on the cover of this Official Statement who holds that Discount Series 2012 Bond to maturity will realize no gain or loss upon the retirement of that Discount Series 2012 Bond.

Certain of the Series 2012 Bonds ("Premium Series 2012 Bonds") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Series 2012 Bond, based on the yield to maturity of that Premium Series 2012 Bond (or, in the case of a Premium Series 2012 Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Series 2012 Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Series 2012 Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Series 2012 Bond, the owner's tax basis in the Premium Series 2012 Bond 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 Series 2012 Bond for an amount equal to or less than the amount paid by the owner for that Premium Series 2012 Bond. A purchaser of a Premium Series 2012 Bond in the initial public offering at the price for that Premium Series 2012 Bond stated on the cover of this Official Statement who holds that Premium Series 2012 Bond to maturity (or, in the case of a callable Premium Series 2012 Bond, to its earlier call date that results in the lowest yield on that Premium Series 2012 Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount and Premium Series 2012 Bonds 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 Series 2012 Bonds 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.

Circular 230. THE FOREGOING DISCUSSION IN "TAX MATTERS" WAS NOT INTENDED OR WRITTEN BY CO-BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE SERIES 2012 BONDS. THE FOREGOING DISCUSSION IN "TAX MATTERS" WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SERIES 2012 BONDS. EACH PROSPECTIVE PURCHASER OF THE SERIES 2012 BONDS SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE PURCHASER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

COVENANT BY THE DISTRICT OF COLUMBIA

Under the Act, the District pledges to the Authority and any holders of the bonds that, except as provided under the Act, the District will not limit or alter rights vested in the Authority to fulfill agreements made with holders of the bonds, or in any way impair the rights and remedies of the holders of the bonds until the bonds, together with interest thereon, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of the holders of the bonds, are fully met and discharged.

LITIGATION

There is not now pending or, to the best of the Authority's knowledge, threatened any litigation restraining or enjoining the issuance or delivery of the Series 2012 Bonds or questioning or affecting the validity of the Series 2012 Bonds, the proceedings and authority under which they are to be issued, nor is the creation, organization, or existence of the Authority being contested. Nor is there any litigation pending or, to the best of the Authority's knowledge, threatened which (i) in any manner questions the right of the Authority to operate the System or its right to conduct its activities in accordance with the provisions of the Act and of the Indenture or (ii) if determined adversely to the Authority, would have a material adverse impact on the financial condition of the Authority.

The Authority is subject to a variety of suits and proceedings arising out of its ordinary course of operations, some of which may be adjudicated adversely to the Authority. Any such litigation is of a routine nature which does not affect the right of the Authority to conduct its business or the validity of its obligations.

LEGAL MATTERS

Certain legal matters relating to the issuance of the Series 2012 Bonds are subject to the approving opinions of Squire Sanders (US) LLP and Leftwich & Ludaway, LLC, Co-Bond Counsel, which will be furnished upon delivery of the Series 2012 Bonds, substantially in the form set forth as APPENDIX F. Certain legal matters will be passed upon for the Authority by Randy Hayman, its General Counsel, and for the Underwriters by their co-counsel, Orrick, Herrington & Sutcliffe LLP and McKenzie & Associates.

INDEPENDENT ACCOUNTANTS

The financial statements of the Authority included in this Official Statement have been audited by Thompson, Cobb, Bazilio & Associates, PC, independent certified public accountants, to the extent and for the period indicated in their report thereon. Such financial statements have been included in reliance upon the report of Thompson, Cobb, Bazilio & Associates, PC.

The accountants have not examined, compiled or otherwise applied procedures to the financial forecast presented herein and, accordingly, do not express an opinion or any other form of assurance on it.

VERIFICATION AGENT

At the time of delivery of the Series 2012C Bonds to the Underwriters, [_____] is expected to deliver a report as to the mathematical accuracy of certain computations relating to the adequacy of the amounts on deposit in the Series 2012 Escrow Account to provide for the payment of principal of, interest on and premium, if any, due in connection with the refunding of the Refunded Bonds, which report will be relied upon by Bond Counsel to support their opinions described under "TAX MATTERS."

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's ("S&P"), a division of The McGraw-Hill Companies, Inc., and Fitch Ratings ("Fitch") have assigned long-term municipal bond ratings of "[____]" [with Stable Outlook], "[____]" [with Stable Outlook] and "[____]" [with Stable Outlook] to the Series 2012 Bonds. A rating reflects only the view of the rating agency giving such rating. An explanation of the significance of the ratings may be obtained from: S&P at 55 Water Street, New York, New York 10041; from Moody's at 7 World Trade Center, New York, New York 10007; and

from Fitch at 1 State Street Plaza, New York, New York 10099. 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 the market for the Series 2012 Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of the Rule promulgated by the SEC, the Authority will enter into the Continuing Disclosure Agreement dated March [__], 2012, which will constitute a written undertaking for the benefit of the Owners of the Series 2012 Bonds, solely to assist the Underwriters in complying with subsection (b)(5) of the Rule. Pursuant to the Continuing Disclosure Agreement, the Authority has covenanted to provide certain financial information on an annual basis and to provide notice of certain enumerated events. See APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” for detailed provisions of the Continuing Disclosure Agreement. The Authority has not failed to comply in all material respects with any previous undertakings in a written continuing disclosure agreement under the Rule.

FINANCIAL ADVISORS

Public Financial Management, Inc. and G~Entry Principle, PC have served as co-financial advisors to the Authority with respect to the issuance of the Series 2012 Bonds.

UNDERWRITING

Siebert Brandford Shank & Co., L.L.C., the book-running senior manager for the Series 2012A Bonds and the Series 2012C Bonds, has agreed to purchase from the Authority the Series 2012A Bonds at an aggregate purchase price equal to \$[_____] (which amount constitutes the aggregate principal amount of the Series 2012A Bonds of \$[____], plus net original issue premium of \$[____], less the Underwriters’ discount of \$[____]) and the Series 2012C Bonds at an aggregate purchase price equal to \$[_____] (which amount constitutes the aggregate principal amount of the Series 2012C Bonds of \$[____], plus net original issue premium of \$[____], less the Underwriters’ discount of \$[____]).

The Bond Purchase Agreement by and between the Authority and Siebert Brandford Shank & Co., L.L.C. dated March [__], 2012 (the “Series 2012A-C Bond Purchase Agreement”) provides that Siebert Brandford Shank & Co., L.L.C. will purchase all of the Series 2012A Bonds and the Series 2012C Bonds, if any are purchased, and the obligation to make such purchases is subject to certain terms and conditions set forth in the Series 2012A-C Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

J.P. Morgan Securities LLC (“JPMS”), the [sole/senior] underwriter for the Subseries 2012B-1 Bonds, has agreed to purchase the Subseries 2012B-1 Bonds from the Authority at an aggregate purchase price equal to \$[_____] (which amount constitutes the aggregate principal amount of the Subseries 2012B-1 Bonds of \$[____], less the Underwriters’ discount of \$[____]).

The Bond Purchase Agreement by and between the Authority and JPMS dated March [__], 2012 (the “Subseries 2012B-1 Bond Purchase Agreement”) provides that JPMS will purchase all of the Subseries 2012B-1 Bonds, if any are purchased, and the obligation to make such purchases is subject to certain terms and conditions set forth in the Subseries 2012B-1 Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

JPMS has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase the Series 2012 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2012 Bonds that such firm sells.

Morgan Stanley & Co. LLC, the [sole/senior] underwriter of the Subseries 2012B-2 Bonds, has agreed to purchase the Subseries 2012B-2 Bonds from the Authority at an aggregate purchase price equal to \$[_____] (which amount constitutes the aggregate principal amount of the Subseries 2012B-2 Bonds of \$[_____], less the Underwriters’ discount of \$[_____]).

The Bond Purchase Agreement by and between the Authority and Morgan Stanley & Co. LLC dated March [___], 2012 (the “Subseries 2012B-2 Bond Purchase Agreement”) provides that Morgan Stanley & Co. LLC will purchase all of the Subseries 2012B-2 Bonds, if any are purchased, and the obligation to make such purchases is subject to certain terms and conditions set forth in the Subseries 2012B-2 Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Subseries 2012B-2 Bonds.

The initial public offering prices of the Series 2012 Bonds may be changed from time to time by the Underwriters.

LEGALITY FOR INVESTMENT

The Act provides that the bonds of the Authority are legal instruments in which public officers and public bodies of the District, insurance companies, insurance company associations and other persons carrying on an insurance business, banks, bankers, banking institutions, including savings and loan associations, building and loan associations, trust companies, savings banks, savings associations, investment companies and other persons carrying on a banking business, administrators, guardians, executors, trustees and other fiduciaries and other persons authorized to invest in bonds or in other obligations of the District, may legally invest funds, including capital, in their control.

The bonds are also, by the Act, securities which legally may be deposited with, and received by, public officers and public bodies of the District or any agency of the District for any purpose for which the deposit of bonds or other obligations of the District is authorized by law.

RELATIONSHIP OF PARTIES

In addition to representing the Authority as Co-Bond Counsel, Squire Sanders (US) LLP from time to time represents the Authority in other matters, including environmental, regulatory and personnel matters. From time to time, Squire Sanders (US) LLP also represents one or more members of the underwriting group as its or their counsel in municipal bond transactions and other matters, but not in any matters related to the Authority.

In addition to representing the Authority as Co-Bond Counsel, Leftwich & Ludaway, LLC from time to time represents the Authority in other matters, including personal injury and personnel matters.

MISCELLANEOUS

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed. To the extent that any statements herein include matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the Authority with the holders of the Series 2012 Bonds is fully set forth in the Indenture. Neither any advertisement of the Series 2012 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2012 Bonds.

The information contained herein should not be construed as representing all conditions affecting the Authority or the Series 2012 Bonds. The foregoing statements relating to the Act, the Federal Act, the Indenture and other documents are summaries of certain provisions thereof, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such documents in their complete forms.

The attached Appendices A through F are integral parts of this Official Statement and should be read in their entirety together with all of the foregoing statements.

**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

By: _____
George S. Hawkins
General Manager

APPENDIX A

**FINANCIAL FEASIBILITY OPINION LETTER OF
AMAWALK CONSULTING GROUP LLC
DATED MARCH [__], 2012**

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY
FOR THE YEARS ENDED SEPTEMBER 30, 2011, AND 2010**

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APPENDIX C

GLOSSARY AND SUMMARY OF THE INDENTURE

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the District of Columbia Water and Sewer Authority (the “Issuer”) in connection with the issuance of its Public Utility Subordinate Lien Revenue Bonds, Series 2012A (the “Series 2012A Bonds”), Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (SIFMA Index Rate Period) (the “Series 2012B Bonds”) and Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C (the “Series 2012C Bonds” and, together with the Series 2012A Bonds and the Series 2012B Bonds, the “Bonds”). The Bonds are being issued pursuant to the Master Indenture of Trust, dated as of April 1, 1998 (the “Master Indenture”), as amended and supplemented to the date of delivery of the Bonds (the “Indenture”), including by the Thirteenth Supplemental Indenture of Trust, to be dated the date of issuance and delivery of the Bonds (the “Thirteenth Supplemental Indenture”), each by and between the Authority and Wells Fargo Bank, N.A., as trustee (the “Trustee”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission (“S.E.C.”) Rule 15c2-12(b)(5).

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

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Holder” shall mean the person in whose name any Bond shall be registered.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 240 months after the end of the Issuer's fiscal year (which shall be June 1 of each year, so long as the Issuer's fiscal year ends on September 30), commencing with the report for the fiscal year ending September 30, 2012 (which is due not later than June 1, 2013), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Issuer) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) the Issuer's comprehensive annual financial report (the "CAFR"), which includes audited financial statements prepared in accordance with generally accepted accounting principles in effect from time to time. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available; and

(b) to the extent not included in the CAFR, material historical financial and operating data concerning the Issuer and the Revenues of the Issuer generally of the type found in the tables included in the Issuer's Official Statement dated March [], 2012, relating to the Bonds (the "Official Statement") under the captions "THE SYSTEM", "CAPITAL IMPROVEMENT PROGRAM," "FINANCIAL OPERATIONS" and "CUSTOMER BASE, RATES AND CHARGES."

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been made available to the public on the MSRB's website. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Issuer shall determine if such event would be material under applicable federal securities laws.

(d) If the Issuer learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Issuer shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections 5(a)(7) or 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Issuer.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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

in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement; provided, that any such action may be instituted only in the District of Columbia. The sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: March [___], 2012.

DISTRICT OF COLUMBIA WATER AND SEWER
AUTHORITY

By _____
George S. Hawkins, General Manager

CONTINUING DISCLOSURE AGREEMENT

EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: District of Columbia Water and Sewer Authority

Name of Bond Issue: District of Columbia Water and Sewer Authority
Public Utility Subordinate Lien Revenue Bonds, Series 2012A
Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B
(SIFMA Index Rate Period)
Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C

Date of Issuance: March [___], 2012

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Agreement of the Issuer, dated the Date of Issuance. The Issuer anticipates that the Annual Report will be filed by [_____].

Dated:[_____]

DISTRICT OF COLUMBIA WATER AND SEWER
AUTHORITY

By _____ [to be signed only if filed]

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APPENDIX E

DTC BOOK-ENTRY ONLY SYSTEM

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DTC BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2012 Bonds, payments of principal, premium, if any, and interest on the Series 2012 Bonds to DTC, its nominee, Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2012 Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based on information furnished by DTC. The Authority and the Underwriters take no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012 Bond will be issued for the Series 2012 Bonds of each series and maturity in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers, and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2012 Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for such Series 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012 Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2012 BONDS, 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 SERIES 2012 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirement as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the

system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2012 Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, as partnership nominee for DTC, references herein to Bondholders or registered owners of the Series 2012 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2012 Bonds.

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.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2012 BONDS; (iii) 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 SERIES 2012 BONDS; (iv) 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 SERIES 2012 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2012 BONDS; OR (vi) ANY OTHER MATTER.

APPENDIX F

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

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ATTACHMENT 7

Draft as of 2/15/12.2

THIRTEENTH SUPPLEMENTAL INDENTURE OF TRUST

between

**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

and

**WELLS FARGO BANK, N.A.
AS TRUSTEE**

Dated [_____], 2012

THIS THIRTEENTH SUPPLEMENTAL INDENTURE OF TRUST dated the [__]th day of [_____], 2012 (as defined in more detail below, the “**Thirteenth Supplemental Indenture**”), by and between the District of Columbia Water and Sewer Authority (the “**Authority**”), an independent authority of the District of Columbia (the “**District**”), and Wells Fargo Bank, N.A., a national banking association, having a corporate trust office in Columbia, Maryland, as trustee (in such capacity, together with any successor in such capacity, herein called the “**Trustee**”), provides:

WHEREAS, the Authority and the Trustee (its predecessor in that capacity having been Norwest Bank, N.A.) entered into the Master Indenture of Trust, dated as of April 1, 1998 (the “**Master Indenture**” and, as previously supplemented and amended by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, and the Twelfth Supplemental Indenture all as hereinafter defined, and as it may further be supplemented and amended in accordance with its terms, the “**Indenture**”), to provide for financing or refinancing the acquisition, construction, operation, maintenance and extension of the System (as defined in the Master Indenture) by the issuance of bonds, notes and other obligations payable solely from Net Revenues (as defined in the Master Indenture); and

WHEREAS, pursuant to the First Supplemental Indenture of Trust, dated as of April 1, 1998 (the “**First Supplemental Indenture**”), between the Authority and the Trustee, the Authority issued its \$266,120,000 Public Utility Revenue Bonds, Series 1998, dated as of April 1, 1998 (the “**Series 1998 Senior Lien Bonds**”), to finance Costs of the System (as defined in the Master Indenture) and to refund then outstanding debt of the Authority; and

WHEREAS, the Master Indenture permits the Authority, for certain purposes and subject to certain conditions, to issue Other System Indebtedness (as defined therein) secured on a parity with the Series 1998 Senior Lien Bonds and referred to collectively with the Series 1998 Senior Lien Bonds as “Senior Debt,” and also permits the Authority to issue Subordinate Debt (as defined therein), which has pledged to its payment Net Revenues as a subordinate lien pledge after the pledge of Net Revenues to Senior Debt; and

WHEREAS, pursuant to the Second Supplemental Indenture of Trust, dated as of November 1, 2001 (the “**Second Supplemental Indenture**”), between the Authority and the Trustee, the Authority amended and supplemented the Master Indenture in accordance with its terms to clarify provisions thereof related to certain forms of Indebtedness (as defined in the Master Indenture, i.e., Senior Debt and Subordinate Debt) and thereby facilitate the issuance of such forms of Indebtedness; and

WHEREAS, pursuant to the Third Supplemental Indenture of Trust, dated as of November 1, 2001 (the “**Third Supplemental Indenture**”), between the Authority and the Trustee, the Authority (i) issued its Commercial Paper Notes defined therein as the Series A-B Notes, (ii) designated the Series A-B Notes as Subordinate Debt for purposes of the Indenture, and (iii) made provision for the securing of the Series A-B Notes and of the Reimbursement

Obligations to the Bank that provided the Letters of Credit (all as defined therein) that secure the Series A-B Notes; and

WHEREAS, pursuant to the Fourth Supplemental Indenture of Trust, dated August 12, 2003: (the “**Fourth Supplemental Indenture**”), between the Authority and the Trustee, the Authority (i) issued its Public Utility Subordinated Lien Revenue Bonds, Series 2003, dated August 12, 2003 (the “**Series 2003 Subordinated Bonds**”), in the aggregate principal amount of \$176,220,000 to finance certain Costs of the System and retire Series A-B Notes, (ii) designated the Series 2003 Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2003 Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Fifth Supplemental Indenture of Trust, dated August 3, 2004 (the “**Fifth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Bonds, Series 2004, as Subseries 2004A-1, Subseries 2004A-2, Subseries 2004B-1 and Subseries B-2 (collectively, the “**Series 2004 Subordinated Bonds**”) in the aggregate principal amount of \$295,000,000 to finance certain Costs of the System, (ii) designated the Series 2004 Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2004 Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Sixth Supplemental Indenture of Trust, dated June 6, 2007 (the “**Sixth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Bonds, Series 2007A, in the aggregate principal amount of \$218,715,000 to finance certain Costs of the System and retire Series A-B Notes, (ii) designated the Series 2007A Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2007A Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, Series 2004 Subordinated Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Seventh Supplemental Indenture of Trust, dated June 6, 2007 (the “**Seventh Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Taxable Revenue Bonds, Series 2007B, in the aggregate principal amount of \$59,000,000 to finance certain Costs of the System, (ii) designated the Series 2007B Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2007A Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures the Series 2003 Subordinated Bonds, Series 2004 Subordinated Bonds and other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Eighth Supplemental Indenture of Trust, dated April 24, 2008 (the “**Eighth Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Public Utility Subordinated Lien Revenue Refunding Bonds, Series 2008, in the aggregate principal amount of \$290,375,000 to (a) currently refund all of the outstanding Series 2004 Subordinated Bonds and a portion of the Series 2007B Subordinated Bonds, and (b) pay issuance costs of the Series 2008 Subordinated Bonds, (ii) designated the Series 2008 Subordinated Bonds as Subordinate Debt for purposes of the Indenture, and (iii) secured the Series 2008 Subordinated Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Ninth Supplemental Indenture of Trust, dated December 19, 2008 (the “**Ninth Supplemental Indenture**”), between the Authority and the Trustee, the Authority agreed to confer on the Holders of the Series 2003 Subordinated Bonds additional rights related to the Reserve Credit Facility (as defined therein) and to cure any ambiguity or omission in the Indenture regarding the obligations of the Authority as a consequence of a downgrade of the Reserve Policy related to the Series 2003 Subordinated Bonds, or in the event that the Reserve Policy were to cease to be in effect; and

WHEREAS, pursuant to the Tenth Supplemental Indenture of Trust, dated February 12, 2009 (the “**Tenth Supplemental Indenture**”), between the Authority and the Trustee, the Authority (i) issued its Public Utility Senior Lien Revenue Bonds, Series 2009A, in the aggregate principal amount of \$300,000,000 to finance certain Costs of the System and retire Series A-B Notes, (ii) designated the Series 2009A Senior Lien Bonds as Senior Debt for purposes of the Indenture, and (iii) secured the Series 2009A Senior Lien Bonds by a pledge of Net Revenues on a parity with the pledge of Net Revenues that secures the other Senior Debt, including, without limitation, other Senior Debt that the Authority may issue from time to time in the future; and

WHEREAS, pursuant to the Eleventh Supplemental Indenture of Trust, dated June 2, 2010 (the “**Eleventh Supplemental Indenture**”), between the Authority and the Trustee, the Authority: (i) issued its Commercial Paper Notes defined therein as the Series A-B-C Notes, (ii) designated the Series A-B-C Notes as Subordinate Debt for purposes of the Indenture, and (iii) made provision for the securing of the Series A-B-C Notes and of the Reimbursement Obligations to the Bank that provided the Letters of Credit (all as defined therein) that secure the Series A-B-C Notes; and

WHEREAS, pursuant to the Twelfth Supplemental Indenture of Trust, dated October 27, 2010 (the “**Twelfth Supplemental Indenture**”), between the Authority and the Trustee, the Authority (i) issued its Public Utility Subordinate Lien Revenue Bonds, Series 2010A (Federally Taxable – Issuer Subsidy – Build America Bonds) in the aggregate principal amount of \$300,000,000 to finance certain Costs of the System, and fund capitalized interest on a portion of the Series 2010A Subordinate Bonds, subject to specified limitations, (ii) designated the Series 2010A Subordinate Bonds as Subordinate Debt for purposes of the Indenture, (iii) secured the Series 2010A Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net

Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future, and (iv) included provisions in the Indenture related to potential Direct Payments (as defined therein) received or expected to be received by the Authority, including certain provisions requiring the consent of the holders of a majority of Outstanding Bonds; and

WHEREAS, the Authority now intends to: (i) issue Public Utility Subordinate Lien Revenue Bonds, Series 2012A (the “**Series 2012A Subordinate Bonds**”) to finance certain Costs of the System, [retire Series C Notes,] [fund a Series 2012A Debt Service Reserve Requirement], fund capitalized interest on Series 2012A Subordinate Bonds subject to specified limitations, and pay certain costs of issuance, (ii) designate the Series 2012A Subordinate Bonds as Subordinate Debt for purposes of the Indenture, (iii) secure the Series 2012A Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future; and

WHEREAS, the Authority now further intends to: (i) issue Public Utility Subordinate Lien Revenue Bonds, Series 2012B (the “**Series 2012B Subordinate Bonds**”) and, together with the Series 2012A Subordinate Bonds, the “**Series 2012-AB Subordinate Bonds**”) to finance certain Costs of the System, [retire Series C Notes,] [fund a Series 2012B Debt Service Reserve Requirement], fund capitalized interest on Series 2012B Subordinate Bonds subject to specified limitations, and pay certain costs of issuance, (ii) designate the Series 2012B Subordinate Bonds as Subordinate Debt for purposes of the Indenture, (iii) secure the Series 2012B Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future;

WHEREAS, the Authority now further intends to: (i) issue Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C (the “**Series 2012C Subordinate Bonds**”) and, together with the Series 2012A Subordinate Bonds and the Series 2012B Subordinate Bonds, the “**Series 2012 Subordinate Bonds**”), and apply the proceeds thereof, together with any other funds of the Authority, to advance refund the Refunded Bonds (as defined herein) and cause them to be deemed paid and no longer Outstanding for purposes of the Indenture, [fund a Series 2012C Debt Service Reserve Requirement] and pay certain costs of issuance, (ii) designate the Series 2012C Subordinate Bonds as Subordinate Debt for purposes of the Indenture, (iii) secure the Series 2012C Subordinate Bonds by a pledge of Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, other Subordinate Debt that the Authority may issue from time to time in the future;

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto agree, as follows:

ARTICLE I

THIRTEENTH SUPPLEMENTAL INDENTURE

Section 101. Authorization of Thirteenth Supplemental Indenture.

This Thirteenth Supplemental Indenture is authorized and executed by the Authority and delivered to the Trustee pursuant to and in accordance with Articles III and X of the Master Indenture. All terms, covenants, conditions and agreements of the Indenture shall apply with full force and effect to the Series 2012 Subordinate Bonds as Subordinate Debt and to the Holders thereof as Holders of Subordinate Debt, except as otherwise provided in this Thirteenth Supplemental Indenture.

Section 102. Definitions.

Except as otherwise defined in this Thirteenth Supplemental Indenture, capitalized words and terms defined in the Master Indenture as amended by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture and the Twelfth Supplemental Indenture, and in the Series 2012 Resolution, are used in this Thirteenth Supplemental Indenture with the meanings assigned to them therein. In addition, the following words and terms as used in this Thirteenth Supplemental Indenture have the following meanings, unless the context or use clearly indicates another or different intent or meaning:

(a) Generally Applicable Definitions

“Book-entry form” or “book-entry system” means a form or system under which the physical Series 2012 Subordinate Bond certificates in fully registered form are issued only to a Depository or its nominee as Holder, with the certificated Series 2012 Subordinate Bonds held by and “immobilized” in the custody of the Depository, and the book-entry system, maintained by and the responsibility of the Depository and not maintained by or the responsibility of the Authority or the Trustee, is the record that identifies, and records the transfer of the interests of, the owners of beneficial, book-entry interests in the Series 2012 Subordinate Bonds.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in Series 2012 Subordinate Bonds, and to effect transfers of book-entry interests in Series 2012 Subordinate Bonds, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Fixed Rate Series 2012 Subordinate Bonds” means the Series 2012 Subordinate Bonds designated as such in the applicable Certificate of Award pursuant to the Series 2012 Resolution.

“Interest Payment Dates” means (a) for the Fixed Rate Series 2012 Subordinate Bonds, each April 1 and October 1 commencing [_____] 1, [201__] and thereafter during the time the

Fixed Rate Series 2012 Subordinate Bonds are outstanding; and (b) for the Variable Rate Series 2012 Subordinate Bonds, the “Interest Payment Dates” as defined under Section 102(b) below.

“Refunded Bonds” means any Series 2003 Subordinated Bonds caused to be deemed paid and no longer Outstanding under the Indenture as the result of the deposit of proceeds of the Series 2012C Subordinate Refunding Bonds and any other funds of the Authority in escrow under the Escrow Agreement and identified as the Refunded Bonds in the applicable Certificate of Award.

“Series 2012 Construction Account” means the Series 2012 Construction Account established by this Thirteenth Supplemental Indenture in the Construction Fund.

“Series 2012 Costs of Issuance Subaccount” means the Series 2012 Costs of Issuance Subaccount established by this Thirteenth Supplemental Indenture in the Series 2012 Construction Account of the Construction Fund.

“Series 2012 Escrow Account” means the Series 2012 Escrow Account established by this Thirteenth Supplemental Indenture.

“Series 2012 Rebate Fund” means the Series 2012 Rebate Fund established by this Thirteenth Supplemental Indenture.

“Series 2012 Resolution” means Resolution No. 12-[___], adopted by the Authority’s Board on [_____], 2012, authorizing the Series 2012 Subordinate Bonds.

“Series 2012 Subordinate Bond Event of Default” means any of the events defined as such in Section 903 of this Thirteenth Supplemental Indenture.

“Series 2012 Subordinate Bondholder” or “holder of Series 2012 Subordinate Bonds” means the registered owner of a Series 2012 Subordinate Bond.

“Series 2012 Subordinate Bonds Interest Subaccount” means the Series 2012 Subordinate Bonds Interest Subaccount established by this Thirteenth Supplemental Indenture in the Subordinate Interest Account in the Subordinate Bond Fund.

“Series 2012 Subordinate Bonds Principal Subaccount” means the Series 2012 Subordinate Bonds Principal Subaccount established by this Thirteenth Supplemental Indenture in the Subordinate Principal Account in the Subordinate Bond Fund.

[“Series 2012 Subordinate Debt Service Reserve Account” means the Series 2012 Subordinate Debt Service Reserve Account established by this Thirteenth Supplemental Indenture in the Subordinate Debt Service Reserve Fund.]

“Series 2012 Subordinate Debt Service Reserve Requirement” means [zero].

“Thirteenth Supplemental Indenture” means this Thirteenth Supplemental Indenture of Trust, dated [_____], 2012 between the Authority and the Trustee, which supplements and amends the Master Indenture, as previously supplemented and amended by the First

Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture and the Twelfth Supplemental Indenture.

“Variable Rate Series 2012 Subordinate Bonds” means, collectively, each series or subseries of the Series 2012 Subordinate Bonds designated as such in the applicable Certificate of Award pursuant to the Series 2012 Resolution and constituting Variable Rate Indebtedness under the Indenture.

(b) Definitions Applicable to Variable Rate Series 2012 Subordinate Bonds

“Applicable Spread” means:

(i) With respect to the Initial Period, initially [____] basis points.

(ii) With respect to any other Index Rate Period, the number of basis points or schedule of basis points determined in accordance with Section 403(j) that, when added to the SIFMA Index or the LIBOR Index, as the case may be, would equal the minimum interest rate per annum that would enable the Remarketing Agent to sell the Variable Rate Series 2012 Subordinate Bonds on such date at a price equal to the principal amount thereof (but subject to the provisions of the final sentence of Section 403(j)), plus accrued interest, if any, thereon.

[“Authority Account” means the account by that name that may be established in the Subordinate Bond Fund pursuant to Section [_____].]

“Authority Purchase Account” means the account of that name that may be established in the Purchase Fund pursuant to Section 407.

“Authorized Denominations” means (i) with respect to Fixed Rate Bonds, \$5,000 and integral multiples thereof, (ii) with respect to Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds and Long-Term Rate Bonds, \$100,000 and integral multiples of \$5,000 in excess thereof, and (iii) with respect to Index Rate Bonds, \$5,000 or \$100,000, as may be specified in the Certificate of Award or otherwise in writing by an Authorized Official.

[“Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks located in New York, New York or the cities in which the Designated Office of the Trustee, the Tender Agent, the Remarketing Agent or the Credit Facility Provider are located, are required or authorized by law or executive order to close, and (iii) a day on which the New York Stock Exchange is closed.] [Reconcile with Master Indenture definition.]

“Calculation Agent” means, during the Initial Period, the Trustee, and thereafter, during a subsequent Index Rate Period, means the Trustee or any other Person appointed by the Authority to serve as calculation agent for the Series 2012 Subordinate Bonds.

“Closing Date” means [_____], 2012, being the date of initial delivery of and payment for all of the Variable Rate Series 2012 Subordinate Bonds.

“Computation Date” means (i) for the Initial Period, the Closing Date, and (ii) during each subsequent Index Rate Period, each Wednesday immediately preceding an Index Interest Period.

“Conversion Date” means a day on which the Variable Rate Series 2012 Subordinate Bonds are converted from one Rate Period to another Rate Period, in accordance with this Thirteenth Supplemental Indenture.

“Credit Facility” means a letter of credit, liquidity facility or other credit enhancement instrument delivered by a Credit Facility Provider to the Trustee to secure the payment of the principal of and interest on, and any Purchase Price of, all or some of the Variable Rate Series 2012 Subordinate Bonds, or to provide liquidity for the purchase of tendered Variable Rate Series 2012 Subordinate Bonds. The term “Credit Facility” includes any Substitute Credit Facility.

“Credit Facility Account” means the account by that name that may be established in the Subordinate Bond Fund pursuant to Section [_____].

“Credit Facility Provider” means a bank, trust company, insurance company or other financial services company, or the Authority (if the Authority is providing liquidity for any Variable Rate Series 2012 Subordinate Bonds itself), issuing a Credit Facility then in effect in its capacity as provider of that Credit Facility.

“Credit Facility Provider Bonds” means Variable Rate Series 2012 Subordinate Bonds purchased by or on behalf of, or pledged to, a Credit Facility Provider pursuant to a Credit Facility and/or Reimbursement Agreement and the terms hereof but excluding Variable Rate Series 2012 Subordinate Bonds no longer considered Credit Facility Provider Bonds pursuant to the terms of a Credit Facility and/or Reimbursement Agreement.

“Credit Facility Provider Rate” means the interest rate(s) applicable from time to time on Credit Facility Provider Bonds as determined in accordance with the Credit Facility and/or Reimbursement Agreement; provided that no Credit Facility Provider Rate shall exceed the Maximum Rate.

“Credit Facility Purchase Account” means the account by that name that may be established in the Purchase Fund pursuant to Section 407.

“Credit Facility Request” means the submission by the Trustee to the Credit Facility Provider of a properly presented and conforming request or draw in accordance with the terms of the Credit Facility to provide funds to pay the Purchase Price of or Debt Service Charges on the Variable Rate Series 2012 Subordinate Bonds.

“Daily Interest Period” means each Interest Period described in Section 403(c) during which the Variable Rate Series 2012 Subordinate Bonds bear interest at a particular Daily Rate.

“Daily Rate” means the per annum interest rate for the Variable Rate Series 2012 Subordinate Bonds during a Daily Rate Period determined on a daily basis as provided in Section 403(c).

“Daily Rate Bonds” means Variable Rate Series 2012 Subordinate Bonds bearing interest at a Daily Rate.

“Daily Rate Period” means the period during which the Daily Rates are in effect for the Variable Rate Series 2012 Subordinate Bonds.

“Designated Office” means with respect to any entity performing functions under the Indenture, the office or offices of that entity or its affiliate at which those functions are performed, as designated in writing to the Authority, the Trustee, the Tender Agent, any Credit Facility Provider and the Remarketing Agent. The office initially designated by the Trustee for purposes of receiving notices under the Indenture is its Columbia, Maryland corporate trust office located at 9062 Old Annapolis Road, Columbia, Maryland 21045. The office initially designated by the Trustee for the purpose of presentation and surrender of Variable Rate Series 2012 Subordinate Bonds is its Columbia, Maryland corporate trust office located at 9062 Old Annapolis Road, Columbia, Maryland 21045. The Designated Office for any Credit Facility Provider is the office at which Credit Facility Requests are to be submitted by the Trustee, in accordance with the Credit Facility.

“Electronic Means” means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Eligible Account” means an account that is maintained with either (i) a federal or state-chartered depository institution or trust company that has a short-term debt rating assigned by a Rating Agency of at least A-2 (or, if it does not have a short-term debt rating, has a long-term debt rating assigned by the Rating Agency of at least BBB+); or (ii) the corporate trust department of a federal depository institution or state-chartered depository institution that, in either case, has corporate trust powers and is acting in its fiduciary capacity.

“Expiration Date” means, with respect to any Credit Facility, the date upon which the Credit Facility is stated to expire (taking into account any extensions of the Expiration Date) in accordance with its terms.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel addressed to the Authority, the Remarketing Agent, the Credit Facility Provider and the Trustee, to the effect that the proposed action to be taken regarding the Variable Rate Series 2012 Subordinate Bonds is authorized or permitted by this Thirteenth Supplemental Indenture and will not adversely affect the exclusion of interest on the Variable Rate Series 2012 Subordinate Bonds from gross income for purposes of federal income taxation under Section 103 of the Code. If a Favorable Opinion of Bond counsel is delivered in connection with the conversion from one Rate Period to another Rate Period, the opinion with respect to the exclusion of interest from gross income for federal income tax purposes may be limited to interest payable on or prior to the Conversion Date.

“Fixed Rate” means the interest rate or rates to maturity established in accordance with Section 403(g).

“Fixed Rate Bonds” means Variable Rate Series 2012 Subordinate Bonds bearing interest at a Fixed Rate.

“Fixed Rate Period” means the period of time, which shall end at the Maturity Date, during which the Variable Rate Series 2012 Subordinate Bonds bear interest at a Fixed Rate.

“Hard Tender Index Rate Bonds” means Index Rate Bonds that are specified in the Certificate of Award as such for purposes of Section 407 (e) for the Initial Period or in the applicable Notice of Conversion for any Subsequent Index Rate Period.

“Index Interest Period” means, during any Index Rate Period, each Interest Period during which the Variable Rate Series 2012 Subordinate Bonds bear interest at a particular Index Rate under Section 403(i) or (j).

“Index Rate” means the SIFMA Index Rate or the LIBOR Index Rate, as the case may be.

“Index Rate Bonds” means any Variable Rate Series 2012 Subordinate Bonds bearing interest at an Index Rate.

“Index Rate Bonds Purchase Date” means (i) the Initial Index Rate Bonds Purchase Date and (ii) during any Subsequent Index Rate Period, the date on which the Index Rate Bonds shall be required to be tendered for purchase in accordance with Section 408(a)(vi).

“Index Rate Period” means the Initial Period and any other period during which the Variable Rate Series 2012 Subordinate Bonds bear interest at an Index Rate. For purposes of this definition, a LIBOR Index Rate Period and a SIFMA Index Rate Period shall be deemed to be different Index Rate Periods.

“Initial Index Rate Bonds Purchase Date” means [_____], [201_] as to the \$_____ Variable Rate Series 2012 Subordinate Bonds designated as Subseries [B-1] and [_____], [201_] as to the \$_____ Variable Rate Series 2012 Subordinate Bonds designated as Subseries [B-2].

“Initial Period” means the initial Index Rate Period commencing on the Issue Date and ending on the first to occur of (i) the Initial Index Rate Bonds Purchase Date, (ii) the Conversion Date next succeeding the Issue Date, and (iii) the Maturity Date.

“Interest Payment Date” means (i) when the Variable Rate Series 2012 Subordinate Bonds bear interest at a Daily Rate, a Weekly Rate or an Index Rate, the first Business Day of each calendar month; (ii) when the Variable Rate Series 2012 Subordinate Bonds bear interest at a Fixed Rate or Long-Term Rate, each April 1 and October 1 or such other date or dates as are specified in the applicable notice of conversion; (iii) when the Variable Rate Series 2012 Subordinate Bonds bear interest at a Short-Term Rate, the last day of the Short-Term Rate Period; (iv) with respect to Credit Facility Provider Bonds, the interest payment dates set forth in

the Credit Facility and/or Reimbursement Agreement; provided (unless otherwise provided in the Reimbursement Agreement with respect to Credit Facility Provider Bonds) that, if any such day is not a Business Day, any payment due on such date may be made on the next Business Day, without additional interest and with the same force and effect as if made on the specified date for such payment; and (v) each Conversion Date.

“Interest Period” means a (i) Daily Interest Period, (ii) a Weekly Interest Period, (iii) an Index Interest Period, (iv) a Short-Term Interest Period, (v) a Long-Term Interest Period, (vi) a SIFMA Index Interest Period, (vii) a LIBOR Index Interest Period or (viii) a Fixed Interest Period.

“Issue Date” means [_____], 2012.

“LIBOR Index” means, for any day, the London interbank offered rate for U.S. dollar deposits for a one month period, as reported on Reuters Screen LIBOR01 Page or any successor thereto, which shall be that one-month LIBOR rate in effect two New York Banking Days prior to the LIBOR Index Reset Date, such rate rounded up to the nearest one-sixteenth of one percent and such rate to be reset monthly on each LIBOR Index Reset Date.

“LIBOR Index Rate” means a per annum rate of interest equal to the sum of the Applicable Spread plus the LIBOR Index.

“LIBOR Index Rate Period” means each Subsequent Index Interest Period during which the Variable Rate Series 2012 Subordinate Bonds bear interest at the LIBOR Index Rate, from and including the Conversion Date to but excluding the earlier of (i) the immediately succeeding Index Rate Bonds Purchase Date and (ii) the maturity or redemption date of the Variable Rate Series 2012 Bonds.

“LIBOR Index Reset Date” means the first Business Day of each month; provided, however, that with respect to determining the LIBOR Index for purposes of the Closing Date, the LIBOR Rate shall be the LIBOR Rate in effect two New York Banking Days prior to the Closing Date.

“Long-Term Interest Period” means each Interest Period described in Section 403(f) during which Variable Rate Series 2012 Subordinate Bonds accrue interest at a particular Long-Term Rate.

“Long-Term Rate” means the per annum interest rate to be determined on the Variable Rate Series 2012 Subordinate Bonds for a term of at least 12 months pursuant to Section 403(f).

“Long-Term Rate Bonds” means any Variable Rate Series 2012 Subordinate Bonds bearing interest at a Long-Term Rate.

“Long-Term Rate Period” means the Rate Period during which Long-Term Rates are in effect for the Variable Rate Series 2012 Subordinate Bonds.

“Mandatory Sinking Fund Redemption Requirements” means the mandatory redemption requirements set forth in Section 501(b).

“Maturity Date[s]” means, for the Variable Rate Series 2012 Subordinate Bonds, [_____] 1, 20[___], subject to prior redemption as provided in Article V.

“Maximum Rate” means the least of (i) the maximum rate permitted by law, (ii) 12% per annum, and (iii) solely with respect to Variable Rate Series 2012 Subordinate Bonds that are not Credit Facility Provider Bonds, the maximum rate utilized to determine the amount available under any Credit Facility then in effect.

“New York Banking Day” means any date (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York.

“Notice of Conversion” means any notice of conversion given by the Authority pursuant to Section 404(a)(i).

“Official’s Certificate” means a certificate signed by an Authorized Official.

“Participants” means those financial institutions for whom the Depository effects book-entry transfers and pledges of securities deposited with the Depository, as such listing of Participants exists at the time of such reference.

“Payment Date” means an Interest Payment Date or a Principal Payment Date.

“Payment Default” means a failure by the Authority to pay principal of or interest on Variable Rate Series 2012 Subordinate Bonds when due.

“Penalty Rate” means, for purposes of Section 407(e) with respect to Soft Tender Index Rate Bonds after they are tendered for purchase but not purchased, twelve percent (12%) per annum .

“Prevailing Market Conditions” means, to the extent relevant (in the professional judgment of the Remarketing Agent) at the time of establishment of a rate or rates for Variable Rate Series 2012 Subordinate Bonds as provided in Section 403, (i) interest rates on comparable securities then being issued and traded, (ii) other financial market rates and indices that may have a bearing on rates of interest, (iii) general financial market conditions (including then current forward supply figures) that may have a bearing on rates of interest, and (iv) the financial condition, results of operation and credit standing of the Authority and the Credit Facility Provider to the extent such standing has a bearing on rates of interest.

“Principal Payment Date” means each date on which principal of a Variable Rate Series 2012 Subordinate Bond is due and payable, whether at maturity or upon redemption.

“Purchase Date” means each date on which Variable Rate Series 2012 Subordinate Bonds are subject to optional or mandatory purchase pursuant to Article IV.

“Purchase Fund” means the fund by that name established pursuant to Section 407 and held by the Tender Agent.

“Purchase Price” means, with respect to a Variable Rate Series 2012 Subordinate Bond subject to purchase on a Purchase Date, an amount equal to 100% of the principal amount thereof plus (if such Purchase Date is not an Interest Payment Date therefor) accrued and unpaid interest thereon to such Purchase Date.

“Rate Period” means (i) a Daily Rate Period (comprised of separate Daily Interest Periods), (ii) a Weekly Rate Period (comprised of separate Weekly Interest Periods), (iii) a Short-Term Rate Period (comprised of separate Short-Term Interest Periods), (iv) a Long-Term Rate Period (comprised of separate Long-Term Interest Periods), (v) a Fixed Rate Period, (vi) an Index Rate Period (comprised of separate Index Interest Periods) or (vii) a Subsequent Index Rate Period (comprised of separate Subsequent Index Interest Periods).

“Regular Record Date” means (i) with respect to each Interest Payment Date for Daily Rate Bonds, Weekly Rate Bonds, Index Rate Bonds or Short-Term Rate Bonds, the close of business on the Business Day immediately preceding that Interest Payment Date, and (ii) with respect to each Interest Payment Date for Fixed Rate Bonds or Long-Term Rate Bonds, the close of business on the 15th day of the calendar month next preceding such Interest Payment Date.

“Reimbursement Agreement” means any reimbursement agreement between the Authority and a Credit Facility Provider setting forth the obligations of the Authority to such Credit Facility Provider arising out of any payments under a Credit Facility and which provides that it shall be deemed to be a Reimbursement Agreement for the purpose of this Thirteenth Supplemental Indenture.

“Reimbursement Obligations” means the Authority’s payment obligations pursuant to a Reimbursement Agreement.

“Remarketing Proceeds Account” means the account of that name established in the Purchase Fund pursuant to Section 407.

“Short-Term Interest Period” means each Interest Period determined as provided in Section 403(e) during which the Variable Rate Series 2012 Subordinate Bonds bear interest at a particular Short-Term Rate.

“Short-Term Rate” means the per annum interest rate for the Variable Rate Series 2012 Subordinate Bonds during a Short-Term Rate Period determined on a periodic basis as provided in Section 403(e).

“Short-Term Rate Bonds” means any Variable Rate Series 2012 Subordinate Bonds bearing interest at a Short-Term Rate.

“Short-Term Rate Period” means the Rate Period during which Short-Term Rates are in effect for the Variable Rate Series 2012 Subordinate Bonds.

“SIFMA Index” means, for any Computation Date, the level of the index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association and

issued on Wednesday of each week, or if any Wednesday is not a Business Day, the next preceding Business Day. If the SIFMA Index is no longer published, then “SIFMA Index” shall mean the Standard & Poor’s Weekly High Grade Index. If the Standard & Poor’s Weekly High Grade Index is no longer published, then “SIFMA Index” shall mean the prevailing rate determined by the Calculation Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Calculation Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association to determine the SIFMA Index immediately prior to the date on which the Securities and Financial Markets Association ceased publication of the SIFMA Index.

“SIFMA Index Rate” means a per annum rate of interest equal to the sum of the Applicable Spread *plus* the relevant SIFMA Index.

“SIFMA Index Rate Period” means (a) the Initial Period and (b) each Subsequent Index Interest Period during which the Variable Rate Series 2012 Subordinate Bonds bear interest at the SIFMA Index Rate, from and including the Conversion Date to but excluding the earlier of (i) the immediately succeeding Index Rate Bonds Purchase Date and (ii) the maturity or redemption date of the Variable Rate Series 2012 Bonds.

“SIFMA Index Reset Date” means Thursday of each week.

“Soft Tender Index Rate Bonds” means Index Rate Bonds that are specified in the Certificate of Award as such for purposes of Section 407 (e) for the Initial Period or in the applicable Notice of Conversion for any Subsequent Index Rate Period.

“Subsequent Index Interest Period” means, during any Subsequent Rate Period, each period determined as provided in Section 403(j) during which the Variable Rate Series 2012 Subordinate Bonds bear interest at a particular Index Rate.

“Subsequent Index Rate Period” means any Rate Period during which the Variable Rate Series 2012 Subordinate Bonds bear interest at the Index Rate pursuant to Section 403(j).

“Substitute Credit Facility” means a letter of credit, standby bond purchase agreement or other similar agreement replacing a Credit Facility in accordance with Section 413.

“Substitution Date” means a date on which a Substitute Credit Facility is accepted by the Trustee and becomes effective with respect to the Variable Rate Series 2012 Subordinate Bonds, or a date on which an existing Credit Facility Provider assigns all or a portion of its rights and/or obligations to an assignee Credit Facility Provider (other than a participant), in each case, in accordance with Section 413(b).

“Tender Agent” means initially the Trustee, and any successor Tender Agent as determined or designated under or pursuant to this Thirteenth Supplemental Indenture.

“Undelivered Bond” means any Variable Rate Series 2012 Subordinate Bond that is subject to purchase pursuant to Section 406 or 408 on a Purchase Date and that is not tendered and delivered for purchase on that Purchase Date but as to which the Tender Agent holds in the

Purchase Fund sufficient funds to pay the Purchase Price of that Variable Rate Series 2012 Subordinate Bond.

“Undelivered Bond Payment Account” means the account by that name in the Purchase Fund established pursuant to Section 407.

“Weekly Interest Period” means each period described in Section 403(d) during which the Variable Rate Series 2012 Subordinate Bonds bear interest at a particular Weekly Rate.

“Weekly Rate” means the per annum interest rate for the Variable Rate Series 2012 Subordinate Bonds during a Weekly Interest Period determined on a weekly basis as provided in Section 403(d).

“Weekly Rate Bonds” means Variable Rate Series 2012 Subordinate Bonds bearing interest at a Weekly Rate.

“Weekly Rate Period” means the period during which Weekly Rates are in effect for the Variable Rate Series 2012 Subordinate Bonds.

“Written Request” means a request in writing signed by an Authorized Official.

Section 103. Reference to Articles and Sections.

Unless otherwise indicated, all references herein to particular articles or sections are references to articles or sections of this Thirteenth Supplemental Indenture.

ARTICLE II

AUTHORIZATION OF SERIES 2012 SUBORDINATE BONDS

Section 201. Authorization of Series 2012 Subordinate Bonds.

Pursuant to Article III of the Master Indenture and, specifically, Section 305 thereof, and the Series 2012 Resolution, the Authority is authorized to issue:

(a) Series 2012A Subordinate Bonds in an aggregate principal of \$[_____], designated Public Utility Subordinate Lien Revenue Bonds, Series 2012A for the purpose of: (i) financing certain Costs of the System, including, without limitation, capitalized interest on a portion of the Series 2012A Subordinate Bonds; (ii) retiring a portion of the Series C Notes specified in the Certificate of Award; [(iii) funding a Series 2012A Debt Service Reserve Requirement, if any;] and (iv) paying issuance costs of the Series 2012A Subordinate Bonds; and

(b) Series 2012B Subordinate Bonds in an aggregate principal amount of [\$_____], designated “Public Utility Subordinate Lien Revenue Bonds, Series 2012B,” consisting of two subseries designated as (a) “Public Utility Subordinate Lien Revenue Bonds, Series 2012B-1” in the aggregate principal amount of \$_____, and (b) “Public Utility Subordinate Lien Revenue Bonds, Series 2012B-2” in the aggregate principal amount of \$_____, each issued for the purpose of: (i) financing certain Costs of the System,

including, without limitation, capitalized interest on a portion of the Series 2012B Subordinate Bonds; (ii) retiring a portion of the Series C Notes specified in the Certificate of Award; [(iii) funding a Series 2012B Debt Service Reserve Requirement, if any;] and (iv) paying issuance costs of the Series 2012B Subordinate Bonds; and

(c) Series 2012C Subordinate Bonds in an aggregate principal amount not greater than the amount determined in the Certificate of Award to be sufficient, together with any other funds of the Authority, to accomplish the purposes for which their issuance is authorized, designated “Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C,” for the purpose of: (i) advance refunding the Refunded Bonds and causing them to be deemed paid and discharged for purposes of the Indenture, (ii) funding a Series 2012C Debt Service Reserve Requirement, if any; and (iii) paying issuance costs of the Series 2012C Subordinate Bonds.

The Series 2012 Subordinate Bonds are to be issued as Subordinate Debt pursuant to the Indenture. The Series 2012 Resolution permits the Series 2012 Subordinate Bonds to be designated as Fixed Rate Series 2012 Subordinate Bonds or Variable Rate Series 2012 Subordinate Bonds.

ARTICLE III

**DETAILS AND FORM OF
FIXED RATE SERIES 2012 SUBORDINATE BONDS**

Section 301. Details of Fixed Rate Series 2012A Subordinate Bonds.

The Series 2012A Subordinate Bonds that are determined in the Certificate of Award to be Fixed Rate Series 2012 Subordinate Bonds shall be designated “Public Utility Subordinate Lien Revenue Bonds, Series 2012A (Fixed Rate),” shall be dated [____], 2012, shall be issuable only as fully registered bonds in denominations of \$5,000 and multiples thereof, shall be numbered R-1 upward and shall bear interest at rates, payable semiannually on the Interest Payment Dates, until their final payment or maturity, and shall mature on October 1 in years and amounts, as follows:

<u>October 1</u>	<u>Principal</u>	<u>Interest</u>
<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>

Section 302. Details of Fixed Rate Series 2012C Subordinate Bonds.

The Series 2012C Subordinate Bonds that are determined in the Certificate of Award to be Fixed Rate Series 2012 Subordinate Bonds shall be designated “Public Utility Subordinate Lien Revenue Bonds, Series 2012C (Fixed Rate),” shall be dated [_____], 2012, shall be issuable only as fully registered bonds in denominations of \$5,000 and multiples thereof, shall be numbered R-1 upward and shall bear interest at rates, payable semiannually on the Interest Payment Dates, until their final payment or maturity, and shall mature on October 1 in years and amounts, as follows:

<u>October 1</u>	<u>Principal</u>	<u>Interest</u>
<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>

Each Fixed Rate Series 2012 Subordinate Bond shall bear interest: (a) from its date, if such Fixed Rate Series 2012 Subordinate Bond is authenticated prior to the first Interest Payment Date, or (b) otherwise from the Interest Payment Date that is, or immediately precedes, the date on which such Fixed Rate Series 2012 Subordinate Bond is authenticated; provided, however, that if at the time of authentication of any Fixed Rate Series 2012 Subordinate Bond payment of interest is in default, such Fixed Rate Series 2012 Subordinate Bond shall bear interest from the date to which interest has been paid. The interest payable on the Fixed Rate Series 2012 Subordinate Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Principal of and premium, if any, on the Fixed Rate Series 2012 Subordinate Bonds shall be payable to the registered owners upon the surrender of Fixed Rate Series 2012 Subordinate Bonds at the designated office of the Trustee. Interest on the Fixed Rate Series 2012 Subordinate Bonds shall be payable by check or draft mailed to the registered owners at their addresses as they appear on the fifteenth day of the month preceding the Interest Payment Date on the registration books kept by the Trustee; provided, however, if the Fixed Rate Series 2012 Subordinate Bonds are registered in the name of a Depository or its nominee as registered owner or at the option of a registered owner of at least \$1,000,000 of Fixed Rate Series 2012 Subordinate Bonds, payment shall be made by wire transfer pursuant to the wire instructions received by the Trustee with respect to each such payment from such registered owner. Principal, premium, if any, and interest shall be payable in lawful money of the United States of America.

Section 303. Form of Bonds.

The Fixed Rate Series 2012 Subordinate Bonds shall be in substantially the form set forth in **Exhibit []**, with such appropriate variations, omissions and insertions as are permitted or required by the Indenture.

Section 304. Depository Provisions.

The Fixed Rate Series 2012 Subordinate Bonds shall initially be issued to a Depository for holding in a book-entry system. Those Fixed Rate Series 2012 Subordinate Bonds shall be registered in the name of the Depository or its nominee, as registered owner, and immobilized in the custody of the Depository or the Trustee on behalf of the Depository; and shall not be transferable or exchangeable, except for transfer to another Depository or to another nominee of a Depository, without further action by the Authority.

If any Depository determines not to continue to act as a Depository for the Fixed Rate Series 2012 Subordinate Bonds for holding in a book-entry system or the Authority determines to exit the Fixed Rate Series 2012 Subordinate Bonds from a Depository, the Authority may attempt to have established a securities depository/book-entry system relationship with another qualified Depository. If the Authority does not or is unable to do so, the Authority, after making provision for notification of the owners of book-entry interests by appropriate notice to the then Depository and any other arrangements it deems necessary, shall permit withdrawal of the Fixed Rate Series 2012 Subordinate Bonds from the Depository, and shall execute and direct the Trustee to authenticate and deliver Series 2012 Subordinate Bond certificates, in fully registered form, to the assigns of the Depository or its nominee (if such Fixed Rate Series 2012 Subordinate Bonds were held by a nominee), all at the cost and expense (including costs of printing or otherwise preparing and delivering replacement Fixed Rate Series 2012 Subordinate Bonds), if the event is not the result of Authority action or inaction, of those persons requesting that authentication and delivery. Fixed Rate Series 2012 Subordinate Bond certificates authenticated and delivered pursuant to this paragraph shall be in authorized denominations. In the event that Fixed Rate Series 2012 Subordinate Bonds shall cease to be in book-entry form, then the Authority or the Depository shall provide to the Trustee the name, address of record and taxpayer identification number of each registered holder thereof. The Trustee may rely on such information without any investigation.

If the Fixed Rate Series 2012 Subordinate Bonds are withdrawn from a Depository and printed bond certificates in fully registered form are or are to be authenticated and delivered pursuant to this Section, and if, in the opinion of Bond Counsel addressed to the Trustee, the delivery of coupon bonds payable to bearer would not result in the interest on the Fixed Rate Series 2012 Subordinate Bonds ceasing to be excluded from gross income for federal income tax purposes, the Authority, without the consent of or notice to any of the Holders of the Fixed Rate Series 2012 Subordinate Bonds, may authorize the exchange of Series 2012 Subordinate Bond certificates in fully registered form or Fixed Rate Series 2012 Subordinate Bonds under a book-entry system for coupon bonds payable to bearer, in an aggregate principal amount not exceeding the then unmatured and unredeemed principal amount of the Fixed Rate Series 2012 Subordinate Bonds, bearing interest at the same rate and maturing on the same date, with coupons attached representing all unpaid interest due or to become due thereon. Such certificated Fixed Rate

Series 2012 Subordinate Bonds will be registrable, transferable and exchangeable as set forth in Section 204 of the Master Indenture and as though the Fixed Rate Series 2012 Subordinate Bonds constituted “Bonds” for purposes of that Section.

So long as a Depository holds the Fixed Rate Series 2012 Subordinate Bonds in a book-entry system: (A) it or its nominee shall be the registered owner of the Fixed Rate Series 2012 Subordinate Bonds, (B) notwithstanding anything to the contrary in this Thirteenth Supplemental Indenture, determinations of persons entitled to payment of principal, premium, if any, and interest, transfers of ownership and exchanges and receipt of notices shall be the responsibility of the Depository and shall be effected pursuant to rules and procedures established by such Depository, (C) the Authority and the Trustee shall not be responsible or liable for maintaining, supervising or reviewing the records maintained by the Depository, its participants or persons acting through such participants, and (D) references in this Thirteenth Supplemental Indenture to registered owners of the Fixed Rate Series 2012 Subordinate Bonds shall mean such Depository or its nominee, and shall not mean the beneficial owners of the Fixed Rate Series 2012 Subordinate Bonds.

Section 305. Delivery of Fixed Rate Series 2012 Subordinate Bonds.

The Trustee shall authenticate and deliver the Fixed Rate Series 2012 Subordinate Bonds when there have been filed with or delivered to it the following items:

- (a) An original executed counterpart of this Thirteenth Supplemental Indenture;
- (b) A certified copy of applicable resolution(s) of the Board of Directors of the Authority and related Certificate of Award: (i) authorizing the execution and delivery of the Thirteenth Supplemental Indenture, and (ii) authorizing the issuance, sale, award, execution and delivery of the Fixed Rate Series 2012 Subordinate Bonds.
- (c) A certificate signed by an Authorized Representative of the Authority and dated the date of such issuance, to the effect that:
 - (1) Either: (A) upon and immediately following such issuance, no Event of Default has occurred which has not been cured or waived, and no event or condition exists which, with the giving of notice or lapse of time or both, would become an Event of Default, or (B) if any such event or condition is happening or existing, specifying such event or condition, stating that the Authority will act with due diligence to correct such event or condition after the issuance of the Fixed Rate Series 2012 Subordinate Bonds, and describing in reasonable detail the actions to be taken by the Authority toward such correction; and
 - (2) All required approvals, limitations, conditions and provisions precedent to the issuance of the Fixed Rate Series 2012 Subordinate Bonds have been obtained, observed, met and satisfied.
- (d) An Opinion or Opinions of Counsel, subject to customary exceptions and qualifications, substantially to the effect that this Thirteenth Supplemental Indenture has been duly authorized, executed and delivered to the Trustee and is a valid, binding and enforceable obligation of the Authority.

(e) An opinion or opinions of Bond Counsel, subject to customary exceptions and qualifications, substantially to the effect that the issuance of the Fixed Rate Series 2012 Subordinate Bonds has been duly authorized, and that the Fixed Rate Series 2012 Subordinate Bonds are valid and binding limited obligations of the Authority.

(f) A certificate of an Authorized Representative of the Authority, stating that rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of the Fixed Rate Series 2012 Subordinate Bonds.

(g) A request and authorization of the Authority, signed by an Authorized Representative of the Authority, to the Trustee to authenticate and deliver such Bonds to the purchaser upon payment to the Trustee in immediately available funds for the account of the Authority of a specified sum plus accrued interest to the date of delivery.

Section 306. Redemption Dates and Prices of Fixed Rate Series 2012 Subordinate Bonds.

The Fixed Rate Series 2012 Subordinate Bonds may not be called for redemption by the Authority except as provided below:

(a) Optional Redemption. [to be added]

(b) Mandatory Redemption. The Term Fixed Rate Series 2012 Subordinate Bonds maturing on October 1 in each of the years 20[] and 20[] are required to be redeemed prior to maturity on October 1 in years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

The Term Fixed Rate Series 2012 Subordinate Bonds maturing October 1, 20[], are subject to mandatory sinking fund redemption on each October 1 as set forth below:

	A		A
<u>ear</u>	<u>mount</u>	<u>ear</u>	<u>mount</u>

*Final Maturity

The Term Fixed Rate Series 2012 Subordinate Bonds maturing October 1, 20[], are subject to mandatory sinking fund redemption on each October 1 as set forth below:

	A		A
<u>ear</u>	<u>mount</u>	<u>ear</u>	<u>mount</u>

*Final Maturity

The Trustee shall provide for a mandatory redemption of the Term Fixed Rate Series 2012 Subordinate Bonds in accordance with the schedules set forth above; provided, however, that on or before the 70th day next preceding any such mandatory redemption date, the Authority may:

(1) deliver to the Trustee for cancellation Term Fixed Rate Series 2012 Subordinate Bonds of the maturity required to be redeemed on such mandatory redemption date in any aggregate principal amount desired; or

(2) instruct the Trustee in writing to apply a credit against the Authority's next mandatory redemption obligation for any such Term Fixed Rate Series 2012 Subordinate Bonds that previously have been redeemed (other than through mandatory redemption) and canceled but not theretofore applied as a credit against any mandatory redemption obligation.

Upon the occurrence of any of the events described in clauses (1) or (2) of the preceding sentence, the Trustee shall credit against the Authority's mandatory redemption obligation on the next mandatory redemption date the amount of such Term Fixed Rate Series 2012 Subordinate Bonds so delivered or previously redeemed. Any principal amount of such Term Fixed Rate Series 2012 Subordinate Bonds in excess of the principal amount required to be redeemed on such mandatory redemption date shall be similarly credited in an amount equal to the principal of such Term Series 2012 Subordinate Bonds so purchased towards the sinking fund installments for the Term Series 2012 Subordinate Bonds of such maturity in such order as may be determined by the Authority in a certificate of an Authorized Official. Within seven days of receipt of such Term Fixed Rate Series 2012 Subordinate Bonds or instructions to apply as a credit, any amounts remaining in the Sinking Fund Account in excess of the amount required to fulfill the remaining required mandatory redemption obligation on the next mandatory redemption date shall be used in such manner and in such order as may be determined by the Authority in a certificate of an Authorized Official.

The particular maturities of the Fixed Rate Series 2012 Subordinate Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

If less than all of the Fixed Rate Series 2012 Subordinate Bonds are called for redemption, they shall be called in such order of maturity as the Authority may determine. If less than all of the Series 2012 Subordinate Bonds of any maturity are called for redemption, the Fixed Rate Series 2012 Subordinate Bonds to be redeemed shall be selected by the Depository pursuant to its rules and procedures or, if the book-entry system shall have been discontinued, shall be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine. The portion of any Fixed Rate Series 2012 Subordinate Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof. In selecting Fixed Rate Series 2012 Subordinate Bonds for redemption, each Fixed Rate Series 2012 Subordinate Bond shall be considered as representing that number of Fixed Rate Series 2012 Subordinate Bonds which is obtained by dividing the principal amount of such Fixed Rate Series 2012 Subordinate Bond by \$5,000. If a portion of a Fixed Rate Series 2012 Subordinate Bond shall be called for

redemption, a new Fixed Rate Series 2012 Subordinate Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

Section 307. Notice of Redemption.

Notice of redemption of Fixed Rate Series 2012 Subordinate Bonds shall be given in the manner set forth in Section 402 of the Master Indenture, as though the Fixed Rate Series 2012 Subordinate Bonds constituted “Bonds” for purposes of that Section, provided, however, that notices of redemption of Fixed Rate Series 2012 Subordinate Bonds sent pursuant to Section 402 of the Master Indenture shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Fixed Rate Series 2012 Subordinate Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Fixed Rate Series 2012 Subordinate Bonds to be redeemed is on deposit in the applicable fund or account.

ARTICLE IV

**DETAILS AND FORM OF
VARIABLE RATE SERIES 2012 SUBORDINATE BONDS**

Section 401. Issuance and Delivery of Variable Rate Series 2012 Subordinate Bonds, Principal Maturity and Initial Interest Rate.

The Series 2012 Subordinate Bonds that are determined in the Certificate of Award to be Variable Rate Series 2012 Subordinate Bonds shall be designated “Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (SIFMA Index)” or “Public Utility Subordinate Lien Multimodal Revenue Refunding Bonds, Series 2012C (SIFMA Index)”, as the case may be. The Variable Rate Series 2012 Subordinate Bonds shall be numbered in such manner and may carry such other designations as determined by the Authority in order to distinguish each bond from any other bond and identify the interest payment and tender option provisions applicable thereto, shall be dated as of their date of original authentication and delivery, and shall bear interest from the most recent Interest Payment Date for which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date of original authentication and delivery. The Variable Rate Series 2012 Subordinate Bonds of the same maturity may bear interest at different interest rates. The Variable Rate Series 2012 Subordinate Bonds shall mature on the Maturity Date.

The Trustee shall authenticate and deliver the Variable Rate Series 2012 Subordinate Bonds when there have been filed with or delivered to it all the items enumerated in Section 305 as though all references in Section 305 to “Fixed Rate Series 2012 Subordinate Bonds” were to “Variable Rate Series 2012 Subordinate Bonds.”

The interest on the Variable Rate Series 2012 Subordinate Bonds shall be payable on the Interest Payment Dates applicable to the Rate Period then in effect.

The Variable Rate Series 2012 Subordinate Bonds shall be issued in Authorized Denominations.

During the Initial Period, the Variable Rate Series 2012 Subordinate Bonds shall bear interest at the lesser of (i) the Index Rate, and (ii) the Maximum Rate. In the event the Variable Rate Series 2012 Subordinate Bonds are designated Soft Tender Index Rate Bonds and are mandatorily tendered pursuant to Section 408(a)(v) or (vi) and the Authority fails to pay the Purchase Price, the Variable Rate Series 2012 Subordinate Bonds shall bear interest at the Penalty Rate unless and until the Purchase Price is paid or the Variable Rate Series 2012 Subordinate Bonds otherwise cease to be Outstanding; provided, however, that the interest rate on the Variable Rate Series 2012 Subordinate Bonds shall at no time exceed the Maximum Rate.

The Variable Rate Series 2012 Subordinate Bonds are subject to optional redemption, purchase in lieu of optional redemption, and mandatory redemption through Mandatory Sinking Fund Requirements as provided in Article V.

Not less than 90 days prior to an Index Rate Bonds Purchase Date, the Authority will use its best efforts to appoint a Remarketing Agent.

Section 402. Depository Provisions.

The depository provisions of Section 304 applicable to Fixed Rate Series 2012 Subordinate Bonds shall also apply to Variable Rate Series 2012 Subordinate Bonds. In addition, notwithstanding any other provision of this Thirteenth Supplemental Indenture or the Variable Rate Series 2012 Subordinate Bonds, so long as the Variable Rate Series 2012 Subordinate Bonds are in a Book Entry System and the Depository or its nominee is the Holder of the Variable Rate Series 2012 Subordinate Bonds:

(i) Presentation of Variable Rate Series 2012 Subordinate Bonds to the Trustee at redemption or at maturity, or delivery of Variable Rate Series 2012 Subordinate Bonds to the Tender Agent in connection with a purchase of tendered Variable Rate Series 2012 Subordinate Bonds, shall be deemed made to the Trustee when the right to exercise ownership rights in the Variable Rate Series 2012 Subordinate Bonds through the Depository or the Depository's participants is transferred by the Depository on its books.

(ii) Notice of a tender for purchase pursuant to Section 406 hereof shall be given by the beneficial owner of the Variable Rate Series 2012 Subordinate Bonds exercising ownership rights through the Depository or the Depository's participants by telephonic or written notice (confirmed in writing) to the Tender Agent at the times set forth in that Section.

(iii) The Depository may present notices, approvals, waivers, votes or other communications required or permitted to be made by Holders under this Thirteenth Supplemental Indenture on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the Variable Rate Series 2012 Subordinate Bonds through the Depository or its participants.

(iv) Variable Rate Series 2012 Subordinate Bonds purchased by the Authority shall not be registered in the name of the Authority on the Register maintained by the Trustee and shall not be physically held by any party other than the Depository.

(v) Variable Rate Series 2012 Subordinate Bonds or any portion thereof shall not be transferable or exchangeable except:

(A) To any successor of the Depository;

(B) To any new Depository not objected to by the Trustee, upon (i) the resignation of then current Depository or its successor from its functions as Depository or (ii) termination of the use of the Depository by direction of the Authority;

(C) To any Persons who are the assigns of the Depository or its nominee, upon (i) the resignation of the Depository from its functions as Depository hereunder or (ii) termination by the Authority of use of the Depository.

Subject to any arrangements made by the Trustee with a Depository with respect to the Variable Rate Series 2012 Subordinate Bonds held in a Book Entry System, which arrangements are hereby authorized subject to the approval of an Authorized Official of the Authority, principal of, premium, if any, and interest shall be payable on any Variable Rate Series 2012 Subordinate Bond as provided in this Thirteenth Supplemental Indenture.

Section 403. Determination of Interest Rates.

(a) General.

(i) The Variable Rate Series 2012 Subordinate Bonds may bear interest at any time in any Rate Period, and different subseries may bear interest in different Rate Periods.

(ii) The amount of interest payable with respect to Variable Rate Series 2012 Subordinate Bonds on any Interest Payment Date shall be computed (A) during a Daily Interest Period, Weekly Interest Period, Short-Term Interest Period or Index Rate Period, on the basis of a 365- or 366-day year for the number of days actually elapsed, and (B) during a Fixed Rate Period and any Long-Term Interest Periods, on the basis of a 360-day year of twelve 30-day months. Interest payable on each Interest Payment Date shall be the interest accrued and unpaid from and including the immediately preceding Interest Payment Date to and including the day preceding such Interest Payment Date. Notwithstanding the foregoing, the amount of interest payable with respect to Credit Facility Provider Bonds shall be calculated as provided in the Reimbursement Agreement.

(iii) All determinations of interest rates, amounts of interest payable on the Variable Rate Series 2012 Subordinate Bonds and Rate Periods pursuant to this Thirteenth Supplemental Indenture shall be conclusive and binding upon the Authority,

the Trustee, the Tender Agent, the Credit Facility Provider and the Holders of the Variable Rate Series 2012 Subordinate Bonds to which such rates are applicable. The Authority, the Trustee, the Tender Agent, the Remarketing Agent and the Credit Facility Provider shall not be liable to any Holder for failure to give any notice specified in this Section or for the failure of any Holder to receive any such notice.

(b) Determination by Remarketing Agent.

(i) The interest rate for Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds, Long-Term Rate Bonds and, if engaged as Remarketing Agent in connection with the conversion to Fixed Rate Bonds, the Fixed Rate(s), for each Rate Period shall be determined by a Remarketing Agent, to be appointed by the Authority, as the lowest rate of interest that, in the judgment of the Remarketing Agent, would cause the Variable Rate Series 2012 Subordinate Bonds to be sold at a price as of the date of determination equal to the principal amount thereof, taking into account Prevailing Market Conditions, provided that in no event will the interest rate on any Variable Rate Series 2012 Subordinate Bonds exceed the Maximum Rate.

(ii) In the event the Remarketing Agent fails for any reason to determine the interest rate for any Rate Period:

(A) If the applicable Variable Rate Series 2012 Subordinate Bonds are bearing interest at a Daily Rate, Weekly Rate or Short-Term Rate, the applicable Variable Rate Series 2012 Subordinate Bonds shall bear interest at a rate equal to the prior week's rate, unless there is a failure by the Remarketing Agent to set the rate for two consecutive Weekly Rate Periods or seven consecutive Daily Rate Periods, in which case the applicable Variable Rate Series 2012 Subordinate Bonds shall bear interest at 105% of the SIFMA Index, until the Trustee is notified of a new Daily Rate, Weekly Rate or Short-Term Rate, as appropriate, determined by the Remarketing Agent.

(B) If the applicable Variable Rate Series 2012 Subordinate Bonds are bearing interest at a Long-Term Rate (1) the Rate Period shall be converted to a Weekly Rate Period and shall bear interest at a rate equal to 105% of the SIFMA Index, but only if the Authority furnishes to the Trustee a Favorable Opinion of Bond Counsel or (2) if the opinion described in clause (1) is not furnished, the Rate Period will remain in the Long-Term Rate Period and the applicable Variable Rate Series 2012 Subordinate Bonds shall bear interest at a rate equal to the "Revenue Bond Index" as published in The Bond Buyer as of a recent date or, if such index is no longer published, then a comparable index selected by the Authority and acceptable to the Trustee.

(iii) Notice of the interest rate for each Daily Rate Bond, Weekly Rate Bond, Short-Term Rate Bond, Long-Term Rate Bond and, if engaged as Remarketing Agent in connection with the conversion to Fixed Rate Bonds, the Fixed Rate(s), shall be communicated by the Remarketing Agent to the Authority, the Trustee and any Credit Facility Provider by Electronic Means, (a) in the case of Daily Rate Bonds on the date

such interest rate is determined by 10:30 a.m., New York City time, and (b) in the case of Weekly Rate Bonds, Short-Term Rate Bonds, Long-Term Rate Bonds or Fixed Rate Bonds, not later than 5:00 p.m., New York City time, on the date such interest rate is determined, and shall be available to Holders after such time, from the Remarketing Agent at its Designated Office and shall also be communicated by the Remarketing Agent to any Holder upon request.

(c) Daily Rates.

(i) Whenever the Variable Rate Series 2012 Subordinate Bonds are to bear interest accruing at a Daily Rate, Daily Interest Periods shall commence on each Business Day and shall extend to, but not include, the next succeeding Business Day.

(ii) The interest rate for each Daily Interest Period shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day.

(iii) Each such interest rate shall be determined by the Remarketing Agent no later than 10:00 a.m., New York City time, on the commencement date of the Daily Interest Period to which it relates.

(d) Weekly Rates.

(i) Whenever the Variable Rate Series 2012 Subordinate Bonds are to bear interest accruing at a Weekly Rate, Weekly Interest Periods shall commence on Thursday of each week and end on Wednesday of the following week; provided, however, that (A) in the case of a conversion to a Weekly Rate Period, the initial Weekly Interest Period for the Variable Rate Series 2012 Subordinate Bonds shall commence on the Conversion Date and end on the next succeeding Wednesday and (B) in the case of a conversion from a Weekly Rate to a Daily Rate, the last Weekly Interest Period prior to conversion shall end on the last day immediately preceding the Conversion Date.

(ii) The interest rate for each Weekly Interest Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof.

(iii) Each such interest rate shall be determined by the Remarketing Agent by 5:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of the Weekly Interest Period to which it relates.

(e) Short-Term Rates. Short-Term Rates on, and Short-Term Interest Periods for, Short-Term Rate Bonds shall be determined as follows:

(i) Each Short-Term Interest Period shall be determined by the Remarketing Agent on the first Business Day of that Short-Term Interest Period as that Short-Term Interest Period which will, in the judgment of the Remarketing Agent, produce the greatest likelihood of the lowest net interest cost; provided that each Short-Term Interest Period (A) shall be from 1 to 270 days in length but shall not exceed the number of days

of interest coverage provided by the Credit Facility minus five days, shall not extend beyond the date that is five days before the Expiration Date of the Credit Facility and shall not exceed the remaining number of days prior to the Conversion Date if the Remarketing Agent has given or received notice of any conversion to a different Rate Period, (B) shall commence on a Business Day (except in the case of a conversion to a Short-Term Rate Period, the initial Short-Term Interest Period shall commence on the Conversion Date), shall end on a day preceding a Business Day, and (C) in any event shall end no later than the day preceding the Maturity Date. The Remarketing Agent may, in the reasonable exercise of its judgment, determine a Short-Term Interest Period that results in a Short-Term Rate on the Variable Rate Series 2012 Subordinate Bonds that is higher than would be borne by the Variable Rate Series 2012 Subordinate Bonds with a shorter Short-Term Interest Period in order to increase the likelihood of achieving the lowest net interest cost during the term of the Variable Rate Series 2012 Subordinate Bonds by assuring the effectiveness of such Short-Term Rate for a longer Short-Term Interest Period. The determination of a Short-Term Interest Period by the Remarketing Agent shall be based upon the relative market yields of the Variable Rate Series 2012 Subordinate Bonds and other securities that bear interest at a variable rate or at fixed rates that, in the reasonable exercise of the judgment of the Remarketing Agent are otherwise comparable to the Variable Rate Series 2012 Subordinate Bonds, or any fact or circumstance relating to the Variable Rate Series 2012 Subordinate Bonds or affecting the market for the Variable Rate Series 2012 Subordinate Bonds or affecting such other comparable securities in a manner that, in the reasonable exercise of the judgment of the Remarketing Agent, will affect the market for the Variable Rate Series 2012 Subordinate Bonds. The Remarketing Agent in its discretion, may consider such information and resources as it deems appropriate in making the determinations described in this paragraph, including consultations with the Authority, but the Remarketing Agent's determination of the Short-Term Interest Period will be based solely upon the reasonable exercise of the Remarketing Agent's judgment.

(ii) The interest rate for each Short-Term Interest Period shall be effective from and including the commencement date of that Short-Term Interest Period and shall remain in effect through and including the last day thereof.

(iii) All Short-Term Rate Bonds of a subseries of the Variable Rate Series 2012 Subordinate Bonds shall bear interest accruing at the same Short-Term Rate, and for the same Short-Term Interest Period.

(iv) Each such interest rate shall be determined by the Remarketing Agent by 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of the Short-Term Interest Period to which it relates.

(f) Long-Term Rates. A Long-Term Rate for Long-Term Rate Bonds shall be determined for each Long-Term Interest Period as follows:

(i) Long-Term Interest Periods shall commence on a Conversion Date and subsequently on an Interest Payment Date which is at least 12 calendar months after the Conversion Date to a Long-Term Rate Period, and end on the day preceding either the

commencement date of the following Long-Term Interest Period or the Conversion Date on which a different Rate Period shall become effective or the Maturity Date.

(ii) The Long-Term Rate for each Long-Term Interest Period shall be effective from and including the commencement date thereof and remain in effect to and including the last day thereof. Each such Long-Term Rate shall be determined on the Business Day immediately preceding the commencement date of such period.

(iii) Long-Term Interest Periods shall not extend to a date beyond the fifth day next preceding the Expiration Date of the Credit Facility.

(iv) The term of each Long-Term Interest Period shall be specified in writing by the Authority to the Remarketing Agent, the Trustee, the Tender Agent and the Credit Facility Provider at least 20 days before its commencement.

(g) Fixed Rate. The Fixed Rate shall be determined as set forth in this subsection (g). Variable Rate Series 2012 Subordinate Bonds bearing interest at a Fixed Rate may not be converted to any other type of Rate Period pursuant to Section 404.

The Fixed Rate Period shall commence on a Conversion Date and shall extend to the earlier of the date of redemption or the Maturity Date. The Fixed Rate shall be determined (1) by the Remarketing Agent, if the Remarketing Agent is engaged in connection with the conversion to Fixed Rate Bonds, not later than 12:00 noon, New York City time, on the Business Day prior to the Conversion Date; or (2) set in the firm underwriting or purchase contract described in Section 404(b)(iv). Such determination shall be conclusive and binding on the Authority, the Trustee, any Credit Facility Provider and the Holders of the Variable Rate Series 2012 Subordinate Bonds to which such rate shall be applicable.

In determining the amount of interest and principal that shall be payable on the Payment Dates, the Remarketing Agent or the firm of underwriters or recognized institutional investors (the "Firm") underwriting or purchasing the Variable Rate Series 2012 Subordinate Bonds then being converted, as applicable, shall use the following guidelines:

(i) The interest rate on each Variable Rate Series 2012 Subordinate Bond then being converted shall be the lowest interest rate that will enable such Variable Rate Series 2012 Subordinate Bond, upon conversion, to be remarketed at par (plus any accrued interest), taking into account (A) any market premium determined by the Authorized Official to be necessary to fund fees and expenses relating to the conversion and remarketing of the Variable Rate Series 2012 Subordinate Bonds, including fees and expenses relating to a Credit Facility, any deposit to the Debt Service Reserve Fund and any amount owed upon termination of any Hedge Agreement, (B) the principal amortization schedule for the Variable Rate Series 2012 Subordinate Bonds, and (C) current market conditions for bonds that have similar tax status and a comparable credit rating; and

(ii) If a Favorable Opinion of Bond Counsel has been obtained, the schedule of principal payments of the Variable Rate Series 2012 Subordinate Bonds may be modified based on a Mandatory Sinking Fund Requirements schedule agreed to by the

Authority and the firm that agrees to underwrite or purchase the Variable Rate Series 2012 Subordinate Bonds being converted, in accordance with Section 404(b)(iv), and delivered to the Trustee. If a Favorable Opinion of Bond Counsel is not received, all Variable Rate Series 2012 Subordinate Bonds shall mature on the Maturity Date and shall be subject to mandatory sinking fund redemption (or serial maturities pursuant to subparagraph (iii) below) on the dates and in the respective principal amounts established at the time of original delivery of the Variable Rate Series 2012 Subordinate Bonds.

(iii) The foregoing subparagraphs (i) and (ii) notwithstanding, upon provision of a Favorable Opinion of Bond Counsel, Variable Rate Series 2012 Subordinate Bonds may be scheduled to mature serially on January 1 in the years and respective principal amounts agreed to by the Authority and the Firm and delivered to the Trustee, and the Remarketing Agent may establish more than one Fixed Rate to apply to the Variable Rate Series 2012 Subordinate Bonds being converted to Fixed Rate Bonds, in accordance with this Section, taking into account the scheduled mandatory redemption dates or serial maturity dates to be assigned to the Variable Rate Series 2012 Subordinate Bonds.

(h) Credit Facility Provider Bonds. Notwithstanding the above provisions of this Section, Credit Facility Provider Bonds shall bear interest at the Credit Facility Provider Rate and shall be payable at the times and by such means as provided in the Reimbursement Agreement. The Trustee shall register on its books and records the Credit Facility Provider as the Holder or the pledgee of such Credit Facility Provider Bonds, as directed by such Credit Facility Provider. The Credit Facility Provider Rate shall be supplied in writing to the Trustee by the Credit Facility Provider. If the Remarketing Agent has notified the Holder of any Credit Facility Provider Bonds that it has located a purchaser for some or all of that Holder's Credit Facility Provider Bonds, then, subject to Section 410, that Holder must deliver those Credit Facility Provider Bonds to the Tender Agent for purchase. Upon such delivery and receipt of the Purchase Price by that Holder, and provided no Event of Default has occurred and is continuing under the Reimbursement Agreement, the Tender Agent shall notify the Trustee that the Variable Rate Series 2012 Subordinate Bonds so purchased are no longer "Credit Facility Provider Bonds" and the Trustee shall note on the registration books for the Variable Rate Series 2012 Subordinate Bonds that those Variable Rate Series 2012 Subordinate Bonds are not Credit Facility Provider Bonds. Notwithstanding anything herein to the contrary, only the Credit Facility Provider or any Holder of Credit Facility Provider Bonds may receive interest on any Variable Rate Series 2012 Subordinate Bonds at the Credit Facility Provider Rate.

For all purposes of the Indenture, payments of principal and interest on the Credit Facility Provider Bonds are secured in the same manner as payments of principal and interest on the Variable Rate Series 2012 Subordinate Bonds. Amounts owed by the Authority to a Credit Facility Provider (including, without limitation, reimbursement obligations) shall be included in the calculation of "Annual Debt Service" under the Indenture if and to the extent required by the Indenture's definition of "Annual Debt Service."

(i) Index Rates During the Initial Period. The SIFMA Index Rate for the period commencing on and including the Issue Date until but excluding the first day of the next succeeding SIFMA Index Reset Date shall be equal to the SIFMA Index then in effect plus [_____] % for the Variable Rate Series 2012 Subordinate Bonds designated as Subseries [B-1]

and SIFMA Index then in effect plus [_____] % for those designated as Subseries [B-2]. [Revise for LIBOR if used.]

(j) Index Rates During a Subsequent Index Rate Period. During any Subsequent Index Rate Period, a Remarketing Agent shall determine the Applicable Spread that will be used in determining the Index Rate for each Subsequent Index Interest Period as follows: (i) the Applicable Spread shall be the number of basis points or schedule of basis points as determined by the Remarketing Agent that, when added to the SIFMA Index or the LIBOR Index, as the case may be, would equal the minimum interest rate per annum that would enable the Remarketing Agent to sell the applicable Variable Rate Series 2012 Subordinate Bonds on the first day of such Subsequent Rate Period at a price equal to the principal amount thereof (but subject to the final sentence of this Section 403(j)), plus accrued interest, if any, thereon. The Remarketing Agent shall determine the Applicable Spread for any such Subsequent Index Rate Period not later than the day preceding the commencement of such Subsequent Index Rate Period and shall notify the Trustee, the Calculation Agent and the Authority thereof by telephone or such other manner as may be appropriate by not later than 2:00 P.M. New York City time on such date, which notice shall be promptly confirmed in writing. If at any time that the Remarketing Agent is required to determine the Applicable Spread, the Remarketing Agent recommends in writing to the Authority that the Variable Rate Series 2012 Subordinate Bonds may be remarketed at a specified discount from their principal amount that would enable the Authority to achieve a lower net interest cost than if such Variable Rate Series 2012 Subordinate Bonds were remarketed at their principal amount, and if the Authority accepts that recommendation in writing signed by an Authorized Official, then the Remarketing Agent shall determine the Applicable Spread based upon the minimum interest rate per annum that would enable the Remarketing Agent to sell the applicable Variable Rate Series 2012 Subordinate Bonds at the agreed upon discounted price.

(k) Index Rates – General. During the Initial Period and any Subsequent Index Rate Period, the Calculation Agent shall determine the Index Rate on each Computation Date, and such rate shall become effective on the SIFMA Index Reset Date or LIBOR Index Reset Date, as the case may be, next succeeding the Computation Date; provided that in no event will the Index Rate exceed the Maximum Rate. Upon determining the Index Rate for each week, the Calculation Agent shall notify the Authority and the Trustee of such Index Rate by Electronic Means. Such notice shall be provided by not later than [_____] on the SIFMA Index Reset Date or LIBOR Index Reset Date, as the case may be. The determination of the Index Rate (absent manifest error) shall be conclusive and binding upon the Authority and the Holders of the Variable Rate Series 2012 Subordinate Bonds. If for any reason the Index Rate shall not be established, the Variable Rate Series 2012 Subordinate Bonds shall bear interest at the Index Rate last in effect until such time as a new Index Rate shall be established pursuant to this Thirteenth Supplemental Indenture.

Section 404. Conversions Between Rate Periods.

(a) Notice of Conversion. The Authority may, with the prior written consent of the Credit Facility Provider, if any, if the same Credit Facility will secure the Variable Rate Series 2012 Subordinate Bonds before and after the conversion, elect to convert all or some of the

Variable Rate Series 2012 Subordinate Bonds from one Rate Period to another Rate Period (other than from a Fixed Rate Period) as follows:

(i) Notices by Authority. The Authority shall give written notice of any proposed conversion of some or all Variable Rate Series 2012 Subordinate Bonds to the Trustee, and during an Index Rate Period to the Calculation Agent, not fewer than seven Business Days (14 Business Days in the case of a proposed conversion to a Short-Term Rate Period) prior to the date the notice to affected Holders must be given pursuant to Section 404(2)(ii).

(ii) Notices by Trustee. Upon receipt of the notice specified in Section 404(a)(i), the Trustee shall promptly give written notice of the proposed conversion, via Electronic Means or by written notice, to the Tender Agent, the Remarketing Agent, any Credit Facility Provider and any Rating Agency. The Trustee shall give notice (which may be combined, where applicable, with any notice required by Section 408(d) by first-class mail of the proposed conversion to the affected Holders of the Variable Rate Series 2012 Subordinate Bonds not less than 10 days before the proposed Conversion Date. Such notice shall state:

(A) the proposed Conversion Date and the proposed Rate Period to be effective on such date;

(B) that all or a specified portion of the Variable Rate Series 2012 Subordinate Bonds will be subject to mandatory tender for purchase on the Conversion Date and, if less than all;

(C) the conditions, if any, to the conversion pursuant to subsection (b), and the consequences of such conditions not being fulfilled pursuant to subsection (c);

(D) if the Variable Rate Series 2012 Subordinate Bonds are in certificated form, information with respect to required delivery of the Variable Rate Series 2012 Subordinate Bond certificates and payment of the Purchase Price;

(E) the new Interest Payment Dates and Regular Record Dates.

(b) Conditions to Conversion. No conversion of Rate Periods will become effective unless the prior written consent of the Credit Facility Provider, if any, if the same Credit Facility will secure the Variable Rate Series 2012 Subordinate Bonds before and after the conversion, is obtained, and:

(i) If the conversion is from a Short-Term Rate Period, the Trustee has received, prior to the date on which notice of conversion is required to be given to Holders, written confirmation from the Remarketing Agent that it has not established and will not establish any Short-Term Interest Periods extending beyond the day before the Conversion Date; and

(ii) If the conversion is either (A) from a Short-Term Rate Period, a Weekly Rate Period or a Daily Rate Period to a Long-Term Rate Period or a Fixed Rate Period, or (B) from a Long-Term Rate Period to a Short-Term Rate Period, a Weekly Rate Period or a Daily Rate Period, the Authority shall have provided to the Trustee, and the Remarketing Agent, no later than one day before the Conversion Date, a Favorable Opinion of Bond Counsel, which opinion shall be confirmed in writing on the Conversion Date; and

(iii) Any Credit Facility to be held by the Trustee after the Conversion Date shall be in an amount equal to the aggregate principal amount of all of the Outstanding Variable Rate Series 2012 Subordinate Bonds, plus an amount for payment of interest equal to at least (a) 34 days' interest (183 days' interest if the conversion is to Long-Term Rate Bonds or, if the conversion is to Short-Term Rate Bonds, the maximum number of days of a Short-Term Interest Period, as provided in Section 403(e)(i) plus five days), plus in the case of a Credit Facility that does not automatically reinstate coverage for interest following a drawing to pay interest on the Variable Rate Series 2012 Subordinate Bonds, the number of days during which the Variable Rate Series 2012 Subordinate Bonds may continue to bear interest until purchased upon mandatory tender under Section 408(a)(iv) following a drawing in which the Credit Facility Provider may notify the Trustee that interest coverage has not reinstated or (b) in the event that a rating will be maintained on the Variable Rate Series 2012 Subordinate Bonds, then such other number of days of interest as may be required by any Rating Agency; and

(iv) If an Index Rate is in effect prior to the Conversion, the Conversion Date must be on a date that would otherwise be an Interest Payment Date; and

(v) If the conversion is to a Fixed Rate Period, the Authority's written notice pursuant to Section 404(a)(i) shall also be provided to the Remarketing Agent and shall also specify the Conversion Date on which the Fixed Rate Period is to commence, and the Authority shall deliver with such notice any Favorable Opinion of Bond Counsel required pursuant to Section 403(g) and a firm underwriting or purchase contract from a firm, which can be the Remarketing Agent, to underwrite or purchase all of the Variable Rate Series 2012 Subordinate Bonds at a price of 100% of the principal amount thereof at an agreed upon interest rate which such firm certifies is the lowest rate that will permit the Variable Rate Series 2012 Subordinate Bonds to be sold at par on the first day of the Fixed Rate Period and containing a Mandatory Sinking Fund Requirements schedule prepared in accordance with Section 403(g). Upon receipt by the Trustee of such notice from the Authority, the Trustee shall promptly cause the same information contained in such notice to be delivered to the Tender Agent, any Credit Facility Provider and any Rating Agency. A conversion to the Fixed Interest Rate shall not occur unless the Authority shall also file with the Trustee any Favorable Opinion of Bond Counsel to the same effect dated the Conversion Date; and

(vi) The conversion shall not occur unless the Conversion Date is a date on which the Variable Rate Series 2012 Subordinate Bonds being converted could be redeemed without premium pursuant to Section 501(a); and

(vii) If the conversion is to a Short-Term Rate Period, (A) the Authority must engage, at its expense, a commercial paper trustee and paying agent (the “Issuing Agent”), which may or may not be the Trustee and which shall be reasonably acceptable to the Trustee, any Credit Facility Provider and the Tender Agent, having access to the Depository’s electronic money market issuing and payment system and otherwise eligible to serve as an issuing and paying agent under the Depository’s policies and procedures for the issuance and payment of commercial paper; and (B) the Remarketing Agent must arrange for the execution and delivery to the Depository of its required letter of representation for the eligibility of the Variable Rate Series 2012 Subordinate Bonds in the Short-Term Rate Period in the Depository’s book entry system and the provision of any needed CUSIP numbers; and (C) the Authority shall take all other action needed to comply with the Depository’s requirements applicable to the issuance and payment of the Variable Rate Series 2012 Subordinate Bonds while in the Short-Term Rate Period; and (D) the Authority shall enter into any amendment of this Thirteenth Supplemental Indenture permitted under the Indenture that is needed to comply with the Depository’s or any Rating Agency’s requirements concerning the issuance and payment of the Variable Rate Series 2012 Subordinate Bonds in the Short-Term Rate Period.

(c) Failure of Conditions to Conversion. In the event any condition precedent to a conversion is not fulfilled, (i) the Conversion Date shall not occur, (ii) the mandatory tender pursuant to Section 408(a)(i) shall not occur and (iii) the Variable Rate Series 2012 Subordinate Bonds shall continue in the then existing Rate Period with the length of the Rate Period and the interest rate being determined in accordance with Section 403. Notice of withdrawal of a conversion notice shall be given by the Authority to the Trustee, the Remarketing Agent, the Tender Agent and any Credit Facility Provider by telephone, promptly confirmed in writing, and shall thereafter be promptly given to the Holders by the Trustee via Electronic Means or by first-class mail. No failure or cancellation of conversion pursuant to this subsection (c) shall constitute an Event of Default.

Section 405. Tender Agent.

The Trustee is the initial Tender Agent. There shall be a Tender Agent for the Variable Rate Series 2012 Subordinate Bonds as provided in this Section at all times that any Variable Rate Series 2012 Subordinate Bonds are Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds, Index Rate Bonds or Long-Term Rate Bonds. The Tender Agent shall be appointed by the Authority and shall be a commercial bank, national association or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized to exercise corporate trust powers in the State, subject to supervision or examination by federal or state authority, and authorized to perform all of the duties imposed upon it by this Thirteenth Supplemental Indenture, and having a combined capital and surplus of at least \$75,000,000. If such corporation or association publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining Authority, then for the purposes of this Section, the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Tender Agent shall perform the duties imposed upon the Tender Agent by this Thirteenth Supplemental Indenture, but only upon the terms and conditions set forth herein, including the following:

(a) hold all Variable Rate Series 2012 Subordinate Bonds delivered to it hereunder in trust for the benefit of the respective Holders which shall have so delivered such Variable Rate Series 2012 Subordinate Bonds until moneys representing the Purchase Price of such Variable Rate Series 2012 Subordinate Bonds shall have been delivered to or for the account of or to the order of such Holders;

(b) hold all moneys delivered to it hereunder for the purchase of Variable Rate Series 2012 Subordinate Bonds in trust solely for the benefit of the Person which shall have so delivered such moneys until the Variable Rate Series 2012 Subordinate Bonds purchased with such moneys shall have been delivered to or for the account of such Person;

(c) hold all moneys, other than proceeds of payments under a Credit Facility, delivered to it hereunder for the purchase of Variable Rate Series 2012 Subordinate Bonds as agent of, and in escrow for the exclusive benefit of, the Person which shall have so delivered such moneys until the Variable Rate Series 2012 Subordinate Bonds purchased with such moneys shall have been delivered to or for the account of such Person;

(d) hold all moneys delivered to it hereunder from payments under a Credit Facility for the purchase of Variable Rate Series 2012 Subordinate Bonds as agent of, and in escrow for the exclusive benefit of, the Holders who shall deliver Variable Rate Series 2012 Subordinate Bonds to it for purchase until the Variable Rate Series 2012 Subordinate Bonds purchased with such moneys shall have been delivered to or for the account of the Credit Facility Provider;

(e) keep such books and records as shall be consistent with customary corporate trust industry practice that shall accurately reflect the transactions hereunder and to make such books and records available for inspection by the Authority, the Trustee, the Remarketing Agent and the Credit Facility Provider during normal business hours upon reasonable prior written notice;

(f) hold all Credit Facility Provider Bonds delivered to it hereunder as agent of, and in escrow for the benefit of, the Credit Facility Provider;

(g) deliver any notices required by this Thirteenth Supplemental Indenture to be delivered by the Tender Agent; and

(h) perform all other duties of the Tender Agent under this Thirteenth Supplemental Indenture.

The Tender Agent shall be entitled to reasonable compensation for its services as Tender Agent as agreed upon with the Authority.

The Tender Agent at any time may resign and be discharged of the duties and obligations imposed upon the Tender Agent by this Thirteenth Supplemental Indenture, by giving written notice thereof to the Authority, the Trustee, the Remarketing Agent and the Credit Facility Provider at least 30 days prior to the effective date of such resignation. The Tender Agent shall

resign at any time that it shall cease to be eligible in accordance with the provisions of this Section, effective upon the appointment of and acceptance of such appointment by a successor Tender Agent.

The Tender Agent may be removed at any time by the Authority by an instrument in writing delivered to the Tender Agent, the Trustee, the Remarketing Agent and the Credit Facility Provider.

If the Tender Agent shall resign, be removed or become incapable of acting for any cause, the Authority shall promptly appoint a successor Tender Agent by an instrument in writing delivered to the Trustee, the Remarketing Agent, the Credit Facility Provider, and the retiring Tender Agent. Every such successor Tender Agent appointed pursuant to the provisions of this Section shall meet the eligibility requirements of this Section. No successor Tender Agent shall accept its appointment unless at the time of such acceptance such successor Tender Agent shall be qualified and eligible under this Article.

Every successor Tender Agent appointed hereunder shall execute and deliver to the Authority, the Trustee, the Remarketing Agent, any Credit Facility Provider, and the retiring Tender Agent an instrument accepting such appointment, designating its Designated Office and accepting the duties and obligations imposed upon it hereunder. No resignation or removal of the Tender Agent and no appointment of a successor Tender Agent pursuant to this Section shall become effective until the acceptance of appointment by the successor Tender Agent hereunder.

The Trustee shall give notice of each resignation and each removal of the Tender Agent and each appointment of a successor Tender Agent by mailing written notice of such event by first-class mail, within 30 days of the resignation or removal of the Tender Agent or the appointment of a successor Tender Agent, to the Authority, any Credit Facility Provider, the Remarketing Agent, each Rating Agency and the Holders as their names and addresses appear in the Bond Register maintained by the Trustee. Each notice shall include the name of the successor Tender Agent and the address of its Designated Office.

In the event of the resignation or removal of the Tender Agent, and the appointment of a successor Tender Agent, the retiring Tender Agent shall pay over, assign and deliver any moneys and Variable Rate Series 2012 Subordinate Bonds held by it in such capacity to its successor.

In the event that the Tender Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Tender Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority shall not have appointed a successor as Tender Agent, the Trustee shall ipso facto be deemed to be the Tender Agent for all purposes of this Thirteenth Supplemental Indenture until the appointment by the Authority of the successor Tender Agent.

Any corporation or association into which the Tender Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any merger, conversion or consolidation to which the Tender Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate trust business of the Tender Agent in its individual capacity may be sold or otherwise transferred, shall be the Tender

Agent under this Thirteenth Supplemental Indenture without further act; provided, that the Tender Agent shall promptly give notice of such action to the Authority, and the Authority shall have 45 days to exercise an option to appoint a successor Tender Agent by an instrument in writing delivered to the Trustee, the Remarketing Agent, the Credit Facility Provider, and the then current Tender Agent. Every such successor Tender Agent appointed pursuant to the provisions of this Section shall meet the eligibility requirements of this Section. No successor Tender Agent shall accept its appointment unless at the time of such acceptance such successor Tender Agent shall be qualified and eligible under this Article.

Section 406. Optional Tenders of Variable Rate Series 2012 Subordinate Bonds in Certain Rate Periods.

(a) Holders of Daily Rate Bonds or Weekly Rate Bonds may elect to have their Variable Rate Series 2012 Subordinate Bonds (other than Credit Facility Provider Bonds or Variable Rate Series 2012 Subordinate Bonds owned by or for the benefit of the Authority), or portions thereof in Authorized Denominations, purchased at the applicable Purchase Price on the following Purchase Dates and, upon the giving of the following Electronic Means or written notices meeting the further requirements set forth in subsection (b) below, provided, however, that so long as the Variable Rate Series 2012 Subordinate Bonds are in book entry form the provisions set forth in Section 402 and the procedures established by the Depository generally for tenders of Variable Rate Series 2012 Subordinate Bonds shall apply with respect to notice of tenders, delivery of Variable Rate Series 2012 Subordinate Bonds, payment of Purchase Price and related matters. If less than all of the Variable Rate Series 2012 Subordinate Bonds of a Holder are tendered for purchase the amount retained by that Holder must be in an Authorized Denomination.

(i) Daily Rate Bonds (other than Credit Facility Provider Bonds or Variable Rate Series 2012 Subordinate Bonds owned by or for the benefit of the Authority) may be tendered for purchase at the Purchase Price payable in immediately available funds on any Business Day upon Electronic Means or written notice of tender to the Tender Agent and the Remarketing Agent not later than 11:00 a.m., New York City time, on the designated Purchase Date.

(ii) Weekly Rate Bonds (other than Credit Facility Provider Bonds or Variable Rate Series 2012 Subordinate Bonds owned by or for the benefit of the Authority) may be tendered for purchase at the Purchase Price payable in immediately available funds on any Business Day upon delivery of a written or Electronic Means notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven days prior to the designated Purchase Date.

(b) Each notice of tender for Daily Rate Bonds and Weekly Rate Bonds:

(i) shall, in case of a written notice, be delivered to the Tender Agent at its Designated Office and, with respect to Daily Rate Bonds, to the Remarketing Agent at its Designated Office, and be in form satisfactory to the Tender Agent;

(ii) shall state, whether delivered in writing or by Electronic Means, (A) the principal amount of the Daily Rate Bond or Weekly Rate Bond to which the notice relates and the CUSIP number of that Bond, (B) that the Holder irrevocably demands purchase of that Variable Rate Series 2012 Subordinate Bond or a specified portion thereof in an Authorized Denomination, (C) the Purchase Date on which that Variable Rate Series 2012 Subordinate Bond or portion thereof is to be purchased and (D) payment instructions with respect to the Purchase Price; and

(iii) shall automatically constitute, whether delivered in writing or by Electronic Means, (A) an irrevocable offer to sell the Variable Rate Series 2012 Subordinate Bond (or portion thereof) to which such notice relates on the Purchase Date to any purchaser selected by the Remarketing Agent (or to the Credit Facility Provider in the case of purchases made with funds paid under the Credit Facility), at a price equal to the Purchase Price, (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such Variable Rate Series 2012 Subordinate Bond (or portion thereof) upon receipt by the Tender Agent of funds sufficient to pay the Purchase Price on the Purchase Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Variable Rate Series 2012 Subordinate Bond to be purchased in whole or in part for other Variable Rate Series 2012 Subordinate Bonds in an equal aggregate principal amount so as to facilitate the sale of that Variable Rate Series 2012 Subordinate Bond (or portion thereof to be purchased), (D) an acknowledgment that such Holder will have no further rights with respect to that Variable Rate Series 2012 Subordinate Bond (or portion thereof) upon deposit of an amount equal to the Purchase Price thereof with the Tender Agent on the Purchase Date, except for the right of such Holder to receive the Purchase Price upon surrender of that Variable Rate Series 2012 Subordinate Bond to the Tender Agent, and (E) an agreement of such Holder to deliver such Daily Rate Bonds or Weekly Rate Bonds, with all necessary endorsements for transfer and signature guarantees, to the Tender Agent at its Designated Office not later than 1:00 p.m., New York City time, on the Purchase Date.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Holder. The Tender Agent may waive any irregularity or nonconformity in any notice of tender.

(c) Notwithstanding anything to the contrary herein, all Daily Rate Bonds or Weekly Rate Bonds as to which a written notice specifying the Purchase Date has been delivered pursuant to this Section (and which have not been tendered to the Tender Agent) shall be deemed tendered on the Purchase Date specified. From and after the specified Purchase Date of a Variable Rate Series 2012 Subordinate Bond tendered to the Tender Agent or deemed tendered pursuant to this Section, the former Holder of such Variable Rate Series 2012 Subordinate Bond shall be entitled solely to the payment of the applicable Purchase Price of the Variable Rate Series 2012 Subordinate Bond tendered or deemed tendered which Purchase Price shall be payable only as set forth in Section 407(d).

(d) The Tender Agent shall promptly return any notice of tender delivered pursuant to this Section (together with the Variable Rate Series 2012 Subordinate Bonds submitted therewith) that is incomplete or improperly completed or not delivered within the times required

by this Section to the Person or Persons submitting such notice and Variable Rate Series 2012 Subordinate Bonds upon surrender of the receipt, if any, issued therefor.

(e) Notwithstanding the foregoing, if the Variable Rate Series 2012 Subordinate Bonds are held in a book-entry form at the Depository, the right to optionally tender Daily Rate Bonds or Weekly Rate Bonds may be exercised by the beneficial owners of those Variable Rate Series 2012 Subordinate Bonds. Such right shall be exercised by delivery by a beneficial owner to the Tender Agent no later than the times specified in subsection (a) of the notice described in subsection (b) stating that such beneficial owner will cause its beneficial interest (or portion thereof in an Authorized Denomination) to be tendered, the amount of such interest to be tendered, the date on which such interest will be tendered and the identity of the Participant through which the beneficial owner maintains its interest. Upon delivery of such notice, the beneficial owner must make arrangements to have its beneficial ownership interest in the Variable Rate Series 2012 Subordinate Bonds being tendered to the Tender Agent to be transferred on the records of the Depository to the Tender Agent at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Section 407. Purchase Fund; Purchase of Variable Rate Series 2012 Subordinate Bonds by Tender Agent; Procedures and Consequences Related to Inadequate Funds for Purchase Upon Tender.

(a) The Tender Agent shall establish a special trust fund for the Variable Rate Series 2012 Subordinate Bonds to be designated the Purchase Fund. Within the Purchase Fund, the Tender Agent shall establish four separate accounts to be designated the Remarketing Proceeds Account, the Credit Facility Purchase Account, the Authority Purchase Account and the Undelivered Bond Payment Account, each of which shall be an Eligible Account. Only the Tender Agent shall have any right of withdrawal from the Purchase Fund; and the Purchase Fund and such right of withdrawal shall be for the sole and exclusive benefit of the Holders of the Variable Rate Series 2012 Subordinate Bonds subject to purchase on Purchase Dates (and the Credit Facility Provider to the extent provided in subsection (e)); and the Authority and the Holders of Variable Rate Series 2012 Subordinate Bonds not subject to purchase shall have no legal, beneficial or equitable interest in the Purchase Fund. Amounts on deposit in the Purchase Fund shall be held uninvested and without bearing interest. Amounts in a particular account of a Purchase Fund shall not be commingled with amounts in any other account of that Purchase Fund. Any moneys received by the Tender Agent by reason of the remarketing by the Remarketing Agent of any Variable Rate Series 2012 Subordinate Bonds subject to purchase on a Purchase Date shall be deposited by the Tender Agent in the Remarketing Proceeds Account and applied by the Tender Agent in accordance with subsections (d) and (e). Any moneys received by the Tender Agent representing amounts paid by the Credit Facility Provider under the Credit Facility for the purchase of a Variable Rate Series 2012 Subordinate Bond subject to purchase on a Purchase Date shall be deposited by the Tender Agent in the Credit Facility Purchase Account and applied by the Tender Agent in accordance with subsections (d) and (e). Any moneys received by the Tender Agent representing amounts paid by the Authority for the purchase of a Variable Rate Series 2012 Subordinate Bond subject to purchase on a Purchase Date shall be deposited by the Tender Agent in the Authority Purchase Account of the Purchase Fund and applied by the Tender Agent in accordance with subsections (d) and (e). Moneys shall be transferred to the Undelivered Bond Payment Account from the other accounts of the

Purchase Fund or to the Credit Facility Provider in accordance with subsection (e); and moneys shall be applied from the Undelivered Bond Payment Account in accordance with subsection (f).

(b) Upon receipt of notice, in writing or by any Electronic Means, of tender relating to Daily Rate Bonds, the Tender Agent shall immediately notify the Remarketing Agent, the Authority, the Trustee and any Credit Facility Provider by telephonic notice of the amount of the Variable Rate Series 2012 Subordinate Bonds to be tendered pursuant to such notice. The Tender Agent shall confirm such telephonic notice by Electronic Means by 11:15 a.m., New York City time, on the Purchase Date, with the Tender Agent including in such telephonic notice and the confirmation thereof the amount of the Purchase Price of the Variable Rate Series 2012 Subordinate Bonds and the portion, if any, thereof representing accrued and unpaid interest on such Bonds to the Purchase Date. Upon receipt of notice, in writing or by any Electronic Means, of tender relating to Weekly Rate Bonds, the Tender Agent shall, not later than 5:00 p.m., New York City time, on the next Business Day, send notice of such tender to the Authority, the Remarketing Agent, the Trustee and any Credit Facility Provider by Electronic Means, with the Tender Agent including in such notice the amount of the Purchase Price of the Variable Rate Series 2012 Subordinate Bonds and the portion, if any, thereof representing accrued and unpaid interest on the Variable Rate Series 2012 Subordinate Bonds to the Purchase Date. Simultaneously with giving notice pursuant to Section 408(d) of any mandatory tender of the Variable Rate Series 2012 Subordinate Bonds pursuant to Section 408(a), the Trustee shall give notice by telephone or Electronic Means, promptly confirmed in writing, to the Tender Agent, the Remarketing Agent, any Credit Facility Provider and the Authority specifying the Purchase Date, the aggregate principal amount and Purchase Price of the Variable Rate Series 2012 Subordinate Bonds subject to mandatory tender on such Purchase Date, and the portion, if any, of such Purchase Price representing accrued and unpaid interest on such Variable Rate Series 2012 Subordinate Bonds to such Purchase Date.

(c) Not later than 11:30 a.m., New York City time, on each Purchase Date, the Remarketing Agent shall notify the Trustee, the Tender Agent and any Credit Facility Provider by Electronic Means of (i) the Purchase Price of the Variable Rate Series 2012 Subordinate Bonds to be sold by the Remarketing Agent and (ii) the Purchase Price of the Variable Rate Series 2012 Subordinate Bonds tendered for purchase which will not be sold by the Remarketing Agent, and the Tender Agent shall then determine the amount, if any, by which the Purchase Price of the Variable Rate Series 2012 Subordinate Bonds to be purchased on such Purchase Date exceeds the amount of the proceeds of the remarketing of such Variable Rate Series 2012 Subordinate Bonds by the Remarketing Agent on deposit in the Remarketing Proceeds Account at such time and shall immediately give telephonic or Electronic Means notice of that amount to the Trustee, the Authority and any Credit Facility Provider, which notice shall be promptly confirmed in writing; and

(i) if a Credit Facility is in effect on such Purchase Date, then, except with respect to Credit Facility Provider Bonds held pursuant to Section 411(b) and Variable Rate Series 2012 Subordinate Bonds held by the Authority, (A) the Trustee shall submit in accordance with the terms of the Credit Facility and by such time as is required to receive funds on the Purchase Date for the payment of the Purchase Price, a Credit Facility Request to the Credit Facility Provider requesting the purchase by that Credit Facility Provider under the Credit Facility, or the funding by the Credit Facility Provider

under the Credit Facility of moneys for the purchase, of the Variable Rate Series 2012 Subordinate Bonds at a Purchase Price equal to the amount of the excess of the aggregate Purchase Price over any amounts on hand for payment to tendering Bondholders, and (B) not later than 2:30 p.m., New York City time, on such Purchase Date, the Trustee shall transfer to the Tender Agent and the Tender Agent shall deposit the proceeds of the Credit Facility Request received by the Trustee in the Credit Facility Purchase Account; or

(ii) if no Credit Facility is in effect on such Purchase Date, then (A) not later than 12:30 p.m., New York City time, on such Purchase Date, the Tender Agent shall notify the Authority of the amount of the excess of the aggregate Purchase Price over any amounts on hand for payment to tendering Bondholders, which shall thereupon be payable by the Authority to the Tender Agent for the purpose of causing the Tender Agent to purchase such Bonds on behalf of the Authority, and (B) not later than 2:30 p.m., New York City time, on such Purchase Date, the Tender Agent shall deposit the amount, if any, received by the Tender Agent from the Authority for such purpose in the Authority Purchase Account.

(d) Not later than 3:00 p.m., New York City time, on each Purchase Date, the Tender Agent shall disburse the Purchase Price of the Variable Rate Series 2012 Subordinate Bonds to be purchased on such Purchase Date to the Holders thereof (upon surrender thereof for payment of such Purchase Price), from the following sources and in the following order of priority:

(i) Moneys on deposit in the Remarketing Proceeds Account (representing the proceeds of the remarketing by the Remarketing Agent of such Variable Rate Series 2012 Subordinate Bonds); and

(ii) If a Credit Facility is in effect on such Purchase Date, moneys on deposit in the Credit Facility Purchase Account (representing the proceeds of a Credit Facility Request); and

(iii) Moneys on deposit in the Authority Purchase Account (representing amounts paid by the Authority to the Tender Agent for the purchase of such Variable Rate Series 2012 Subordinate Bonds). If a Credit Facility is in effect for the Variable Rate Series 2012 Subordinate Bonds, the Authority has no obligation to deposit moneys in the Authority Purchase Account and has no obligation to purchase tendered Variable Rate Series 2012 Subordinate Bonds that are not remarketed.

(e) If the funds available from the sources specified in the preceding clause (d) for the purchase of the Variable Rate Series 2012 Subordinate Bonds subject to purchase on a Purchase Date are insufficient to purchase all of the Variable Rate Series 2012 Subordinate Bonds subject to purchase on such Purchase Date (including Undelivered Bonds), then, no purchase of any of those Variable Rate Series 2012 Subordinate Bonds shall occur on such Purchase Date, and on such Purchase Date, the Tender Agent shall (i) return to the Holders all of such Variable Rate Series 2012 Subordinate Bonds that were tendered, (ii) return all moneys received by the Tender Agent for the purchase of such Variable Rate Series 2012 Subordinate Bonds to the respective Persons that provided such moneys (in the respective amounts in which such moneys were so

provided), and (iii) notify the Trustee of the foregoing. If a Credit Facility is in effect with respect to such Variable Rate Series 2012 Subordinate Bonds, and if the Credit Facility Provider is not in default thereunder, then the failure to purchase the Variable Rate Series 2012 Subordinate Bonds shall constitute an Event of Default under Section 903 (e). Otherwise, (i) if such Variable Rate Series 2012 Subordinate Bonds shall have been designated Hard Tender Index Rate Bonds, then the failure to purchase the Variable Rate Series 2012 Subordinate Bonds shall constitute an Event of Default under Section 903(e), but (ii) if such Variable Rate Series 2012 Subordinate Bonds shall have been designated Soft Tender Index Rate Bonds, then the failure to purchase the Variable Rate Series 2012 Subordinate Bonds shall not constitute an Event of Default under Section 903(e), and the Variable Rate Series 2012 Subordinate Bonds shall bear interest at the Penalty Rate from and after the Purchase Date and until the Purchase Price for all such Variable Rate Series 2012 Subordinate Bonds shall have been paid in full or until they otherwise cease to be Outstanding.

(f) Any moneys remaining in the Remarketing Proceeds Account, the Credit Facility Purchase Account or the Authority Purchase Account and representing (but not exceeding) the Purchase Price of the Variable Rate Series 2012 Subordinate Bonds subject to purchase on the Purchase Date but not tendered and delivered for purchase on the Purchase Date (following the payments described in subsection (d)) shall be transferred by the Tender Agent to the Undelivered Bond Payment Account not later than 3:30 p.m., New York City time, on the Purchase Date (and retained therein, subject to subsection (a), for application in accordance with subsection (f)). Any moneys remaining in the Remarketing Proceeds Account, the Credit Facility Purchase Account and the Authority Purchase Account on a Purchase Date (after the payments described in subsection (d) and the transfer described in the preceding sentence of this subsection (e)) shall be wire transferred by the Tender Agent, in immediately available funds, prior to the close of business on such Purchase Date, to the Credit Facility Provider, to the extent of any amounts owed to the Credit Facility Provider in respect of a Credit Facility Request, and then to the Authority.

(g) Moneys transferred to the Undelivered Bond Payment Account of the Purchase Fund on any Purchase Date shall be applied, on or after such Purchase Date, by the Tender Agent to pay the Purchase Price of the Undelivered Bonds in respect of which they were so transferred, upon the surrender of such Variable Rate Series 2012 Subordinate Bonds to the Tender Agent for such purpose.

(h) Notwithstanding the foregoing, in the event that the Variable Rate Series 2012 Subordinate Bonds are converted to a Fixed Rate and remarketed at a premium over par, remarketing proceeds received by the Tender Agent in excess of the amount required to pay the Purchase Price of the Variable Rate Series 2012 Subordinate Bonds tendered for purchase shall be delivered by the Tender Agent to the Trustee for deposit in a separate account in the custody of the Trustee. Such excess remarketing proceeds shall be disbursed by the Trustee in accordance with the written directions of an Authorized Official to pay fees and expenses relating to the conversion and remarketing, including any fees and expenses relating to any Credit Facility, to make any required deposit to the Debt Service Reserve Fund, to pay any amount owed upon early termination of any Hedge Agreement and otherwise to apply consistently with the Indenture.

Section 408. Mandatory Tender and Purchase of Variable Rate Series 2012 Subordinate Bonds.

(a) All the Variable Rate Series 2012 Subordinate Bonds shall be subject to mandatory tender for purchase by the Tender Agent at the Purchase Price, as follows:

(i) Short-Term and Long-Term Rate Bonds. Each Short-Term Rate Bond shall be subject to mandatory tender for purchase by the Tender Agent on the first day following the last day of each Short-Term Interest Period applicable to such Short-Term Rate Bond, and each Long-Term Rate Bond shall be subject to mandatory tender for purchase on the first day following the last day of each Long-Term Interest Period.

(ii) Conversion of Modes. Each subseries of the Variable Rate Series 2012 Subordinate Bonds shall be subject to mandatory tender for purchase by the Tender Agent on each Conversion Date for such subseries.

(iii) Expiration of a Credit Facility or Replacement of a Credit Facility With a Substitute Credit Facility. Variable Rate Series 2012 Subordinate Bonds requiring the maintenance of a Credit Facility are subject to mandatory tender for purchase by the Tender Agent (1) on a Business Day selected by the Trustee which shall be at least five days prior to the Expiration Date of the Credit Facility; and (2) on each Substitution Date, which shall be at least five days prior to the Expiration Date of the Credit Facility being replaced. Payment of the Purchase Price shall be made from proceeds of remarketing or a draw of moneys upon the Credit Facility that is expiring or being replaced.

(iv) Notice by the Credit Facility Provider. While a Credit Facility is in effect, the Variable Rate Series 2012 Subordinate Bonds are subject to mandatory tender for purchase by the Tender Agent (a) on a Business Day selected by the Trustee that is not more than one Business Day after the Trustee's receipt of notification from that Credit Facility Provider of that Credit Facility Provider's decision to exercise its right of mandatory tender as a result of the occurrence of certain events of default or termination under the Reimbursement Agreement, and (b) on the date designated by the Trustee following receipt by the Trustee of notice from the Credit Facility Provider that the Credit Facility Provider is not reinstating the Credit Facility following a draw, which date shall be a Business Day and shall be not more than one Business Day after the Trustee receives notice of non-reinstatement from the Credit Facility Provider.

(v) Initial Index Rate Bonds Purchase Dates. The Variable Rate Series 2012 Subordinate Bonds that are issued as Index Rate Bonds for the Initial Period shall be subject to mandatory tender (A) on their respective Initial Index Rate Bonds Purchase Dates, and (B) at the option of the Authority on any Business Day on or after [_____ 1, 20__] at a purchase price equal to the principal amount thereof plus accrued interest thereon.

(vi) Subsequent Index Rate Period Index Rate Bonds Purchase Dates. Variable Rate Series 2012 Subordinate Bonds that are converted to Index Rate Bonds (regardless of whether they are then currently Index Rate Bonds) for any Subsequent Index Rate

Period shall be subject to mandatory tender (A) on the Index Rate Bonds Purchase Date specified in the applicable Notice of Conversion, which shall also specify if such Variable Rate Series 2012 Subordinate Bonds shall be Hard Tender Index Rate Bonds or Soft Tender Index Rate Bonds, and (B) at the option of the Authority on any Business Day on or after a date specified in the applicable Notice of Conversion.

(b) Variable Rate Series 2012 Subordinate Bonds to be purchased pursuant to subsection (a) shall be delivered by the Holders thereof to the Tender Agent (together with necessary assignments and endorsements) at or prior to 1:00 p.m., New York City time, on the applicable Purchase Date.

(c) Any Variable Rate Series 2012 Subordinate Bonds to be purchased by the Tender Agent pursuant to this Section that are not delivered for purchase on or prior to the Purchase Date, for which there has been irrevocably deposited in trust with the Tender Agent an amount sufficient to pay the Purchase Price of such Variable Rate Series 2012 Subordinate Bonds, shall be deemed to have been delivered to the Tender Agent for purchase, and the Holders of such Variable Rate Series 2012 Subordinate Bonds shall not be entitled to any payment (including any interest to accrue on or after the Purchase Date) other than the respective Purchase Prices of such Variable Rate Series 2012 Subordinate Bonds, and such Variable Rate Series 2012 Subordinate Bonds shall not be entitled to any benefits of the Indenture, except for payment of such Purchase Price out of the moneys deposited for such payment as aforesaid.

(d) In addition to any other requirements set forth in this Thirteenth Supplemental Indenture, notices of mandatory tender shall be mailed to Holders and shall:

(i) specify the proposed Purchase Date and the event which gives rise to the proposed Purchase Date;

(ii) state that such Variable Rate Series 2012 Subordinate Bonds shall be subject to mandatory tender for purchase on such Purchase Date;

(iii) state that Holders may not elect to retain the Variable Rate Series 2012 Subordinate Bonds subject to mandatory tender;

(iv) state that all of the Variable Rate Series 2012 Subordinate Bonds subject to mandatory tender shall be required to be delivered to the Designated Office of the Tender Agent at or before 1:00 p.m., New York City time, on the Purchase Date;

(v) state that if the Holder of any Variable Rate Series 2012 Subordinate Bonds subject to mandatory tender fails to deliver such Variable Rate Series 2012 Subordinate Bonds to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of funds sufficient to pay the Purchase Price thereof, such Variable Rate Series 2012 Subordinate Bonds shall nevertheless be deemed purchased on the Purchase Date and ownership of such Variable Rate Series 2012 Subordinate Bonds shall be transferred to the purchaser thereof;

(vi) state that any Holder that fails to deliver such Variable Rate Series 2012 Subordinate Bonds for purchase shall have no further rights thereunder or under the

Indenture except the right to receive the Purchase Price thereof upon presentation and surrender of such Variable Rate Series 2012 Subordinate Bonds to the Tender Agent and that the Trustee will place a stop transfer against the Variable Rate Series 2012 Subordinate Bonds subject to mandatory tender registered in the name of such Holder(s) on the registration books;

(vii) in the case of mandatory tender upon any proposed conversion of Variable Rate Series 2012 Subordinate Bonds, state that such conversion and such mandatory tender will not occur if certain events and conditions specified in Section 404(b) do not occur or are not satisfied and summarize those events and conditions; and

(viii) in the case of mandatory tender on a Substitution Date, state the information required by Section 412(d).

(e) Notice of mandatory tender of Variable Rate Series 2012 Subordinate Bonds shall be given by the Trustee via Electronic Means or by first-class mail, to the Holders of the Variable Rate Series 2012 Subordinate Bonds (at their addresses as they appear on the Register as of the date of such notice), and to the Authority, any Remarketing Agent, the Tender Agent and any Credit Facility Provider, as follows. If the mandatory tender is by reason of the events described in clauses (ii), (iii) or (v) of subsection (a), that notice shall be given no fewer than 10 days prior to the Purchase Date. If the mandatory tender is by reason of the events described in clause (iv) or clause (v) of subsection (a), that notice shall be given immediately. No notice of mandatory tender is required to be given when the tender is by reason of clause (i) of subsection (a).

(f) Failure to mail such notice or any defect therein shall not affect the rights or obligations of Holders and the Trustee shall not be liable to any Holder by reason of its failure to mail such notice or any defect therein.

(g) If, following the giving of notice of mandatory tender of Variable Rate Series 2012 Subordinate Bonds, an event occurs which, in accordance with the terms of this Thirteenth Supplemental Indenture, causes such mandatory tender not to occur, then (i) the Trustee shall so notify the Holders of the Variable Rate Series 2012 Subordinate Bonds (at their addresses as they appear on the Bond Register on the date of such notice), via Electronic Means or by first-class mail, as soon as may be practicable after the Purchase Date, and (ii) the Tender Agent shall return to their Holders any of the Variable Rate Series 2012 Subordinate Bonds tendered to the Tender Agent in connection with such mandatory tender of the Variable Rate Series 2012 Subordinate Bonds.

Section 409. The Remarketing Agent.

(a) Each Remarketing Agent shall perform the duties of the Remarketing Agent pursuant to the Remarketing Agreement and this Thirteenth Supplemental Indenture. Successor Remarketing Agents may be appointed from time to time by the Authority with the prior written consent of the Credit Facility Provider (which consent shall not be unreasonably withheld). The Remarketing Agents shall be corporations or other legal entities organized and doing business under the laws of the United States of America or of any state thereof, authorized under such

laws to perform all duties imposed upon the Remarketing Agents by this Thirteenth Supplemental Indenture, and shall be either (a) a member of the National Association of Securities Dealers, Inc. and registered as a Municipal Securities Dealer under the Securities Exchange Act of 1934, as amended, or (b) a national banking association, commercial bank or trust company. So long as the Variable Rate Series 2012 Subordinate Bonds are held in book-entry form at the Depository, each Remarketing Agent must be a Participant in the Depository with respect to the Variable Rate Series 2012 Subordinate Bonds.

(b) Each Remarketing Agent appointed in accordance with this Thirteenth Supplemental Indenture shall designate its Designated Office and signify its acceptance of the duties and obligations imposed upon it as described herein by a written instrument of acceptance delivered to the Authority, the Trustee, the Tender Agent and any Credit Facility Provider, or by executing and delivering a Remarketing Agreement, in either case under which the Remarketing Agent will agree, particularly:

(i) to hold all moneys delivered to it hereunder for the purchase of the Variable Rate Series 2012 Subordinate Bonds in trust for the exclusive benefit of the Person or Persons that shall have so delivered such moneys until the Variable Rate Series 2012 Subordinate Bonds purchased with such moneys shall have been delivered to or for the account of such Person or Persons;

(ii) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority, the Trustee, the Tender Agent and the Authority at all reasonable times;

(iii) to determine (A) the Daily Rates, Weekly Rates, Short-Term Rates and Long-Term Rates, and, pursuant to Section 403(j), during any Subsequent Index Rate Period, the Applicable Spread that will be used in determining the Index Rate for each Subsequent Index Interest Period, (B) if engaged as Remarketing Agent in connection with the conversion to Fixed Rate Bonds, the Fixed Rate(s), and give notice of such rates in accordance with Article IV;

(iv) to remarket Daily Rate Bonds, Weekly Rate Bonds, Short-Term Rate Bonds and Long-Term Rate Bonds at rates no higher than the rate of interest available under the Credit Facility, if a Credit Facility secures the Variable Rate Series 2012 Subordinate Bonds, and to remarket Short-Term Rate Bonds and Long-Term Rate Bonds for Short-Term Periods or Long-Term Rate Periods, as appropriate, no longer than interest is available under the Credit Facility if a Credit Facility secures the Variable Rate Series 2012 Subordinate Bonds all in accordance with Section 413;

(v) to offer for sale and use its best efforts to find purchasers for the Variable Rate Series 2012 Subordinate Bonds tendered for purchase, any such sale to be made in accordance with the terms of this Thirteenth Supplemental Indenture;

(vi) to deliver to the Tender Agent all of the Variable Rate Series 2012 Subordinate Bonds held by it in accordance with the terms of this Thirteenth Supplemental Indenture and the Remarketing Agreement; and

(vii) to perform such other duties and responsibilities (including with respect to Credit Facility Bonds) as are provided in this Thirteenth Supplemental Indenture to be performed by a Remarketing Agent.

Notwithstanding the foregoing, a Remarketing Agent may be engaged for only certain types of Rate Periods, and in that event the Remarketing Agent shall not be required to perform the duties of the Remarketing Agent for any other type of Rate Period.

(c) A Remarketing Agent may at any time resign and be discharged of the duties and obligations described in this Thirteenth Supplemental Indenture by giving at least 60 days' notice to the Authority, the Trustee, the Tender Agent, any Credit Facility Provider and each Rating Agency. A Remarketing Agent may be removed at any time upon the Written Request of the Authority and upon written notice to the Remarketing Agent, the Tender Agent, the Trustee and any Credit Facility Provider; provided, however, that no such removal shall be or become effective unless and until a successor Remarketing Agent shall have been appointed and accepted such appointment in accordance with subsection (a).

(d) If and so long as no successor Remarketing Agent is appointed by the Authority after the office of a Remarketing Agent becomes vacant, the Tender Agent or Trustee, at the expense of the Authority, may petition a court to appoint a successor Remarketing Agent.

(e) A Remarketing Agent may in good faith hold the Variable Rate Series 2012 Subordinate Bonds or any other form of indebtedness issued by the Authority; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations thereof, and make disbursements therefor and enter into any commercial or business arrangement therewith; all without any liability on the part of the Remarketing Agent for any real or apparent conflict of interest by reason of any such actions.

Section 410. Sale of Variable Rate Series 2012 Subordinate Bonds by Remarketing Agent.

(a) Upon the receipt by a Remarketing Agent of (i) notice of tender of Daily Rate Bonds or Weekly Rate Bonds pursuant to Section 406, or (ii) notice of mandatory tender of the Variable Rate Series 2012 Subordinate Bonds pursuant to Section 408, the Remarketing Agent shall offer for sale and use its best efforts to solicit purchases of Variable Rate Series 2012 Subordinate Bonds subject to purchase on the Purchase Date at a price equal to the applicable purchase price.

(b) A Remarketing Agent shall direct that the proceeds of all purchases of the Variable Rate Series 2012 Subordinate Bonds solicited and arranged by the Remarketing Agent be paid to the Tender Agent (for deposit in the Remarketing Proceeds Account), at or prior to 12:00 p.m., New York City time, on the Purchase Date, in immediately available funds (and, promptly upon receipt thereof, the Tender Agent shall deposit such proceeds in the Remarketing Proceeds Account).

(c) [Reserved].

(d) A Remarketing Agent shall offer for sale and use its best efforts to arrange for the sale and remarketing of all Credit Facility Provider Bonds, prior to the sale and remarketing of any Variable Rate Series 2012 Subordinate Bonds, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon (at the rate that would be borne by such Credit Facility Provider Bonds if such Credit Facility Provider Bonds were not Credit Facility Provider Bonds). In connection with each remarketing of Credit Facility Provider Bonds by the Remarketing Agent:

(i) The Remarketing Agent shall (A) provide to the Authority, the Credit Facility Provider, the Trustee and the Tender Agent not less than one Business Day's prior notice of such remarketing, and (B) pay, or cause to be paid to the Credit Facility Provider, by wire transfer of immediately available funds, the proceeds of such remarketing;

(ii) The Trustee shall (A) in consultation with the Credit Facility Provider, calculate the Credit Facility Provider Bonds Purchase Price, (B) in consultation with the Remarketing Agent, determine the amount of remarketing proceeds paid to the Credit Facility Provider by the Remarketing Agent, and (C) pay to the Credit Facility Provider, from moneys in the Debt Service Fund and by wire transfer of immediately available funds, the balance of the Credit Facility Provider Bonds Purchase Price owed to the Credit Facility Provider (representing the difference between the accrued interest on the Credit Facility Provider Bonds paid by the purchaser of the Credit Facility Provider Bonds and the accrued interest on those Credit Facility Provider Bonds at the Credit Facility Provider Rate);

(iii) The Trustee shall confirm with the Credit Facility Provider the receipt by that Credit Facility Provider of the Credit Facility Provider Bonds Purchase Price, the reinstatement of the Credit Facility in respect of such Credit Facility Provider Bonds and the authorization of that Credit Facility Provider to release such Credit Facility Provider Bonds; and

(iv) After, and only after, receipt by the Trustee of confirmation by the Credit Facility Provider of the reinstatement of the Credit Facility to cover such Credit Facility Provider Bonds following remarketing thereof and authorization by that Credit Facility Provider of such transfer or such authentication and delivery, the Trustee shall (A) while a book-entry system is in effect with respect to the Variable Rate Series 2012 Subordinate Bonds, cause the ownership interest in such Credit Facility Provider Bonds to be transferred to or for the benefit of such purchaser or purchasers as are specified by the Remarketing Agent for such purpose, and (B) while a book-entry system is not in effect with the Depository with respect to the Variable Rate Series 2012 Subordinate Bonds, authenticate other Variable Rate Series 2012 Subordinate Bonds in lieu of such Credit Facility Provider Bonds and to deliver the same to or upon the instruction of the Remarketing Agent.

(e) A Remarketing Agent shall offer for sale and use its best efforts to arrange for the sale and remarketing of (i) all Variable Rate Series 2012 Subordinate Bonds subject to purchase on a Purchase Date that are purchased with moneys provided by the Authority to the Tender

Agent for such purpose (as described in Section 407(c)(ii)), and (ii) all of the Variable Rate Series 2012 Subordinate Bonds that are purchased by the Authority pursuant to the Credit Facility and not surrendered by the Authority for cancellation.

Section 411. Delivery of Purchased Variable Rate Series 2012 Subordinate Bonds.

(a) Upon application of the moneys described in Section 407(d)(ii) to the purchase of Variable Rate Series 2012 Subordinate Bonds on a Purchase Date pursuant to Section 407(d)(ii) (and/or to the transfer thereof to the Undelivered Bond Payment Account on a Purchase Date pursuant to Section 407(e)), the Tender Agent shall cause the Trustee to register the transfer of Variable Rate Series 2012 Subordinate Bonds purchased therewith in the names of the purchasers thereof in accordance with information provided by the Remarketing Agent for such purpose and to have such transferred Variable Rate Series 2012 Subordinate Bonds available for delivery against payment therefor.

(b) Upon application of the moneys described in Section 407(d)(ii) to the purchase of Variable Rate Series 2012 Subordinate Bonds on a Purchase Date pursuant to Section 407(d)(ii) (and/or to the transfer thereof to the Undelivered Bond Payment Account on a Purchase Date pursuant to Section 407(e)), (i) the Variable Rate Series 2012 Subordinate Bonds purchased (or, in the case of such transfer, provided to be purchased) with such moneys shall constitute Credit Facility Provider Bonds (unless and until such Variable Rate Series 2012 Subordinate Bonds cease to be Credit Facility Provider Bonds as described in the definition thereof), and (ii) if a book-entry system is in effect with the Depository with respect to the Variable Rate Series 2012 Subordinate Bonds, the ownership interest in such Credit Facility Provider Bonds shall be transferred on the books of the Depository to or for the account of the Tender Agent or a Participant acting on behalf of the Tender Agent and the Tender Agent shall, and shall cause such Participant to, mark its own books and records to reflect the beneficial ownership of such Credit Facility Provider Bonds by the Credit Facility Provider, and (iii) if a book-entry system is not in effect with the Depository with respect to the Variable Rate Series 2012 Subordinate Bonds, such Bonds shall be delivered by the Tender Agent to the Trustee for registration of transfer and shall be registered by the Trustee in the name of the Credit Facility Provider, or any nominee of the Credit Facility Provider, and delivered by the Trustee to the Tender Agent and held by the Tender Agent as the custodian of the Credit Facility Provider. The Tender Agent shall release and redeliver or transfer Credit Facility Provider Bonds (being remarketed by the Remarketing Agent) as provided in Section 410(d). Any other disposition of Credit Facility Provider Bonds shall be made only at the written direction or with the prior written consent of the Credit Facility Provider, subject to receipt by the Trustee of confirmation by the Credit Facility Provider of the reinstatement of the Credit Facility to cover such Credit Facility Provider Bonds.

(c) Upon the application of moneys described in Section 407(d)(iii) to the purchase of Variable Rate Series 2012 Subordinate Bonds on a Purchase Date pursuant to Section 407(d)(iii) (and/or to the transfer thereof to the Undelivered Bond Payment Account on a Purchase Date pursuant to Section 407(e)), the Variable Rate Series 2012 Subordinate Bonds purchased (or, in the case of such transfer, provided to be purchased) with such moneys shall be registered in the name of the Authority and shall, at the direction of the Authority, be delivered to the Trustee for

cancellation (and canceled by the Trustee) or delivered to the Tender Agent for the account of the Authority and remarketed in accordance with Section 410(e).

(d) Any Variable Rate Series 2012 Subordinate Bonds canceled by the Trustee pursuant to this Section and any Variable Rate Series 2012 Subordinate Bonds surrendered by the Authority to the Trustee for cancellation shall be allocated to the next succeeding scheduled mandatory redemption obligation pursuant to Section 501(b) then as a credit against such future scheduled mandatory redemption obligation pursuant to Section 501(c) as the Authority may specify in a Written Request; provided, however, that there shall be first redeemed any Outstanding Credit Facility Provider Bonds. Prior to the Expiration Date, the Trustee shall notify the Credit Facility Provider of the aggregate principal amount of the Variable Rate Series 2012 Subordinate Bonds so canceled and shall submit to the Credit Facility Provider such documents, if any, as are required in accordance with the terms of the Credit Facility to cause the amounts available under the Credit Facility to be reduced in respect of such Variable Rate Series 2012 Subordinate Bonds so canceled.

Section 412. Credit Facility.

(a) The Trustee shall make Credit Facility Requests in accordance with Sections 407(c) and [_____]. The Trustee shall only draw upon a Credit Facility when that Credit Facility is in a stated amount not less than (i) the aggregate principal amount of the Variable Rate Series 2012 Subordinate Bonds, plus (ii) such number of days of interest as may accrue prior to any Interest Payment Date based on the Rate Period then in effect, and the Trustee shall not draw upon a Credit Facility that by its terms is not available during the Rate Period.

(b) The Trustee shall not terminate or reduce the amounts available under a Credit Facility except by reason of the redemption, cancellation and/or defeasance of the Variable Rate Series 2012 Subordinate Bonds.

(c) The Authority shall maintain a Credit Facility for the Variable Rate Series 2012 Subordinate Bonds in effect in accordance with Section 413 herein at all times it is required to do so by this Section.

(d) The Authority may furnish a Substitute Credit Facility in substitution for any then existing Credit Facility for the Variable Rate Series 2012 Subordinate Bonds upon satisfaction of the conditions set forth in Section 413. The Trustee shall give notice to the Holders of the Variable Rate Series 2012 Subordinate Bonds (at their addresses as they appear on the registration books of the Trustee as of the date of such notice), via Electronic Means or by first-class mail, of the proposed substitution of a Substitute Credit Facility for the Credit Facility then in effect for the Variable Rate Series 2012 Subordinate Bonds and the related Substitution Date (stating the issuer or issuers and the term of such Substitute Credit Facility) at least 10 days prior to such Substitution Date. Such notice shall also constitute the notice of mandatory tender of the Variable Rate Series 2012 Subordinate Bonds on the related Substitution Date; provided, however, that, if the Substitution Date is more than 15 days prior to the Expiration Date of the Credit Facility being replaced, in addition to the information required by Section 408(d), such notice may state that such mandatory tender of the Variable Rate Series 2012 Subordinate Bonds

will not occur if, on or prior to the proposed Substitution Date, the Trustee does not receive such Substitute Credit Facility, together with the supporting substitution documents. If, by reason of the conditions to such mandatory tender of the Variable Rate Series 2012 Subordinate Bonds (as stated in such notice), there is no mandatory tender of the Variable Rate Series 2012 Subordinate Bonds on the proposed Substitution Date, (i) the Tender Agent shall so notify the Trustee, (ii) the Trustee shall so notify the Holders of the Variable Rate Series 2012 Subordinate Bonds (at their addresses as they appear on the registration books of the Trustee as of the date of such notice) via Electronic Means or by first-class mail, and (iii) the Tender Agent shall return to their Holders any of the Variable Rate Series 2012 Subordinate Bonds tendered to the Tender Agent in connection with such mandatory tender of the Variable Rate Series 2012 Subordinate Bonds.

(e) No Credit Facility is required if the requirements of Section 413 are met for the expiration of any Credit Facility without substitution of a Substitute Credit Facility.

Section 413. Substitute Credit Facility.

(a) During any time that Variable Rate Series 2012 Subordinate Bonds are Daily Rate Bonds or Weekly Rate Bonds, the Authority shall maintain a Credit Facility for the Variable Rate Series 2012 Subordinate Bonds under which the Credit Facility Provider is required to purchase or provide funds for the purchase of the Variable Rate Series 2012 Subordinate Bonds tendered for purchase in accordance with this Thirteenth Supplemental Indenture. The Credit Facility shall be issued by a bank, trust company, national banking association, insurance company or other financial services company or entity or the Authority, in an amount not less than (i) the aggregate principal amount of all Outstanding Variable Rate Series 2012 Subordinate Bonds, plus (ii) an amount equal to at least 34 days' interest on all Outstanding Variable Rate Series 2012 Subordinate Bonds at the Maximum Rate, plus (iii) in the case of a Credit Facility that does not automatically reinstate coverage for interest following a drawing to pay interest on the Variable Rate Series 2012 Subordinate Bonds, the number of days during which the Variable Rate Series 2012 Subordinate Bonds may continue to bear interest until purchased upon mandatory tender under Section 408(a)(iv) following a drawing in which the Credit Facility Provider may notify the Trustee that interest coverage has not reinstated. The Authority will not voluntarily terminate a Credit Facility while Variable Rate Series 2012 Subordinate Bonds are Daily Rate Bonds or Weekly Rate Bonds without at least 60 days' prior written notice to the Trustee and without providing for a Substitute Credit Facility (including the Authority providing its own Credit Facility) prior to the effective date of such termination.

(b) At any time the Authority may furnish a Substitute Credit Facility subject to the following limitations and the other limitations set forth in this Section:

(i) The principal amount of the Substitute Credit Facility must be not less than that required by Section 413(a).

(ii) The term of the Substitute Credit Facility must be at least 90 days.

(iii) On or prior to the effective date of a Substitute Credit Facility, the Authority shall furnish to the Trustee an Opinion or Opinions of Counsel acceptable to the Trustee to the effect that the Credit Facility has been duly authorized, executed and

delivered by the Credit Facility Provider and is a valid and binding obligation of the Credit Facility Provider enforceable in accordance with its terms (subject as to enforceability to standard exceptions respecting bankruptcy, insolvency and similar laws and principles of equity) and that the exemption of the Variable Rate Series 2012 Subordinate Bonds (or any securities evidenced thereby) from the registration requirements of the Securities Act of 1933, as amended, and the exemption of the Indenture from qualification under the Trust Indenture Act of 1939, as amended, shall not be impaired by such Substitute Credit Facility or that the registration or qualification requirements of such acts have been satisfied.

(iv) The Authority shall give written notice to the Trustee, the Tender Agent, the Credit Facility Provider, the Remarketing Agent and each Rating Agency, not less than 30 days prior to the Substitution Date and not less than 30 days prior to the Expiration Date of a Credit Facility then in effect, specifying that the Authority intends to replace the Credit Facility with a Substitute Credit Facility on or before the Expiration Date of the Credit Facility then in effect.

(v) The Authority shall cause to be delivered to the Trustee not less than 30 days prior to the Expiration Date of an existing Credit Facility a commitment by the Credit Facility Provider that will issue the Substitute Credit Facility. If the Substitution Date for that Substitute Credit Facility is less than 15 days prior to the Expiration Date for the existing Credit Facility, the Authority shall provide the Substitute Credit Facility or an irrevocable commitment therefor together with the opinion described in Section 413(b)(iii) not later than 15 days prior to the Expiration Date.

(vi) If there are outstanding any Credit Facility Provider Bonds, the Substitute Credit Facility must provide for the purchase of those Bonds.

(c) The Authority may provide its own Credit Facility for the Variable Rate Series 2012 Subordinate Bonds if the Authority has agreed to pay the Purchase Price of any tendered Variable Rate Series 2012 Subordinate Bonds itself. As a result, any references herein to the Credit Facility Provider of the Variable Rate Series 2012 Subordinate Bonds or to the Credit Facility of the Variable Rate Series 2012 Subordinate Bonds shall be ignored or shall be construed as referencing the Authority for as long as the Authority has agreed to pay the Purchase Price of any tendered Variable Rate Series 2012 Subordinate Bonds itself. References to a Credit Facility Request or a “draw” or “drawing” (or a similar term) on the Credit Facility, for example, shall be construed in the absence of a Credit Facility to be a notice to the Authority of the need to provide funds for the purchase of the Variable Rate Series 2012 Subordinate Bonds. If the Authority provides its own Credit Facility, then the Variable Rate Series 2012 Subordinate Bonds are subject to mandatory tender under the same terms as that of providing a Substitute Credit Facility herein.

(d) In the case of mandatory tender because of the delivery of a Substitute Credit Facility in substitution for the existing Credit Facility, the Trustee shall submit any necessary Credit Facility Request to the existing Credit Facility Provider on and prior to the Substitution Date and shall not draw upon the Substitute Credit Facility that will become effective on or after

such Substitution Date, and the Trustee shall not surrender the existing Credit Facility until the Purchase Price of the Variable Rate Series 2012 Subordinate Bonds has been paid in full.

Section 414. Subrogation Rights of Credit Facility Provider; Credit Facility Provider Bonds; Fees.

(a) To the extent that proceeds of a Credit Facility Request are used to pay principal of or interest on the Variable Rate Series 2012 Subordinate Bonds (“Debt Service Charges”), and the amount of such Credit Facility Request is not subsequently reimbursed to such Credit Facility Provider pursuant to the provisions of the Reimbursement Agreement, as long as the amount of such Credit Facility Request has not been reimbursed the Credit Facility Provider shall be subrogated to and assigned the rights of and be deemed a subrogee and assignee of the rights of the Holders of those Variable Rate Series 2012 Subordinate Bonds to receive such Debt Service Charges. For purposes of the subrogation and assignment rights of a Credit Facility Provider hereunder, (a) any reference to the Holders of those Variable Rate Series 2012 Subordinate Bonds shall mean the Credit Facility Provider, (b) any Debt Service Charges on the Variable Rate Series 2012 Subordinate Bonds paid with proceeds of the Credit Facility shall be deemed to be unpaid Debt Service Charges payable under and secured as Subordinate Debt by the lien of the Indenture, and (c) the Credit Facility Provider may exercise any rights it would have as Holder of the Variable Rate Series 2012 Subordinate Bonds. The subrogation rights granted to such Credit Facility Provider in this Thirteenth Supplemental Indenture are not intended to be exclusive of any other remedy or remedies available to a Credit Facility Provider, and such subrogation rights shall be cumulative and in addition to every other remedy given under the Indenture, under the Reimbursement Agreement or under any other agreement or instrument with respect to the reimbursement of moneys paid by a Credit Facility Provider under a Credit Facility or with respect to security for the Reimbursement Obligations, and every other remedy now or hereafter existing at law or in equity. The Trustee, at the expense of the Authority, shall register in the name of the Credit Facility Provider the ownership of that portion of the Variable Rate Series 2012 Subordinate Bonds the principal of which was paid by such Credit Facility Provider from the proceeds of a Credit Facility Request that has not been reimbursed by the Authority in accordance with the Reimbursement Agreement. The Trustee also shall take such action, at the expense of the Authority, as is reasonably necessary to evidence the Credit Facility Provider as the subrogee and assignee of the Holders of the Variable Rate Series 2012 Subordinate Bonds for which interest payments have been made by the Credit Facility Provider from the proceeds of a Credit Facility Request that has not been reimbursed by the Authority in accordance with the Reimbursement Agreement.

(b) To the extent that proceeds of a Credit Facility Request are used to pay the Purchase Price of the Variable Rate Series 2012 Subordinate Bonds and the amount of such Credit Facility Request is not subsequently reimbursed to the Credit Facility Provider pursuant to the provisions of the Reimbursement Agreement, those Variable Rate Series 2012 Subordinate Bonds shall be Credit Facility Provider Bonds, and the transfer and assignment of property to the Trustee pursuant to the granting clauses hereof and in the Indenture, and all covenants, agreement and other obligations of the Trustee to the Holders shall continue to exist and shall run to the benefit of the Credit Facility Provider, and such Credit Facility Provider Bonds shall bear interest and be payable and secured as provided in this Thirteenth Supplemental Indenture and in the Reimbursement Agreement.

(c) Except as provided in subsections (a) and (b) above, all fees, expenses and other amounts payable by the Authority to the Credit Facility Provider under the Reimbursement Agreement shall be treated as Operating Expenses under the Indenture payable from the Revenue Fund.

Section 415. Credit Facility Provider Deemed Holder of Variable Rate Series 2012 Subordinate Bonds.

Notwithstanding any provision to the contrary in this Thirteenth Supplemental Indenture, and provided that (a) the Credit Facility Provider is and remains solvent and not a party to any proceeding for the rehabilitation, liquidation, conservation or dissolution of the Credit Facility Provider, (b) the Credit Facility is in full force and effect, and (c) the Credit Facility Provider shall have made and be continuing to make all payments pursuant to Credit Facility Requests, then the Credit Facility Provider shall be deemed to be the Holder of all the Variable Rate Series 2012 Subordinate Bonds and may act in the place of the Holders of the Variable Rate Series 2012 Subordinate Bonds for purposes of making requests and giving directions and consents to the Trustee and exercising any and all other rights which the holders of those Variable Rate Series 2012 Subordinate Bonds would have the power and authority to make, give, or exercise as Holders of Subordinate Debt under Article [IX] hereof as a result of the occurrence and continuation of an Event of Default, and making or giving any other consent, direction, or approval permitted or required under the Indenture to be made or given by Holders of the Variable Rate Series 2012 Subordinate Bonds.

Section 416. Trustee Provisions.

(a) While any Credit Facility is in effect, the Trustee may seek indemnification pursuant to the Indenture before suffering, taking or omitting any action under the Indenture unless such action is directly related to (i) paying the Purchase Price of or Debt Service Charges on the Variable Rate Series 2012 Subordinate Bonds when due, (ii) submitting Credit Facility Requests, or (iii) exercising its obligations in connection with a mandatory tender of the Variable Rate Series 2012 Subordinate Bonds under Section 408, and (iv) exercising its obligations in connection with the redemption of Variable Rate Series 2012 Subordinate Bonds. The Trustee may not use the proceeds from a Credit Facility Request or remarketing proceeds to pay any fees or costs of the Trustee.

(b) Upon resignation by or removal of the Trustee in accordance with Sections [____] and [____] of the Master Indenture, the Trustee shall transfer any Credit Facility to the successor Trustee. Such resignation or removal shall not take effect until the appointment of a successor Trustee and acceptance by the successor Trustee of such trusts as required by Article [____] of the Master Indenture and transfer to the successor Trustee of any Credit Facility then outstanding.

(c) While a Credit Facility is in effect with respect to the Variable Rate Series 2012 Subordinate Bonds, the Trustee shall act as Tender Agent for the Variable Rate Series 2012 Subordinate Bonds.

Section 417. Modification of Dates and Times.

Notwithstanding any other provision of this Thirteenth Supplemental Indenture, and with respect to this Article IV, the dates and times by which notices are to be given and draws, transfers, disbursements and deposits are to be made may be modified upon written approval by the Trustee of a letter of instructions from the Authority, any Credit Facility Provider and the Remarketing Agent setting forth the preferred dates and times and written confirmation from each of the Rating Agencies that have rated the Variable Rate Series 2012 Subordinate Bonds that such changes will not affect the rating(s) on the Variable Rate Series 2012 Subordinate Bonds.

Section 418. Particular Defeasance Provisions.

(a) If the Variable Rate Series 2012 Subordinate Bonds are to be deemed paid or discharged pursuant to Article XII of the Master Indenture, and the Rate Period for the Variable Rate Series 2012 Subordinate Bonds ends prior to the maturity or redemption date to which provision for payment of Debt Service Charges is to be made, then for purposes of calculating those Debt Service Charges, interest on the Variable Rate Series 2012 Subordinate Bonds shall be calculated at the Maximum Rate for each day after the end of the Rate Period and prior to such maturity or redemption date.

(b) If and to the extent that payment of Debt Service Charges on Variable Rate Series 2012 Subordinate Bonds has been made from a draw on the Credit Facility then, so long as the Authority owes any amounts to the Credit Facility Provider pursuant to the Reimbursement Agreement (as certified in writing by the Credit Facility Provider to the Trustee): (a) the lien of the Indenture shall not be discharged; (b) the Credit Facility Provider shall be subrogated to the extent of such amounts owed by the Authority to that Credit Facility Provider to all rights of the Holders of the Variable Rate Series 2012 Subordinate Bonds to enforce the payment of the Variable Rate Series 2012 Subordinate Bonds from the Net Revenues and all other rights of the Holders under the Variable Rate Series 2012 Subordinate Bonds and the Indenture; (c) the Credit Facility Provider shall be entitled in its own right upon payment in full of Debt Service Charges on the Variable Rate Series 2012 Subordinate Bonds to exercise all rights of enforcement and remedies set forth in Article IX of this Thirteenth Supplemental Indenture of the Master Indenture; (d) the Holders will be deemed paid to the extent of money drawn by the Trustee under the Credit Facility; and (e) the Trustee shall sign, execute and deliver all documents or instruments and do all things that may be reasonably required by the Credit Facility Provider to effect the Credit Facility Provider's subrogation of rights of enforcement and remedies set forth in Article IX of this Thirteenth Supplemental Indenture in accordance with the intent of this Section.

ARTICLE V

REDEMPTION OF VARIABLE RATE SERIES 2012 SUBORDINATE BONDS

Section 501. Redemption of the Variable Rate Series 2012 Subordinate Bonds.

The Variable Rate Series 2012 Subordinate Bonds shall be subject to redemption in Authorized Denominations prior to maturity under the circumstances, in the manner and subject

to the conditions provided in this Section and in the form of the Variable Rate Series 2012 Subordinate Bonds.

(a) Optional Redemption. The Variable Rate Series 2012 Subordinate Bonds are subject to redemption and payment prior to maturity, in whole or in part, at the option of the Authority, upon written direction from the Authorized Official to the Trustee, as follows:

(i) Daily Rate Bonds and Weekly Rate Bonds are subject to optional redemption on any date at the redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

(ii) Short-Term Rate Bonds are subject to optional redemption on any Interest Payment Date at the redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

(iii) Long-Term Rate Bonds are subject to optional redemption on the day after the end of each Long-Term Interest Period at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

(iv) Index Rate Bonds are subject to optional redemption, in whole or in part, at a redemption price equal to the principal amount of the Index Rate Bonds to be redeemed plus interest accrued to, but not including, the redemption date: (A) during the Initial Period, on any date or dates specified in the Certificate of Award as the earliest optional redemption date, and (ii) during any Subsequent Index Rate Period, on any date or dates specified in the applicable Notice of Conversion as an optional redemption date.

(v) Fixed Rate Bonds are subject to optional redemption at any time on and after the no-call period shown below, at the respective redemption prices set out below, plus accrued interest thereon to the redemption date (unless an alternate optional redemption schedule is determined pursuant to this subparagraph (v)):

Period to Final Maturity	No Call Period	Redemption Price
Greater than or equal to 11 Years	8 years	100%
Greater than or equal to 8 years and less than 11 years	6 years	100%
Greater than or equal to 4 years and less than 8 years	3 years	100%
Less than 4 years	No optional redemption	N/A

Notwithstanding the foregoing, if before the first day of a Fixed Rate Period an alternate optional redemption schedule is delivered by the Authority to the Trustee setting forth redemption dates and redemption prices during that Fixed Rate Period together with a certificate

of the Remarketing Agent certifying that the redemption terms set forth therein are advantageous for the Remarketing Agent to remarket those Bonds for that period and a Favorable Opinion of Bond Counsel, then the Variable Rate Series 2012 Subordinate Bonds shall be subject to redemption during that period in accordance with that optional redemption schedule rather than the schedule set forth above, provided that ten (10) years shall be the longest period that any Variable Rate Series 2012 Subordinate Bonds shall not be subject to optional redemption.

If a Credit Facility in the form of a direct pay bank letter of credit is in effect for the Variable Rate Series 2012 Subordinate Bonds, the Trustee shall call the Variable Rate Series 2012 Subordinate Bonds for optional redemption only if the Trustee, prior to the mailing of the notice of redemption as provided in Section 502, is entitled to draw on that Credit Facility in an aggregate amount sufficient to pay the redemption price of the Variable Rate Series 2012 Subordinate Bonds called for redemption, plus accrued and unpaid interest.

(b) Mandatory Sinking Fund Redemption Requirements of Variable Rate Series 2012 Subordinate Bonds. The Variable Rate Series 2012 Subordinate Bonds shall be redeemed by the Authority on October 1 (or, if the Variable Rate Series 2012 Subordinate Bonds are Daily Rate Bonds or Weekly Rate Bonds and that date is not an Interest Payment Date, on the Interest Payment Date immediately succeeding that date) in the years and the amounts set forth below (the Mandatory Sinking Fund Redemption Requirements) at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium (subject to any adjustment in connection with a conversion of the interest rate to a Fixed Rate in accordance with this Thirteenth Supplemental Indenture).

Year	Principal Amount
	\$

The remaining principal amount of the Variable Rate Series 2012 Subordinate Bonds (\$[_____]) is payable on the Maturity Date.

(c) Credits Against Scheduled Mandatory Sinking Fund Redemption Requirements. At the option of the Authority, to be exercised by delivery of a certificate of the Authorized Official to the Trustee on or before the 45th day next preceding any scheduled mandatory redemption date, the Authority may (1) deliver to the Trustee for cancellation Variable Rate Series 2012 Subordinate Bonds subject to scheduled mandatory redemption on that date or portions thereof in Authorized Denominations or (2) specify a principal amount of Variable Rate Series 2012 Subordinate Bonds or portions thereof in Authorized Denominations which prior to that date have been purchased or redeemed (otherwise than pursuant to this Section) and canceled by the Trustee at the request of the Authority and not theretofore applied as a credit

against any scheduled mandatory redemption payment of Variable Rate Series 2012 Subordinate Bonds. Each Variable Rate Series 2012 Subordinate Bond or portion thereof so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof against the obligation of the Authority to redeem Variable Rate Series 2012 Subordinate Bonds on the scheduled mandatory redemption date or dates designated in writing to the Trustee by the Authorized Official occurring at least 45 days after delivery of such designation to the Trustee, provided that if no such designation is made, such credit shall not be credited against such obligation.

(d) Special Mandatory Redemption of Credit Facility Provider Bonds. Credit Facility Provider Bonds shall be subject to special mandatory redemption upon the written direction to the Trustee from the Credit Facility Provider on the date and in the amount set forth in the Reimbursement Agreement with respect to any required principal amortization of Credit Facility Provider Bonds or upon an event of default under the Reimbursement Agreement.

Section 502. Notice of Redemption.

The Trustee shall cause notice of any redemption of Variable Rate Series 2012 Subordinate Bonds to be (i) mailed to the Holders of all Variable Rate Series 2012 Subordinate Bonds to be redeemed at the registered addresses appearing in the Register, (ii) transmitted by Electronic Means to each Depository and to the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board; provided however, failure to deliver notice as described in (ii) shall not affect the validity of the redemption of any Variable Rate Series 2012 Subordinate Bond. Each such notice shall (i) be sent not more than 45 nor fewer than 15 calendar days (30 days for Long-Term Rate Bonds or Fixed Rate Bonds) prior to the date fixed for redemption, (ii) identify the Bonds to be redeemed (specifying the CUSIP numbers, if any, assigned to the Variable Rate Series 2012 Subordinate Bonds), (iii) specify the redemption date and the redemption price, (iv) set forth the name, address and telephone number of the person from whom information pertaining to the redemption may be obtained, and (v) state that on the redemption date the Variable Rate Series 2012 Subordinate Bonds called for redemption will be payable at the Designated Office of the Trustee, that from that date interest will cease to accrue, and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Variable Rate Series 2012 Subordinate Bonds. No defect affecting any Variable Rate Series 2012 Subordinate Bond, whether in the notice of redemption or the delivery thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Variable Rate Series 2012 Subordinate Bonds.

If at the time of mailing of notice of an optional redemption of Variable Rate Series 2012 Subordinate Bonds there has not been deposited with the Trustee moneys sufficient to redeem all Variable Rate Series 2012 Subordinate Bonds called for such redemption, then such notice shall state that the redemption is conditional upon the deposit of moneys sufficient for the redemption with the Trustee and satisfaction of such requirements not later than the opening of business on the redemption date, and such notice will be of no effect and such Variable Rate Series 2012 Subordinate Bonds shall not be redeemed unless such moneys or such Direct Obligations are so deposited.

Any notice of redemption shall be mailed by first-class mail, postage prepaid. Notice of redemption also shall be given by Electronic Means to a Depository. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes.

Section 503. Partial Redemption.

If fewer than all of the Variable Rate Series 2012 Subordinate Bonds that are stated to mature on different dates are called for redemption at one time, those Variable Rate Series 2012 Subordinate Bonds that are called shall be designated by the Authority; provided, that there shall be first redeemed any Credit Facility Provider Bonds. If fewer than all of the Variable Rate Series 2012 Subordinate Bonds of a single maturity are to be redeemed, the selection of the Variable Rate Series 2012 Subordinate Bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, so long as the Variable Rate Series 2012 Subordinate Bonds remain in book-entry form, shall be made by the Depository (or any successor Depository) in accordance with the Depository's procedures and otherwise will be made as specified by and selected at the sole discretion of the Authority. In the case of a partial redemption of the Variable Rate Series 2012 Subordinate Bonds by lot when the Variable Rate Series 2012 Subordinate Bonds of Authorized Denominations greater than \$5,000 are then outstanding, each \$5,000 unit of principal thereof shall be treated as though it were a separate Variable Rate Series 2012 Subordinate Bond of the denomination of \$5,000.

If it is determined that one or more, but not all of the \$5,000 units of principal amount represented by a Variable Rate Series 2012 Subordinate Bond are to be called for redemption, then upon notice of redemption of a \$5,000 unit or units the Holder of that Variable Rate Series 2012 Subordinate Bond may, but is not required to surrender the Variable Rate Series 2012 Subordinate Bond to the Trustee (a) for payment of the redemption price of the \$5,000 unit or units called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (b) for issuance, without charge to the Holder thereof, of a new Variable Rate Series 2012 Subordinate Bond or Bonds, of any authorized denomination or denominations in an aggregate principal amount equal to the unmaturing and unredeemed portion of, and bearing interest at the same rate and maturing on the same date or dates as, the Variable Rate Series 2012 Subordinate Bond surrendered.

Section 504. Payment of Redeemed Variable Rate Series 2012 Subordinate Bonds.

Notice having been mailed in the manner provided in Section 502, and moneys having been deposited with the Trustee sufficient to pay the redemption price, the Variable Rate Series 2012 Subordinate Bonds and portions thereof called for redemption shall become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, shall be paid at the redemption price, plus interest accrued to the redemption date.

If the moneys for the redemption of all of the Variable Rate Series 2012 Subordinate Bonds and portions thereof to be redeemed, together with interest accrued thereon to the redemption date, is held by the Trustee on the redemption date, so as to be available therefor on that date and if notice of redemption has been deposited in the mail as aforesaid, then from and after the redemption date those Variable Rate Series 2012 Subordinate Bonds and portions

thereof called for redemption shall cease to bear interest and no longer shall be considered to be Outstanding under the Indenture. If those moneys shall not be so available on the redemption date, or that notice shall not have been deposited in the mail as aforesaid, those Variable Rate Series 2012 Subordinate Bonds and portions thereof shall continue to bear interest, until they are paid, at the same rate as they would have borne had they not been called for redemption.

All moneys held by the Trustee for the redemption of particular Variable Rate Series 2012 Subordinate Bonds shall be held in trust for the account of the Holders thereof and shall be paid to them, respectively, upon presentation and surrender of those Variable Rate Series 2012 Subordinate Bonds.

Section 505. Purchase in Lieu of Redemption.

By their acceptance of the Variable Rate Series 2012 Subordinate Bonds, the Holders irrevocably grant to the Authority the option to purchase any Variable Rate Series 2012 Subordinate Bond which is redeemable by optional redemption on any date on which the Variable Rate Series 2012 Subordinate Bond is redeemable at a purchase price no less than the redemption price to be paid to Holders upon optional redemption. The Authority may exercise such option by delivering written direction to the Trustee in time for the Trustee thereupon to give the Holders of the Variable Rate Series 2012 Subordinate Bonds to be purchased notice of such purchase in the manner specified in the Indenture as though such purchase were a redemption, and the Trustee shall thereupon do so, and the purchase of such Variable Rate Series 2012 Subordinate Bonds shall be mandatory and enforceable against the Holders. On the date fixed for purchase pursuant to any exercise of such option, the Authority shall pay the purchase price of the Variable Rate Series 2012 Subordinate Bonds then being purchased to the Trustee in immediately available funds, and the Trustee shall pay the same to the Holders of such Variable Rate Series 2012 Subordinate Bonds against delivery. Following such purchase, the Trustee shall cause such Variable Rate Series 2012 Subordinate Bonds to be registered in the name of the Authority or its nominee and shall deliver them to the Authority or its nominee. In the case of the purchase of less than all of the Variable Rate Series 2012 Subordinate Bonds, the particular Variable Rate Series 2012 Subordinate Bonds to be purchased shall be selected in accordance with the provisions of the Master Indenture as though such purchase were a redemption; or in such other manner as the Authority shall direct, provided such selection method is described in the Written Request to the Trustee. No purchase of Variable Rate Series 2012 Subordinate Bonds pursuant to this paragraph shall operate to extinguish the indebtedness evidenced by the purchased Variable Rate Series 2012 Subordinate Bonds. Notwithstanding the foregoing, no purchase shall be made pursuant to the provisions of this paragraph unless the Authority shall have delivered to the Trustee concurrently therewith a Favorable Opinion of Bond Counsel with respect to such purchase.

ARTICLE VI

APPLICATION OF PROCEEDS OF SERIES 2012 SUBORDINATE BONDS

Section 601. Application of Proceeds of Series 2012 Subordinate Bonds; Application of Related Amounts.

[To be added: separate provisions for application of proceeds of New Money Bonds and Refunding Bonds, and for Fixed Rate Bonds and Variable Rate Bonds within each category.]

ARTICLE VII

FUNDS AND ACCOUNTS

Section 701. Series 2012 Construction Account and Series 2012 Escrow Account.

In the Construction Fund, there shall be established a Series 2012 Construction Account and, within that Account, a Series 2012 Costs of Issuance Subaccount. The portion of the proceeds of the Series 2012 Subordinate Bonds specified in Section 601[()] shall be deposited in the Series 2012 Costs of Issuance Subaccount and used to pay costs of issuance related to the Series 2012 Subordinate Bonds. When all costs of issuance have been paid or moneys have been reserved to pay all remaining unpaid costs of issuance, the balance of any Series 2012 Subordinate Bond proceeds remaining in excess of the amount to be reserved for payment of unpaid costs of issuance shall, as directed by the Authority, either (i) be deposited in the Series 2012 Construction Account of the Construction Fund and used to pay Costs of the System, or (ii) be deposited in the Subordinate Bond Fund to be used solely to pay principal of and interest on the Series 2012 Subordinate Bonds, in either case subject to the condition of a Favorable Opinion of Bond Counsel.

The Trustee shall establish and hold the Series 2012 Escrow Account for the purpose of receiving the proceeds of the Series 2012C Subordinate Bonds to be deposited therein pursuant to Section 601[()]. Those proceeds, together with any other funds to be deposited in Series 2012 Escrow Account pursuant to the Escrow Agreement, shall be applied pursuant to the Escrow Agreement to the payment of the principal of, interest on, and redemption price of the Refunded Bonds.

In connection with the Authority's causing a Credit Facility to be delivered to the Trustee, the Trustee shall establish a Credit Facility Account for the purpose of receiving and disbursing such funds as are required to be paid to the Credit Facility Provider other than from the Series 2012 Subordinate Bonds Interest Subaccount or the 2012 Subordinate Bonds Principal Subaccount.

Section 702. Series 2012 Subordinate Bonds Subaccounts in the Subordinate Interest Account and Subordinate Principal Account.

(a) Within the Subordinate Interest Account there shall be established a "Series 2012 Subordinate Bonds Interest Subaccount." Within the Subordinate Principal Account there shall be established a "Series 2012 Subordinate Bonds Principal Subaccount."

(b) In accordance with Section 604(e) of the Master Indenture, Net Revenues shall be deposited in the Series 2012 Subordinate Bond Interest Subaccount (i) on or prior to the last Business Day of each of the six months prior to any month in which an Interest Payment Date occurs for any Series 2012 Subordinate Bond that bears interest payable semi-annually, in an amount equal to one-sixth (1/6) of the interest due and payable on such Series 2012 Subordinate

Bonds on such Interest Payment Date; and (ii) on or prior to the last Business Day of each of the six months prior to any month in which an Interest Payment Date occurs for any Series 2012 Subordinate Bond that bears interest more frequently than semi-annually, in an amount equal to the interest due and payable on such Series 2012 Subordinate Bonds on such Interest Payment Date.

(c) In accordance with Section 604(e) of the Master Indenture, Net Revenues shall be deposited in the Series 2012 Subordinate Bonds Principal Subaccount (i) on or prior to the last Business Day of each of the twelve months prior to any month in which principal of Series 2012 Subordinate Bonds is payable on their stated maturity date or pursuant to mandatory redemption requirements, in an amount equal to one-twelfth (1/12) of the principal amount scheduled to be due and payable on the Series 2012 Subordinate Bonds in such month; and (ii) on or prior to the last Business Day of each month prior to any month in which principal of Series 2012 Subordinate Bonds is payable on their stated maturity date or pursuant to mandatory redemption requirements, any amount that may be required to supplement the amounts deposited therein pursuant to the preceding clause (i) to cause the balance in the Series 2012 Subordinate Bonds Principal Subaccount to suffice for the payment of the principal due on that maturity or mandatory redemption date.

ARTICLE VIII

SECURITY FOR SERIES 2012 SUBORDINATE BONDS

Section 801. Security for Series 2012 Subordinate Bonds.

The Series 2012 Subordinate Bonds shall be secured as Subordinate Debt under the Indenture, including, without limitation, by a pledge of: (i) Net Revenues subordinate to the pledge of Net Revenues that secures Senior Debt and on a parity with the pledge of Net Revenues that secures Subordinate Debt, including, without limitation, any other Subordinate Debt that the Authority may issue in the future, without preference, priority or distinction of any Series 2012 Subordinate Bond over any other Series 2012 Subordinate Bond or of any Subordinate Debt over any other Subordinate Debt, as provided in the Indenture; and (ii) the moneys and Permitted Investments in the Subordinate Bond Fund on a parity with the pledge of Net Revenues that secures other Subordinate Debt, including, without limitation, any other Subordinate Debt that the Authority may issue in the future, without preference, priority or distinction of any Series 2012 Subordinate Bond over any other Series 2012 Subordinate Bond or of any Subordinate Debt over any other Subordinate Debt, as provided in the Indenture.

ARTICLE IX

DEFAULTS AND REMEDIES

Section 901. Application of Article IX and Other Remedies Provisions of the Master Indenture.

The Series 2012 Subordinate Bonds do not constitute “Bonds” under the Master Indenture. Accordingly, the provision of Article IX of the Master Indenture that confer certain rights upon the Holders of Bonds or a specified percentage thereof do not apply to the Series 2012 Subordinate Bonds or to the Series 2012 Subordinate Bondholders. Pursuant to Section 305 of the Master Indenture, the Series 2012 Subordinate Bonds, as Subordinate Debt, may not be accelerated if any Senior Debt is outstanding.

Section 902. Rights of Series 2012 Subordinate Bondholders Upon Occurrence of Events of Default.

In addition to and in furtherance and implementation of the rights that Series 2012 Subordinate Bondholders have under the penultimate paragraph of Section 906 of the Master Indenture, Sections [903 through 911], inclusive, of this Thirteenth Supplemental Indenture shall apply to the Series 2012 Subordinate Bonds.

Section 903. Events of Default.

Each of the following events shall be a Series 2012 Subordinate Bond Event of Default:

- (a) Default in the due and punctual payment of the principal of or premium, if any, on any Series 2012 Subordinate Bond (whether at maturity or call for redemption);
- (b) Default in the due and punctual payment of the interest on any Series 2012 Subordinate Bond;
- (c) Failure of the Authority to make the deposits required by subsection (e) or subsection (f) of Section 604 of the Master Indenture at the time and in the amount required from Net Revenues available for such deposit under the Indenture; or
- (d) Failure of the Trustee to apply moneys in accordance with the penultimate paragraph of Section 906 of the Master Indenture.
- (e) Default in the due and punctual payment of the Purchase Price of any Series 2012 Subordinate Bond, unless there is a Credit Facility in place which has not defaulted.

Section 904. Remedies of Series 2012 Subordinate Bondholders.

Upon the occurrence and continuation of a Series 2012 Subordinate Bond Event of Default, the Trustee may, and if requested by the holders of not less than 25% in aggregate principal amount of outstanding Series 2012 Subordinate Bonds and if indemnified to its reasonable satisfaction, shall proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance.

No remedy conferred by this Indenture upon or reserved to the Trustee and Series 2012 Subordinate Bondholders is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee and Series

2012 Subordinate Bondholders hereunder or now or hereafter existing at law, in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Series 2012 Subordinate Bond Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Series 2012 Subordinate Bond Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Series 2012 Subordinate Bond Event of Default hereunder by the Trustee or Series 2012 Subordinate Bondholders shall extend to or shall affect any subsequent Series 2012 Subordinate Bond Event of Default or shall impair any rights or remedies consequent thereon.

[The Authority agrees that the Trustee in its name or in the name of the Authority may, in the manner and to the extent provided herein, enforce all rights of the Trustee and of the Authority and all obligations of the Credit Facility Provider (including the obligation of the Credit Facility Provider to honor drafts duly presented in accordance with the terms and conditions of the Credit Facility) under and pursuant to the Credit Facility, for the benefit of the Series 2012 Subordinate Bondholders. The Trustee agrees to assume and perform the duties and obligations contemplated under the Credit Facility to be assumed and performed by the Trustee.

If a Credit Facility is in effect, and if the provider thereof has failed to honor its payment obligations under the Credit Facility, twenty five percent (25%) of the Series 2012 Subordinate Bondholders enhanced by such Credit Facility (excluding Series 2012 Subordinate Bonds owned by the Authority and Bank Bonds), shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Credit Facility, or any other proceedings thereunder; provided that such direction shall be in accordance with applicable law.

In the event the Credit Facility Provider wrongfully dishonors a conforming drawing for any payment with respect to the Series 2012 Subordinate Bonds or the Credit Facility Provider repudiates such obligation, the Trustee agrees to take all reasonable steps to enforce the obligation of the Credit Facility Provider to honor drafts duly presented in accordance with the terms and conditions of the Credit Facility for the benefit of the Series 2012 Subordinate Bondholders.]

Section 905. Right of Series 2012 Subordinate Bondholders to Direct Proceedings.

The holders of a majority in aggregate principal amount of Series 2012 Subordinate Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Thirteenth Supplemental Indenture or any other proceedings hereunder, provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Section 906. Application of Moneys.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys, the expenses, liabilities and advances incurred or reasonably anticipated to be made by the Trustee, and its fees and the expenses of the Authority in carrying out this Thirteenth Supplemental Indenture, be deposited in the Series 2012 Subordinate Bonds Interest Subaccount or the Series 2012 Subordinate Bonds Principal Subaccount, as the case may be, and applied as follows and for no other purpose:

(a) All such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due on the Series 2012 Subordinate Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2012 Subordinate Bonds; and

Second - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Series 2012 Subordinate Bonds which shall have become due (other than Series 2012 Subordinate Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Series 2012 Subordinate Bonds due on any particular date, then to the payment of such principal and premium, if any, ratably, according to the amount of such principal due on such date, to the persons entitled thereto, without any discrimination or preference.

For purposes of paragraphs First and Second above, the interest component of any Purchase Price payable by the Authority shall be treated as interest, and the principal component of any Purchase Price payable by the Authority shall be treated as principal.

(b) Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) on which such application is to be made and on such date interest shall cease to accrue on the amounts of principal to be paid. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Section 907. Remedies Vested in Trustee.

All rights of action (including the right to file proof of claims) under this Thirteenth Supplemental Indenture or under any of the Series 2012 Subordinate Bonds may be enforced by the Trustee without the possession of any of the Series 2012 Subordinate Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Trustee may be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Series 2012 Subordinate Bondholders, and any recovery of judgment shall be for the equal benefit of the Series 2012 Subordinate Bondholders.

Section 908. Limitation on Suits.

Except to enforce the rights given under Sections 904 and 905 of this Thirteenth Supplemental Indenture, no Series 2012 Subordinate Bondholder shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy hereunder, unless: (a) a Series 2012 Subordinate Bond Event of Default has occurred and is continuing and the Holders of 25% in aggregate principal amount of Series 2012 Subordinate Bonds then outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (b) such requesting Series 2012 Subordinate Bondholders have offered to the Trustee indemnity as provided in Section 1101(1) of the Master Indenture, (c) the Trustee has thereafter failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, (d) no direction inconsistent with such written request has been given to the Trustee by the holders of a majority in aggregate principal amount of Series 2012 Subordinate Bonds then outstanding, and (e) notice of such action, suit or proceeding is given to the Trustee; it being understood and intended that no one or more Series 2012 Subordinate Bondholders shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by its or their action or to enforce any rights hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner herein provided and for the equal benefit of all Series 2012 Subordinate Bondholders then outstanding. The notification, request and offer of indemnity set forth above, at the option of the Trustee, shall be conditions precedent to the execution of the powers and trusts of this Thirteenth Supplemental Indenture and to any action or cause of action for the enforcement of this Thirteenth Supplemental Indenture or for any other remedy hereunder.

Section 909. Termination of Proceedings.

In case the Trustee shall have proceeded to enforce any right under this Thirteenth Supplemental Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 910. Waivers of Events of Default.

Subject to the Indenture (including, without limitation, Section 1101 of the Master Indenture), the Trustee may in its discretion waive any Series 2012 Subordinate Bond Event of Default hereunder or any action taken pursuant to any Series 2012 Subordinate Bond Event of Default, and shall do so at the written request of the holders of: (a) a majority in aggregate principal amount of Series 2012 Subordinate Bonds then outstanding in respect of which default in the payment of principal and/or premium, if any, and/or interest exists, or (b) a majority in aggregate principal amount of Series 2012 Subordinate Bonds then outstanding in the case of any other Series 2012 Subordinate Bond Event of Default; provided, however, that there shall not be waived without the written consent of all then Outstanding Series 2012 Subordinate Bondholders (A) any Series 2012 Subordinate Bond Event of Default in the payment of the principal of any Outstanding Series 2012 Subordinate Bonds (whether at maturity or by mandatory redemption or as part of the Purchase Price payable upon mandatory tender), or (B) any default in the payment when due of the interest on any such Series 2012 Subordinate Bonds unless, prior to such waiver or rescission,

(i) there shall have been paid or provided for all arrears of interest with interest, to the extent permitted by law, at the rate borne by the Series 2012 Subordinate Bonds on overdue installments of interest, all arrears of principal and premium, if any, and all expenses of the Trustee in connection with such default, and

(ii) in case of any such waiver or rescission or in the case of any discontinuance, abandonment or adverse determination of any proceeding taken by the Trustee on account of any such default, the Authority, the Trustee, and the Series 2012 Subordinate Bondholders shall be restored to their former positions and rights hereunder respectively.

No such waiver or rescission relating to the Series 2012 Subordinate Bonds shall extend to any subsequent or other default or impair any right consequent thereon.

Section 911. Non-Impairment of Authority's Obligation to Pay Principal, Premium and Interest.

Nothing in this Thirteenth Supplemental Indenture shall, however, affect or impair the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Series 2012 Subordinate Bonds to the respective Holders thereof at the time and place, from the source and in the manner specified in the Indenture.

ARTICLE X

MISCELLANEOUS

Section 1001. Limitation of Rights.

With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Thirteenth Supplemental Indenture or the Series 2012 Subordinate Bonds is intended or shall be construed to give to any person other than the parties hereto, the Series 2012 Subordinate Bondholders any legal or equitable right, remedy or claim under or in respect to this Thirteenth Supplemental Indenture or any covenants, conditions and agreements herein contained since this Thirteenth Supplemental Indenture and all of the covenants, conditions and agreements hereof are intended to be and are for the sole and exclusive benefit of the parties hereto, the Series 2012 Subordinate Bondholders as herein provided.

Section 1002. Severability.

If any provision of this Thirteenth Supplemental Indenture shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof, and this Thirteenth Supplemental Indenture shall be construed and enforced as if such illegal provision had not been contained herein.

Section 1003. Successors and Assigns.

This Thirteenth Supplemental Indenture shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 1004. Limitations on Liability.

No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Board of Directors of the Authority or officer, employee or agent of the Authority in his or her individual capacity, and neither the members of the Board of Directors of the Authority nor any officer of the Authority executing the Series 2012 Subordinate Bonds shall be liable personally on the Series 2012 Subordinate Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No member of the Board of Directors of the Authority or officer, employee, agent or advisor of the Authority shall incur any personal liability with respect to any other action taken by him or her pursuant to this Thirteenth Supplemental Indenture or the Indenture or any other document authorized by the Indenture, provided such member, officer, employee, agent or advisor acts in good faith.

Section 1005. Applicable Law.

This Thirteenth Supplemental Indenture shall be governed by the applicable laws of the District of Columbia.

Section 1006. Counterparts.

This Thirteenth Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the Authority and the Trustee have caused this Thirteenth Supplemental Indenture to be executed in their respective corporate names as of the date first above written.

**DISTRICT OF COLUMBIA WATER
AND SEWER AUTHORITY**

By _____
Chief Financial Officer

**WELLS FARGO BANK, N.A.,
AS TRUSTEE**

By _____
Its _____

EXHIBIT A

[To be added: form of Series 2012 Subordinate Bond for each series designation.]

M&A draft 2/15/12

BOND PURCHASE AGREEMENT

\$370,000,000*

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds, Series 2012A
Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C**

March , 2012

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032

Ladies and Gentlemen:

Siebert Brandford Shank & Co., L.L.C., as representative of the underwriters (the “Representative”) on behalf of itself and on behalf of J.P. Morgan Securities LLC, Morgan Stanley & Co. Incorporated, _____ (collectively, the “Underwriters”) offers to enter into this bond purchase agreement (this “Agreement”) with the District of Columbia Water and Sewer Authority (the “Authority”). The offer made hereby is subject to acceptance thereof by execution of this Agreement and its delivery to the Representative, on behalf of the Underwriters, at or prior to 5:00 p.m., New York, New York Time, on the date hereof, or on such other date as may be agreed upon by the Underwriters. Upon such acceptance, this Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Underwriters. If this offer is not so accepted, it is subject to withdrawal by the Representative on behalf of the Underwriters upon written notice delivered to the Authority at any time prior to acceptance. Terms used but not defined herein are defined in the Indenture identified below.

1. **Purchase and Sale of Bonds.** On the terms and conditions and on the basis of the representations, warranties, covenants and agreements set forth herein, the Representative, on behalf of the Underwriters, hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriters for such purpose, all (but not less than all) of \$200,000,000* aggregate principal amount of the District of Columbia Water and Sewer Authority Public Utility Subordinate Lien Revenue Bonds, Series 2012A (the “Series 2012A Bonds”) and \$170,000,000* aggregate principal amount of the District of Columbia Water and Sewer Authority Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C (the “Series 2012C Bonds” and collectively with the Series 2012A Bonds, the “Bonds”). The proceeds of the Series 2012A Bonds will be used to (i) pay a

* Preliminary, subject to change.

portion of the costs of certain capital improvements to the System, (ii) pay capitalized interest on a portion of the Series 2012A Bonds and (iii) pay costs of issuing the Bonds. The proceeds of the Series 2012C Bonds will be used to (i) advance refund a portion of the Authority's outstanding Public Utility Subordinate Lien Revenue Bonds, Series 2003 and (ii) pay costs of issuing the Series 2012C Bonds. The purchase price of the Series 2012A Bonds will be \$_____ (the par amount of the Bonds, plus net original issue discount of \$_____ less the Underwriters' discount of \$_____). The purchase price of the Series 2012C Bonds will be \$_____ (the par amount of the Bonds, less the Underwriters' discount of \$_____). The Bonds will mature on the dates and in the amounts and will bear interest and will be subject to redemption prior to maturity as set forth on Exhibit A hereto.

2. **Bond Authorization.** The Bonds shall be issued under and pursuant to provisions of the laws of the United States of America and the District of Columbia (the "District"), including particularly, an act of the Council of the District entitled the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996," as amended, codified, at District of Columbia Official Code Ann. Sections 34-2201.01 *et seq.*, and the acts amendatory thereof and supplemental thereto (the "Act") and an act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996" (Public Law 104-184), as amended (the "Federal Act"), and all proceedings necessary to authorize and provide for the issuance of the Bonds, including a resolution adopted by the Board of Directors of the Authority, dated _____, 2012 (the "Resolution"), and the Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"), as amended and supplemented, including by the Thirteenth Supplemental Indenture of Trust, dated as of the Closing Date (as defined below) (the "Thirteenth Supplemental Indenture," and together with the Master Indenture as previously amended and supplemented, the "Indenture"), between the Authority and the Trustee, substantially in the forms previously delivered to us.

3. **Closing.** At 10:00 a.m. New York City Time on March , 2012, or at such other time and date as may be mutually agreed upon by the Authority and the Underwriters (the "Closing Date"), the Authority will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriters in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriters will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof in federal funds to the order of the Authority (the "Closing"). Delivery of the Bonds will be made through the facilities of The Depository Trust Company, New York, New York. The Closing will occur at the offices of Squire, Sanders (US) LLP, Washington, D.C., or such other place as may be mutually agreed on by the Authority and the Underwriters.

4. **Good Faith Check.** The Representative, on behalf of the Underwriters, hereby delivers to the Authority a corporate check (the "Good Faith Check") payable to the order of the Authority in the amount of \$0,000,000. The Authority agrees to hold the Good Faith Check uncashed until the Closing if this offer is accepted by the Authority, and the Good Faith Check shall be returned to the Representative, on behalf of the Underwriters, at the time of delivery of the Bonds, at which time the Underwriters shall pay to the Authority the entire purchase price of the Bonds. In the event the Authority does not accept this offer, the Good Faith Check shall be promptly returned to the Representative. In the event of the Authority's failure to deliver the

Bonds at the Closing, or if the Authority shall be unable to satisfy the conditions to the obligations of the Underwriters set forth in this Agreement (unless waived by the Representative, on behalf of the Underwriters), or if the obligations of the Underwriters shall be terminated for any reason permitted by this Agreement, the Good Faith Check shall be returned to the Representative, and such return shall constitute a full release and discharge of all claims and rights hereunder of the Underwriters against the Authority. In the event that the Underwriters fail (other than for a reason permitted hereunder) to accept delivery of and pay for the Bonds at the Closing as herein provided, the Good Faith Check shall be retained and cashed by the Authority as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and, except as set forth in this Section 4 and Section 13 hereof, neither party shall have any further right against the other hereunder. No interest shall be paid by the Authority upon the principal amount of the Good Faith Check.

5. **Public Offering of the Bonds.** It is a condition of the Authority's obligation to sell and deliver the Bonds to the Underwriters, and of the obligation of the Underwriters to purchase and accept delivery of the Bonds, that the entire principal amount of the Bonds is sold and delivered by the Authority and accepted and paid for by the Underwriters at the Closing. The Underwriters intend to make an initial public offering of all of the Bonds at the initial public offering prices set forth on the inside cover page of the Official Statement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the initial public offering prices.

6. **Preliminary and Final Official Statements.** The Authority ratifies and consents to the legally permissible use by the Underwriters, prior to the date hereof, of the Preliminary Official Statement, dated _____, 2012, relating to the Bonds (the "Preliminary Official Statement") in connection with the public offering of the Bonds.

The form of the final Official Statement of the Authority relating to the Bonds, dated _____, 2012, including the cover page and Appendices thereto, and any revisions, amendments or supplements thereto (the "Official Statement") is attached hereto as Exhibit B. The Authority authorizes, approves, ratifies and confirms the distribution of the Official Statement in paper and electronic format by the Underwriters in connection with the public offering and sale of the Bonds.

The Authority agrees to provide to the Underwriters, at such addresses as the Underwriters specify, as many copies of the Official Statement as the Underwriters reasonably request as necessary to comply with Rule G-32, Rule G-36 and all other applicable rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Authority agrees to deliver the Official Statement within seven (7) business days after the date hereof and in sufficient time to accompany any confirmation that requests payment from any customer and to permit the Underwriters to comply with the requirements of Rule 15c2-12 (defined below), and in any event, no later than March , 2012. The Official Statement may be revised, amended, changed or supplemented by the Authority after the execution of this Agreement only with the permission of the Underwriters.

If, during the period from the date hereof to and including the date which is 25 days after the "end of the underwriting period" (as hereinafter defined), there shall exist any event,

including, but not limited to, any material adverse change in the financial condition, results of operation or condition, financial or otherwise, of the Authority, and of which the Authority has knowledge, which, in the opinion of the Underwriters and counsel to the Underwriters or in the opinion of the Authority, requires a supplement or amendment to the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, when it is delivered to a potential investor, the Authority will supplement or amend or cause to be supplemented or amended the Official Statement in a form and in a manner approved by the Underwriters and the Authority and will furnish to the Underwriters such supplement or amendment in sufficient quantity to permit the Underwriters to comply with the requirements of Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended.

For the purpose of the preceding paragraph, the Authority may assume that the “end of the underwriting period” (in accordance with and as defined in Rule 15c2-12) means the Closing Date unless the Representative advised the Authority in writing on the Closing Date that there remains an unsold balance of the Bonds, in which case the “end of the underwriting period” means the date as of which the Representative notifies the Authority that the Underwriters, directly or as a syndicate, no longer retain an unsold balance of the Bonds for sale to the public. The deemed end of the underwriting period, in order to allow the Underwriters to comply with Rule 15c2-12, shall be extended for additional periods of 30 days each upon receipt of written notification from the Underwriters that any Bonds remain unsold however, in no event shall the “end of the underwriting period” extend beyond the date sixty (60) days from the Closing Date. The Representative agrees to provide to the Authority written notification that none of the Bonds remain unsold which will be deemed the end of the underwriting period.

The Representative hereby agrees to deliver a copy of the printed paper form of the Official Statement to the MSRB in an electronic format prescribed by the MSRB for its Electronic Municipal Market Access (“EMMA”) website at www.emma.msrb.org and such other municipal information securities repository as may be required by law within the meaning of Rule 15c2-12 (a “Repository”) or any successor Repository thereto, and to the MSRB or its designee pursuant to MSRB Rule G-32 within one (1) business day of receipt of the executed final Official Statement by the Underwriters.

7. **Representations, Warranties and Covenants of the Authority.** The Authority hereby represents, warrants, covenants and agrees as follows:

a. The Authority is and will be at the Closing Date a duly organized and validly existing corporate body and independent authority of the District established under the laws of the United States and the District, including the Act and the Federal Act, with the full legal right, power and authority to (i) adopt the Resolution, (ii) execute, deliver and perform its obligations under this Agreement, the Indenture, the Certificate of Award of the Authority establishing the purchase price, maturities, interest rates, redemption provisions and other terms of the Bonds, dated the date hereof (the “Certificate of Award”), and the Continuing Disclosure Agreement of the Authority dated as of the Closing Date (the “Continuing Disclosure Agreement,” and together with this Agreement and the Indenture, the “Bond Documents”); (iii) perform its obligations under the Water Sales Agreement, dated as of July 31, 1997, between the

Authority and the United States of America, acting through the Secretary of the Army (the “Water Sales Agreement”) and the Blue Plains Intermunicipal Agreement of 1985 between the District, Fairfax County, Virginia, Montgomery County, Maryland, Prince George’s County, Maryland and the Washington Suburban Sanitary Commission (the “IMA,” and together with the Water Sales Agreement, the “System Agreements”), (iv) sell, issue and deliver the Bonds to the Underwriters as provided herein, and (v) carry out and consummate the transactions contemplated by the Resolution, the Bond Documents, the Preliminary Official Statement, the Official Statement and the System Agreements; and the Authority has complied, and at the Closing Date will be in compliance, in all respects, with the Act and the Federal Act and with the obligations on its part in connection with the issuance of the Bonds contained in the Bonds, the Resolution, the Indenture, the Official Statement and this Agreement.

b. The Authority (i) has duly and validly adopted the Resolution, (ii) has authorized the execution and delivery of the Bond Documents, (iii) is authorized to execute, issue, sell and deliver the Bonds in book-entry form, (iv) is authorized to appoint, and has appointed, Wells Fargo Bank, N.A., as Trustee (the “Trustee”), and (v) has taken or will take on or before the Closing Date, all action necessary or appropriate to carry out the execution, issuance, sale and delivery of the Bonds in book-entry form to the Underwriters.

c. The adoption of the Resolution, the execution and delivery of the Bond Documents, the execution, issuance, sale and delivery of the Bonds in book-entry form and the performance by the Authority of its obligations hereunder and thereunder, and the performance by the Authority of its obligations under the System Agreements (collectively, the “Authority Undertakings”) are within the corporate powers of the Authority and are not in conflict with and will not constitute a breach or result in a violation of (i) the Act, (ii) any federal constitutional or federal or District statutory provision, including the Federal Act, (iii) any agreement or other instrument to which the Authority is a party, or (iv) any order, rule, regulation, decree or ordinance of any court of competent jurisdiction, government or governmental authority having jurisdiction over the Authority or its property.

d. The District has authorized the Authority to use all of the property and assets of the water distribution and wastewater collection, treatment and disposal systems of the Authority (the “System”), uninterrupted by the District, for as long as any revenue bonds of the Authority, including the Bonds, remain outstanding. The Authority has the full legal right, power and authority to operate the System and to collect and pledge the Revenues (as such term is defined in the Indenture) therefrom in accordance with the Indenture.

e. The Resolution or other appropriate actions adopted or taken by the Authority establishing the rates and charges for services of the System described in the Official Statement have been duly adopted or taken and are in full force and effect.

f. The System Agreements and all other agreements, permits, licenses, consents, approvals, actions, consent decrees and settlement orders material to the operation and management of the System, including the collection of the Revenues therefrom as described in the Official Statement, are in full force and effect as of the date hereof and will be on the Closing Date, and the Authority is not and will not be in default thereunder or in breach thereof. The System Agreements have been duly authorized, executed and delivered by the Authority and

constitute valid and binding obligations of the Authority enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

g. The Bonds, when issued and delivered to the Underwriters in accordance with the Act, the Resolution, the Indenture and this Agreement, will constitute valid, binding and enforceable obligations of the Authority, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity. The Bonds are not to be a pledge of and do not involve the faith and credit or the taxing power of the District and the District shall not be liable thereon.

h. The Authority is not currently failing to comply and has not failed to comply during the past five years with any continuing disclosure obligation pursuant to Rule 15c2-12. The Authority has voluntarily agreed to deliver to the Underwriters a Continuing Disclosure Agreement with respect to the Bonds that complies with the requirements of Rule 15c2-12.

i. This Agreement constitutes, and upon execution and delivery by the Authority and the other parties thereto, the other Bond Documents will constitute, the valid, binding and enforceable obligations of the Authority, subject to applicable bankruptcy, insolvency, and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

j. The Authority is not in material breach of or material default under any applicable constitutional provision or law of the United States, the District or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which it is a party or to which it or any of its property or assets is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the execution and delivery of the Bonds, this Agreement and the other Bond Documents and the adoption of the Resolution, and compliance with the provisions contained therein and herein, and in the System Agreements, do not conflict with or constitute a breach of or default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which it is a party or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of its property or assets or under the terms of any such law, regulation or instrument, except as provided by the Bonds.

k. All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter have been duly obtained or, with respect to the issuance of the Bonds, will be obtained prior to the issuance of the Bonds, which are required for the due authorization by or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the issuance of the Bonds and under this Agreement, except for such approvals, consents and orders as may be

required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

l. Except as otherwise described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the official of the Authority executing this Agreement, threatened against the Authority (i) seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, the use of the Official Statement or the collection of the revenues pledged to the payment of the principal of and interest on the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity, enforceability, due authorization, execution or delivery of the Bonds, including this Agreement or the other Bond Documents, or the validity or enforceability of the System Agreements, (iii) questioning the tax status of the Bonds under the laws of the District or the United States, (iv) in any way contesting the corporate existence or powers of the Authority or the titles of the officers of the Authority to their respective offices, (v) which may result in any material adverse change in the business or the financial condition or the financial prospects of the Authority or (vi) asserting that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

m. The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request in order to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority will not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

n. The audited balance sheets of the Authority for the years ended September 30, 2011 and September 30, 2010, and the related statements of revenues, expenditures and changes in net assets and cash flows for the fiscal year ended on such date, as set forth in the Official Statement, are true, complete and correct and fairly present the financial condition of the Authority as of such date and the results of its operations for such fiscal year. There has been no material adverse change in the financial condition of the Authority since September 30, 2011, except as described in the Official Statement.

o. The Authority has duly authorized, approved and delivered the Official Statement to the Underwriters.

p. As of the date hereof, and at all times subsequent thereto up to and including the Closing Date, the Preliminary Official Statement and the Official Statement do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If between the date of the Official Statement and the Closing Date any

event shall occur or any pre-existing fact or condition shall become known to the Authority that might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall promptly notify the Underwriters thereof, and if in the reasonable opinion of the Underwriters, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriters, which approval shall not be unreasonably withheld.

q. The obligation of the Authority to know or provide information within the knowledge of the Authority is limited to providing information that is in the actual knowledge of, or reasonably should have been in the actual knowledge of, the key staff members of the Authority listed in the Official Statement under the caption "Officers and Employees" or their respective successors.

r. The Authority undertakes that, for a period beginning with the day on which the Bonds are delivered to the Underwriters and ending on the 25th day following the end of the underwriting period, as defined in Section 6, it will apprise the Underwriters of all material developments, if any, occurring with respect to the Authority, and if requested by the Underwriters, at the Authority's expense, prepare a supplement to the Official Statement in respect of any such material event.

s. The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certificates may not be relied upon.

t. Any certificate signed by an authorized delegate of the Authority and delivered to the Underwriters will be deemed a representation, warranty, covenant and agreement by the Authority to the Underwriters as to the statements made therein.

8. **Representations of Underwriters.** (a) The Underwriters represent and warrant that they will offer the Bonds only pursuant to the Official Statement and the Underwriters agree to make a public offering of the Bonds at the initial offering prices or yields set forth in the Official Statement as the Underwriters may deem necessary or desirable in connection with the offering and sale of the Bonds and to sell the Bonds to dealers (including dealer banks and dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices. The Underwriters agree to deliver final Official Statements to all purchasers of the Bonds in accordance with all applicable legal requirements.

(b) The Underwriters hereby certify that at the time of the execution of this Agreement (the "Sale Date"), based upon prevailing market conditions, they do not have any reason to believe that the Bonds will be first sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than or yields lower than the prices or yields set forth in an exhibit to this Agreement. At the Closing, the Representative shall deliver to the Authority the publicly available trading activity with respect to the Bonds up to the Closing Date and a certificate to the effect that (a) the Bonds

have been the subject of a bona fide initial offering to the public as herein provided on the Sale Date and (b) either (i) the Underwriters first sold not less than 10% of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at yields not lower than the yields provided in the Official Statement on the Sale Date, or (ii) the Underwriters first sold not less than 10% of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at yields not lower than the yields provided in the Official Statement on the Sale Date.

9. **Rights to Cancellation by Underwriters.** The Underwriters will have the right to cancel their obligation to purchase the Bonds if between the date hereof and the Closing Date, (a) legislation has been enacted or a decision by a federal court of the United States or the United States Tax Court has been rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency has been made or proposed to be made with respect to federal taxation on revenues or other income to be derived from the operation of the Authority, or on interest on the Bonds, or other actions or events have occurred which have the purpose or effect, directly or indirectly, of materially adversely affecting the federal income tax consequences of any of the transactions contemplated in connection herewith, including the tax-exempt status of bonds issued by the Authority under the Internal Revenue Code of 1986, as amended, any of which, in the reasonable opinion of the Representative, on behalf of the Underwriters, materially adversely affects the market for the Bonds or the sale, at the contemplated offering price, by the Underwriters of the Bonds, or (b) legislation has been enacted, or actively considered for enactment with an effective date being prior to the date of the issuance of the Bonds, or a decision by a court of the United States has been rendered, or a ruling or regulation by the SEC or another governmental agency having jurisdiction of the subject matter has been made, the effect of which is that the Bonds are not exempt from the registration or other requirements of the Securities Act of 1933, as amended and as then in effect (the "1933 Securities Act"), or that the Indenture is not exempt from the qualification or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect (the "Trust Indenture Act"), or (c) a stop order, ruling or regulation by the SEC has been issued or made, the effect of which is that the issuance, offering or sale of the Bonds as contemplated hereby or by the Official Statement is or would be in violation of any provision of the 1933 Securities Act, or of the Securities Exchange Act of 1934, as amended and as then in effect, or of the Trust Indenture Act, or (d) there exists any event which in the reasonable judgment of the Underwriters either (i) makes untrue or incorrect any statement or information of a material fact contained in the Official Statement or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein, in light of the circumstances under which they were made, not misleading, and, in either such event the Authority refuses to permit the Official Statement to be supplemented to correct or supply such statement or information, or the statement or information as supplemented is such as in the reasonable judgment of the Underwriters would materially adversely affect the market for the Bonds or the sale, at the contemplated offering price, by the Underwriters of the Bonds, or (e) there has occurred any outbreak or escalation of hostilities or any national or international calamity or crisis, including a financial crisis, not existing on the date hereof; the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Representative, on behalf of the Underwriters, would materially

adversely affect the market for the Bonds, or the sale, at the contemplated offering prices, by the Underwriters of the Bonds, or (f) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal agency of the Congress of the United States, or by Executive Order, or (g) there is in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Representative, on behalf of the Underwriters, would materially adversely affect the market for the Bonds or the sale, at the contemplated offering price, by the Underwriters of the Bonds, or (h) a general banking moratorium has been declared by Federal, District or New York authorities, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Representative, on behalf of the Underwriters, would materially adversely affect the market for the Bonds or the sale, at the contemplated offering prices, by the Underwriters of the Bonds, or (i) there has occurred since September 30, 2011, any material adverse change in the affairs of the Authority from that reflected in the financial information and data of the Authority included in or as an appendix to the Official Statement, other than as previously disclosed to the Underwriters.

10. **Conditions to Obligations of Underwriters at Closing.** The Underwriters have entered into this Agreement in reliance on the representations, warranties, covenants and agreements of the Authority contained herein, and in reliance on the representations, warranties, covenants and agreements to be contained in the documents and instruments to be delivered at the Closing and on the performance by the Authority of its obligations hereunder, as of the Closing Date. Accordingly, the Underwriters' obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds are conditioned on the performance by the Authority of its obligations to be performed hereunder and the delivery of such documents and instruments enumerated herein in form and substance reasonably satisfactory to the Underwriters and Orrick, Herrington & Sutcliffe LLP, Washington, D.C., and McKenzie & Associates, Washington, D.C., co-counsel to the Underwriters, at or before the Closing, and are also subject to the following additional conditions:

a. The representations, warranties, covenants and agreements of the Authority contained herein are true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

b. The provisions of the Act and the Federal Act, as in effect on the date of this Agreement, shall be in full force and effect and shall not have been amended, except as to amendments which, in the reasonable opinion of the Representative, are not adverse to the interest of the Underwriters or the Bondholders;

c. At the time of the Closing, the Resolution is in full force and effect in accordance with its terms and has not been amended, modified or supplemented, and the Official Statement has not been supplemented or amended, except in any such case as may have been agreed to by the Underwriters;

d. At the time of the Closing, all official action of the Authority relating to the Bonds, the Bond Documents and the System Documents are in full force and effect in

accordance with their respective terms and have not been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Underwriters;

e. At the time of the Closing the Authority will perform or will have performed all of its obligations required under or specified in this Agreement, the Resolution and the Indenture, or contemplated by the Resolution, the Indenture or the Official Statement, to be performed prior to the Closing; and

f. At or before the Closing, the Underwriters will have received true and correct copies of each of the following documents:

- i. A certified copy of the Resolution;
- ii. The Official Statement and each supplement or amendment, if any, thereto, executed by the Authority;
- iii. Counterparts of each of the fully executed Bond Documents and the System Agreements;
- iv. The approving opinion of Co-Bond Counsel in substantially the form attached to the Official Statement as Appendix F and a supplemental opinion, dated the Closing Date, substantially in the form of Exhibit C hereto, and reliance letters with respect to such opinions addressed to Wells Fargo Bank, N.A., as Trustee;
- v. An opinion, dated the Closing Date, of General Counsel to the Authority, substantially in the form of Exhibit D hereto;
- vi. An opinion, dated the Closing Date, of Orrick, Herrington & Sutcliffe LLP and McKenzie & Associates, co-counsel to the Underwriters, substantially in the form of Exhibit E hereto;
- vii. An opinion, dated the Closing Date, of counsel to the Trustee, in a form approved by the Underwriters and their counsel;
- viii. A manually signed Financial Feasibility Opinion Letter dated _____, 2012 of Amawalk Consulting Group LLC (the “Financial Feasibility Consultant”), regarding the financial feasibility of the issuance of the Bonds in substantially the form attached to the Preliminary Official Statement and the final Official Statement as Appendix A and permitting the use of such letter and references to said firm in the Preliminary Official Statement and the Official Statement;
- ix. A certificate of the Financial Feasibility Consultant with respect to the issuance and sale of the Bonds, substantially in the form attached hereto as Exhibit F;
- x. Evidence of the completion of Internal Revenue Service Form 8038-G with respect to the issuance of the Bonds;

xi. One or more certificates of the Authority, dated the Closing Date, (A) to the effect that the representations, warranties, covenants and agreements of the Authority herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date, and that the Authority has performed all obligations to be performed hereunder as of the Closing Date; (B) to the effect that the Bond Documents, the Bonds and the System Agreements have not been modified, amended or repealed after the date hereof without the written consent of the Underwriters; (C) to the effect that no material change has occurred with respect to the System from the period from the date of this Agreement through the Closing Date; (D) approved by Bond Counsel, (aa) setting forth the facts, estimates and circumstances in existence on the Closing Date which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of the Code and any Regulations, Temporary Treasury Regulations and Proposed Treasury Regulations issued pursuant to the Code, and (bb) certifying that to the best of the knowledge and belief of the signing officer, there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

xii. Evidence that Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Ratings Services (“S&P”) and Fitch Ratings (“Fitch”) have issued ratings on the Bonds of “Aa3”, “AA-” and “AA-” respectively; and

xiii. Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Authority’s representations, warranties, covenants and agreements contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority on or prior to the Closing Date of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriters.

11. **Obligations Upon Cancellation.** If the Authority is unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept the delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds is terminated for any reason permitted by this Agreement, this Agreement will terminate and neither the Underwriters nor the Authority will be under any further obligation hereunder.

12. **Certain Information Provided by Underwriters.** The Underwriters confirm and the Authority acknowledges that the statements with respect to the public offering of the Bonds by the Underwriters set forth on the inside cover page of the Official Statement, the legend concerning over-allotments in the Official Statement and the text under the caption “UNDERWRITING” in the Official Statement constitute the only information concerning the

Underwriters furnished in writing to the Authority by or on behalf of the Underwriters for inclusion in the Official Statement.

13. **Closing.** The Representative shall have the right to delay the Closing and reschedule the Closing Date if, subsequent to the date hereof, and at any time prior to the Closing a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred. The Closing Date shall be rescheduled to a date mutually agreed upon by the Authority and the Representative once the material disruption has been alleviated.

14. **No Advisory or Fiduciary Role.** The Authority acknowledges and agrees that: (i) the transactions contemplated by this Agreement are arm's length, commercial transactions between the Authority and the Underwriters in which the Underwriters are acting solely as agents, and are not acting as a municipal advisor, financial advisor or fiduciary to the Authority; (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the Authority with respect to the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters or their affiliates have provided other services or is currently providing other services to the Authority on other matters); (iii) the only obligations the Underwriters have to the Authority with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (iv) the Authority has consulted its own financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate.

15. **Expenses.** The Authority will pay all costs of issuance of the Bonds including, but not limited to (a) the cost of preparation and posting of the Preliminary Official Statement and the cost of preparation, posting, printing and delivery of the Official Statement, including the number of copies the Underwriters deem reasonable; (b) any cost of preparation of the Bonds; (c) the fees and disbursements of Co-Bond Counsel; (d) the fees and disbursements of any accountants, consultants, financial advisors or additional legal counsel retained in connection with the issuance of the Bonds, including the Financial Feasibility Consultant; (e) fees for Bond ratings; (f) the expenses of travel and lodging for Authority Representatives to attend conferences with the rating agencies and investor meetings; (g) all advertising expenses in connection with the public offering of the Bonds; (h) the costs of filing fees required by any of the Blue Sky laws; and (i) all out-of-pocket and computer costs associated with the issuance of the Bonds. The Authority acknowledges that a portion of the Underwriters' discount is intended to reimburse the Representative for meals and refreshments provided to Authority Representatives at meetings in connection with the Bonds. The Authority shall reimburse the Underwriters for the fees and expenses of Underwriters' counsel and other expenses incurred in connection with the performance of Underwriters' obligations hereunder.

16. **Notices.** Any notice or other communication to be given to the Authority under this Agreement may be given by delivering the same in writing to the address shown on the first page of this Agreement to the attention of the Chief Financial Officer, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Siebert Brandford Shank & Co., L.L.C., 1025 Connecticut Avenue NW, suite 1202, Washington, DC 20036, Attention: Jonathan F. Kirn, Managing Director.

17. **Parties in Interest; Survival of Representations and Warranties.** This Agreement, when accepted in accordance with the provisions hereof, shall constitute the entire agreement between the Authority and the Underwriters and is made solely for the benefit of the Authority and the Underwriters (including the successors or assigns of the Authority or the Underwriters) and no other person will acquire or have any right hereunder or by virtue hereof. All of the Authority's and Underwriters' representations, warranties, covenants and agreements contained in this Agreement will remain operative and full force and effect regardless of (a) any investigations made by or on behalf of the Underwriters; or (b) delivery of and payment for the Bonds pursuant to this Agreement.

18. **Effective Date.** This Agreement will become effective upon its acceptance by the Authority, as evidenced by the execution hereof by the appropriate official of the Authority, and will be valid and enforceable at the time of such acceptance.

19. **Execution in Counterparts.** This Agreement may be executed in counterparts each of which shall be regarded as an original and all of which shall constitute one and the same document.

20. **Finder.** The Authority represents and warrants that no finder or other agent of a finder has been employed or consulted by it in connection with this transaction.

21. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the District of Columbia.

SIEBERT BRANDFORD SHANK & CO., L.L.C.
J.P. MORGAN SECURITIES LLC
MORGAN STANLEY & CO. INCORPORATED
[underwriters]

By: SIEBERT BRANDFORD SHANK & CO., L.L.C., as
Representative

By: _____
Jonathan F. Kirn
Managing Director

[SIGNATURE PAGE TO SERIES 2012A-C BOND PURCHASE AGREEMENT]

Accepted: _____, 2012

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

By _____

Name: Olu Adebo

Title: Chief Financial Officer

[SIGNATURE PAGE TO SERIES 2012A-C BOND PURCHASE AGREEMENT]

EXHIBIT A-1

\$370,000,000*

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds, Series 2012A
Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C**

Serial Bonds

Maturity Date <u>(October 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>
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Term Bonds

\$___ % Term Bonds due October 1, 20 Priced to Yield %

\$___ % Term Bonds due October 1, 20 Priced to Yield %

* Preliminary, subject to change.

TERMS OF REDEMPTION

MANDATORY SINKING FUND REDEMPTION

The \$ Term Bonds maturing on October 1, 20 shall be subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Principal Amount</u>
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* Final maturity

The \$ Term Bonds maturing on October 1, 20 shall be subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Principal Amount</u>
-------------	-----------------------------

* Final maturity

EXHIBIT B
OFFICIAL STATEMENT

EXHIBIT C
[FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL]

EXHIBIT D

[FORM OF AUTHORITY'S GENERAL COUNSEL OPINION]

___, 2012

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, DC 20032

\$000,000,000
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds, Series 2012A
Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C

Ladies and Gentlemen:

I am General Counsel to the District of Columbia Water and Sewer Authority (the "Authority") and in connection with the issuance by the Authority of its District of Columbia Water and Sewer Authority \$000,000,000 Public Utility Subordinate Lien Revenue Bonds, Series 2012A and its \$000,000,000 Public Utility Subordinate Lien Revenue Bonds, Series 2012C (collectively, the "Series 2012 Bonds"). I have reviewed an executed copy of the Bond Purchase Agreement, dated March , 2012, between the Authority and Siebert Brandford Shank & Co., L.L.C., as Representative on behalf of the Underwriters, with respect to the Series 2012 Bonds (the "Bond Purchase Agreement") and the Official Statement, dated March , 2012, being distributed in connection with the issuance of the Series 2012 Bonds (the "Official Statement"). Capitalized terms used and not defined herein shall have the respective meanings given to such terms in the Bond Purchase Agreement.

I have also examined an act of the Council of the District of Columbia entitled the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996," codified, as amended, at District of Columbia Official Code Ann. Sections 34-2201.01 *et seq.*, and the acts amendatory thereof and supplemental thereto (the "Act"), and an act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996" (Public Law 104-184), as amended (the "Federal Act"), certified copies of proceedings of the Authority authorizing the issuance of the Series 2012 Bonds, including the Resolution and such other proceedings as I have considered necessary or advisable to render the following opinions.

In rendering the following opinions, I have relied on representations of the Authority as to matters of fact without independent investigation or verification and, as to matters of law, the

representations of Co-Bond Counsel without independent research or verification and have assumed the genuineness of all signatures, the authenticity of all documents tendered to me as originals and the conformity to original documents of all documents submitted to me as certified or photostatic copies.

Based upon review of the materials described above and subject to the recitals and qualifications herein contained, to the best of my knowledge, information and belief, it is my opinion that:

1. The Authority is a body corporate duly created, organized and validly existing as an independent authority of the District under the Act and under the Federal Act (the Act and the Federal Act being sometimes hereinafter referred to as, the "Acts"). The Authority has the full legal right, power and authority to (i) adopt the Resolution, (ii) issue the Series 2012 Bonds, (iii) execute, deliver and perform its obligations under the Bond Documents, and (iv) perform its obligations under the System Agreements.

2. The Federal Act was duly enacted by Congress and the Act was duly enacted by the Council of the District of Columbia. The Acts remain in full force and effect. The Act transferred all assets and liabilities of the Water and Sewer Utility Administration ("WASUA") as indicated on the balance sheet prepared by WASUA, effective April 17, 1996, on an interim basis for the exclusive use and possession of the Authority for so long as any revenue bonds of the Authority, including the Bonds, remain outstanding.

3. The Resolution was adopted by the Authority and has not been amended since the date of the adoption thereof and remains in full force and effect as the date hereof.

4. (i) The adoption of the Resolution, the issuance of the Series 2012 Bonds, the execution and delivery of the Bond Documents and the performance of the Authority's obligations thereunder, and (ii) the performance of the Authority's obligations under the System Agreements, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority, a breach of or default under any agreement or other instrument to which the Authority is a party, or any existing law, administrative regulation, court order, settlement order or consent decree to which the Authority is subject.

5. Except as otherwise described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best of my knowledge, threatened against the Authority (i) seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Series 2012 Bonds, the use of the Official Statement or the collection of the revenues pledged to the payment of the principal of and interest on the Series 2012 Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Series 2012 Bonds or the validity, enforceability, due authorization, execution or delivery of the Series 2012 Bonds, including the Bond Purchase Agreement or the other Bond Documents, or the validity or enforceability of the System Agreements, (iii) questioning the tax-exempt status of the Series 2012 Bonds under the laws of the District or the United States, (iv) in any way contesting the corporate existence or powers of

the Authority or the titles of the officers of the Authority to their respective offices, (v) which may result in any material adverse change in the business or the financial condition or the financial prospects of the Authority or (vi) asserting that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

6. The statements and information contained in the Official Statement under the caption entitled "LITIGATION," are true, correct and complete in all material respects, and the information under such caption does not contain any untrue statement of a material fact and does not omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

7. Pursuant to the Acts, the Authority has the full legal right, power and authority to operate the System and to collect and pledge the Revenues therefrom in accordance with the Indenture.

8. The Authority has approved the form of the Official Statement, the execution of the Official Statement and the delivery of the Official Statement to the purchasers of the Series 2012 Bonds.

9. The Authority has obtained the consents, approvals, authorizations or other orders required for the consummation of the transactions contemplated by the Bond Purchase Agreement, including the issuance of the Series 2012 Bonds.

This opinion and all documents which relate to this opinion are to be construed in accordance with the laws of the District and the United States of America. This opinion is rendered solely for the use of the Authority and may not be relied on by any other person.

Very truly yours,

General Counsel

EXHIBIT E

[PROPOSED FORM OF OPINION OF UNDERWRITERS' COUNSEL]

March __, 2012

\$000,000,000

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Revenue Bonds, Series 2012A
Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C

Siebert Brandford Shank & Co., L.L.C.,
as Representative
Washington, DC

Ladies and Gentlemen:

We have acted as counsel for you as the representative acting on behalf of yourself and other underwriters (the "Underwriters") in connection with your purchase from the District of Columbia Water and Sewer Authority (the "Authority") of its \$000,000,000 aggregate principal amount of the District of Columbia Water and Sewer Authority Public Utility Subordinate Lien Revenue Bonds, Series 2012A (the "2012A Bonds") and its \$000,000,000 aggregate principal amount of the District of Columbia Water and Sewer Authority Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C (the "2012C Bonds" and collectively with the 2012A Bonds, the "Bonds"), pursuant to the Bond Purchase Agreement, dated March , 2012 (the "Purchase Agreement"), between you and the Authority. The Bonds are to be issued pursuant to the Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), as amended and supplemented to the date of delivery of the Bonds (the "Indenture"), including by the Thirteenth Supplemental Indenture of Trust, to be dated the date of issuance and delivery of the Bonds (the "Thirteenth Supplemental Indenture"), each by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"). The proceeds of the 2012A Bonds will be used to finance certain Costs of the System, (ii) pay capitalized interest for a portion of the capital improvements and (iii) refinance a portion of the Authority's outstanding commercial paper notes and (iv) pay costs of issuing the Bonds. The proceeds of the 2012C Bonds will be used to (i) advance refund a portion of the Authority's outstanding Public Utility Subordinate Lien Revenue Bonds, Series 2003 and (ii) pay costs of issuing the 2012C Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Agreement.

In that connection, we have reviewed the Indenture, the official statement of the Authority, dated March , 2012, with respect to the Bonds (the "Official Statement"), the Continuing Disclosure Agreement, dated March , 2012 (the "Continuing Disclosure Agreement"), the Purchase Agreement, certificates of the Authority, the Trustee and others, the opinions referred to in paragraph 10(f) of the Purchase Agreement, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions and conclusions hereinafter expressed. We do not assume any responsibility for any electronic version of the Official Statement and assume that any such version is identical in all respects to the printed version.

In arriving at the opinions and conclusions hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and

sufficiency of the records, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein), including (without limitation) any representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Bonds and the exclusion of interest thereon from gross income for federal income tax purposes, and any laws, documents and instruments that may be related to the issuance, payment or security of the Bonds. We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

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

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as your counsel, to assist you with your responsibility with respect to the Official Statement, we participated in conferences with your representatives and representatives of the Authority, Squire, Sanders LLP and Leftwich & Ludaway, L.L.C., as co-bond counsel, accountants, feasibility consultants and others, during which the contents of the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon and on the records, documents, certificates, opinions and matters herein mentioned (as set forth above), we advise you as a matter of fact and not opinion that, during the course of our representation of you on this matter, no facts came to the attention of the attorneys in our firm rendering legal services to you in connection with the Official Statement which caused us to believe that the Official Statement as of its date and as of the date hereof (except for any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about litigation to which the Authority is a party, any management discussion and analysis, Appendices to the Official Statement, or any information about book-entry, DTC and tax exemption of the Bonds, which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity.

We are furnishing this letter to you pursuant to paragraph 10(f) of the Purchase Agreement solely for your benefit as Underwriters. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

EXHIBIT F

FORMS OF FINANCIAL FEASIBILITY CONSULTANT'S CERTIFICATE AS TO ITS
OPINION LETTER INCLUDED IN THE OFFICIAL STATEMENT AS APPENDIX A

M&A draft 2/15/12

BOND PURCHASE AGREEMENT

\$50,000,000*

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B
(SIFMA Index) Subseries 2012B-1**

March , 2012

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032

Ladies and Gentlemen:

J.P. Morgan Securities LLC and _____ (collectively, the “Underwriter”) offers to enter into this bond purchase agreement (this “Agreement”) with the District of Columbia Water and Sewer Authority (the “Authority”). The offer made hereby is subject to acceptance thereof by execution of this Agreement and its delivery to the Underwriter, at or prior to 5:00 p.m., New York, New York Time, on the date hereof, or on such other date as may be agreed upon by the Underwriter. Upon such acceptance, this Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Underwriter. If this offer is not so accepted, it is subject to withdrawal by the Underwriter upon written notice delivered to the Authority at any time prior to acceptance. Terms used but not defined herein are defined in the Indenture identified below.

1. **Purchase and Sale of Bonds.** On the terms and conditions and on the basis of the representations, warranties, covenants and agreements set forth herein, the Underwriter, hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriter for such purpose, all (but not less than all) of \$50,000,000* aggregate principal amount of the District of Columbia Water and Sewer Authority Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (SIFMA Index) Subseries 2012B-1 (the “Bonds”). The proceeds of the Bonds will be used to (i) pay a portion of the costs of certain capital improvements to the System, (ii) pay capitalized interest on a portion of the Bonds and (iii) pay costs of issuing the Bonds. The purchase price of the Bonds will be \$_____ (the par amount of the Bonds, less the Underwriter’s discount of \$_____). The Bonds will mature on the dates and in the amounts and will bear interest and will be subject to redemption prior to maturity as set forth on Exhibit A hereto.

* Preliminary, subject to change.

2. **Bond Authorization.** The Bonds shall be issued under and pursuant to provisions of the laws of the United States of America and the District of Columbia (the "District"), including particularly, an act of the Council of the District entitled the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996," as amended, codified, at District of Columbia Official Code Ann. Sections 34-2201.01 *et seq.*, and the acts amendatory thereof and supplemental thereto (the "Act") and an act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996" (Public Law 104-184), as amended (the "Federal Act"), and all proceedings necessary to authorize and provide for the issuance of the Bonds, including a resolution adopted by the Board of Directors of the Authority, dated _____, 2012 (the "Resolution"), and the Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"), as amended and supplemented, including by the Thirteenth Supplemental Indenture of Trust, dated as of the Closing Date (as defined below) (the "Thirteenth Supplemental Indenture," and together with the Master Indenture as previously amended and supplemented, the "Indenture"), between the Authority and the Trustee, substantially in the forms previously delivered to us.

3. **Closing.** At 10:00 a.m. New York City Time on March , 2012, or at such other time and date as may be mutually agreed upon by the Authority and the Underwriter (the "Closing Date"), the Authority will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof in federal funds to the order of the Authority (the "Closing"). Delivery of the Bonds will be made through the facilities of The Depository Trust Company, New York, New York. The Closing will occur at the offices of Squire, Sanders (US) LLP, Washington, D.C., or such other place as may be mutually agreed on by the Authority and the Underwriter.

4. **Good Faith Check.** The Underwriter hereby delivers to the Authority a corporate check (the "Good Faith Check") payable to the order of the Authority in the amount of \$0,000,000. The Authority agrees to hold the Good Faith Check uncashed until the Closing if this offer is accepted by the Authority, and the Good Faith Check shall be returned to the Underwriter, at the time of delivery of the Bonds, at which time the Underwriter shall pay to the Authority the entire purchase price of the Bonds. In the event the Authority does not accept this offer, the Good Faith Check shall be promptly returned to the Underwriter. In the event of the Authority's failure to deliver the Bonds at the Closing, or if the Authority shall be unable to satisfy the conditions to the obligations of the Underwriter set forth in this Agreement (unless waived by the Underwriter), or if the obligations of the Underwriter shall be terminated for any reason permitted by this Agreement, the Good Faith Check shall be returned to the Underwriter, and such return shall constitute a full release and discharge of all claims and rights hereunder of the Underwriter against the Authority. In the event that the Underwriter fails (other than for a reason permitted hereunder) to accept delivery of and pay for the Bonds at the Closing as herein provided, the Good Faith Check shall be retained and cashed by the Authority as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriter and, except as set forth in this Section 4 and Section 13 hereof, neither party shall have any further right against the other hereunder. No interest shall be paid by the Authority upon the principal amount of the Good Faith Check.

5. **Public Offering of the Bonds.** It is a condition of the Authority's obligation to sell and deliver the Bonds to the Underwriter, and of the obligation of the Underwriter to purchase and accept delivery of the Bonds, that the entire principal amount of the Bonds is sold and delivered by the Authority and accepted and paid for by the Underwriter at the Closing. The Underwriter intends to make an initial public offering of all of the Bonds at the initial public offering prices set forth on the inside cover page of the Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the initial public offering prices.

6. **Preliminary and Final Official Statements.** The Authority ratifies and consents to the legally permissible use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement, dated _____, 2012, relating to the Bonds (the "Preliminary Official Statement") in connection with the public offering of the Bonds.

The form of the final Official Statement of the Authority relating to the Bonds, dated _____, 2012, including the cover page and Appendices thereto, and any revisions, amendments or supplements thereto (the "Official Statement") is attached hereto as Exhibit B. The Authority authorizes, approves, ratifies and confirms the distribution of the Official Statement in paper and electronic format by the Underwriter in connection with the public offering and sale of the Bonds.

The Authority agrees to provide to the Underwriter, at such addresses as the Underwriter specifies, as many copies of the Official Statement as the Underwriter reasonably request as necessary to comply with Rule G-32, Rule G-36 and all other applicable rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Authority agrees to deliver the Official Statement within seven (7) business days after the date hereof and in sufficient time to accompany any confirmation that requests payment from any customer and to permit the Underwriter to comply with the requirements of Rule 15c2-12 (defined below), and in any event, no later than March , 2012. The Official Statement may be revised, amended, changed or supplemented by the Authority after the execution of this Agreement only with the permission of the Underwriter.

If, during the period from the date hereof to and including the date which is 25 days after the "end of the underwriting period" (as hereinafter defined), there shall exist any event, including, but not limited to, any material adverse change in the financial condition, results of operation or condition, financial or otherwise, of the Authority, and of which the Authority has knowledge, which, in the opinion of the Underwriter and counsel to the Underwriter or in the opinion of the Authority, requires a supplement or amendment to the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, when it is delivered to a potential investor, the Authority will supplement or amend or cause to be supplemented or amended the Official Statement in a form and in a manner approved by the Underwriter and the Authority and will furnish to the Underwriter such supplement or amendment in sufficient quantity to permit the Underwriter to comply with the requirements of Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended.

For the purpose of the preceding paragraph, the Authority may assume that the “end of the underwriting period” (in accordance with and as defined in Rule 15c2-12) means the Closing Date unless the Underwriter advised the Authority in writing on the Closing Date that there remains an unsold balance of the Bonds, in which case the “end of the underwriting period” means the date as of which the Underwriter notifies the Authority that the Underwriter, directly or as a syndicate, no longer retains an unsold balance of the Bonds for sale to the public. The deemed end of the underwriting period, in order to allow the Underwriter to comply with Rule 15c2-12, shall be extended for additional periods of 30 days each upon receipt of written notification from the Underwriter that any Bonds remain unsold however, in no event shall the “end of the underwriting period” extend beyond the date sixty (60) days from the Closing Date. The Underwriter agrees to provide to the Authority written notification that none of the Bonds remain unsold which will be deemed the end of the underwriting period.

The Underwriter hereby agrees to deliver a copy of the printed paper form of the Official Statement to the MSRB in an electronic format prescribed by the MSRB for its Electronic Municipal Market Access (“EMMA”) website at www.emma.msrb.org and such other municipal information securities repository as may be required by law within the meaning of Rule 15c2-12 (a “Repository”) or any successor Repository thereto, and to the MSRB or its designee pursuant to MSRB Rule G-32 within one (1) business day of receipt of the executed final Official Statement by the Underwriter.

7. **Representations, Warranties and Covenants of the Authority.** The Authority hereby represents, warrants, covenants and agrees as follows:

a. The Authority is and will be at the Closing Date a duly organized and validly existing corporate body and independent authority of the District established under the laws of the United States and the District, including the Act and the Federal Act, with the full legal right, power and authority to (i) adopt the Resolution, (ii) execute, deliver and perform its obligations under this Agreement, the Indenture, the Certificate of Award of the Authority establishing the purchase price, maturities, interest rates, redemption provisions and other terms of the Bonds, dated the date hereof (the “Certificate of Award”), and the Continuing Disclosure Agreement of the Authority dated as of the Closing Date (the “Continuing Disclosure Agreement,” and together with this Agreement and the Indenture, the “Bond Documents”); (iii) perform its obligations under the Water Sales Agreement, dated as of July 31, 1997, between the Authority and the United States of America, acting through the Secretary of the Army (the “Water Sales Agreement”) and the Blue Plains Intermunicipal Agreement of 1985 between the District, Fairfax County, Virginia, Montgomery County, Maryland, Prince George’s County, Maryland and the Washington Suburban Sanitary Commission (the “IMA,” and together with the Water Sales Agreement, the “System Agreements”), (iv) sell, issue and deliver the Bonds to the Underwriter as provided herein, and (v) carry out and consummate the transactions contemplated by the Resolution, the Bond Documents, the Preliminary Official Statement, the Official Statement and the System Agreements; and the Authority has complied, and at the Closing Date will be in compliance, in all respects, with the Act and the Federal Act and with the obligations on its part in connection with the issuance of the Bonds contained in the Bonds, the Resolution, the Indenture, the Official Statement and this Agreement.

b. The Authority (i) has duly and validly adopted the Resolution, (ii) has authorized the execution and delivery of the Bond Documents, (iii) is authorized to execute, issue, sell and deliver the Bonds in book-entry form, (iv) is authorized to appoint, and has appointed, Wells Fargo Bank, N.A., as Trustee (the “Trustee”), and (v) has taken or will take on or before the Closing Date, all action necessary or appropriate to carry out the execution, issuance, sale and delivery of the Bonds in book-entry form to the Underwriter.

c. The adoption of the Resolution, the execution and delivery of the Bond Documents, the execution, issuance, sale and delivery of the Bonds in book-entry form and the performance by the Authority of its obligations hereunder and thereunder, and the performance by the Authority of its obligations under the System Agreements (collectively, the “Authority Undertakings”) are within the corporate powers of the Authority and are not in conflict with and will not constitute a breach or result in a violation of (i) the Act, (ii) any federal constitutional or federal or District statutory provision, including the Federal Act, (iii) any agreement or other instrument to which the Authority is a party, or (iv) any order, rule, regulation, decree or ordinance of any court of competent jurisdiction, government or governmental authority having jurisdiction over the Authority or its property.

d. The District has authorized the Authority to use all of the property and assets of the water distribution and wastewater collection, treatment and disposal systems of the Authority (the “System”), uninterrupted by the District, for as long as any revenue bonds of the Authority, including the Bonds, remain outstanding. The Authority has the full legal right, power and authority to operate the System and to collect and pledge the Revenues (as such term is defined in the Indenture) therefrom in accordance with the Indenture.

e. The Resolution or other appropriate actions adopted or taken by the Authority establishing the rates and charges for services of the System described in the Official Statement have been duly adopted or taken and are in full force and effect.

f. The System Agreements and all other agreements, permits, licenses, consents, approvals, actions, consent decrees and settlement orders material to the operation and management of the System, including the collection of the Revenues therefrom as described in the Official Statement, are in full force and effect as of the date hereof and will be on the Closing Date, and the Authority is not and will not be in default thereunder or in breach thereof. The System Agreements have been duly authorized, executed and delivered by the Authority and constitute valid and binding obligations of the Authority enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally and subject, as to enforceability, to general principles of equity.

g. The Bonds, when issued and delivered to the Underwriter in accordance with the Act, the Resolution, the Indenture and this Agreement, will constitute valid, binding and enforceable obligations of the Authority, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally and subject, as to enforceability, to general principles of equity. The Bonds are not be a pledge of and do not involve the faith and credit or the taxing power of the District and the District shall not be liable thereon.

h. The Authority is not currently failing to comply and has not failed to comply during the past five years with any continuing disclosure obligation pursuant to Rule 15c2-12. The Authority has voluntarily agreed to deliver to the Underwriter a Continuing Disclosure Agreement with respect to the Bonds that complies with the requirements of Rule 15c2-12.

i. This Agreement constitutes, and upon execution and delivery by the Authority and the other parties thereto, the other Bond Documents will constitute, the valid, binding and enforceable obligations of the Authority, subject to applicable bankruptcy, insolvency, and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

j. The Authority is not in material breach of or material default under any applicable constitutional provision or law of the United States, the District or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which it is a party or to which it or any of its property or assets is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the execution and delivery of the Bonds, this Agreement and the other Bond Documents and the adoption of the Resolution, and compliance with the provisions contained therein and herein, and in the System Agreements, do not conflict with or constitute a breach of or default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which it is a party or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of its property or assets or under the terms of any such law, regulation or instrument, except as provided by the Bonds.

k. All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter have been duly obtained or, with respect to the issuance of the Bonds, will be obtained prior to the issuance of the Bonds, which are required for the due authorization by or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the issuance of the Bonds and under this Agreement, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

l. Except as otherwise described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the official of the Authority executing this Agreement, threatened against the Authority (i) seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, the use of the Official Statement or the collection of the revenues pledged to the payment of the principal of and interest on the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity, enforceability, due authorization, execution or delivery of the Bonds, including this Agreement or the other Bond Documents, or the validity or enforceability of the System Agreements, (iii)

questioning the tax status of the Bonds under the laws of the District or the United States, (iv) in any way contesting the corporate existence or powers of the Authority or the titles of the officers of the Authority to their respective offices, (v) which may result in any material adverse change in the business or the financial condition or the financial prospects of the Authority or (vi) asserting that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

m. The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority will not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

n. The audited balance sheets of the Authority for the years ended September 30, 2011 and September 30, 2010, and the related statements of revenues, expenditures and changes in net assets and cash flows for the fiscal year ended on such date, as set forth in the Official Statement, are true, complete and correct and fairly present the financial condition of the Authority as of such date and the results of its operations for such fiscal year. There has been no material adverse change in the financial condition of the Authority since September 30, 2011, except as described in the Official Statement.

o. The Authority has duly authorized, approved and delivered the Official Statement to the Underwriter.

p. As of the date hereof, and at all times subsequent thereto up to and including the Closing Date, the Preliminary Official Statement and the Official Statement do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If between the date of the Official Statement and the Closing Date any event shall occur or any pre-existing fact or condition shall become known to the Authority that might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall promptly notify the Underwriter thereof, and if in the reasonable opinion of the Underwriter, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriter, which approval shall not be unreasonably withheld.

q. The obligation of the Authority to know or provide information within the knowledge of the Authority is limited to providing information that is in the actual knowledge of, or reasonably should have been in the actual knowledge of, the key staff members of the

Authority listed in the Official Statement under the caption "Officers and Employees" or their respective successors.

r. The Authority undertakes that, for a period beginning with the day on which the Bonds are delivered to the Underwriter and ending on the 25th day following the end of the underwriting period, as defined in Section 6, it will apprise the Underwriter of all material developments, if any, occurring with respect to the Authority, and if requested by the Underwriter, at the Authority's expense, prepare a supplement to the Official Statement in respect of any such material event.

s. The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certificates may not be relied upon.

t. Any certificate signed by an authorized delegate of the Authority and delivered to the Underwriter will be deemed a representation, warranty, covenant and agreement by the Authority to the Underwriter as to the statements made therein.

8. **Representations of the Underwriter.** (a) The Underwriter represents and warrants that it will offer the Bonds only pursuant to the Official Statement and the Underwriter agrees to make a public offering of the Bonds at the initial offering prices or yields set forth in the Official Statement as the Underwriter may deem necessary or desirable in connection with the offering and sale of the Bonds and to sell the Bonds to dealers (including dealer banks and dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices. The Underwriter agrees to deliver final Official Statements to all purchasers of the Bonds in accordance with all applicable legal requirements.

(b) The Underwriter hereby certifies that at the time of the execution of this Agreement (the "Sale Date"), based upon prevailing market conditions, it does not have any reason to believe that the Bonds will be first sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than or yields lower than the prices or yields set forth in an exhibit to this Agreement. At the Closing, the Underwriter shall deliver to the Authority the publicly available trading activity with respect to the Bonds up to the Closing Date and a certificate to the effect that (a) the Bonds have been the subject of a bona fide initial offering to the public as herein provided on the Sale Date and (b) either (i) the Underwriter first sold not less than 10% of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at yields not lower than the yields provided in the Official Statement on the Sale Date, or (ii) the Underwriter first sold not less than 10% of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at yields not lower than the yields provided in the Official Statement on the Sale Date.

9. **Rights to Cancellation by the Underwriter.** The Underwriter will have the right to cancel its obligation to purchase the Bonds if between the date hereof and the Closing Date, (a) legislation has been enacted or a decision by a federal court of the United States or the United States Tax Court has been rendered, or a ruling, regulation or official statement by or on

behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency has been made or proposed to be made with respect to federal taxation on revenues or other income to be derived from the operation of the Authority, or on interest on the Bonds, or other actions or events have occurred which have the purpose or effect, directly or indirectly, of materially adversely affecting the federal income tax consequences of any of the transactions contemplated in connection herewith, including the tax-exempt status of bonds issued by the Authority under the Internal Revenue Code of 1986, as amended, any of which, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds or the sale, at the contemplated offering price, by the Underwriter of the Bonds, or (b) legislation has been enacted, or actively considered for enactment with an effective date being prior to the date of the issuance of the Bonds, or a decision by a court of the United States has been rendered, or a ruling or regulation by the SEC or another governmental agency having jurisdiction of the subject matter has been made, the effect of which is that the Bonds are not exempt from the registration or other requirements of the Securities Act of 1933, as amended and as then in effect (the "1933 Securities Act"), or that the Indenture is not exempt from the qualification or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect (the "Trust Indenture Act"), or (c) a stop order, ruling or regulation by the SEC has been issued or made, the effect of which is that the issuance, offering or sale of the Bonds as contemplated hereby or by the Official Statement is or would be in violation of any provision of the 1933 Securities Act, or of the Securities Exchange Act of 1934, as amended and as then in effect, or of the Trust Indenture Act, or (d) there exists any event which in the reasonable judgment of the Underwriter either (i) makes untrue or incorrect any statement or information of a material fact contained in the Official Statement or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein, in light of the circumstances under which they were made, not misleading, and, in either such event the Authority refuses to permit the Official Statement to be supplemented to correct or supply such statement or information, or the statement or information as supplemented is such as in the reasonable judgment of the Underwriter would materially adversely affect the market for the Bonds or the sale, at the contemplated offering price, by the Underwriter of the Bonds, or (e) there has occurred any outbreak or escalation of hostilities or any national or international calamity or crisis, including a financial crisis, not existing on the date hereof; the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for the Bonds, or the sale, at the contemplated offering prices, by the Underwriter of the Bonds, or (f) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal agency of the Congress of the United States, or by Executive Order, or (g) there is in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for the Bonds or the sale, at the contemplated offering price, by the Underwriter of the Bonds, or (h) a general banking moratorium has been declared by Federal, District or New York authorities, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for the Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Bonds, or (i) there has occurred since

September 30, 2011, any material adverse change in the affairs of the Authority from that reflected in the financial information and data of the Authority included in or as an appendix to the Official Statement, other than as previously disclosed to the Underwriter.

10. **Conditions to Obligations of the Underwriter at Closing.** The Underwriter has entered into this Agreement in reliance on the representations, warranties, covenants and agreements of the Authority contained herein, and in reliance on the representations, warranties, covenants and agreements to be contained in the documents and instruments to be delivered at the Closing and on the performance by the Authority of its obligations hereunder, as of the Closing Date. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds are conditioned on the performance by the Authority of its obligations to be performed hereunder and the delivery of such documents and instruments enumerated herein in form and substance reasonably satisfactory to the Underwriter and Orrick, Herrington & Sutcliffe LLP, Washington, D.C., and McKenzie & Associates, Washington, D.C., co-counsel to the Underwriter, at or before the Closing, and are also subject to the following additional conditions:

a. The representations, warranties, covenants and agreements of the Authority contained herein are true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

b. The provisions of the Act and the Federal Act, as in effect on the date of this Agreement, shall be in full force and effect and shall not have been amended, except as to amendments which, in the reasonable opinion of the Underwriter, are not adverse to the interest of the Underwriter or the Bondholders;

c. At the time of the Closing, the Resolution is in full force and effect in accordance with its terms and has not been amended, modified or supplemented, and the Official Statement has not been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

d. At the time of the Closing, all official action of the Authority relating to the Bonds, the Bond Documents and the System Documents are in full force and effect in accordance with their respective terms and have not been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Underwriter;

e. At the time of the Closing the Authority will perform or will have performed all of its obligations required under or specified in this Agreement, the Resolution and the Indenture, or contemplated by the Resolution, the Indenture or the Official Statement, to be performed prior to the Closing; and

f. At or before the Closing, the Underwriter will have received true and correct copies of each of the following documents:

i. A certified copy of the Resolution;

ii. The Official Statement and each supplement or amendment, if any, thereto, executed by the Authority;

iii. Counterparts of each of the fully executed Bond Documents and the System Agreements;

iv. The approving opinion of Co-Bond Counsel in substantially the form attached to the Official Statement as Appendix F and a supplemental opinion, dated the Closing Date, substantially in the form of Exhibit C hereto, and reliance letters with respect to such opinions addressed to Wells Fargo Bank, N.A., as Trustee;

v. An opinion, dated the Closing Date, of General Counsel to the Authority, substantially in the form of Exhibit D hereto;

vi. An opinion, dated the Closing Date, of Orrick, Herrington & Sutcliffe LLP and McKenzie & Associates, co-counsel to the Underwriter, substantially in the form of Exhibit E hereto;

vii. An opinion, dated the Closing Date, of counsel to the Trustee, in a form approved by the Underwrites and its counsel;

viii. A manually signed Financial Feasibility Opinion Letter dated _____, 2012 of Amawalk Consulting Group LLC (the "Financial Feasibility Consultant"), regarding the financial feasibility of the issuance of the Bonds in substantially the form attached to the Preliminary Official Statement and the final Official Statement as Appendix A and permitting the use of such letter and references to said firm in the Preliminary Official Statement and the Official Statement;

ix. A certificate of the Financial Feasibility Consultant with respect to the issuance and sale of the Bonds, substantially in the form attached hereto as Exhibit F;

x. Evidence of the completion of Internal Revenue Service Form 8038-G with respect to the issuance of the Bonds;

xi. One or more certificates of the Authority, dated the Closing Date, (A) to the effect that the representations, warranties, covenants and agreements of the Authority herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date, and that the Authority has performed all obligations to be performed hereunder as of the Closing Date; (B) to the effect that the Bond Documents, the Bonds and the System Agreements have not been modified, amended or repealed after the date hereof without the written consent of the Underwriter; (C) to the effect that no material change has occurred with respect to the System from the period from the date of this Agreement through the Closing Date; (D) approved by Bond Counsel, (aa) setting forth the facts, estimates and circumstances in existence on the Closing Date which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of the Code and any Regulations, Temporary Treasury Regulations and Proposed Treasury Regulations issued pursuant to the Code, and (bb) certifying that to the best of the knowledge and belief of the signing officer, there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

xii. Evidence that Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have issued ratings on the Bonds of "Aa3", "AA-" and "AA-" respectively; and

xiii. Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Authority's representations, warranties, covenants and agreements contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority on or prior to the Closing Date of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

11. **Obligations Upon Cancellation.** If the Authority is unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept the delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds is terminated for any reason permitted by this Agreement, this Agreement will terminate and neither the Underwriter nor the Authority will be under any further obligation hereunder.

12. **Certain Information Provided by the Underwriter.** The Underwriter confirms and the Authority acknowledges that the statements with respect to the public offering of the Bonds by the Underwriter set forth on the inside cover page of the Official Statement, the legend concerning over-allotments in the Official Statement and the text under the caption "UNDERWRITING" in the Official Statement constitute the only information concerning the Underwriter furnished in writing to the Authority by or on behalf of the Underwriter for inclusion in the Official Statement.

13. **Closing.** The Underwriter shall have the right to delay the Closing and reschedule the Closing Date if, subsequent to the date hereof, and at any time prior to the Closing a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred. The Closing Date shall be rescheduled to a date mutually agreed upon by the Authority and the Underwriter once the material disruption has been alleviated.

14. **No Advisory or Fiduciary Role.** The Authority acknowledges and agrees that: (i) the transactions contemplated by this Agreement are arm's length, commercial transactions between the Authority and the Underwriter in which the Underwriter is acting solely as an agent, and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Authority with respect to the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter or its affiliates have provided other services or is currently providing other services to the Authority on other matters); (iii) the only obligations the Underwriter have to the Authority with respect to the transactions contemplated hereby expressly are set forth in this Agreement; and (iv) the

Authority has consulted its own financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate.

15. **Expenses.** The Authority will pay all costs of issuance of the Bonds including, but not limited to (a) the cost of preparation and posting of the Preliminary Official Statement and the cost of preparation, posting, printing and delivery of the Official Statement, including the number of copies the Underwriter deems reasonable; (b) any cost of preparation of the Bonds; (c) the fees and disbursements of Co-Bond Counsel; (d) the fees and disbursements of any accountants, consultants, financial advisors or additional legal counsel retained in connection with the issuance of the Bonds, including the Financial Feasibility Consultant; (e) fees for Bond ratings; (f) the expenses of travel and lodging for Authority Representatives to attend conferences with the rating agencies and investor meetings; (g) all advertising expenses in connection with the public offering of the Bonds; (h) the costs of filing fees required by any of the Blue Sky laws; and (i) all out-of-pocket and computer costs associated with the issuance of the Bonds. The Authority acknowledges that a portion of the Underwriter's discount is intended to reimburse the Underwriter for meals and refreshments provided to Authority Representatives at meetings in connection with the Bonds. The Authority shall reimburse the Underwriter for the fees and expenses of Underwriter's counsel and other expenses incurred in connection with the performance of Underwriter's obligations hereunder.

16. **Notices.** Any notice or other communication to be given to the Authority under this Agreement may be given by delivering the same in writing to the address shown on the first page of this Agreement to the attention of the Chief Financial Officer, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to J.P. Morgan Securities LLC _____, Attention: _____.

17. **Parties in Interest; Survival of Representations and Warranties.** This Agreement, when accepted in accordance with the provisions hereof, shall constitute the entire agreement between the Authority and the Underwriter and is made solely for the benefit of the Authority and the Underwriter (including the successors or assigns of the Authority or the Underwriter) and no other person will acquire or have any right hereunder or by virtue hereof. All of the Authority's and Underwriter's representations, warranties, covenants and agreements contained in this Agreement will remain operative and full force and effect regardless of (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Agreement.

18. **Effective Date.** This Agreement will become effective upon its acceptance by the Authority, as evidenced by the execution hereof by the appropriate official of the Authority, and will be valid and enforceable at the time of such acceptance.

19. **Execution in Counterparts.** This Agreement may be executed in counterparts each of which shall be regarded as an original and all of which shall constitute one and the same document.

20. **Finder.** The Authority represents and warrants that no finder or other agent of a finder has been employed or consulted by it in connection with this transaction.

21. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the District of Columbia.

J.P. MORGAN SECURITIES LLC

By: _____

[SIGNATURE PAGE TO SERIES 2012B-1 BOND PURCHASE AGREEMENT]

Accepted: _____, 2012

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

By _____

Name: Olu Adebo

Title: Chief Financial Officer

[SIGNATURE PAGE TO SERIES 2012B-1 BOND PURCHASE AGREEMENT]

EXHIBIT A-1

\$50,000,000*

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B
(SIFMA Index) Subseries B-1**

Serial Bonds

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
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Term Bonds

\$___ % Term Bonds due October 1, 20 Priced to Yield %

\$___ % Term Bonds due October 1, 20 Priced to Yield %

* Preliminary, subject to change.

TERMS OF REDEMPTION

MANDATORY SINKING FUND REDEMPTION

The \$ Term Bonds maturing on October 1, 20 shall be subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Principal Amount</u>
-------------	-----------------------------

* Final maturity

The \$ Term Bonds maturing on October 1, 20 shall be subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Principal Amount</u>
-------------	-----------------------------

* Final maturity

EXHIBIT B
OFFICIAL STATEMENT

EXHIBIT C
[FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL]

EXHIBIT D

[FORM OF AUTHORITY'S GENERAL COUNSEL OPINION]

___, 2012

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, DC 20032

\$50,000,000
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B
(SIFMA Index) Subseries B-1

Ladies and Gentlemen:

I am General Counsel to the District of Columbia Water and Sewer Authority (the "Authority") and in connection with the issuance by the Authority of its District of Columbia Water and Sewer Authority \$50,000,000 Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (SIFMA Index) Subseries B-1 (the "Series 2012 Bonds"). I have reviewed an executed copy of the Bond Purchase Agreement, dated March , 2012, between the Authority and J.P. Morgan Securities LLC., as the Underwriter, with respect to the Series 2012 Bonds (the "Bond Purchase Agreement") and the Official Statement, dated March , 2012, being distributed in connection with the issuance of the Series 2012 Bonds (the "Official Statement"). Capitalized terms used and not defined herein shall have the respective meanings given to such terms in the Bond Purchase Agreement.

I have also examined an act of the Council of the District of Columbia entitled the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996," codified, as amended, at District of Columbia Official Code Ann. Sections 34-2201.01 *et seq.*, and the acts amendatory thereof and supplemental thereto (the "Act"), and an act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996" (Public Law 104-184), as amended (the "Federal Act"), certified copies of proceedings of the Authority authorizing the issuance of the Series 2012 Bonds, including the Resolution and such other proceedings as I have considered necessary or advisable to render the following opinions.

In rendering the following opinions, I have relied on representations of the Authority as to matters of fact without independent investigation or verification and, as to matters of law, the representations of Co-Bond Counsel without independent research or verification and have assumed the genuineness of all signatures, the authenticity of all documents tendered to me as

originals and the conformity to original documents of all documents submitted to me as certified or photostatic copies.

Based upon review of the materials described above and subject to the recitals and qualifications herein contained, to the best of my knowledge, information and belief, it is my opinion that:

1. The Authority is a body corporate duly created, organized and validly existing as an independent authority of the District under the Act and under the Federal Act (the Act and the Federal Act being sometimes hereinafter referred to as, the "Acts"). The Authority has the full legal right, power and authority to (i) adopt the Resolution, (ii) issue the Series 2012 Bonds, (iii) execute, deliver and perform its obligations under the Bond Documents, and (iv) perform its obligations under the System Agreements.

2. The Federal Act was duly enacted by Congress and the Act was duly enacted by the Council of the District of Columbia. The Acts remain in full force and effect. The Act transferred all assets and liabilities of the Water and Sewer Utility Administration ("WASUA") as indicated on the balance sheet prepared by WASUA, effective April 17, 1996, on an interim basis for the exclusive use and possession of the Authority for so long as any revenue bonds of the Authority, including the Bonds, remain outstanding.

3. The Resolution was adopted by the Authority and has not been amended since the date of the adoption thereof and remains in full force and effect as the date hereof.

4. (i) The adoption of the Resolution, the issuance of the Series 2012 Bonds, the execution and delivery of the Bond Documents and the performance of the Authority's obligations thereunder, and (ii) the performance of the Authority's obligations under the System Agreements, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority, a breach of or default under any agreement or other instrument to which the Authority is a party, or any existing law, administrative regulation, court order, settlement order or consent decree to which the Authority is subject.

5. Except as otherwise described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best of my knowledge, threatened against the Authority (i) seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Series 2012 Bonds, the use of the Official Statement or the collection of the revenues pledged to the payment of the principal of and interest on the Series 2012 Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Series 2012 Bonds or the validity, enforceability, due authorization, execution or delivery of the Series 2012 Bonds, including the Bond Purchase Agreement or the other Bond Documents, or the validity or enforceability of the System Agreements, (iii) questioning the tax-exempt status of the Series 2012 Bonds under the laws of the District or the United States, (iv) in any way contesting the corporate existence or powers of the Authority or the titles of the officers of the Authority to their respective offices, (v) which may result in any material adverse change in the business or the financial condition or the

financial prospects of the Authority or (vi) asserting that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

6. The statements and information contained in the Official Statement under the caption entitled "LITIGATION," are true, correct and complete in all material respects, and the information under such caption does not contain any untrue statement of a material fact and does not omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

7. Pursuant to the Acts, the Authority has the full legal right, power and authority to operate the System and to collect and pledge the Revenues therefrom in accordance with the Indenture.

8. The Authority has approved the form of the Official Statement, the execution of the Official Statement and the delivery of the Official Statement to the purchasers of the Series 2012 Bonds.

9. The Authority has obtained the consents, approvals, authorizations or other orders required for the consummation of the transactions contemplated by the Bond Purchase Agreement, including the issuance of the Series 2012 Bonds.

This opinion and all documents which relate to this opinion are to be construed in accordance with the laws of the District and the United States of America. This opinion is rendered solely for the use of the Authority and may not be relied on by any other person.

Very truly yours,

General Counsel

EXHIBIT E

[PROPOSED FORM OF OPINION OF UNDERWRITERS' COUNSEL]

March __, 2012

\$50,000,000

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B
(SIFMA Index) Subseries B-1**

J.P. Morgan Securities, LLC,
as underwriter

Ladies and Gentlemen:

We have acted as counsel for you as the underwriter (the "Underwriter") in connection with your purchase from the District of Columbia Water and Sewer Authority (the "Authority") of its \$50,000,000 aggregate principal amount of the District of Columbia Water and Sewer Authority Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (SIFMA Index) Subseries B-1 (the "Bonds"), pursuant to the Bond Purchase Agreement, dated March , 2012 (the "Purchase Agreement"), between you and the Authority. The Bonds are to be issued pursuant to the Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), as amended and supplemented to the date of delivery of the Bonds (the "Indenture"), including by the Thirteenth Supplemental Indenture of Trust, to be dated the date of issuance and delivery of the Bonds (the "Thirteenth Supplemental Indenture"), each by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be used to finance certain Costs of the System, (ii) pay capitalized interest for a portion of the capital improvements and (iii) refinance a portion of the Authority's outstanding commercial paper notes and (iv) pay costs of issuing the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Agreement.

In that connection, we have reviewed the Indenture, the official statement of the Authority, dated March , 2012, with respect to the Bonds (the "Official Statement"), the Continuing Disclosure Agreement, dated March , 2012 (the "Continuing Disclosure Agreement"), the Purchase Agreement, certificates of the Authority, the Trustee and others, the opinions referred to in paragraph 10(f) of the Purchase Agreement, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions and conclusions hereinafter expressed. We do not assume any responsibility for any electronic version of the Official Statement and assume that any such version is identical in all respects to the printed version.

In arriving at the opinions and conclusions hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein), including (without limitation) any representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Bonds and the exclusion of interest thereon from gross income for federal income tax purposes, and any laws, documents and instruments that may be related to the issuance, payment or

security of the Bonds. We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

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

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as your counsel, to assist you with your responsibility with respect to the Official Statement, we participated in conferences with your representatives and representatives of the Authority, Squire, Sanders (US) LLP and Leftwich & Ludaway, L.L.C., as co-bond counsel, accountants, feasibility consultants and others, during which the contents of the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon and on the records, documents, certificates, opinions and matters herein mentioned (as set forth above), we advise you as a matter of fact and not opinion that, during the course of our representation of you on this matter, no facts came to the attention of the attorneys in our firm rendering legal services to you in connection with the Official Statement which caused us to believe that the Official Statement as of its date and as of the date hereof (except for any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about litigation to which the Authority is a party, any management discussion and analysis, Appendices to the Official Statement, or any information about book-entry, DTC and tax exemption of the Bonds, which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity.

We are furnishing this letter to you pursuant to paragraph 10(f) of the Purchase Agreement solely for your benefit as Underwriter. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

EXHIBIT F

FORMS OF FINANCIAL FEASIBILITY CONSULTANT'S CERTIFICATE AS TO ITS
OPINION LETTER INCLUDED IN THE OFFICIAL STATEMENT AS APPENDIX A

M&A draft 2/15/12

BOND PURCHASE AGREEMENT

\$50,000,000*

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B
(SIFMA Index) Subseries 2012B-2**

March , 2012

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032

Ladies and Gentlemen:

Morgan Stanley & Co. Incorporated and _____ (collectively, the “Underwriter”) offers to enter into this bond purchase agreement (this “Agreement”) with the District of Columbia Water and Sewer Authority (the “Authority”). The offer made hereby is subject to acceptance thereof by execution of this Agreement and its delivery to the Underwriter, at or prior to 5:00 p.m., New York, New York Time, on the date hereof, or on such other date as may be agreed upon by the Underwriter. Upon such acceptance, this Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Underwriter. If this offer is not so accepted, it is subject to withdrawal by the Underwriter upon written notice delivered to the Authority at any time prior to acceptance. Terms used but not defined herein are defined in the Indenture identified below.

1. **Purchase and Sale of Bonds.** On the terms and conditions and on the basis of the representations, warranties, covenants and agreements set forth herein, the Underwriter, hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriter for such purpose, all (but not less than all) of \$50,000,000* aggregate principal amount of the District of Columbia Water and Sewer Authority Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (SIFMA Index) Subseries 2012B-2 (the “Bonds”). The proceeds of the Bonds will be used to (i) pay a portion of the costs of certain capital improvements to the System, (ii) pay capitalized interest on a portion of the Bonds and (iii) pay costs of issuing the Bonds. The purchase price of the Bonds will be \$_____ (the par amount of the Bonds, less the Underwriter’s discount of \$_____). The Bonds will mature on the dates and in the amounts and will bear interest and will be subject to redemption prior to maturity as set forth on Exhibit A hereto.

* Preliminary, subject to change.

2. **Bond Authorization.** The Bonds shall be issued under and pursuant to provisions of the laws of the United States of America and the District of Columbia (the "District"), including particularly, an act of the Council of the District entitled the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996," as amended, codified, at District of Columbia Official Code Ann. Sections 34-2201.01 *et seq.*, and the acts amendatory thereof and supplemental thereto (the "Act") and an act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996" (Public Law 104-184), as amended (the "Federal Act"), and all proceedings necessary to authorize and provide for the issuance of the Bonds, including a resolution adopted by the Board of Directors of the Authority, dated _____, 2012 (the "Resolution"), and the Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"), as amended and supplemented, including by the Thirteenth Supplemental Indenture of Trust, dated as of the Closing Date (as defined below) (the "Thirteenth Supplemental Indenture," and together with the Master Indenture as previously amended and supplemented, the "Indenture"), between the Authority and the Trustee, substantially in the forms previously delivered to us.

3. **Closing.** At 10:00 a.m. New York City Time on March , 2012, or at such other time and date as may be mutually agreed upon by the Authority and the Underwriter (the "Closing Date"), the Authority will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof in federal funds to the order of the Authority (the "Closing"). Delivery of the Bonds will be made through the facilities of The Depository Trust Company, New York, New York. The Closing will occur at the offices of Squire, Sanders (US) LLP, Washington, D.C., or such other place as may be mutually agreed on by the Authority and the Underwriter.

4. **Good Faith Check.** The Underwriter hereby delivers to the Authority a corporate check (the "Good Faith Check") payable to the order of the Authority in the amount of \$0,000,000. The Authority agrees to hold the Good Faith Check uncashed until the Closing if this offer is accepted by the Authority, and the Good Faith Check shall be returned to the Underwriter, at the time of delivery of the Bonds, at which time the Underwriter shall pay to the Authority the entire purchase price of the Bonds. In the event the Authority does not accept this offer, the Good Faith Check shall be promptly returned to the Underwriter. In the event of the Authority's failure to deliver the Bonds at the Closing, or if the Authority shall be unable to satisfy the conditions to the obligations of the Underwriter set forth in this Agreement (unless waived by the Underwriter), or if the obligations of the Underwriter shall be terminated for any reason permitted by this Agreement, the Good Faith Check shall be returned to the Underwriter, and such return shall constitute a full release and discharge of all claims and rights hereunder of the Underwriter against the Authority. In the event that the Underwriter fails (other than for a reason permitted hereunder) to accept delivery of and pay for the Bonds at the Closing as herein provided, the Good Faith Check shall be retained and cashed by the Authority as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriter and, except as set forth in this Section 4 and Section 13 hereof, neither party shall have any further right against the other hereunder. No interest shall be paid by the Authority upon the principal amount of the Good Faith Check.

5. **Public Offering of the Bonds.** It is a condition of the Authority's obligation to sell and deliver the Bonds to the Underwriter, and of the obligation of the Underwriter to purchase and accept delivery of the Bonds, that the entire principal amount of the Bonds is sold and delivered by the Authority and accepted and paid for by the Underwriter at the Closing. The Underwriter intends to make an initial public offering of all of the Bonds at the initial public offering prices set forth on the inside cover page of the Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the initial public offering prices.

6. **Preliminary and Final Official Statements.** The Authority ratifies and consents to the legally permissible use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement, dated _____, 2012, relating to the Bonds (the "Preliminary Official Statement") in connection with the public offering of the Bonds.

The form of the final Official Statement of the Authority relating to the Bonds, dated _____, 2012, including the cover page and Appendices thereto, and any revisions, amendments or supplements thereto (the "Official Statement") is attached hereto as Exhibit B. The Authority authorizes, approves, ratifies and confirms the distribution of the Official Statement in paper and electronic format by the Underwriter in connection with the public offering and sale of the Bonds.

The Authority agrees to provide to the Underwriter, at such addresses as the Underwriter specifies, as many copies of the Official Statement as the Underwriter reasonably request as necessary to comply with Rule G-32, Rule G-36 and all other applicable rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Authority agrees to deliver the Official Statement within seven (7) business days after the date hereof and in sufficient time to accompany any confirmation that requests payment from any customer and to permit the Underwriter to comply with the requirements of Rule 15c2-12 (defined below), and in any event, no later than March , 2012. The Official Statement may be revised, amended, changed or supplemented by the Authority after the execution of this Agreement only with the permission of the Underwriter.

If, during the period from the date hereof to and including the date which is 25 days after the "end of the underwriting period" (as hereinafter defined), there shall exist any event, including, but not limited to, any material adverse change in the financial condition, results of operation or condition, financial or otherwise, of the Authority, and of which the Authority has knowledge, which, in the opinion of the Underwriter and counsel to the Underwriter or in the opinion of the Authority, requires a supplement or amendment to the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, when it is delivered to a potential investor, the Authority will supplement or amend or cause to be supplemented or amended the Official Statement in a form and in a manner approved by the Underwriter and the Authority and will furnish to the Underwriter such supplement or amendment in sufficient quantity to permit the Underwriter to comply with the requirements of Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended.

For the purpose of the preceding paragraph, the Authority may assume that the “end of the underwriting period” (in accordance with and as defined in Rule 15c2-12) means the Closing Date unless the Underwriter advised the Authority in writing on the Closing Date that there remains an unsold balance of the Bonds, in which case the “end of the underwriting period” means the date as of which the Underwriter notifies the Authority that the Underwriter, directly or as a syndicate, no longer retains an unsold balance of the Bonds for sale to the public. The deemed end of the underwriting period, in order to allow the Underwriter to comply with Rule 15c2-12, shall be extended for additional periods of 30 days each upon receipt of written notification from the Underwriter that any Bonds remain unsold however, in no event shall the “end of the underwriting period” extend beyond the date sixty (60) days from the Closing Date. The Underwriter agrees to provide to the Authority written notification that none of the Bonds remain unsold which will be deemed the end of the underwriting period.

The Underwriter hereby agrees to deliver a copy of the printed paper form of the Official Statement to the MSRB in an electronic format prescribed by the MSRB for its Electronic Municipal Market Access (“EMMA”) website at www.emma.msrb.org and such other municipal information securities repository as may be required by law within the meaning of Rule 15c2-12 (a “Repository”) or any successor Repository thereto, and to the MSRB or its designee pursuant to MSRB Rule G-32 within one (1) business day of receipt of the executed final Official Statement by the Underwriter.

7. **Representations, Warranties and Covenants of the Authority.** The Authority hereby represents, warrants, covenants and agrees as follows:

a. The Authority is and will be at the Closing Date a duly organized and validly existing corporate body and independent authority of the District established under the laws of the United States and the District, including the Act and the Federal Act, with the full legal right, power and authority to (i) adopt the Resolution, (ii) execute, deliver and perform its obligations under this Agreement, the Indenture, the Certificate of Award of the Authority establishing the purchase price, maturities, interest rates, redemption provisions and other terms of the Bonds, dated the date hereof (the “Certificate of Award”), and the Continuing Disclosure Agreement of the Authority dated as of the Closing Date (the “Continuing Disclosure Agreement,” and together with this Agreement and the Indenture, the “Bond Documents”); (iii) perform its obligations under the Water Sales Agreement, dated as of July 31, 1997, between the Authority and the United States of America, acting through the Secretary of the Army (the “Water Sales Agreement”) and the Blue Plains Intermunicipal Agreement of 1985 between the District, Fairfax County, Virginia, Montgomery County, Maryland, Prince George’s County, Maryland and the Washington Suburban Sanitary Commission (the “IMA,” and together with the Water Sales Agreement, the “System Agreements”), (iv) sell, issue and deliver the Bonds to the Underwriter as provided herein, and (v) carry out and consummate the transactions contemplated by the Resolution, the Bond Documents, the Preliminary Official Statement, the Official Statement and the System Agreements; and the Authority has complied, and at the Closing Date will be in compliance, in all respects, with the Act and the Federal Act and with the obligations on its part in connection with the issuance of the Bonds contained in the Bonds, the Resolution, the Indenture, the Official Statement and this Agreement.

b. The Authority (i) has duly and validly adopted the Resolution, (ii) has authorized the execution and delivery of the Bond Documents, (iii) is authorized to execute, issue, sell and deliver the Bonds in book-entry form, (iv) is authorized to appoint, and has appointed, Wells Fargo Bank, N.A., as Trustee (the “Trustee”), and (v) has taken or will take on or before the Closing Date, all action necessary or appropriate to carry out the execution, issuance, sale and delivery of the Bonds in book-entry form to the Underwriter.

c. The adoption of the Resolution, the execution and delivery of the Bond Documents, the execution, issuance, sale and delivery of the Bonds in book-entry form and the performance by the Authority of its obligations hereunder and thereunder, and the performance by the Authority of its obligations under the System Agreements (collectively, the “Authority Undertakings”) are within the corporate powers of the Authority and are not in conflict with and will not constitute a breach or result in a violation of (i) the Act, (ii) any federal constitutional or federal or District statutory provision, including the Federal Act, (iii) any agreement or other instrument to which the Authority is a party, or (iv) any order, rule, regulation, decree or ordinance of any court of competent jurisdiction, government or governmental authority having jurisdiction over the Authority or its property.

d. The District has authorized the Authority to use all of the property and assets of the water distribution and wastewater collection, treatment and disposal systems of the Authority (the “System”), uninterrupted by the District, for as long as any revenue bonds of the Authority, including the Bonds, remain outstanding. The Authority has the full legal right, power and authority to operate the System and to collect and pledge the Revenues (as such term is defined in the Indenture) therefrom in accordance with the Indenture.

e. The Resolution or other appropriate actions adopted or taken by the Authority establishing the rates and charges for services of the System described in the Official Statement have been duly adopted or taken and are in full force and effect.

f. The System Agreements and all other agreements, permits, licenses, consents, approvals, actions, consent decrees and settlement orders material to the operation and management of the System, including the collection of the Revenues therefrom as described in the Official Statement, are in full force and effect as of the date hereof and will be on the Closing Date, and the Authority is not and will not be in default thereunder or in breach thereof. The System Agreements have been duly authorized, executed and delivered by the Authority and constitute valid and binding obligations of the Authority enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally and subject, as to enforceability, to general principles of equity.

g. The Bonds, when issued and delivered to the Underwriter in accordance with the Act, the Resolution, the Indenture and this Agreement, will constitute valid, binding and enforceable obligations of the Authority, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally and subject, as to enforceability, to general principles of equity. The Bonds are not be a pledge of and do not involve the faith and credit or the taxing power of the District and the District shall not be liable thereon.

h. The Authority is not currently failing to comply and has not failed to comply during the past five years with any continuing disclosure obligation pursuant to Rule 15c2-12. The Authority has voluntarily agreed to deliver to the Underwriter a Continuing Disclosure Agreement with respect to the Bonds that complies with the requirements of Rule 15c2-12.

i. This Agreement constitutes, and upon execution and delivery by the Authority and the other parties thereto, the other Bond Documents will constitute, the valid, binding and enforceable obligations of the Authority, subject to applicable bankruptcy, insolvency, and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

j. The Authority is not in material breach of or material default under any applicable constitutional provision or law of the United States, the District or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which it is a party or to which it or any of its property or assets is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the execution and delivery of the Bonds, this Agreement and the other Bond Documents and the adoption of the Resolution, and compliance with the provisions contained therein and herein, and in the System Agreements, do not conflict with or constitute a breach of or default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement, or other instrument to which it is a party or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of its property or assets or under the terms of any such law, regulation or instrument, except as provided by the Bonds.

k. All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter have been duly obtained or, with respect to the issuance of the Bonds, will be obtained prior to the issuance of the Bonds, which are required for the due authorization by or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the issuance of the Bonds and under this Agreement, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

l. Except as otherwise described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the official of the Authority executing this Agreement, threatened against the Authority (i) seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, the use of the Official Statement or the collection of the revenues pledged to the payment of the principal of and interest on the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity, enforceability, due authorization, execution or delivery of the Bonds, including this Agreement or the other Bond Documents, or the validity or enforceability of the System Agreements, (iii)

questioning the tax status of the Bonds under the laws of the District or the United States, (iv) in any way contesting the corporate existence or powers of the Authority or the titles of the officers of the Authority to their respective offices, (v) which may result in any material adverse change in the business or the financial condition or the financial prospects of the Authority or (vi) asserting that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

m. The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority will not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

n. The audited balance sheets of the Authority for the years ended September 30, 2011 and September 30, 2010, and the related statements of revenues, expenditures and changes in net assets and cash flows for the fiscal year ended on such date, as set forth in the Official Statement, are true, complete and correct and fairly present the financial condition of the Authority as of such date and the results of its operations for such fiscal year. There has been no material adverse change in the financial condition of the Authority since September 30, 2011, except as described in the Official Statement.

o. The Authority has duly authorized, approved and delivered the Official Statement to the Underwriter.

p. As of the date hereof, and at all times subsequent thereto up to and including the Closing Date, the Preliminary Official Statement and the Official Statement do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If between the date of the Official Statement and the Closing Date any event shall occur or any pre-existing fact or condition shall become known to the Authority that might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall promptly notify the Underwriter thereof, and if in the reasonable opinion of the Underwriter, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriter, which approval shall not be unreasonably withheld.

q. The obligation of the Authority to know or provide information within the knowledge of the Authority is limited to providing information that is in the actual knowledge of, or reasonably should have been in the actual knowledge of, the key staff members of the

Authority listed in the Official Statement under the caption "Officers and Employees" or their respective successors.

r. The Authority undertakes that, for a period beginning with the day on which the Bonds are delivered to the Underwriter and ending on the 25th day following the end of the underwriting period, as defined in Section 6, it will apprise the Underwriter of all material developments, if any, occurring with respect to the Authority, and if requested by the Underwriter, at the Authority's expense, prepare a supplement to the Official Statement in respect of any such material event.

s. The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certificates may not be relied upon.

t. Any certificate signed by an authorized delegate of the Authority and delivered to the Underwriter will be deemed a representation, warranty, covenant and agreement by the Authority to the Underwriter as to the statements made therein.

8. **Representations of the Underwriter.** (a) The Underwriter represents and warrants that it will offer the Bonds only pursuant to the Official Statement and the Underwriter agrees to make a public offering of the Bonds at the initial offering prices or yields set forth in the Official Statement as the Underwriter may deem necessary or desirable in connection with the offering and sale of the Bonds and to sell the Bonds to dealers (including dealer banks and dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices. The Underwriter agrees to deliver final Official Statements to all purchasers of the Bonds in accordance with all applicable legal requirements.

(b) The Underwriter hereby certifies that at the time of the execution of this Agreement (the "Sale Date"), based upon prevailing market conditions, it does not have any reason to believe that the Bonds will be first sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than or yields lower than the prices or yields set forth in an exhibit to this Agreement. At the Closing, the Underwriter shall deliver to the Authority the publicly available trading activity with respect to the Bonds up to the Closing Date and a certificate to the effect that (a) the Bonds have been the subject of a bona fide initial offering to the public as herein provided on the Sale Date and (b) either (i) the Underwriter first sold not less than 10% of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at yields not lower than the yields provided in the Official Statement on the Sale Date, or (ii) the Underwriter first sold not less than 10% of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at yields not lower than the yields provided in the Official Statement on the Sale Date.

9. **Rights to Cancellation by the Underwriter.** The Underwriter will have the right to cancel its obligation to purchase the Bonds if between the date hereof and the Closing Date, (a) legislation has been enacted or a decision by a federal court of the United States or the United States Tax Court has been rendered, or a ruling, regulation or official statement by or on

behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency has been made or proposed to be made with respect to federal taxation on revenues or other income to be derived from the operation of the Authority, or on interest on the Bonds, or other actions or events have occurred which have the purpose or effect, directly or indirectly, of materially adversely affecting the federal income tax consequences of any of the transactions contemplated in connection herewith, including the tax-exempt status of bonds issued by the Authority under the Internal Revenue Code of 1986, as amended, any of which, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds or the sale, at the contemplated offering price, by the Underwriter of the Bonds, or (b) legislation has been enacted, or actively considered for enactment with an effective date being prior to the date of the issuance of the Bonds, or a decision by a court of the United States has been rendered, or a ruling or regulation by the SEC or another governmental agency having jurisdiction of the subject matter has been made, the effect of which is that the Bonds are not exempt from the registration or other requirements of the Securities Act of 1933, as amended and as then in effect (the "1933 Securities Act"), or that the Indenture is not exempt from the qualification or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect (the "Trust Indenture Act"), or (c) a stop order, ruling or regulation by the SEC has been issued or made, the effect of which is that the issuance, offering or sale of the Bonds as contemplated hereby or by the Official Statement is or would be in violation of any provision of the 1933 Securities Act, or of the Securities Exchange Act of 1934, as amended and as then in effect, or of the Trust Indenture Act, or (d) there exists any event which in the reasonable judgment of the Underwriter either (i) makes untrue or incorrect any statement or information of a material fact contained in the Official Statement or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein, in light of the circumstances under which they were made, not misleading, and, in either such event the Authority refuses to permit the Official Statement to be supplemented to correct or supply such statement or information, or the statement or information as supplemented is such as in the reasonable judgment of the Underwriter would materially adversely affect the market for the Bonds or the sale, at the contemplated offering price, by the Underwriter of the Bonds, or (e) there has occurred any outbreak or escalation of hostilities or any national or international calamity or crisis, including a financial crisis, not existing on the date hereof; the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for the Bonds, or the sale, at the contemplated offering prices, by the Underwriter of the Bonds, or (f) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal agency of the Congress of the United States, or by Executive Order, or (g) there is in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for the Bonds or the sale, at the contemplated offering price, by the Underwriter of the Bonds, or (h) a general banking moratorium has been declared by Federal, District or New York authorities, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for the Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Bonds, or (i) there has occurred since

September 30, 2011, any material adverse change in the affairs of the Authority from that reflected in the financial information and data of the Authority included in or as an appendix to the Official Statement, other than as previously disclosed to the Underwriter.

10. **Conditions to Obligations of the Underwriter at Closing.** The Underwriter has entered into this Agreement in reliance on the representations, warranties, covenants and agreements of the Authority contained herein, and in reliance on the representations, warranties, covenants and agreements to be contained in the documents and instruments to be delivered at the Closing and on the performance by the Authority of its obligations hereunder, as of the Closing Date. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds are conditioned on the performance by the Authority of its obligations to be performed hereunder and the delivery of such documents and instruments enumerated herein in form and substance reasonably satisfactory to the Underwriter and Orrick, Herrington & Sutcliffe LLP, Washington, D.C., and McKenzie & Associates, Washington, D.C., co-counsel to the Underwriter, at or before the Closing, and are also subject to the following additional conditions:

a. The representations, warranties, covenants and agreements of the Authority contained herein are true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

b. The provisions of the Act and the Federal Act, as in effect on the date of this Agreement, shall be in full force and effect and shall not have been amended, except as to amendments which, in the reasonable opinion of the Underwriter, are not adverse to the interest of the Underwriter or the Bondholders;

c. At the time of the Closing, the Resolution is in full force and effect in accordance with its terms and has not been amended, modified or supplemented, and the Official Statement has not been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

d. At the time of the Closing, all official action of the Authority relating to the Bonds, the Bond Documents and the System Documents are in full force and effect in accordance with their respective terms and have not been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Underwriter;

e. At the time of the Closing the Authority will perform or will have performed all of its obligations required under or specified in this Agreement, the Resolution and the Indenture, or contemplated by the Resolution, the Indenture or the Official Statement, to be performed prior to the Closing; and

f. At or before the Closing, the Underwriter will have received true and correct copies of each of the following documents:

i. A certified copy of the Resolution;

ii. The Official Statement and each supplement or amendment, if any, thereto, executed by the Authority;

iii. Counterparts of each of the fully executed Bond Documents and the System Agreements;

iv. The approving opinion of Co-Bond Counsel in substantially the form attached to the Official Statement as Appendix F and a supplemental opinion, dated the Closing Date, substantially in the form of Exhibit C hereto, and reliance letters with respect to such opinions addressed to Wells Fargo Bank, N.A., as Trustee;

v. An opinion, dated the Closing Date, of General Counsel to the Authority, substantially in the form of Exhibit D hereto;

vi. An opinion, dated the Closing Date, of Orrick, Herrington & Sutcliffe LLP and McKenzie & Associates, co-counsel to the Underwriter, substantially in the form of Exhibit E hereto;

vii. An opinion, dated the Closing Date, of counsel to the Trustee, in a form approved by the Underwrites and its counsel;

viii. A manually signed Financial Feasibility Opinion Letter dated _____, 2012 of Amawalk Consulting Group LLC (the "Financial Feasibility Consultant"), regarding the financial feasibility of the issuance of the Bonds in substantially the form attached to the Preliminary Official Statement and the final Official Statement as Appendix A and permitting the use of such letter and references to said firm in the Preliminary Official Statement and the Official Statement;

ix. A certificate of the Financial Feasibility Consultant with respect to the issuance and sale of the Bonds, substantially in the form attached hereto as Exhibit F;

x. Evidence of the completion of Internal Revenue Service Form 8038-G with respect to the issuance of the Bonds;

xi. One or more certificates of the Authority, dated the Closing Date, (A) to the effect that the representations, warranties, covenants and agreements of the Authority herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date, and that the Authority has performed all obligations to be performed hereunder as of the Closing Date; (B) to the effect that the Bond Documents, the Bonds and the System Agreements have not been modified, amended or repealed after the date hereof without the written consent of the Underwriter; (C) to the effect that no material change has occurred with respect to the System from the period from the date of this Agreement through the Closing Date; (D) approved by Bond Counsel, (aa) setting forth the facts, estimates and circumstances in existence on the Closing Date which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of the Code and any Regulations, Temporary Treasury Regulations and Proposed Treasury Regulations issued pursuant to the Code, and (bb) certifying that to the best of the knowledge and belief of the signing officer, there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

xii. Evidence that Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") have issued ratings on the Bonds of "Aa3", "AA-" and "AA-" respectively; and

xiii. Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Authority's representations, warranties, covenants and agreements contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority on or prior to the Closing Date of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

11. **Obligations Upon Cancellation.** If the Authority is unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept the delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds is terminated for any reason permitted by this Agreement, this Agreement will terminate and neither the Underwriter nor the Authority will be under any further obligation hereunder.

12. **Certain Information Provided by the Underwriter.** The Underwriter confirms and the Authority acknowledges that the statements with respect to the public offering of the Bonds by the Underwriter set forth on the inside cover page of the Official Statement, the legend concerning over-allotments in the Official Statement and the text under the caption "UNDERWRITING" in the Official Statement constitute the only information concerning the Underwriter furnished in writing to the Authority by or on behalf of the Underwriter for inclusion in the Official Statement.

13. **Closing.** The Underwriter shall have the right to delay the Closing and reschedule the Closing Date if, subsequent to the date hereof, and at any time prior to the Closing a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred. The Closing Date shall be rescheduled to a date mutually agreed upon by the Authority and the Underwriter once the material disruption has been alleviated.

14. **No Advisory or Fiduciary Role.** The Authority acknowledges and agrees that: (i) the transactions contemplated by this Agreement are arm's length, commercial transactions between the Authority and the Underwriter in which the Underwriter is acting solely as an agent, and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Authority with respect to the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter or its affiliates have provided other services or is currently providing other services to the Authority on other matters); (iii) the only obligations the Underwriter have to the Authority with respect to the transactions contemplated hereby expressly are set forth in this Agreement; and (iv) the

Authority has consulted its own financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate.

15. **Expenses.** The Authority will pay all costs of issuance of the Bonds including, but not limited to (a) the cost of preparation and posting of the Preliminary Official Statement and the cost of preparation, posting, printing and delivery of the Official Statement, including the number of copies the Underwriter deems reasonable; (b) any cost of preparation of the Bonds; (c) the fees and disbursements of Co-Bond Counsel; (d) the fees and disbursements of any accountants, consultants, financial advisors or additional legal counsel retained in connection with the issuance of the Bonds, including the Financial Feasibility Consultant; (e) fees for Bond ratings; (f) the expenses of travel and lodging for Authority Representatives to attend conferences with the rating agencies and investor meetings; (g) all advertising expenses in connection with the public offering of the Bonds; (h) the costs of filing fees required by any of the Blue Sky laws; and (i) all out-of-pocket and computer costs associated with the issuance of the Bonds. The Authority acknowledges that a portion of the Underwriter's discount is intended to reimburse the Underwriter for meals and refreshments provided to Authority Representatives at meetings in connection with the Bonds. The Authority shall reimburse the Underwriter for the fees and expenses of Underwriter's counsel and other expenses incurred in connection with the performance of Underwriter's obligations hereunder.

16. **Notices.** Any notice or other communication to be given to the Authority under this Agreement may be given by delivering the same in writing to the address shown on the first page of this Agreement to the attention of the Chief Financial Officer, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Morgan Stanley & Co. Incorporated _____, Attention: _____.

17. **Parties in Interest; Survival of Representations and Warranties.** This Agreement, when accepted in accordance with the provisions hereof, shall constitute the entire agreement between the Authority and the Underwriter and is made solely for the benefit of the Authority and the Underwriter (including the successors or assigns of the Authority or the Underwriter) and no other person will acquire or have any right hereunder or by virtue hereof. All of the Authority's and Underwriter's representations, warranties, covenants and agreements contained in this Agreement will remain operative and full force and effect regardless of (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Agreement.

18. **Effective Date.** This Agreement will become effective upon its acceptance by the Authority, as evidenced by the execution hereof by the appropriate official of the Authority, and will be valid and enforceable at the time of such acceptance.

19. **Execution in Counterparts.** This Agreement may be executed in counterparts each of which shall be regarded as an original and all of which shall constitute one and the same document.

20. **Finder.** The Authority represents and warrants that no finder or other agent of a finder has been employed or consulted by it in connection with this transaction.

21. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the District of Columbia.

MORGAN STANLEY & CO. INCORPORATED

By: _____

[SIGNATURE PAGE TO SERIES 2012B-2 BOND PURCHASE AGREEMENT]

Accepted: _____, 2012

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

By _____

Name: Olu Adebo

Title: Chief Financial Officer

[SIGNATURE PAGE TO SERIES 2012B-2 BOND PURCHASE AGREEMENT]

EXHIBIT A-1

\$50,000,000*

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B
(SIFMA Index) Subseries B-2**

Serial Bonds

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
--	---	--	---------------------

Term Bonds

\$___ % Term Bonds due October 1, 20 Priced to Yield %

\$___ % Term Bonds due October 1, 20 Priced to Yield %

* Preliminary, subject to change.

TERMS OF REDEMPTION

MANDATORY SINKING FUND REDEMPTION

The \$ Term Bonds maturing on October 1, 20 shall be subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Principal Amount</u>
-------------	-----------------------------

* Final maturity

The \$ Term Bonds maturing on October 1, 20 shall be subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Principal Amount</u>
-------------	-----------------------------

* Final maturity

EXHIBIT B
OFFICIAL STATEMENT

EXHIBIT C
[FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL]

EXHIBIT D

[FORM OF AUTHORITY'S GENERAL COUNSEL OPINION]

___, 2012

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, DC 20032

\$50,000,000

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B
(SIFMA Index) Subseries B-2**

Ladies and Gentlemen:

I am General Counsel to the District of Columbia Water and Sewer Authority (the "Authority") and in connection with the issuance by the Authority of its District of Columbia Water and Sewer Authority \$50,000,000 Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (SIFMA Index) Subseries B-2 (the "Series 2012 Bonds"). I have reviewed an executed copy of the Bond Purchase Agreement, dated March , 2012, between the Authority and Morgan Stanley & Co. Incorporated., as the Underwriter, with respect to the Series 2012 Bonds (the "Bond Purchase Agreement") and the Official Statement, dated March , 2012, being distributed in connection with the issuance of the Series 2012 Bonds (the "Official Statement"). Capitalized terms used and not defined herein shall have the respective meanings given to such terms in the Bond Purchase Agreement.

I have also examined an act of the Council of the District of Columbia entitled the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996," codified, as amended, at District of Columbia Official Code Ann. Sections 34-2201.01 *et seq.*, and the acts amendatory thereof and supplemental thereto (the "Act"), and an act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996" (Public Law 104-184), as amended (the "Federal Act"), certified copies of proceedings of the Authority authorizing the issuance of the Series 2012 Bonds, including the Resolution and such other proceedings as I have considered necessary or advisable to render the following opinions.

In rendering the following opinions, I have relied on representations of the Authority as to matters of fact without independent investigation or verification and, as to matters of law, the representations of Co-Bond Counsel without independent research or verification and have assumed the genuineness of all signatures, the authenticity of all documents tendered to me as

originals and the conformity to original documents of all documents submitted to me as certified or photostatic copies.

Based upon review of the materials described above and subject to the recitals and qualifications herein contained, to the best of my knowledge, information and belief, it is my opinion that:

1. The Authority is a body corporate duly created, organized and validly existing as an independent authority of the District under the Act and under the Federal Act (the Act and the Federal Act being sometimes hereinafter referred to as, the "Acts"). The Authority has the full legal right, power and authority to (i) adopt the Resolution, (ii) issue the Series 2012 Bonds, (iii) execute, deliver and perform its obligations under the Bond Documents, and (iv) perform its obligations under the System Agreements.

2. The Federal Act was duly enacted by Congress and the Act was duly enacted by the Council of the District of Columbia. The Acts remain in full force and effect. The Act transferred all assets and liabilities of the Water and Sewer Utility Administration ("WASUA") as indicated on the balance sheet prepared by WASUA, effective April 17, 1996, on an interim basis for the exclusive use and possession of the Authority for so long as any revenue bonds of the Authority, including the Bonds, remain outstanding.

3. The Resolution was adopted by the Authority and has not been amended since the date of the adoption thereof and remains in full force and effect as the date hereof.

4. (i) The adoption of the Resolution, the issuance of the Series 2012 Bonds, the execution and delivery of the Bond Documents and the performance of the Authority's obligations thereunder, and (ii) the performance of the Authority's obligations under the System Agreements, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority, a breach of or default under any agreement or other instrument to which the Authority is a party, or any existing law, administrative regulation, court order, settlement order or consent decree to which the Authority is subject.

5. Except as otherwise described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best of my knowledge, threatened against the Authority (i) seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Series 2012 Bonds, the use of the Official Statement or the collection of the revenues pledged to the payment of the principal of and interest on the Series 2012 Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Series 2012 Bonds or the validity, enforceability, due authorization, execution or delivery of the Series 2012 Bonds, including the Bond Purchase Agreement or the other Bond Documents, or the validity or enforceability of the System Agreements, (iii) questioning the tax-exempt status of the Series 2012 Bonds under the laws of the District or the United States, (iv) in any way contesting the corporate existence or powers of the Authority or the titles of the officers of the Authority to their respective offices, (v) which may result in any material adverse change in the business or the financial condition or the

financial prospects of the Authority or (vi) asserting that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

6. The statements and information contained in the Official Statement under the caption entitled "LITIGATION," are true, correct and complete in all material respects, and the information under such caption does not contain any untrue statement of a material fact and does not omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

7. Pursuant to the Acts, the Authority has the full legal right, power and authority to operate the System and to collect and pledge the Revenues therefrom in accordance with the Indenture.

8. The Authority has approved the form of the Official Statement, the execution of the Official Statement and the delivery of the Official Statement to the purchasers of the Series 2012 Bonds.

9. The Authority has obtained the consents, approvals, authorizations or other orders required for the consummation of the transactions contemplated by the Bond Purchase Agreement, including the issuance of the Series 2012 Bonds.

This opinion and all documents which relate to this opinion are to be construed in accordance with the laws of the District and the United States of America. This opinion is rendered solely for the use of the Authority and may not be relied on by any other person.

Very truly yours,

General Counsel

EXHIBIT E

[PROPOSED FORM OF OPINION OF UNDERWRITERS' COUNSEL]

March __, 2012

\$50,000,000

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B
(SIFMA Index) Subseries B-2**

J.P. Morgan Securities, LLC,
as underwriter

Ladies and Gentlemen:

We have acted as counsel for you as the underwriter (the "Underwriter") in connection with your purchase from the District of Columbia Water and Sewer Authority (the "Authority") of its \$50,000,000 aggregate principal amount of the District of Columbia Water and Sewer Authority Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2012B (SIFMA Index) Subseries B-2 (the "Bonds"), pursuant to the Bond Purchase Agreement, dated March , 2012 (the "Purchase Agreement"), between you and the Authority. The Bonds are to be issued pursuant to the Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), as amended and supplemented to the date of delivery of the Bonds (the "Indenture"), including by the Thirteenth Supplemental Indenture of Trust, to be dated the date of issuance and delivery of the Bonds (the "Thirteenth Supplemental Indenture"), each by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be used to finance certain Costs of the System, (ii) pay capitalized interest for a portion of the capital improvements and (iii) refinance a portion of the Authority's outstanding commercial paper notes and (iv) pay costs of issuing the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Agreement.

In that connection, we have reviewed the Indenture, the official statement of the Authority, dated March , 2012, with respect to the Bonds (the "Official Statement"), the Continuing Disclosure Agreement, dated March , 2012 (the "Continuing Disclosure Agreement"), the Purchase Agreement, certificates of the Authority, the Trustee and others, the opinions referred to in paragraph 10(f) of the Purchase Agreement, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions and conclusions hereinafter expressed. We do not assume any responsibility for any electronic version of the Official Statement and assume that any such version is identical in all respects to the printed version.

In arriving at the opinions and conclusions hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein), including (without limitation) any representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Bonds and the exclusion of interest thereon from gross income for federal income tax purposes, and any laws, documents and instruments that may be related to the issuance, payment or

security of the Bonds. We have assumed that all records, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

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

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as your counsel, to assist you with your responsibility with respect to the Official Statement, we participated in conferences with your representatives and representatives of the Authority, Squire, Sanders (US) LLP and Leftwich & Ludaway, L.L.C., as co-bond counsel, accountants, feasibility consultants and others, during which the contents of the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon and on the records, documents, certificates, opinions and matters herein mentioned (as set forth above), we advise you as a matter of fact and not opinion that, during the course of our representation of you on this matter, no facts came to the attention of the attorneys in our firm rendering legal services to you in connection with the Official Statement which caused us to believe that the Official Statement as of its date and as of the date hereof (except for any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about litigation to which the Authority is a party, any management discussion and analysis, Appendices to the Official Statement, or any information about book-entry, DTC and tax exemption of the Bonds, which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity.

We are furnishing this letter to you pursuant to paragraph 10(f) of the Purchase Agreement solely for your benefit as Underwriter. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

EXHIBIT F

FORMS OF FINANCIAL FEASIBILITY CONSULTANT'S CERTIFICATE AS TO ITS
OPINION LETTER INCLUDED IN THE OFFICIAL STATEMENT AS APPENDIX A

ATTACHMENT 9

DRAFT 02/15/12

ESCROW AGREEMENT

Among

DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY

WELLS FARGO BANK, N.A.
as Trustee

and

WELLS FARGO BANK, N.A.
as Escrow Agent

with respect to

[\$176,220,000]
Public Utility Subordinate Lien Revenue Refunding Bonds
Series 2012C

Dated March [___], 2012

ESCROW AGREEMENT

This ESCROW AGREEMENT is made and entered into as of March [___], 2012 between the District of Columbia Water and Sewer Authority (the "Authority") and Wells Fargo Bank, N.A., a national banking association, having a corporate trust office in Columbia, Maryland, as the trustee (in such capacity, the "Trustee"), and as the escrow agent (in such capacity, the "Escrow Agent").

WITNESSETH:

WHEREAS, the Authority has heretofore duly issued, pursuant to a Master Indenture of Trust, dated as of April 1, 1998 (the "Master Indenture"), as supplemented and amended through the Fourth Supplemental Indenture of Trust, dated as of August 12, 2003, its Public Utility Subordinated Lien Revenue Bonds, Series 2003 (the "Series 2003 Bonds"), of which \$[176,220,000] is currently outstanding; and

WHEREAS, the Authority has decided to issue its Public Utility Subordinate Lien Revenue Refunding Bonds, Series 2012C (the "Series 2012C Bonds"), in an aggregate principal amount of \$[000,000,000], pursuant to the Master Indenture, as previously amended and supplemented and as further supplemented by the Thirteenth Supplemental Indenture of Trust, dated as of March [___], 2012, by and between the Authority and the Trustee (the "Thirteenth Supplemental Indenture" and, together with the Master Indenture, as previously amended and supplemented, the "Indenture"); and

WHEREAS, a portion of the proceeds of the Series 2012C Bonds, together with other funds of the Authority, will be used to purchase securities which, along with cash, shall be deposited in the Series 2012 Escrow Account established pursuant to the Thirteenth Supplemental Indenture; and

WHEREAS, the cash and the securities deposited into the Series 2012 Escrow Account, together with investment income thereon, will provide sufficient funds to (i) pay interest on the Series 2003 Bonds identified in Appendix A (the "Refunded Bonds") prior to October 1, 2013, and (ii) redeem the Refunded Bonds on October 1, 2013; and

WHEREAS, the Authority is entering into this Escrow Agreement with the Escrow Agent simultaneously with the delivery of the Series 2012C Bonds in order to insure that the required procedures will be followed to make the debt service payments on the Refunded Bonds prior to October 1, 2013, and to redeem the Refunded Bonds on October 1, 2013; and

WHEREAS, the Authority has taken action to cause to be delivered to the Escrow Agent for deposit in or credit to the Series 2012 Escrow Account immediately available funds from the proceeds of the Series 2012C Bonds and other funds of the Authority, which, together with the investment earnings thereon, will be sufficient to (i) pay the debt service on the Refunded Bonds prior to October 1, 2013, and (ii) redeem the Refunded Bonds on October 1, 2013, and to have

the mathematical accuracy of the computations relating to the sufficiency of such Series 2012 Escrow Account moneys to be verified by [TO BE DETERMINED], independent certified public accountants (the "Verification Agent").

NOW, THEREFORE, the Authority and the Escrow Agent hereby agree as follows:

Section 1. Funding and Maintenance of the Series 2012 Escrow Account. Until all principal of, premium, if any, and interest on the Refunded Bonds have been paid in full, the Escrow Agent shall maintain the Series 2012 Escrow Account as a special segregated and irrevocable escrow account. The Series 2012 Escrow Account shall be for the benefit of the holders of the Refunded Bonds. All securities, investments and moneys held therein shall be wholly segregated from all other securities, investments or moneys on deposit with the Escrow Agent, if any. All securities, investments and moneys held in the Series 2012 Escrow Account shall be irrevocably pledged to secure the payment of the principal of, premium, if any, and interest on the Refunded Bonds.

The Authority hereby directs the Trustee to transfer to the Escrow Agent [\$000,000,000.00] of the proceeds of the Series 2012C Bonds and [\$00,000,000.00] of other funds of the Authority for deposit into the Series 2012 Escrow Account.

The Escrow Agent hereby acknowledges the receipt and deposit in the Series 2012 Escrow Account of an amount equal to [\$000,000,000] in immediately available funds.

Section 2. Investment of the Series 2012 Escrow Account.

(a) The Escrow Agent represents and acknowledges that, concurrently with the deposit of the amounts into the Series 2012 Escrow Account as described in Section 1 hereof, it shall apply a portion of such funds to purchase, on behalf of and for the account of the Authority, escrow securities in the par amount of [\$000,000,000.00], at the yield and the maturity set forth in **Appendix B** attached hereto (the "Escrow Securities"). The remaining deposit of [\$00000.00] shall be held in cash. The Escrow Securities shall be non-callable prior to the date upon which such securities shall be needed to (i) pay the interest on the Refunded Bonds prior to October 1, 2013, and (ii) redeem the Refunded Bonds on October 1, 2013. The Escrow Securities may be sold, transferred, disposed of or redeemed only at the direction of the Authority, as set forth in subsection (c) hereof, and shall mature on or before the time the proceeds thereof will be required for the payment of the principal of, premium, if any, and interest on the Refunded Bonds on October 1, 2013.

(b) Any amounts received from the Escrow Securities or held in cash referenced in clause (a) above that are not needed at the time of receipt to make the aforesaid payments on the Refunded Bonds shall remain in trust for the benefit of the holders of the Refunded Bonds, uninvested, until applied as aforesaid; provided, that such amounts shall be applied to the purchase of Substitute Obligations (as defined in Section 2(d)(ii) hereof), and the interest thereon shall be applied in such manner, as may be specified in writing by the Authority,

but only if the Escrow Agent receives (i) the certificate of an independent public accountant described in Section 2(d)(ii)(A) hereof with respect to such purchase of Substitute Obligations and such application of the interest thereon, and (ii) an approving opinion of Bond Counsel to the effect that such use of funds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Refunded Bonds or on the Series 2012C Bonds.

(c) The Series 2012 Escrow Account shall be maintained to and including the date upon which the Escrow Agent makes the final payment of the principal of, premium, if any, and interest on the Refunded Bonds, whereupon the Escrow Agent shall, upon the written direction of the Authority, sell or redeem any Escrow Securities remaining in the Series 2012 Escrow Account and shall deliver to the Authority any money received from such sales and any money then remaining in the Series 2012 Escrow Account.

Based on the report, dated March [___], 2012, prepared by the Verification Agent (the "Verification Report"), a copy of which is attached as Appendix C hereto, which verifies the mathematical accuracy of the computations prepared by Siebert Brandford Shank & Co., L.L.C., as representative of the underwriters (the "Underwriters") named in the Bond Purchase Agreement dated as of March [___], 2012, entered into by and between the Authority and the Underwriters, and confirms the Underwriters' calculations that the moneys on deposit in the Series 2012 Escrow Account will be sufficient to pay interest on the Refunded Bonds prior to October 1, 2013 and redeem the Refunded Bonds on October 1, 2013, the Authority represents that the amounts deposited in the Series 2012 Escrow Account, together with interest thereon, will be sufficient to pay interest on the Refunded Bonds prior to October 1, 2013 and redeem the Refunded Bonds on October 1, 2013.

(d) (i) Except as otherwise provided in this Section 2, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, redeem, transfer or otherwise dispose of or make substitutions of the Escrow Securities. Subject to the provisions of subsection (b), any funds held in the Series 2012 Escrow Account that are not invested shall be held in cash.

(ii) At the request of the Authority and upon compliance with the conditions contained herein, the Escrow Agent shall sell, transfer or otherwise dispose of or request the redemption of all or a portion of the Escrow Securities, and shall substitute for such Escrow Securities, direct non-callable obligations of the United States of America (the "Substitute Obligations"), whereupon, references in this Escrow Agreement to Escrow Securities shall include any such Substitute Obligations. The Authority hereby covenants and agrees that it will not request the Escrow Agent to exercise any of the powers described in this Section in any manner which would adversely affect the exclusion from gross income for Federal income tax purposes of interest on either the Refunded Bonds or the Series 2012C Bonds. The Escrow Agent shall purchase such Substitute Obligations with the proceeds derived from the sale, transfer, disposition or redemption of such Escrow Securities. The transaction may be effected only if the Authority delivers to the Escrow Agent:

(A) a report of nationally recognized independent certified public accountants which verifies the mathematical accuracy of the computations which reflect the principal amount of such Substitute Obligations, together with the interest income to be received thereon, will be sufficient to make timely payments on the Refunded Bonds;

(B) a certificate of the Authority that, based on such verification report prepared by independent certified public accountants, the amount deposited in the Series 2012 Escrow Account will be sufficient to pay interest on the Refunded Bonds prior to October 1, 2013 and redeem the Refunded Bonds on October 1, 2013;

(C) a certificate of the Trustee acknowledging the deposit of moneys and the receipt of the verification report described in (A) above as to the sufficiency of the Substitute Obligations to make the payments on the Refunded Bonds; and

(D) an opinion of Bond Counsel to the effect that the sale, transfer, disposition or redemption of the Escrow Securities and purchase of such Substitute Obligations (i) will not affect the exclusion from gross income for Federal income tax purposes of interest on either the Refunded Bonds or the Series 2012C Bonds, and (ii) is permitted hereunder.

The Escrow Agent shall not be liable or responsible for any loss resulting from any investment or reinvestment made pursuant to this subsection unless such loss is due to the negligence or willful misconduct of the Escrow Agent.

(e) The Escrow Agent shall have no liability for the payment of the principal of, premium, if any, and interest on the Refunded Bonds, except from the Escrow Securities and moneys on deposit in the Series 2012 Escrow Account.

Section 3. Payment and Redemption of the Refunded Bonds. The Authority hereby requests and irrevocably instructs the Escrow Agent, and the Escrow Agent hereby agrees, to collect and deposit in the Series 2012 Escrow Account the principal of and interest on the Escrow Securities held for the account of the Series 2012 Escrow Account as promptly as such principal and interest becomes due, and to apply such principal and interest, together with any other moneys and the principal of and interest on any other securities deposited in the Series 2012 Escrow Account to pay interest on the Refunded Bonds prior to October 1, 2013 and redeem the Refunded Bonds on October 1, 2013

Section 4. Defeasance and Redemption Notices. The Authority hereby requests and irrevocably instructs the Escrow Agent and the Escrow Agent hereby agrees to immediately provide notice by first class mail to the Municipal Securities Rulemaking Board (“MSRB”), Financial Guaranty Insurance Company, the issuer of a municipal bond new issue insurance

policy in connection with the Series 2003 Bonds (the “Bond Insurer”), TD Bank, N.A., the issuer of a letter of credit as a Reserve Credit Facility with respect to the Series 2003 Bonds (“TD Bank”), Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), Moody’s Investor Service, Inc. (“Moody’s”) and Fitch Ratings, Inc. (“Fitch”) of the advanced refunding of the Refunded Bonds and the deposit of the Escrow Securities and any money in escrow for that purpose. A form of the defeasance notice is attached as **Appendix D** hereto. The Authority hereby requests and irrevocably instructs the Escrow Agent and the Escrow Agent hereby agrees to provide notice of redemption of the Refunded Bonds not less than thirty (30) days nor more than sixty (60) days prior to October 1, 2013, in the form of the notice attached hereto as **Appendix E**, by registered or certified-mail or overnight express delivery, to (a) the registered owner of each the Refunded Bonds at the address as it appears on the registration books kept by the Trustee, (b) the Bond Insurer, (c) TD Bank, (d) the organizations registered with the Securities and Exchange Commission as securities depositories set forth on **Appendix F** as the same may be supplemented or amended by the Authority, and (e) each nationally recognized municipal securities information repository designated as such by the Securities and Exchange Commission. To the extent permitted by the bond documents pertaining to the Series 2003 Bonds, any of the notices provided in this Section 4 may be provided by means of facsimile transmission, email transmission or other similar electronic means of communications providing evidence of transmission.

Section 5. Possible Deficiencies.

(a) If at any time the Escrow Agent has actual knowledge that the moneys in the Series 2012 Escrow Account, including the anticipated proceeds of the Escrow Securities, will not be sufficient to make all payments required by Section 3 hereof, the Escrow Agent shall notify the Authority in writing as soon as is reasonably practicable of the amount of such deficiency and the reason therefor.

(b) Upon receipt of the notice specified in subsection (a) hereof, the Authority shall cause to be irrevocably deposited in the Series 2012 Escrow Account, from any legally available moneys, such additional moneys as may be required to fully meet the aggregate amounts to become due and payable for the principal of, premium, if any, and interest on the Refunded Bonds as the same may become due and payable.

(c) The Escrow Agent shall in no manner be responsible for the Authority’s failure to make such deposit.

Section 6. Duties of Escrow Agent. So long as the Refunded Bonds are outstanding, the Escrow Agent shall forward a monthly statement to the Authority describing the Escrow Securities held, including the income earned thereon and the maturities thereof, and any withdrawals of moneys from the Series 2012 Escrow Account since the last statement furnished pursuant to this Section.

Section 7. Fees and Costs.

(a) The Escrow Agent shall be compensated, based on itemized invoices submitted to the Authority, for its reasonable fees, expenses and disbursements incurred with respect to service rendered hereunder.

(b) The Escrow Agent also shall be entitled to additional fees and reimbursements for costs incurred, including, but not limited to, legal and accountants' services, in connection with any litigation which may at any time be instituted involving this Escrow Agreement.

(c) The right to receive compensation notwithstanding, the Escrow Agent acknowledges that it, as Escrow Agent, has no claim for any such payment under the Indenture and that it has no lien on the moneys on deposit in the Series 2012 Escrow Account for such payment.

(d) In the event of the resignation of the Escrow Agent prior to the expiration of this Escrow Agreement, the Escrow Agent shall rebate to the Authority a ratable portion of any fee theretofore paid by the Authority to the Escrow Agent for its services under this Escrow Agreement.

Section 8. Resignation of Escrow Agent. The Escrow Agent may resign and be discharged of its duties hereunder provided that: (i) the Authority has received written notice at least thirty (30) days prior to such resignation; (ii) the Authority has appointed a successor to the resigning party; (iii) the Authority has received an instrument of acceptance in form and substance acceptable to it, executed by the successor; and (iv) the resigning party has duly delivered to its successor hereunder all of the escrow documents including the Indenture and this Escrow Agreement, the Escrow Securities, and moneys and investments held by the resigning party. Such resignation shall take effect only upon the occurrence of all of the events listed in clauses (i) through (iv) above. Upon receipt by the Authority of the written notice described in clause (i) above, the Authority shall use its best efforts to obtain a successor to such resigning party as soon as possible. Notwithstanding the foregoing, if the Authority fails to appoint a successor within thirty (30) days, the Escrow Agent reserves the right to petition a court of competent jurisdiction to appoint a successor.

Section 9. Termination of Escrow Agreement. This Escrow Agreement shall terminate when the principal of, premium, if any, and interest on the Refunded Bonds have been paid in full; provided, that moneys held by the Escrow Agent for the payment and discharge of any of the Refunded Bonds which remain unclaimed five (5) years after the date when all of such Refunded Bonds shall have become due and payable, either at their stated maturity dates or by call for earlier redemption, shall at the written request of the Authority, be repaid by the Escrow Agent to the Authority, as its absolute property, free from the lien created by the Indenture. The Escrow Agent shall thereupon be released and discharged with respect thereto and hereto and the holders of such Refunded Bonds shall look only to the Authority for the payment of such Refunded Bonds.

Section 10. Benefit of Agreement; Amendments.

(a) This Agreement is made for the benefit of the Authority and the holders from time to time of the Refunded Bonds except as otherwise expressly provided herein.

(b) This Agreement shall not be repealed, revoked, rescinded, altered, amended or supplemented in whole or in part without the written consent of the Escrow Agent and the holders of the unpaid Refunded Bonds; provided, however, that upon prior written notice to Moody's, Fitch and S&P and (1) receipt by each such agency of draft copies of any such proposed amendment, and (2) receipt from each such agency of the notice that such amendment shall not adversely affect its rating on the Refunded Bonds, the Authority and the Escrow Agent may, without the consent of, or notice to, such holders, enter into such amendment to this Agreement that will not adversely affect the rights of such holders and that will not be inconsistent with the terms and provisions of this Agreement (the "Amendment"), for any one or more of the following purposes:

(i) to correct or cure any ambiguity or formal defect or omission in this Agreement;

(ii) to grant to, or confer upon, the Escrow Agent for the benefit of such holders any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent;

(iii) to subject to this Agreement additional funds, securities or property; and

(iv) to sever any invalid provision from this Agreement.

(c) The Escrow Agent shall not undertake or execute any Amendment unless it has received:

(i) If the Amendment affects the aggregate amount or payment terms of the Escrow Securities, an opinion of an independent certified public accountant reasonably acceptable to the Escrow Agent and the Authority that after such Amendment the interest on and maturing principal of the Escrow Securities, without further reinvestment, and any other funds then held pursuant to this Agreement will provide moneys in amounts and at times as necessary to pay all principal of and redemption premium and interest on the Refunded Bonds as the same are due or are called for redemption as set forth in Section 2; and

(ii) An opinion of Bond Counsel that the Amendment (A) will not affect the exclusion from gross income for Federal income tax purposes of interest on either the Refunded Bonds or the Series 2012C Bonds, (B) is in compliance with the Internal Revenue Code of 1986, as amended, and (C) the Amendment complies with the

requirements of this Section 10.

(d) The Authority shall provide Moody's, Fitch and S&P with written notice prior to such time as this Agreement shall be replaced, revoked, rescinded, altered, amended or supplemented at the following addresses:

Moody's Investors Service, Inc.
Public Finance Rating Desk/Refunded Bonds
99 Church Street
New York, New York 10007

Standard & Poor's, a division of The McGraw-Hill Companies, Inc.
25 Broadway, 21st Floor
New York, New York 10004

Fitch, Inc.
One State Street Plaza
New York, New York 10004

Section 11. Notices. Any notice, authorization, request or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

If to the Authority, at:

District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032
Attn: Chief Financial Officer

If to the Escrow Agent, at:

Wells Fargo Bank, N.A.
9062 Old Annapolis Road
Columbia, Maryland 21045
Attn: Beth Wexler

Any of such addresses may be changed at any time upon written notice of such change being sent by United States registered mail, postage prepaid, to the other parties by the party affecting the change. Any notices to the holders of the Refunded Bonds shall be made in a manner as prescribed in the Indenture.

Section 12. Time of Performance. Whenever, under the terms of this Escrow Agreement, the performance date of any act to be done hereunder shall fall on a day which is not

a legal banking day or upon which the Escrow Agent is not open for business, the performance thereof on the next succeeding business day shall be deemed to be in full compliance with this Escrow Agreement. The Escrow Agent shall perform all obligations imposed upon it under this Escrow Agreement in a timely manner.

Section 13. Reliance by Escrow Agent. The Escrow Agent shall be entitled to rely and act upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document reasonably believed by it to be genuine and to have been signed and presented by the proper party or parties. The Escrow Agent may consult with Bond Counsel, or, in the discretion of the Escrow Agent, it may consult with its own counsel as to anything arising in connection with the duties herein undertaken, and it shall not be liable for any action taken or omitted by it in good faith in reasonable reliance upon such written instructions or upon the written opinions of such counsel; provided, however, that before relying upon the opinion of its own counsel it shall furnish to the Authority and to Bond Counsel a copy of such opinion.

Section 14. Governing Law. This Escrow Agreement shall to the fullest extent permitted by law be interpreted, construed and enforced pursuant to the laws of the District.

Section 15. Severability. If any provision of this Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Escrow Agreement. The Escrow Agent shall provide Moody's, Fitch and S&P with written notice, at the addresses set forth in Section 10, if any provision of this Escrow Agreement should be held to be invalid or unenforceable.

Section 16. Execution of Counterparts. This Escrow Agreement may be executed in any number of counterparts each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 17. Successors of the Escrow Agent. Any corporation or association into which the Escrow Agent may be converted or merged or with which it may be consolidated or to which it may sell or transfer its business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto shall be and become the successor Escrow Agent hereunder, vested and subject to all duties and obligations imposed hereunder with all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding; provided, that the Escrow Agent shall promptly give notice of such conversion, sale, merger, consolidation or transfer to the Authority, and the Authority shall have 45 days to exercise an option to appoint a successor Escrow Agent by an instrument in writing delivered to the then current Escrow Agent.

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IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed each on its behalf as of the day and year first above written.

**DISTRICT OF COLUMBIA WATER
AND SEWER AUTHORITY**

By: _____
Olu Adebo
Chief Financial Officer

**WELLS FARGO BANK, N.A.,
AS ESCROW AGENT**

By: _____
Name: _____
Title: _____

APPENDIX A

REFUNDED BOND PAYMENTS TO THE REDEMPTION DATE

Date	Interest	Redeemed Principal	Total
4/1/12			
10/1/12			
4/1/14			
10/1/2013			
Total:			

APPENDIX B

DESCRIPTION OF THE ESCROW SECURITIES

B-1

APPENDIX C

VERIFICATION REPORT

APPENDIX D

FORM OF DEFEASANCE NOTICE

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Public Utility Subordinated Lien Revenue Bonds

Series 2003

On March [___], 2012, the District of Columbia Water and Sewer Authority (the “Authority”) deposited in escrow with Wells Fargo Bank, N.A., as escrow agent (the “Escrow Agent”) under the Escrow Agreement dated March [___], 2012, by and among the Authority, the Escrow Agent and Wells Fargo Bank, N.A., as the trustee (the “Escrow Agreement”), relating to [the outstanding] maturities of the Authority’s Public Utility Subordinated Lien Revenue Bonds, Series 2003, set forth below (the “Refunded Bonds”), escrow securities that have been certified by [INSERT VERIFICATION AGENT]. to be of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment, except as provided in the Escrow Agreement, provide moneys to pay when due the interest on and the principal of the Refunded Bonds through their redemption date set forth below:

Year	Amount	Rate	CUSIP

As a result of this deposit, the Refunded Bonds are deemed to have been paid and no longer to be outstanding bonds of the Authority.

March [___], 2012

WELLS FARGO BANK, N.A.
Escrow Agent

NOTICE REQUIREMENTS:

As soon as possible after the funding of the Series 2012 Escrow Account, notice shall be provided to the Municipal Securities Rulemaking Board, Financial Guaranty Insurance Company, TD Bank, N.A., Moody’s Investors Service, Standard & Poor’s Ratings Services, and Fitch Ratings, Inc.

APPENDIX E

FORM OF REDEMPTION NOTICE

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Public Utility Subordinated Lien Revenue Bonds

Series 2003

NOTICE IS HEREBY GIVEN pursuant to a Master Indenture of Trust, dated as of April 1, 1998, by and between the District of Columbia Water and Sewer Authority (the "Authority") and Norwest Bank Minnesota, N.A., predecessor to Wells Fargo Bank, N.A., as trustee, as supplemented and amended through the Fourth Supplemental Indenture of Trust, dated as of August 12, 2003, by and between the Authority and Wells Fargo Bank Minnesota, N.A., predecessor to Wells Fargo Bank, N.A., as trustee (as supplemented and amended, the "Indenture"), providing for the issuance of the Authority's \$176,220,000 Public Utility Subordinated Lien Revenue Bonds, Series 2003 (the "Series 2003 Bonds"), [\$000,000,000] principal amount of the Series 2003 Bonds [maturing on October 1, 20____] (the "Redeemed Bonds") will be redeemed on October 1, 2013. The Redeemed Bonds mature on October 1 in year and amount and bear interest at rate and CUSIP number as follows:

Year	Amount	Rate	CUSIP

The Redeemed Bonds will be redeemed at a redemption price of 100% of the principal amount thereof together with interest accrued to October 1, 2013. Holders of the Redeemed Bonds should present them for redemption on or before October 1, 2013, by mail to: Wells Fargo Bank, N.A., [Address]. Interest on the Redeemed Bonds will cease to accrue on October 1, 2013.

Redemption of the Redeemed Bonds is conditioned upon the Authority depositing with the Trustee moneys sufficient to pay the principal and accrued interest on all Redeemed Bonds as of October 1, 2013. Failure of the Authority to make such deposit shall not constitute an event of default under the Trust Agreement.

IMPORTANT: The CUSIP numbers printed herein are inserted for the convenience of the holders, and no representation is made as to the correctness of such numbers either as printed on

the Redeemed Bonds or as contained herein. The provisions of the current tax laws require bondholders to submit their Taxpayer Identification Number (either their social security or employer identification number, as appropriate) with each bond presented for payment (whether by purchase or redemption). Failure to comply will subject the payment of any principal portion to the withholding of the applicable percentage of such principal portion, in accordance with the current tax laws. To avoid being subject to such withholding, bondholders should submit an Internal Revenue Service ("IRS") Form W-9 at the time the bonds are presented for payment. Form W-9 is available from your local bank or broker and at the IRS website.

**DISTRICT OF COLUMBIA WATER AND
SEWER AUTHORITY**

By: **WELLS FARGO BANK, N.A.**
Escrow Agent

Authorized Representative

[Date]

APPENDIX F

**LISTING OF ORGANIZATIONS REGISTERED WITH
THE SECURITIES AND EXCHANGE COMMISSION
AS SECURITIES DEPOSITORIES**



D.C. WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
FINANCE AND BUDGET COMMITTEE MEETING

Thursday, March 22, 2012; 11:00 a.m.
Blue Plains Wastewater Treatment Plant
5000 Overlook Avenue, SW, DC
AGENDA

Call to Order	Chairman
February 2012 Financial Report	Director of Finance & Budget
Accounts Receivable Delinquency Review	AGM, Consumer Services
Action Items	Chairman
Agenda for April Committee Meeting	Chairman
Adjournment	Chairman

*Detailed agenda can be found on DC Water's website at www.dewater.com/about/board_agendas.cfm