



DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, April 23, 2015

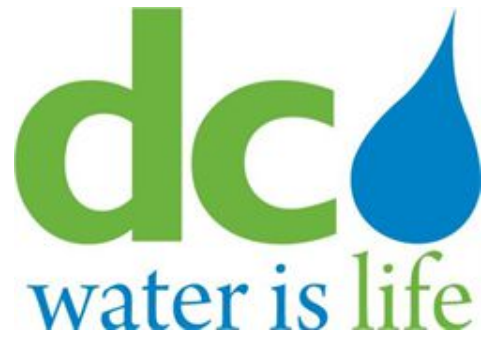
11:00 a.m.

1. **Call to Order**.....Timothy L. Firestine, Chairperson
2. **March 2015 Financial Report (Attachment 1)**Gail Alexander-Reeves and Robert Hunt
 - A. Operating Revenues & Expenditures
 - B. Capital Disbursements Summary
 - C. Cash Reserves & Investments
 - D. Investment Report
3. **FY 2014 IMA Annual Operating Settlement**..... Mark Kim
4. **Biosolids Management Program - Fiscal Impact (Attachment 2)**.....Len Benson, Walt Bailey & Mark Kim
5. **Electric Power Supply Strategy & Support (Attachment 3)**John Clark & Eric Newell, ConEdison Solutions
6. **Action Item** Mark Kim
 - A. **Approval of Substitute Letters of Credit for the Commercial Paper Program and Increase and Decrease of the Amounts by Series (Attachment 4)**
7. **Agenda for May Committee Meeting (Attachment 5)** Timothy L. Firestine
8. **Executive Session***
9. **Adjournment**

FOLLOW-UP ITEMS –Follow-up Items from the meeting held March 26, 2015.

1. Management to provide analysis for FY 2015 vs. FY 2016 Biosolids budgetary assumptions. **Status:** See Attachment 2.

* The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); contract negotiations under D.C. Official Code § 2-575(b)(1); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10);proprietary matters under D.C. Official Code § 2-575(b)(11); decision in an adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14), and other matters provided in the Act.



Fiscal Year 2015

Monthly Financial Report

Period Ending March 31, 2015

DEPARTMENT OF FINANCE, ACCOUNTING & BUDGET

Mark Kim, Chief Financial Officer

Gail Alexander-Reeves, Director, Budget

Robert Hunt, Director, Finance

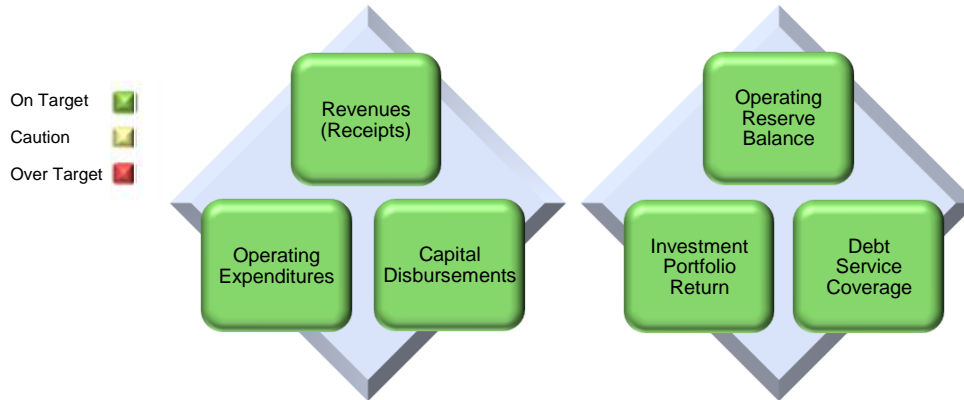
Syed Khalil, Manager, Financial Planning & Revenues

John Madrid, Controller

MARCH 2015

EXECUTIVE SUMMARY

For this reporting period, with approximately 50 percent of the FY completed, we are on track with budgetary expectations and targeted performance metrics. The table below summarizes detailed information provided in the report.



(\$ in millions)

	Revised Budget	YTD Budget	YTD Actual	Variance Favorable (Unfavorable)	% Revised Budget
Revenues (Receipts)*	\$542.6	\$271.3	\$274.0	\$2.7	1.0%
Expenditures*	\$516.0	\$258.0	\$222.9	\$35.0	13.6%
Capital Disbursements	\$625.3	\$311.9	\$280.1	\$31.8	10.2%

* Straight-lined (6/12 of revised budget)

Highlights:

- Completion of FY 2014 IMA Operating Settlement
- On-going DC Water Town Hall Meetings till end of April
- Public Rate Hearing – May 13th
- Budget Calendar Update
 - FY 2017 Budget Kickoff – May 12th
 - Committee Review of Preliminary FY 2015 Year-End Projections Update – May 28th

Mark T. Kim, Chief Financial Officer

Monthly Financial Report

Fiscal Year-to-Date
As of March 31, 2015

Operating Revenues (\$000's)

Category	A	B*	C	D=C/A	E=C-B	F=E/B
	FY 2015 BUDGET	YTD BUDGET	YTD ACTUAL	YTD % BUDGET	YTD \$ Fav/(Unfav)	YTD % Fav/(Unfav)
Res. / Comm. / Multi.	\$291,347	\$145,674	\$143,879	49.4%	(\$1,794)	(1.2%)
Federal	58,695	29,347	30,282	51.6%	935	3.2%
Municipal (DC Govt.)	15,735	7,868	6,081	38.6%	(1,786)	(22.7%)
DC Housing	7,472	3,736	3,161	42.3%	(575)	(15.4%)
Metering Fee	10,776	5,388	5,583	51.8%	195	3.6%
Wholesale	81,365	40,683	40,393	49.6%	(290)	(0.7%)
PILOT/ROW	20,547	10,274	11,091	54.0%	817	8.0%
All Other	56,706	28,353	33,509	59.1%	5,156	18.2%
TOTAL	\$542,643	\$271,321	\$273,979	50.5%	\$2,657	1.0%

Straight-lined (6/12 of revised budget)

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of March 2015, cash receipts totaled \$274.0 million, or 50.5 percent of the revised FY 2015 budget. Several categories of customers make payments on a quarterly basis, including the Federal and wholesale customers.

Residential, Commercial and Multi-Family – Receipts for this category are slightly lower at \$143.9 million or 49.4 percent of the revised budget. The lower receipts are on account of slightly lower consumption as compared to budget.

District Government – Receipts are lower at \$6.1 million or 38.6 percent of the revised budget. The short payment is due to DC Government disputing the Clean Rivers Impervious Surface Area Charges (CRIAC) associated with RFK Stadium. The Customer Care and General Counsel staff provided information to the District's General Counsel for Convention Center (Washington Convention and Sports Authority), who has discussed the issue with their Finance Committee. They are researching whether the lot and square billed belong to RFK and whether all charges owed by DC Armory is the District's responsibility or part of it belongs to Park Services/Department of Defense. Their General Counsel admits that the majority of the billing belongs to RFK, and only a small portion of it is DC Armory. Additionally, they are making a list of billing concerns and would like to get clarification from DC Water Customer Care. DC Water General Counsel staff expects to meet with the District's General Counsel for Convention Center (Washington Convention and Sports Authority) by the end of the month.

DC Housing – Receipts for this category are slightly lower at \$3.2 million or 42.3 percent of the revised budget. February 2015 bill payment was not received in the month of March 2015. However, the payment has been received in the first week of April 2015.

Wholesale – Receipts are slightly lower at \$40.4 million or 49.6 percent of the revised budget. The \$0.3 million shortfall is due to not receiving the payments from some of the P.Is.

Other Revenue – Receipts are higher than the straight-lined budget at \$33.5 million or 59.1 percent of the budgeted category primarily due to onetime contribution of \$15 million reflecting 50 percent of the reserves in the PILOT Fund as agreed to by the District Government as per PILOT MOU dated September 4, 2014.

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Operating Expenditures (\$000's)

Category	A	B*	C	D=C/A	E=B-C	F=E/B
	FY 2015 BUDGET	YTD BUDGET	YTD ACTUAL	YTD % BUDGET	YTD \$ Fav/(Unfav)	YTD % Fav/(Unfav)
Personnel	\$135,544	\$67,772	\$66,112	48.8%	\$1,660	2.4%
Contractual Services	76,944	38,472	31,154	40.5%	7,318	19.0%
Water Purchases	28,831	14,416	13,272	46.0%	1,143	7.9%
Supplies & Chemicals	36,187	18,094	15,049	41.6%	3,045	16.8%
Utilities	30,416	15,208	15,733	51.7%	(525)	(3.5%)
Small Equipment	1,028	514	294	28.6%	220	42.9%
SUBTOTAL O&M	\$308,950	\$154,475	\$141,613	45.8%	\$12,862	8.3%
Debt Service	160,264	80,132	70,394	43.9%	9,738	12.2%
PILOT/ROW	26,687	13,344	10,200	38.2%	3,144	23.6%
Cash Financed Capital Improvements	20,058	10,029	0	0.0%	10,029	100.0%
TOTAL OPERATING	\$515,959	\$257,980	\$222,208	43.1%	\$35,772	13.9%
Capital Labor	(17,266)	(8,633)	(9,571)	55.4%	938	(10.9%)
TOTAL NET OPERATING	\$498,693	\$249,347	\$212,637	42.6%	\$36,710	14.7%

*Straight-lined (6/12 of revised budget)

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of March 2015, with approximately 50 percent of the fiscal year completed, operating expenditures totaled \$222.2 million, or 43.1 percent of the annual budget. These numbers include estimated, incurred but unpaid, invoices and are subject to revision in subsequent months.

Personnel Services – The YTD spending is consistent with expectation and reflects an increase in hiring efforts to reduce authority-wide vacancies. Of the 1222 positions budgeted (1260 positions authorized), 1094 positions were filled and 166 authorized positions were vacant. As reported in prior months, overtime costs to date, at \$4 million, are higher than straight line budget primarily due to emergency responses related to infrastructure repairs, maintenance and water main breaks and snow removal. Staff will continue to monitor and report overtime activities and associated risks to budget.

Contracts - Underspending is attributable to various contracts throughout the Authority. This includes materialized savings from biosolids hauling costs and the impact of the delayed fee of \$4 million contract to operate the CHP Project and lag in contract ratification and invoices for other operational and maintenance contracts.

Supplies & Chemicals – YTD underspending in chemicals is mainly attributable to lower process demand for major chemicals including methanol, sodium hydroxide and polymer in addition to lower than budgeted unit price for methanol due to current pricing structure in the contract (Budget = \$0.246; YTD average = \$0.184 per pound).

Utilities – YTD overspending is mainly due to increase water usage charges of \$0.3 million which is being reviewed by Customer Service department for any anomaly in the meter reads and consumption history for Wastewater Treatment and Sewer Services departments. There is also an uptick of \$0.2 million in natural gas spending to make steam for the new CHP process coming on line. Budget office will monitor the cost and reclassify all related capital charges as appropriate. We have 20MW or approximately 67 percent of the Authority's electricity load locked at an average Western Hub unit price of \$45.92/MWh for the remainder of the year, 15MW at \$40.43/MWh for FY 2016 and 5MW at \$37.35/MWh for FY 2017. Staff continues to work with Con Edison, our energy service provider to keep abreast of markets and pricing, in an effort to take advantage of opportunities to lock future loads.

Debt Service – YTD underspending is primarily due to lower interest rates on existing debt and the issuance of additional debt later in the fiscal year than originally planned.

Payment In Lieu of Taxes (PILOT) – YTD expenditures of \$7.7 million is based on the current MOU with the District which totals \$15.3 million.

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Capital Disbursements (\$000's)

Service Area	A	B	C	D=C/A	E=B-C	F=E/B
	FY 2015 BUDGET	YTD BUDGET	YTD ACTUAL	YTD % BUDGET	YTD \$ Fav/(Unfav)	YTD % Fav/(Unfav)
Wastewater	\$206,260	\$107,189	\$102,734	49.8%	\$4,455	4.2%
Sanitary Sewer	40,258	18,205	15,388	38.2%	2,817	15.5%
Combined Sewer Overflow	271,101	134,796	122,015	45.0%	12,781	9.5%
Stormwater	2,559	1,526	358	14.0%	1,168	76.5%
Water	65,006	30,137	27,498	42.3%	2,639	8.8%
SUBTOTAL: CAPITAL PROJECTS	\$585,183	\$291,853	\$267,993	45.8%	\$23,861	8.2%
Capital Equipment	22,191	11,096	4,458	20.1%	6,637	59.8%
AMR/CIS	7,900	3,950	1,692	21.4%	2,258	57.2%
Washington Aqueduct	10,000	5,000	5,955	59.5%	(955)	(19.1%)
SUBTOTAL: ADD'L CAPITAL PROGRAMS	\$40,091	\$20,046	\$12,105	30.2%	\$7,940	39.6%
TOTAL	\$625,274	\$311,899	\$280,098	44.8%	\$31,801	10.2%

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At end of March 2015, capital disbursements are \$280.1 million or 44.8 percent of the revised FY 2015 budget and lower than planned disbursements due to underspending across service areas. The Department of Engineering will provide quarterly variance explanations to the Committee going forward.

Capital Equipment - The favorable position is driven by the unspent reserve funds in the Office of the CFO to accommodate requests for projects Authority-wide.

AMR/CIS - Lower than anticipated spending for Automated Meter Reading (AMR) and Customer Information and Billing System (CIS) is related to the timing of the projects. Both anticipate increased spending in the latter half of the fiscal year for meters, aerial photographs of impervious surfaces, and technical/evaluation services for the CIS Request for Proposal.

Monthly Financial Report

Fiscal Year-to-Date
As of March 31, 2015

Cash Investments and Insurance (\$ in millions)

Cash Balances	
Rate Stabilization Fund Account (RSF)	\$22.5
DC Insurance Reserve	1.0
Operating Reserve Accounts	<u>146.0</u>
Operating Cash Balance Including RSF	\$169.5
Debt Service Reserve - Series 1998	23.7
CSO LTCP Appropriations Account	20.9
Bond Fund- Construction Fund 2014A	208.5
Bond Fund- Construction Fund 2014B	<u>32.0</u>
Reserves and Bond Proceeds	285.1
Total All Funds	\$454.6

OVERALL PORTFOLIO PERFORMANCE

- The operating reserve balance was \$146.0 million as compared to the operating reserve level objective of \$125.5 million for FY 2015
- Average cash balance for the month of March was \$170.0 million
- Total investment portfolio was in compliance with the Authority's Investment Policy
- Returns exceeded the established benchmarks for short term (less than one year) and core (one plus years) funds
- Operating funds interest income for March (on a cash basis) was \$7,019; YTD total is \$525,546
- A detailed investment performance report is attached

INSURANCE POLICY RENEWAL UPDATE

The Authority is on track to renew its Property & Equipment, Excess Auto/General Liability, Workers' Compensation, Public Officials' Liability, Crime and Fiduciary insurance coverage on July 1. We have completed the process of preparing documents and data for renewal submissions. We anticipate an increase in total premiums due to the Authority's increased operating exposures. Year-to-year changes for property values and payroll shall have a direct impact on insurance costs.

ROLLING OWNER CONTROLLED INSURANCE PROGRAM (ROCIP) UPDATE

We have successfully completed 66 months (100%) of the ROCIP 2 program. The base program was for 60 months with a 6 month extension for exception projects that extended beyond October, 2014. We completed 30 months (50%) of the ROCIP 3 program and there are currently 31 open projects with 195 active contractors.

Preliminary reports indicate we are still on track to achieve project savings in excess of \$5 million.

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Cash Flow Summary (\$000's)

	Annual Budget Cash Basis	YTD 50% Cash Budget	YTD Actual Cash	Variance Favorable (Unfavorable)	
OPERATING BUDGET					
Cash Provided					
Retail	\$384,025	\$192,012	\$188,987	(3,026)	-2%
Wholesale	81,365	\$40,683	40,393	(290)	-1%
Other	69,634	\$34,817	44,498	9,681	28%
Transfer from Rate Stabilization Fund	7,500	\$3,750		(3,750)	-100%
Total Cash Provided	542,524	271,262	273,878	2,616	1%
Operating Cash Used					
Personnel Services	118,278	59,139	57,579	1,560	3%
Contractual Services	76,944	38,472	37,827	645	2%
Chemicals & Supplies	36,187	18,094	17,054	1,040	6%
Utilities	30,416	15,208	11,459	3,749	25%
Water Purchases	28,831	14,416	13,294	1,121	8%
Small Equipment	1,028	514	331	183	36%
Total Operating Cash Used	291,684	145,842	137,544	8,298	6%
Defeasance D.S./Cash Financed Capital Improvements	20,229	10,114		10,114	100%
Other Cash Used					
Debt Service	163,242	81,621	70,394	11,227	14%
Payment In Lieu of Taxes/Right of Way	20,437	10,219	10,219		0%
Total Other Cash Used	183,680	91,840	80,613	11,227	12%
Total Cash Used	495,592	247,796	218,157	29,639	12%
Net Cash Provided (Used) by Operating Act.	46,931	23,466	55,721	32,255	
CAPITAL BUDGET					
Cash Provided					
Debt Proceeds	281,590	140,795	68,177	(72,618)	-52%
EPA Grants	51,771	25,886	15,220	(10,666)	-41%
CSO Grants	22,200	11,100	25,422	14,322	129%
Interest Income	429	215	530	316	147%
Wholesale Capital Contributions	227,745	113,872	108,093	(5,780)	-5%
Total Cash Provided	583,735	291,868	217,442	(74,426)	-25%
Cash Used					
DC Water Capital Program	615,275	307,638	271,306	36,331	12%
Washington Aqueduct Projects	10,000	5,000	5,956	(956)	-19%
Total Cash Used	625,275	312,638	277,262	35,376	11%
Net Cash/PAYGO Provided (Used) by Cap. Act.	(\$41,540)	(\$20,770)	(\$59,820)	(\$39,050)	
Beginning Balance, October 1 (Net of Rate Stab. Fund) Projected					
Plus (Less) Operating Surplus	\$157,642		\$157,642		
Wholesale Customer Refunds from Prior Years/ROW	46,931	23,466	55,721		
Interest Earned From Bond Reserve	(18,100)	(9,050)	(5,100)		
Transfer to Rate Stabilization Fund	120	60	101		
Prior Year Federal Billing Reconciliation					
Customer Rebate	(5,053)	(2,526)	(2,526)		
Cash Used for Capital	(41,540)	(20,770)	(59,820)		
Balance Attributable to O&M Reserve	\$140,000		\$146,017		
OTHER CASH RESERVES					
Rate Stabilization Fund		Current Balance			
DC Insurance Reserve		\$22,450			
		\$1,039			
CSO Long-Term Control Plan Appropriation		\$20,912			

Monthly Financial Report

APPENDIX

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Monthly Financial Report

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As of March 31, 2015

Operating Revenues Detail

(\$ in millions)

Revenue Category	Budget	YTD Budget	Actual	Variance Favorable / (Unfavorable)		Actual % of Budget
Residential, Commercial, and Multi-family	\$291.3	\$145.7	\$143.9	(\$1.8)	-1.2%	49.4%
Federal	58.69	29.3	30.3	0.9	3.2%	51.6%
District Government	15.7	7.9	6.1	(1.8)	-22.6%	38.6%
DC Housing Authority	7.5	3.7	3.2	(0.6)	-15.3%	42.3%
Customer Metering Fee	10.8	5.4	5.6	0.2	3.5%	51.8%
Wholesale	81.36	40.7	40.4	(0.3)	-0.7%	49.6%
Right-of-Way Fee/PILOT	20.6	10.3	11.1	0.8	8.0%	54.0%
Subtotal (before Other Revenues)	\$485.9	\$242.9	\$240.5	-\$2.5	-1.1%	49.5%
Other Revenue without RSF						
IMA Indirect Cost Reimb. For Capital Projects	10.0	5.0	0.0	(5.0)	-100.0%	0.0%
DC Fire Protection Fee	6.9	3.5	5.4	1.9	0.0%	77.8%
Stormwater (MS4)	1.0	0.5	0.4	(0.1)	0.0%	20.0%
Interest	0.6	0.3	0.6	0.3	150.0%	66.7%
Developer Fees (Water & Sewer)	7.7	3.9	3.8	(0.3)	0.0%	24.7%
Others	23.0	11.5	23.3	11.8	101.7%	101.3%
Subtotal	\$49.2	\$24.7	\$33.5	\$8.8	35.6%	68.1%
Rate Stabilization Fund Transfer	\$7.5	\$3.8	\$0.0	(\$3.8)	-100.0%	0.0%
Other Revenue Subtotal	\$56.7	\$28.3	\$33.5	\$5.2	18.4%	59.1%
Grand Total	\$542.6	\$271.3	\$274.0	\$2.7	1.0%	50.5%

BREAKDOWN OF RETAIL RECEIPTS BY CUSTOMER CATEGORY
(\$ in 000's)

Customer Category	FY2015 Budget	Year-To-Date Budget	Actual Received	Variance		
				Favorable / <Unfavorable>	Variance % of YTD Budget	Actual % of Budget
Residential	21,241	10,621	10,828	208	2%	51%
Commercial	26,211	13,106	14,794	1,688	13%	56%
Multi-family	8,199	4,100	3,922	(178)	-4%	48%
Federal	15,787	7,894	7,894	0	0%	50%
District Govt	9,434	4,717	3,375	(1,342)	-28%	36%
DC Housing Authority	981	491	491	1	0%	50%
Total:	81,853	40,927	41,304	377	1%	50%

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Retail Accounts Receivable (Delinquent Accounts)

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

Greater Than 90 Days by Month

	\$ in millions	# of accounts
September 30, 2012	\$5.5	13,063
September 30, 2013	\$4.9	11,920
September 30, 2014	\$5.3	12,442
October 31, 2014	\$5.4	12,034
November 30, 2014	\$5.6	12,261
December 31, 2014	\$6.5	13,180
January 31, 2015	\$6.5	13,111
February 28, 2015	\$6.2	13,132
March 31, 2015	\$6.2	12,866

Greater Than 90 Days by Customer

	Number of Accounts			Month of March (All Categories)				Total Delinquent				
	W & S a/c	Impervious Only a/c	Total No. of a/c	Active		Inactive		No. of a/c Feb.	Amount (\$)	No. of a/c March	Amount (\$)	%
				No. of a/c	Amount (\$)	No. of a/c	Amount (\$)					
Commercial	12,132	3378	15,510	1,338	1,595,707	158	105,612	1,518	\$ 1,673,036	1,496	\$ 1,701,319	28%
Multi-family	7,342	412	7,754	717	1,461,503	149	63,969	887	1,579,495	866	\$ 1,525,472	26%
Single-Family Residential	104,825	3,332	108,157	8,244	2,368,753	2,260	581,412	10,727	2,964,773	10,504	\$ 2,950,165	48%
Total	124,299	7,122	131,421	10,299	\$ 5,425,963	2,567	\$ 750,993	13,132	\$ 6,217,304	12,866	\$ 6,176,956	100%

Notes: Included in the above \$5.43M (or 10,299 accounts) of the DC Water Over 90 days delinquent accounts, \$1,802,836.52 (or 2,450 accounts) represents Impervious only accounts over 90 days delinquent.

-Reportable delinquencies do not include balances associated with a long standing dispute between DC Water and a large commercial customer.

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Overtime by Department

Department	FY 2015			
	Budget	Actual	Actual % of Budget	% of Regular Pay
Office of the Board Secretary	\$4,000	\$5,611	140.3%	5.3%
General Manager	5,000	3,292	65.8%	0.5%
General Counsel	2,000	0	0.0%	0.0%
External Affairs	27,000	195	0.7%	0.0%
Internal Audit	0	0	0.0%	0.0%
Information Technology	20,000	3,485	17.4%	0.3%
Procurement	30,000	6,434	21.4%	0.6%
Customer Service	240,000	101,832	42.4%	2.5%
Finance, Accounting & Budget	30,000	20,702	69.0%	0.9%
Assistant General Manager - Support Services	1,030	929	90.2%	0.5%
Human Capital Management	5,000	1,335	26.7%	0.1%
Occupational Safety and Health	2,000	160	8.0%	0.0%
Facilities Management	200,000	229,328	114.7%	11.5%
Department of Security	0	68	0.0%	0.0%
Distribution and Conveyance System	553,000	431,452	78.0%	14.5%
Engineering and Technical Services	1,070,000	578,184	54.0%	6.7%
Water Services	960,000	926,108	96.5%	15.9%
Clean Rivers	5,000	0	0.0%	0.0%
Sewer Services	767,000	498,727	65.0%	12.9%
Wastewater Treatment - Operations	1,233,890	594,848	48.2%	12.1%
Wastewater Treatment - Process Engineering	100,000	29,787	29.8%	2.4%
Maintenance Services	800,000	595,586	74.4%	14.0%
Permit Operations	11,000	208	1.9%	0.0%
Fleet Management	2,000	2,028	101.4%	0.7%
Total DC WATER	\$6,067,920	\$4,030,300	66.4%	8.4%

Notes:

- FY 2015 actual includes accruals for ten days (03/22/15 - 03/31/15)
- Engineering and Technical Services department includes overtime that will be charged/transferred to capital projects

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Capital Disbursements Detail by Program (\$000's)

Service Areas	Budget		Actual			Percent of Year to Date Budget
	Annual	YTD	Oct. 2014 - Feb. 2015	Mar. 2015	YTD	YTD %
WASTEWATER TREATMENT						
Liquid Processing Projects	\$20,566	\$10,226	\$7,268	\$1,804	\$9,072	11%
Plantwide Projects	18,322	10,406	6,984	2,034	9,017	13%
Solids Processing Projects	58,333	32,875	26,565	2,503	29,068	12%
Enhanced Nitrogen Removal Facilities	109,039	53,683	47,932	7,644	55,577	-4%
Subtotal	206,260	107,189	88,749	13,985	102,734	4%
SANITARY SEWER						
Sanitary Collection Sewers	5,933	1,528	404	11	415	73%
Sanitary On-Going Projects	8,256	3,876	5,401	787	6,188	-60%
Sanitary Pumping Facilities	1,377	815	491	-	491	40%
Sanitary Sewer Program Management	10,106	5,306	3,580	728	4,308	19%
Sanitary Interceptor/Trunk Force Sewers	14,586	6,680	2,993	992	3,985	40%
Subtotal	40,258	18,205	12,870	2,518	15,388	15%
COMBINED SEWER OVERFLOW						
CSO Program Management	4,423	3,378	3,464	370	3,834	-13%
Combined Sewer Projects	10,769	5,999	5,053	996	6,049	-1%
D.C. Clean Rivers Project	255,909	125,419	99,051	13,082	112,133	11%
Subtotal	271,101	134,796	107,567	14,448	122,015	9%
STORMWATER						
Stormwater Local Drainage	28	14	198	3	202	-1329%
Stormwater On-Going Program	489	214	129	-	129	40%
Stormwater Pumping Facilities	-	-	-	-	-	-
DDOT Stormwater Program	27	9	-	-	-	-
Stormwater Research and Program Management	518	316	19	2	20	94%
Stormwater Trunk/Force Sewers	1,497	973	7	0	7	99%
Subtotal	2,559	1,526	353	5	358	77%
WATER						
Water Distribution Systems	33,291	14,661	10,372	2,216	12,588	14%
Water Lead Program	2,350	1,055	1,060	156	1,216	-15%
Water On-Going Projects	7,070	3,622	3,155	680	3,835	-6%
Water Pumping Facilities	6,074	3,228	3,210	882	4,092	-27%
DDOT Water Projects	2,121	1,131	148	0	148	87%
Water Storage Facilities	6,323	2,145	432	191	623	71%
Water Projects Program Management	7,777	4,295	4,155	841	4,996	-16%
Subtotal	65,006	30,137	22,532	4,966	27,498	9%
Capital Projects	585,183	291,853	232,070	35,922	267,993	8%
CAPITAL EQUIPMENT and AMR/CIS						
Capital Equipment	22,191	11,096	3,959	500	4,458	60%
Automated Meter Reading/Customer Information System	7,900	3,950	1,172	521	1,692	57%
Subtotal	30,091	15,046	5,131	1,020	6,151	59%
WASHINGTON AQUEDUCT	10,000	5,000	5,955	-	5,955	-19%
Additional Capital Projects	40,091	20,046	11,085	1,020	12,105	40%
Total	\$625,274	\$311,899	\$243,156	\$36,943	\$280,098	10%

Monthly Financial Report

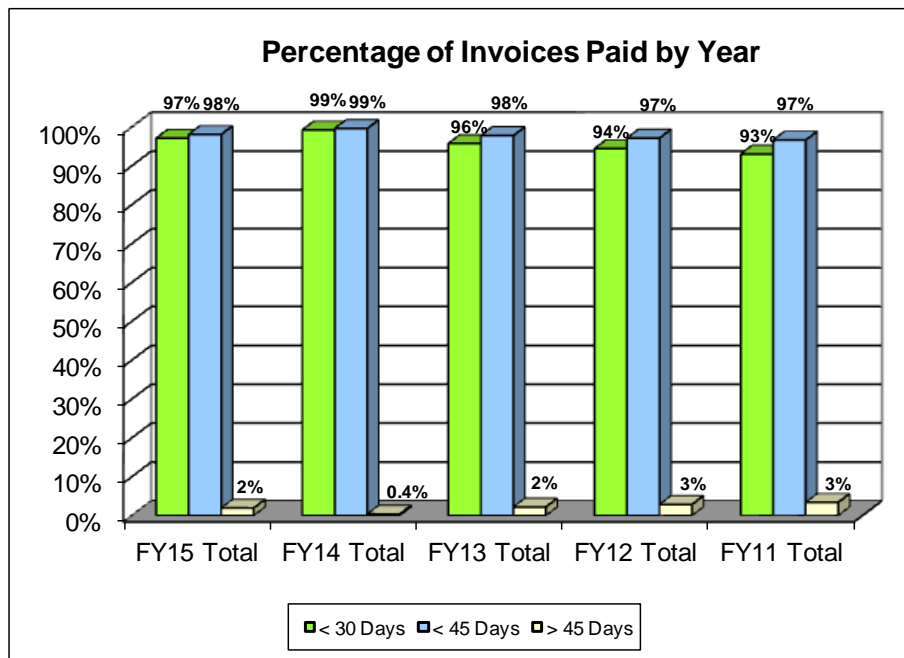
Fiscal Year-to-Date
As of March 31, 2015

Accounts Payable

During the six months of FY 2015, a total of 9,319 vendor payments were processed and paid compared to 8,909 in FY 2014 (as shown in the table below) and with a dollar value of \$404.9 million compared to \$390.4 million for FY 2014. For FY 2015, approximately 97.1% of the invoices were paid within 30 days compared to 99.2% for FY 2014. The Authority's goal is to pay 97% of all undisputed invoices within 30 days.

Accounts Payable Performance				
Days	FY 2015		FY 2014	
	Number	Percent	Number	Percent
Less than 30	8,871	97.1%	8,476	99.2%
Less than 45	8,960	98.1%	8,510	99.6%
Greater than 45	177	1.9%	31	0.4%
Sub-Total	9,137	100%	8,541	100%
Retainage/Dispute	182		368	
Total	9,319		8,909	

The chart below shows historical performance for fiscal year 2011 through fiscal year 2015.

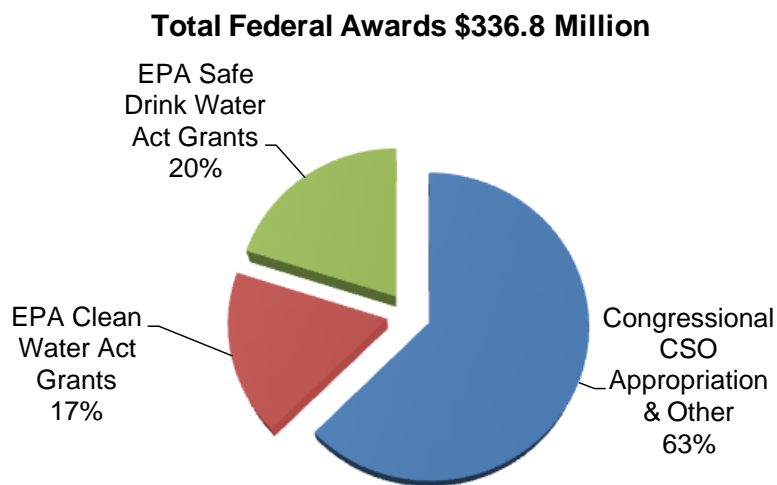


Fiscal Year-to-Date
As of March 31, 2015

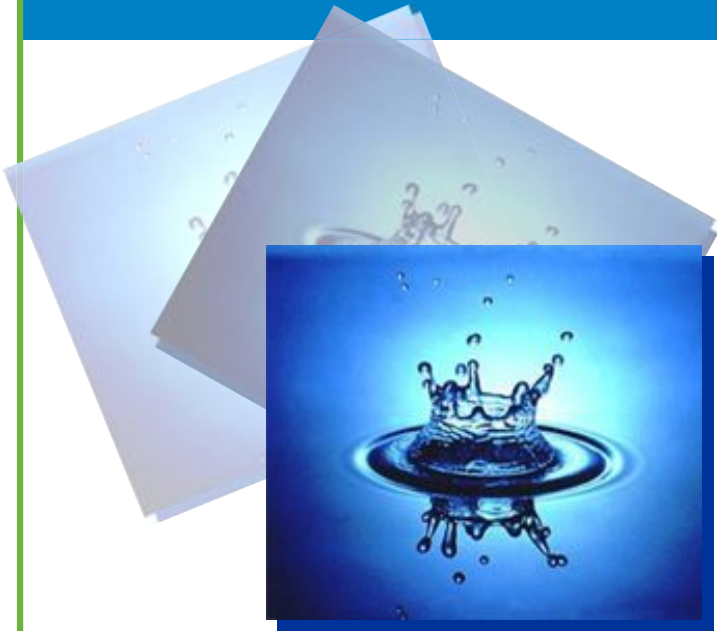
Grants Report

The Authority receives grants to fund a portion of its capital costs from the U.S. Environmental Protection Agency (EPA) under two acts, the Clean Water Act of 1972 and the Safe Drinking Water Act of 1974.

As of March 31 2015, including the CSO appropriation, DC Water has a total of \$336.8 million awarded in federal funds for active projects.



As of March 31, 2015 DC Water received sixteen separate Congressional CSO appropriations totaling \$210.8 million. The cumulative CSO appropriation life-to-date cash disbursement request for reimbursement is \$202.2 million through March 31, 2015. Based on the projected FY 2015 capital spending on the Clean Rivers' projects, and with no additional funding, all remaining CSO funds including interest is projected to be depleted before the end of FY 2015.



DC Water

Investment Performance Report – March 2015



**DC Water
Finance Division
Economic Update**

ECONOMIC COMMENTARY

- U.S. Gross Domestic Product (“GDP”) growth for the fourth quarter of 2014 was 2.2%.
- During March, the job market added only 126,000 jobs, well below the forecast of 245,000 for the month and marked the smallest monthly gain in jobs since December 2013. Job gains for January and February were also revised downward by a total of 69,000 jobs. The unemployment rate remained at 5.5%.
- In the March Federal Open Market Committee (“FOMC”) statement, the Federal Reserve’s (the “Fed’s”) “patient” stance regarding future rate hikes was removed and was replaced with data dependency. The Fed anticipates that the appropriate time to raise the federal funds target rate will be when the labor market shows further improvement and the Fed gains confidence that inflation will move towards their 2% objective.
- The Fed stated that an interest rate increase at the April meeting remains unlikely, and the change in forward guidance does not mean the Fed has decided on the timing of the first interest rate hike. The disappointing March employment report may persuade the FOMC to delay raising rates until later in 2015.

PORTFOLIO RECAP

- The portfolio is diversified among Bank Deposits, Commercial Paper, U.S. Treasuries, Federal Agencies, FDIC Insured CDs, Negotiable CDs, Corporate Notes/Bonds, Municipal Bonds, and SEC registered money market funds.
- The overall yield-to-maturity on cost of the portfolio is 0.42%.
- The portfolio is in compliance with the Authority’s Investment Policy.

Operating Reserve Accounts

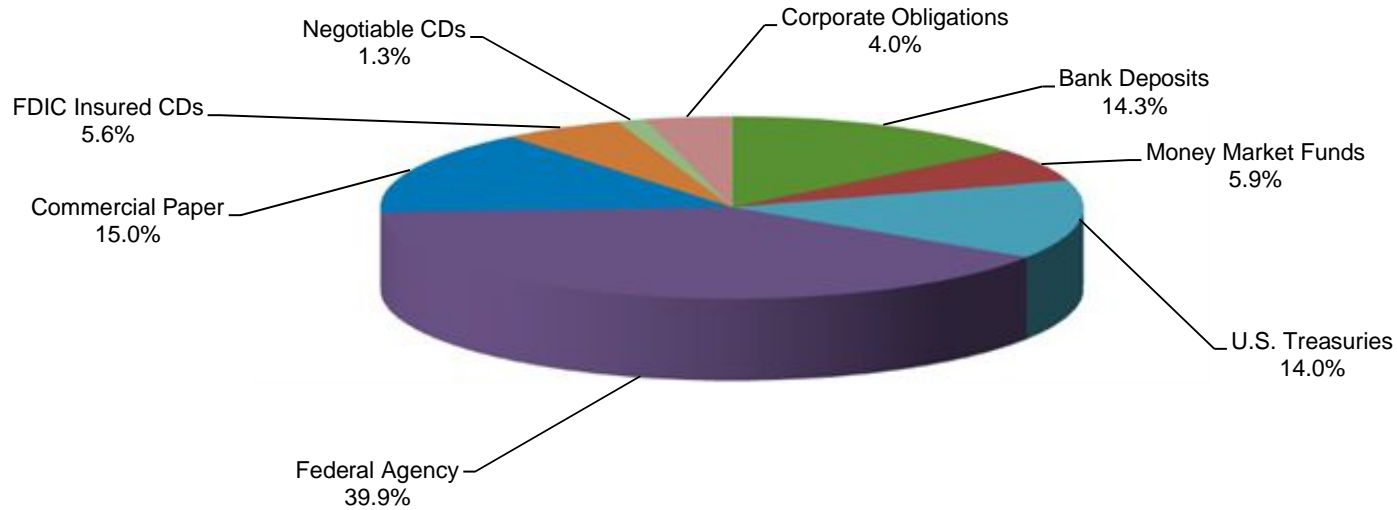
- PFM extended the duration of the portfolio by selling \$5.1 million of 10- to 12-month U.S. Treasuries and Federal Agencies and using the proceeds to purchase \$4.4 million of 3-year U.S. Treasuries at an average yield of 1.00% and \$731,000 of 3-year corporate notes at an average yield of 1.31%.
- PFM sold \$1.8 million of 3-year U.S Treasuries and purchased 3-year Exxon Mobil corporate notes at an average yield of 1.31%. This trade will generate 0.32% of additional yield.
- PFM extended the portfolio’s exposure to BNP Paribas by selling 2-month commercial paper and buying 9-month negotiable CDs. This trade picks up an additional 0.34% of yield.

2014A Construction Fund

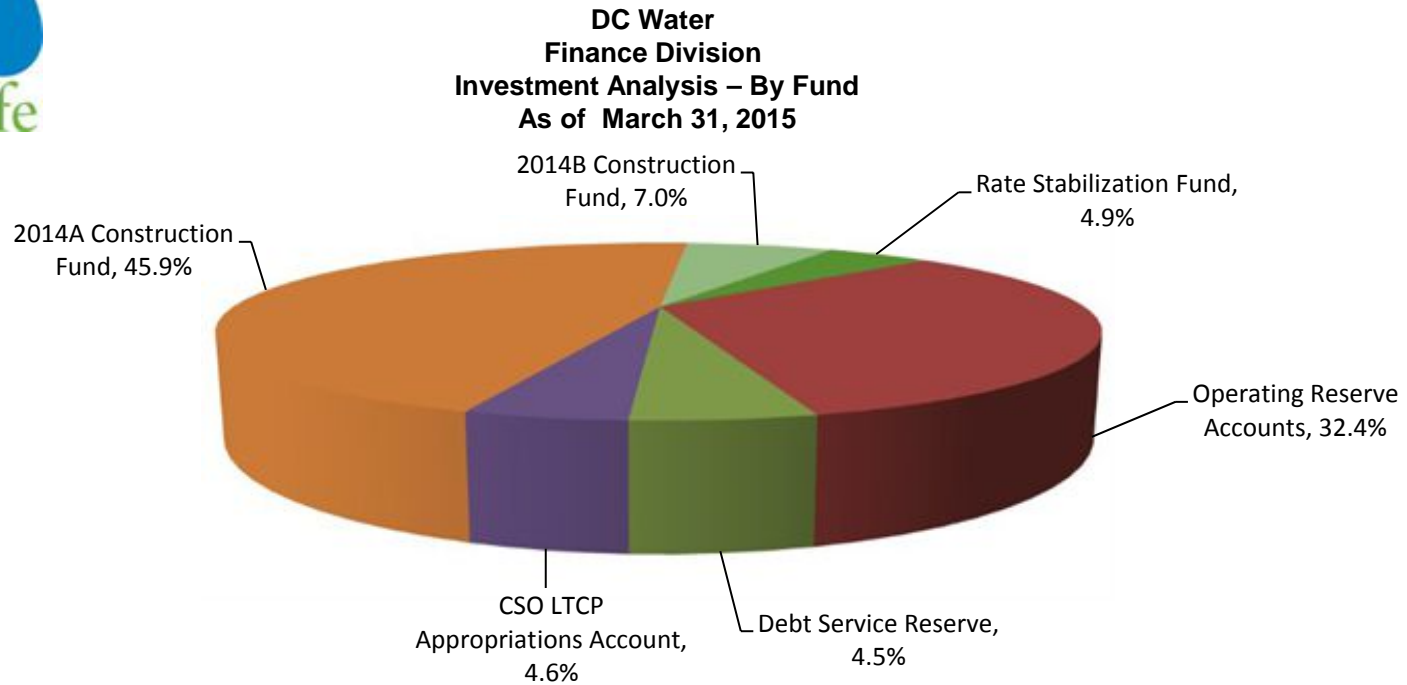
- At the beginning of March, PFM purchased \$35 million of 6-month FHLB notes at an average yield of 0.16%.



**DC Water
Finance Division
Investments - By Security Type
As of March 31, 2015**



Security Type	Accrued Interest	Allocation	By Policy
Bank Deposits	65,285,250	14.3%	100.0%
Money Market Funds	26,985,818	5.9%	100.0%
U.S. Treasuries	63,655,596	14.0%	100.0%
Federal Agency	181,299,909	39.9%	80.0%
Commercial Paper	68,203,364	15.0%	35.0%
FDIC Insured CDs	25,247,329	5.6%	30.0%
Negotiable CDs	6,002,675	1.3%	30.0%
Corporate Obligations	18,061,537	4.0%	30.0%
Municipal Obligations	120,156	0.0%	20.0%
Total	\$ 454,861,635	100.0%	

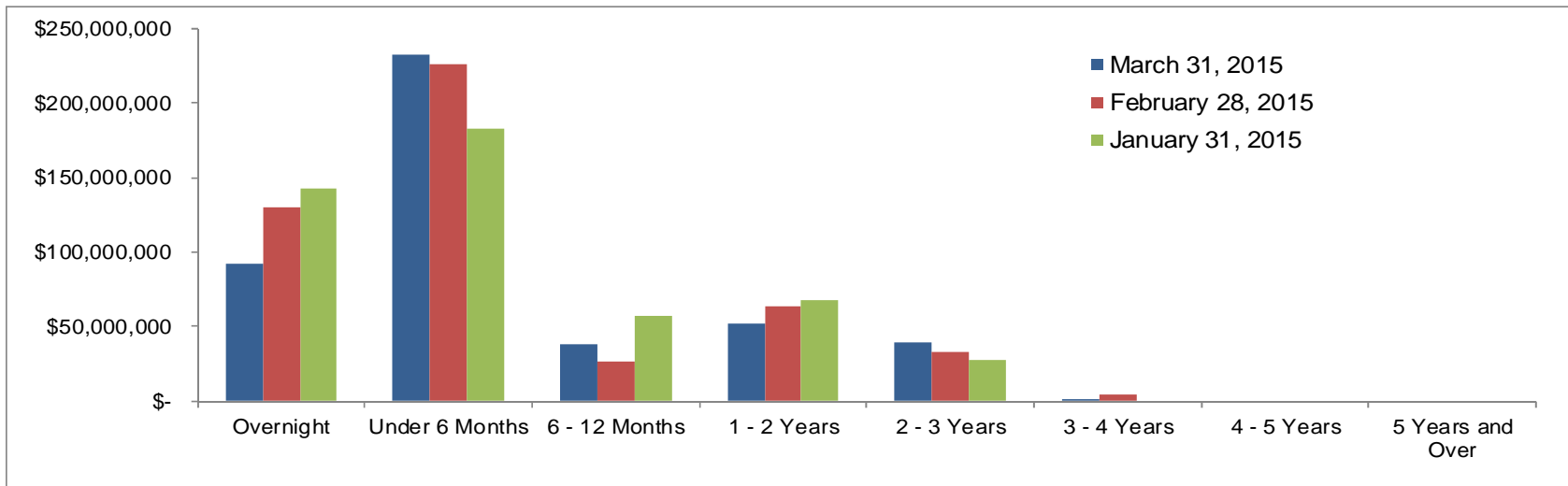


Fund Name	Book Value + Accrued Interest	Yield-to- Maturity at Cost	Effective Duration (years)	Weighted Average Maturity (days)
Rate Stabilization Fund	\$ 22,450,000	0.50%	0.00	1.0
Operating Reserve Accounts	\$ 147,530,474	0.71%	1.24	458.2
Debt Service Reserve	\$ 23,620,117	0.47%	1.10	406.1
CSO LTCP Appropriations Account	\$ 20,911,945	0.90%	0.00	1.0
2014A Construction Fund	\$ 208,306,615	0.18%	0.24	89.1
2014B Construction Fund	\$ 32,042,484	0.25%	0.17	63.9
Total	\$ 454,861,635	0.42%	0.58	215.1



**DC Water
Finance Division
Investment Analysis – By Maturity**

Maturity Distribution	March 31, 2015	February 28, 2015	January 31, 2015
Overnight \$	92,271,068.39 \$	129,680,854.07 \$	142,715,000.11
Under 6 Months	232,483,052.76	225,511,715.43	182,778,504.66
6 - 12 Months	38,107,708.66	26,292,448.85	57,123,638.86
1 - 2 Years	52,199,739.49	62,966,882.74	67,944,393.07
2 - 3 Years	39,065,889.62	32,562,004.79	27,933,983.20
3 - 4 Years	734,175.97	3,977,277.19	-
4 - 5 Years	-	-	-
5 Years and Over	-	-	-
Totals \$	454,861,634.89 \$	480,991,183.07 \$	478,495,519.90





**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		60,207,887.22	13.2%	100.0%	Yes
Capital One Bank		5,077,362.72	1.1%	100.0%	Yes
Sub-Total Bank Deposits		65,285,249.94	14.4%	100.0%	Yes
Money Market Mutual Funds					
Wells Fargo Treasury Plus MMF	AAAm	16,963,794.43	3.7%	50.0%	Yes
Federated Government MMF	AAAm	10,022,024.02	2.2%	50.0%	Yes
Sub-Total Money Market Mutual Funds		26,985,818.45	5.9%	100.0%	Yes
U.S. Treasuries					
Treasury Note	AA+ / Aaa	63,655,595.87	14.0%	100.0%	Yes
Sub-Total Treasuries		63,655,595.87	14.0%	100.0%	Yes
Federal Agencies					
Fannie Mae	AA+ / Aaa	48,769,275.38	10.7%	40.0%	Yes
Federal Home Loan Bank	AA+ / Aaa	99,476,347.80	21.9%	40.0%	Yes
Freddie Mac	AA+ / Aaa	33,054,285.93	7.3%	40.0%	Yes
Sub-Total Federal Agencies		181,299,909.11	39.9%	80.0%	Yes
Commercial Paper					
Bank of Tokyo Mitsubishi	A-1 / P-1	17,493,308.02	3.8%	5.0%	Yes
BNP Paribas Finance Inc	A-1 / P-1	15,992,444.48	3.5%	5.0%	Yes
J.P. Morgan Securities LLC	A-1 / P-1	16,746,682.50	3.7%	5.0%	Yes
PNC Bank NA	A-1 / P-1	1,223,818.56	0.3%	5.0%	Yes
Rabobank USA Fin Corp	A-1 / P-1	16,747,110.63	3.7%	5.0%	Yes
Sub-Total Commercial Paper		68,203,364.19	15.0%	35.0%	Yes



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

	Credit Ratings S&P / Moody's	Book Value		Investment Policy Limit	Compliance with Investment Policy
FDIC Insured Certificates of Deposit					
CDARS - Placed by Industrial Bank	NR / NR	15,150,531.98	3.3%	5.0%	Yes
CDARS - Placed by City First Bank	NR / NR	10,096,797.06	2.2%	5.0%	Yes
Sub-Total FDIC-Insured Certificates of Deposit		25,247,329.04	5.6%	30.0%	Yes
Negotiable Certificates of Deposit					
Citibank NA	A-1 / P-1	1,200,650.64	0.3%	5.0%	Yes
HSBC Bank USA NA	A-1+ / P-1	1,802,068.00	0.4%	5.0%	Yes
BNP Paribas NY Branch	A-1 / P-1	1,800,616.00	0.4%	5.0%	Yes
US Bank NA Cincinnati	AA- / Aa3	1,199,340.75	0.3%	5.0%	Yes
Sub-Total Negotiable Certificates of Deposit		6,002,675.39	1.3%	30.0%	Yes
Corporate Obligations					
ANZ Banking Group Ltd.	AA- / Aa2	1,759,210.16	0.4%	5.0%	Yes
Bank of Montreal	A+ / Aa3	1,756,344.67	0.4%	5.0%	Yes
Chevron	AA / Aa1	1,788,823.79	0.4%	5.0%	Yes
Exxon Mobil	AAA / Aaa	1,801,631.25	0.4%	5.0%	Yes
General Electric Capital Corporation	AA+ / A1	1,861,253.12	0.4%	5.0%	Yes
IBM	AA- / Aa3	2,247,348.85	0.5%	5.0%	Yes
Merck & Co.	AA / A2	734,175.97	0.2%	5.0%	Yes
Royal Bank of Canada	AA- / Aa3	1,761,320.51	0.4%	5.0%	Yes
Toronto Dominion Bank NY	AA- / Aa1	1,997,546.42	0.4%	5.0%	Yes
Toyota	AA- / Aa3	591,127.08	0.1%	5.0%	Yes
Wells Fargo & Company	A+ / A2	1,210,533.38	0.3%	5.0%	Yes
US Bank	AA- / Aa3	552,221.47	0.1%	5.0%	Yes
Sub-Total Corporate Obligations		18,061,536.67	4.0%	30.0%	Yes
Municipal Obligations					
Mississippi State		120,156.23	0.0%	5.0%	Yes
Sub-Total Municipal Obligations		120,156.23	0.0%	20.0%	Yes
Grand Total		\$ 454,861,634.89	100.0%		



**DC Water
Finance Division
Book Value Performance
As of March 31, 2015**

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

	Trailing 1 Months		Trailing 3 Months		Trailing 6 Months		Trailing 12 Months
	Periodic	Annualized	Periodic	Annualized	Periodic	Annualized	
Total Rate Stabilization Fund	0.04%	0.50%	0.12%	0.50%	0.28%	0.56%	0.56%
Operating Reserve Accounts	0.05%	0.60%	0.17%	0.69%	0.35%	0.71%	0.55%
Total Debt Service Reserve	0.04%	0.47%	0.12%	0.51%	0.25%	0.50%	0.44%
2014A Construction Fund	0.02%	0.19%	0.04%	0.18%	0.09%	0.18%	n/a
2014B Construction Fund	0.02%	0.25%	0.04%	0.16%	0.05%	0.10%	n/a
Short-Term	0.03%	0.33%	0.08%	0.32%	0.17%	0.34%	0.38%
Merrill Lynch 3-Month Treasury Index (Book Value) ¹	0.00%	0.01%	0.00%	0.01%	0.01%	0.02%	0.02%
Core (1+ Years)	0.07%	0.78%	0.18%	0.72%	0.34%	0.68%	0.60%
Merrill Lynch 1-3 Year Treasury Index (Book Value) ²	0.05%	0.62%	0.14%	0.59%	0.28%	0.56%	0.50%

- (1) The Merrill Lynch 3-Month Treasury Bill is an unmanaged index tracking the on-the-run 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 3-Month Treasury Bill 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.



DC Water
Finance Division
Portfolio Holdings by Fund

DESCRIPTION	CUSIP	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
Rate Stabilization Fund										
TD BANK BANK DEPOSIT		\$ 12,450,000		4/1/2015		0.90%	\$ 12,450,000	\$ 12,450,000	\$ 12,450,000	
FEDERATED GOVERNMENT MONEY MARKET FUND		10,000,000		4/1/2015		0.01%	10,000,000	10,000,000	10,000,000	
										\$ 22,450,000.00
Operating Reserve Accounts										
TD BANK BANK DEPOSIT		\$ 26,845,942		4/1/2015		0.90%	\$ 26,845,942	\$ 26,845,942	\$ 26,845,942	
CAPITAL ONE BANK		5,077,363		4/1/2015		0.50%	5,077,363	5,077,363	5,077,363	
FEDERATED GOVERNMENT MONEY MARKET FUND		22,024		4/1/2015		0.01%	22,024	22,024	22,024	
BANK OF TOKYO MITSUBISHI UFJ COMM PAPER	06538CRU7	1,500,000	-	4/28/2015	11/24/2014	0.22%	1,498,579	1,499,793	1,499,753	
PNC BANK NA COMM PAPER	69349KV31	1,225,000	-	8/3/2015	11/24/2014	0.28%	1,222,599	1,223,916	1,223,819	
CITIBANK NA FLOATING CERT DEPOS	17304UYB0	1,200,000	0.398	8/11/2015	8/14/2014	0.37%	1,200,000	1,200,519	1,200,651	
INDUSTRIAL BANK CDARS		5,000,000	0.350	10/15/2015	10/16/2014	0.35%	5,000,000	5,008,073	5,008,073	
INDUSTRIAL BANK CDARS		5,024,994	0.400	11/12/2015	11/13/2014	0.40%	5,024,994	5,032,755	5,032,755	
CITY FIRST BK OF WASHINGTON, DC (CDARS)		5,019,985	0.300	11/12/2015	11/13/2014	0.30%	5,019,985	5,025,800	5,025,800	
BNP PARIBAS NY BRANCH CERT DEPOS	05574RSY2	1,800,000	0.560	12/4/2015	3/10/2015	0.56%	1,800,000	1,800,272	1,800,616	
INDUSTRIAL BANK CDARS		2,545,282	0.750	1/21/2016	1/23/2014	0.75%	2,545,282	2,568,063	2,568,063	
INDUSTRIAL BANK CDARS		2,539,450	0.450	1/21/2016	1/22/2015	0.45%	2,539,450	2,541,641	2,541,641	
FEDERAL HOME LOAN BANK GLOBAL NOTES	3130A0SD3	1,000,000	0.375	2/19/2016	7/11/2014	0.34%	1,000,510	1,000,960	1,000,719	
CITY FIRST BK OF WASHINGTON, DC (CDARS)		2,530,097	0.400	3/17/2016	3/20/2014	0.40%	2,530,097	2,540,629	2,540,629	
CITY FIRST BK OF WASHINGTON, DC (CDARS)		2,530,097	0.300	3/17/2016	3/19/2015	0.30%	2,530,097	2,530,368	2,530,368	
US TREASURY NOTES	912828QF0	3,250,000	2.000	4/30/2016	7/15/2014	0.39%	3,343,438	3,335,692	3,333,644	
US TREASURY NOTES	912828QP8	5,000,000	1.750	5/31/2016	11/21/2014	0.32%	5,108,789	5,110,577	5,112,488	
US TREASURY NOTES	912828WQ9	5,000,000	0.500	6/30/2016	7/15/2014	0.46%	5,004,102	5,014,490	5,008,903	
WELLS FARGO & COMPANY	94974BFL9	1,200,000	1.250	7/20/2016	7/16/2014	0.76%	1,211,664	1,209,570	1,210,533	
US TREASURY NOTES	912828QX1	3,075,000	1.500	7/31/2016	7/15/2014	0.50%	3,096,767	3,086,884	3,082,930	
HSBC BANK USA NA CD	40428AC54	1,800,000	0.880	8/15/2016	2/13/2015	0.88%	1,800,000	1,810,703	1,802,068	
FHLB NOTES	3130A2T97	1,595,000	0.500	9/28/2016	8/7/2014	0.61%	1,591,411	1,595,125	1,592,561	
US TREASURY NOTES	912828WF3	4,600,000	0.625	11/15/2016	7/15/2014	0.64%	4,598,563	4,622,739	4,609,883	
US TREASURY NOTES	912828MD9	6,000,000	3.250	12/31/2016	11/24/2014	0.61%	6,330,000	6,336,833	6,324,016	
US TREASURY NOTES	912828RX0	5,000,000	0.875	12/31/2016	11/21/2014	0.60%	5,029,102	5,044,983	5,035,158	
US TREASURY NOTES	912828RX0	3,075,000	0.875	12/31/2016	12/9/2014	0.69%	3,086,531	3,102,665	3,091,564	
GENERAL ELEC CAP CORP GLOBAL NOTES	36962G5N0	1,200,000	2.900	1/9/2017	7/15/2014	1.03%	1,254,912	1,251,503	1,247,251	
US BANK CORP NOTE (CALLABLE)	90331HMC4	550,000	1.100	1/30/2017	11/26/2014	0.98%	551,430	552,740	552,221	
US TREASURY NOTES	912828SC5	3,500,000	0.875	1/31/2017	7/14/2014	0.72%	3,513,945	3,528,043	3,515,145	
US TREASURY NOTES	912828SM3	1,850,000	1.000	3/31/2017	10/6/2014	0.80%	1,859,033	1,865,515	1,857,330	
FNMA NOTES	3135G0JA2	4,500,000	1.125	4/27/2017	11/21/2014	0.80%	4,535,370	4,562,399	4,551,823	
TORONTO DOMINION BANK NY CORP NT	89114QAQ1	1,200,000	1.125	5/2/2017	7/15/2014	1.14%	1,199,628	1,208,430	1,205,312	
TORONTO DOMINION BANK NY CORP NT	89114QAQ1	790,000	1.125	5/2/2017	11/26/2014	1.21%	788,317	795,550	792,234	
ANZ BANKING GROUP LTD CORP NOTES	05253JAF8	1,200,000	1.250	6/13/2017	10/30/2014	1.15%	1,203,084	1,208,677	1,207,099	
ANZ BANKING GROUP LTD CORP NOTES	05253JAF8	550,000	1.250	6/13/2017	11/26/2014	1.25%	550,055	553,977	552,111	
US TREASURY NOTES	912828TB6	1,850,000	0.750	6/30/2017	11/3/2014	0.79%	1,848,121	1,857,245	1,851,898	
BANK OF MONTREAL CORP NOTES (CALLABLE)	06366RVD4	1,200,000	1.300	7/14/2017	7/15/2014	1.27%	1,201,116	1,207,129	1,204,185	
BANK OF MONTREAL CORP NOTES (CALLABLE)	06366RVD4	550,000	1.300	7/14/2017	11/26/2014	1.25%	550,726	553,267	552,160	
FREDDIE MAC GLOBAL NOTES	3137EADJ5	1,015,000	1.000	7/28/2017	8/14/2014	1.00%	1,014,932	1,024,346	1,016,723	
US TREASURY NOTES	912828NR7	150,000	2.375	7/31/2017	7/18/2014	0.97%	156,311	156,520	155,459	
US TREASURY NOTES	912828TG5	310,000	0.500	7/31/2017	7/31/2014	1.02%	305,217	309,070	306,523	
US TREASURY NOTES	912828TG5	4,500,000	0.500	7/31/2017	2/4/2015	0.63%	4,485,762	4,486,503	4,490,370	
US TREASURY NOTES	912828TG5	950,000	0.500	7/31/2017	2/10/2015	0.84%	942,059	947,151	943,286	
US BANK NA CINCINNATI (CALLABLE) CD	90333VPF1	1,200,000	1.375	9/11/2017	9/11/2014	1.41%	1,198,068	1,198,615	1,199,341	



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

DESCRIPTION	CUSIP	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
Operating Reserve Accounts										
MS ST TXBL GO BONDS	605581FX0	120,000	1.090	10/1/2017	2/18/2015	1.09%	120,000	120,010	120,156	
ROYAL BANK OF CANADA CORP NOTES	78010U4A2	1,200,000	1.400	10/13/2017	10/15/2014	1.41%	1,199,820	1,210,760	1,207,594	
ROYAL BANK OF CANADA CORP NOTES	78010U4A2	550,000	1.400	10/13/2017	11/26/2014	1.39%	550,198	554,932	553,727	
CHEVRON CORP NOTE	166764AL4	885,000	1.345	11/15/2017	11/18/2014	1.35%	885,000	896,613	889,398	
CHEVRON CORP (CALLABLE) GLOBAL NOTES	166764AA8	900,000	1.104	12/5/2017	11/26/2014	1.26%	895,743	903,998	899,426	
GENERAL ELECTRIC CO NOTES	369604BC6	550,000	5.250	12/6/2017	11/26/2014	1.45%	611,727	616,360	614,002	
TOYOTA MOTOR CREDIT CORP NOTE	89236TCA1	590,000	1.450	1/12/2018	1/12/2015	1.50%	589,192	595,655	591,127	
IBM CORP NOTES	459200HZ7	2,250,000	1.125	2/6/2018	2/6/2015	1.23%	2,243,138	2,248,312	2,247,349	
EXXON MOBIL CORP NOTES	30231GAL6	1,800,000	1.305	3/6/2018	3/6/2015	1.31%	1,800,000	1,811,994	1,801,631	
US TREASURY NOTES	91282UU2	2,200,000	0.750	3/31/2018	2/27/2015	1.04%	2,180,578	2,190,248	2,181,188	
US TREASURY NOTES	91282UU2	4,400,000	0.750	3/31/2018	3/27/2015	1.00%	4,368,031	4,380,497	4,368,266	
MERCK & CO GLOBAL NOTES	58933YAG0	731,000	1.300	5/18/2018	3/27/2015	1.31%	730,664	735,315	734,176	
										\$ 147,530,474.04
Debt Service Reserve										
WELLS FARGO TREASURY PLUS MMF		\$ 76,303		4/1/2015		0.01%	\$ 76,303	\$ 76,303	\$ 76,303	
FEDERAL HOME LOAN BANKS DISC NOTE	313384KQ1	5,100,000	-	8/19/2015	2/20/2015	0.14%	5,096,430	5,097,260	5,097,223	
FHLB NOTES	313375RN9	10,000,000	1.000	3/11/2016	5/22/2013	0.43%	10,158,100	10,062,556	10,059,045	
US TREASURY NOTES	912828QX1	3,550,000	1.500	7/31/2016	7/24/2014	0.51%	3,620,445	3,610,688	3,605,449	
US TREASURY NOTES	912828QX1	1,200,000	1.500	7/31/2016	9/17/2014	0.52%	1,221,844	1,220,514	1,218,594	
US TREASURY NOTES	912828TG5	3,600,000	0.500	7/31/2017	7/24/2014	0.98%	3,549,094	3,589,203	3,563,502	
										\$ 23,620,117.22
CSO LTCP Appropriations Account										
TD BANK BANK DEPOSIT		\$ 20,911,945		4/1/2015		0.90%	\$ 20,911,945	\$ 20,911,945	\$ 20,911,945	
										\$ 20,911,944.93
2014A Construction Fund										
WELLS FARGO TREASURY PLUS MMF		\$ 16,831,007		4/1/2015		0.01%	\$ 16,831,007	\$ 16,831,007	\$ 16,831,007	
FNMA GLOBAL BENCHMARK NOTES	31359MA45	13,150,000	5.000	4/15/2015	7/31/2014	0.15%	13,599,809	13,478,205	13,477,979	
JP MORGAN SECURITIES LLC COMM PAPER	46640QRQ6	16,750,000	-	4/24/2015	7/31/2014	0.31%	16,711,489	16,748,409	16,746,683	
RABOBANK USA FIN CORP COMM PAPER	74977LRQ2	16,750,000	-	4/24/2015	8/1/2014	0.27%	16,716,584	16,748,275	16,747,111	
FEDERAL HOME LOAN BANK BONDS	313379ER6	12,235,000	0.500	6/12/2015	7/30/2014	0.17%	12,270,200	12,263,127	12,261,536	
FEDERAL HOME LOAN BANK BONDS	313379ER6	2,345,000	0.500	6/12/2015	7/31/2014	0.17%	2,351,623	2,350,391	2,350,063	
FHLB TAP BONDS	3133XWNB1	6,000,000	2.875	6/12/2015	7/30/2014	0.17%	6,140,616	6,084,893	6,084,240	
FHLB TAP BONDS	3133XWNB1	8,955,000	2.875	6/12/2015	7/31/2014	0.17%	9,164,205	9,081,703	9,080,730	
FANNIE MAE GLOBAL NOTES	3135G0LN1	6,000,000	0.500	7/2/2015	8/1/2014	0.19%	6,016,950	6,012,673	6,012,079	
FHLMC NOTES	3134G4TH1	24,000,000	0.300	7/8/2015	7/30/2014	0.20%	24,022,994	24,022,864	24,023,202	
FNMA NOTES	31398AU34	24,450,000	2.375	7/28/2015	1/21/2015	0.16%	24,730,931	24,728,149	24,727,395	
FHLB AGENCY NOTES	3130A2WK8	16,950,000	0.125	8/28/2015	1/21/2015	0.17%	16,945,237	16,947,790	16,948,695	
FREDDIE MAC GLOBAL NOTES	3134G3ZA1	8,000,000	0.500	8/28/2015	1/21/2015	0.17%	8,015,840	8,014,316	8,014,360	
FHLB NOTES	3130A45M0	35,000,000	0.130	9/11/2015	3/2/2015	0.16%	34,994,337	34,995,609	35,001,537	
										\$ 208,306,615.08
2014B Construction Fund										
WELLS FARGO TREASURY PLUS MMF		\$ 56,484		4/1/2015		0.01%	\$ 56,484	\$ 56,484	\$ 56,484	
BANK OF TOKYO MITSUBISHI LTD COMM PAPER	06538CSV4	16,000,000	-	5/29/2015	2/4/2015	0.25%	15,987,333	15,994,512	15,993,556	
BNP PARIBAS FINANCE INC COMM PAPER	0556N1T86	16,000,000	-	6/8/2015	2/4/2015	0.25%	15,986,222	15,993,408	15,992,444	
										\$ 32,042,483.62
							\$ 455,015,484.87	\$ 455,090,037.07	\$ 454,861,634.89	\$ 454,861,634.89



DC Water
Finance Division
Security Purchases
Last 6 Months

CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
Operating Reserve Accounts							
912828SM3	US TREASURY NOTES	1,850,000.00	1.00	3/31/2017	10/6/2014	0.80	1,859,338.15
78010U4A2	ROYAL BANK OF CANADA CORP NOTES	1,200,000.00	1.40	10/13/2017	10/15/2014	1.41	1,199,820.00
RE0908153	INDUSTRIAL BANK CDARS	5,000,000.00	0.35	10/15/2015	10/16/2014	0.35	5,000,000.00
05253JAF8	ANZ BANKING GROUP LTD CORP NOTES	1,200,000.00	1.25	6/13/2017	10/30/2014	1.15	1,208,792.33
912828TB6	US TREASURY NOTES	1,850,000.00	0.75	6/30/2017	11/3/2014	0.79	1,852,871.77
RE0908161	INDUSTRIAL BANK CDARS	5,024,994.20	0.40	11/12/2015	11/13/2014	0.41	5,024,994.20
RE0908179	CITY FIRST BK OF WASHINGTON, DC (CDARS)	5,019,985.06	0.30	11/12/2015	11/13/2014	0.30	5,019,985.06
166764AL4	CHEVRON CORP NOTE	885,000.00	1.35	11/15/2017	11/18/2014	1.35	885,000.00
3135G0JA2	FNMA NOTES	4,500,000.00	1.13	4/27/2017	11/21/2014	0.80	4,538,745.00
912828QP8	US TREASURY NOTES	5,000,000.00	1.75	5/31/2016	11/21/2014	0.32	5,150,387.42
912828RX0	US TREASURY NOTES	5,000,000.00	0.88	12/31/2016	11/21/2014	0.60	5,046,221.13
912828MD9	US TREASURY NOTES	6,000,000.00	3.25	12/31/2016	11/24/2014	0.61	6,407,894.02
0556N1SU8	BNP PARIBAS FINANCE INC COMM PAPER	1,750,000.00	-	5/28/2015	11/24/2014	0.28	1,747,481.94
06538CRU7	BANK OF TOKYO MITSUBISHI UFJ COMM PAPER	1,500,000.00	-	4/28/2015	11/24/2014	0.22	1,498,579.17
69349KV31	PNC BANK NA COMM PAPER	1,225,000.00	-	8/3/2015	11/24/2014	0.28	1,222,599.00
90331HMC4	US BANK CORP NOTE (CALLABLE)	550,000.00	1.10	1/30/2017	11/26/2014	0.98	553,379.44
05253JAF8	ANZ BANKING GROUP LTD CORP NOTES	550,000.00	1.25	6/13/2017	11/26/2014	1.25	553,167.85
06366RVD4	BANK OF MONTREAL CORP NOTES (CALLABLE)	550,000.00	1.30	7/14/2017	11/26/2014	1.25	553,347.67
166764AA8	CHEVRON CORP (CALLABLE) GLOBAL NOTES	900,000.00	1.10	12/5/2017	11/26/2014	1.26	900,462.60
369604BC6	GENERAL ELECTRIC CO NOTES	550,000.00	5.25	12/6/2017	11/26/2014	1.45	625,361.92
78010U4A2	ROYAL BANK OF CANADA CORP NOTES	550,000.00	1.40	10/13/2017	11/26/2014	1.39	551,074.94
89114QAQ1	TORONTO DOMINION BANK NY CORP NT	790,000.00	1.13	5/2/2017	11/26/2014	1.21	788,909.80
912828RX0	US TREASURY NOTES	3,075,000.00	0.88	12/31/2016	12/9/2014	0.69	3,098,375.85
89236TCA1	TOYOTA MOTOR CREDIT CORP NOTE	590,000.00	1.45	1/12/2018	1/12/2015	1.50	589,191.70
RE0908229	INDUSTRIAL BANK CDARS	2,539,450.42	0.45	1/21/2016	1/22/2015	0.46	2,539,450.42
912828TG5	US TREASURY NOTES	4,500,000.00	0.50	7/31/2017	2/4/2015	0.63	4,486,010.34
459200HZ7	IBM CORP NOTES	2,250,000.00	1.13	2/6/2018	2/6/2015	1.23	2,243,137.50
912828TG5	US TREASURY NOTES	950,000.00	0.50	7/31/2017	2/10/2015	0.84	942,189.81
40428AC54	HSBC BANK USA NA CD	1,800,000.00	0.88	8/15/2016	2/13/2015	0.60	1,800,000.00
605581FX0	MS ST TXBL GO BONDS	120,000.00	1.09	10/1/2017	2/18/2015	1.09	120,000.00
912828UU2	US TREASURY NOTES	4,000,000.00	0.75	3/31/2018	2/27/2015	1.04	3,977,050.14
30231GAL6	EXXON MOBIL CORP NOTES	1,800,000.00	1.31	3/6/2018	3/6/2015	1.31	1,800,000.00
05574RSY2	BNP PARIBAS NY BRANCH CERT DEPOS	1,800,000.00	0.56	12/4/2015	3/10/2015	0.57	1,800,000.00
RE0908278	CITY FIRST BK OF WASHINGTON, DC (CDARS)	2,530,096.63	0.30	3/17/2016	3/19/2015	0.30	2,530,096.63
58933YAG0	MERCK & CO GLOBAL NOTES	731,000.00	1.30	5/18/2018	3/27/2015	1.31	734,068.98
912828UU2	US TREASURY NOTES	4,400,000.00	0.75	3/31/2018	3/27/2015	1.00	4,384,168.61
Total Debt Service Reserve							
313384KQ1	FEDERAL HOME LOAN BANKS DISC NOTE	5,100,000.00	-	8/19/2015	2/20/2015	0.14	5,096,430.00

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



DC Water
Finance Division
Security Purchases
Last 6 Months

CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
2014A Construction Fund							
3130A2WK8	FHLB AGENCY NOTES	16,950,000.00	0.13	8/28/2015	1/21/2015	0.17	16,953,653.20
3134G3ZA1	FREDDIE MAC GLOBAL NOTES	8,000,000.00	0.50	8/28/2015	1/21/2015	0.17	8,031,728.89
31398AU34	FNMA NOTES	24,450,000.00	2.38	7/28/2015	1/21/2015	0.16	25,009,983.10
3130A45M0	FHLB NOTES	35,000,000.00	0.13	9/11/2015	3/2/2015	0.16	34,996,991.17
2014B Construction Fund							
0556N1T86	BNP PARIBAS FINANCE INC COMM PAPER	16,000,000.00	-	6/8/2015	2/4/2015	0.25	15,986,222.22
06538CSV4	BANK OF TOKYO MITSUBISHI LTD COMM PAPER	16,000,000.00	-	5/29/2015	2/4/2015	0.25	15,987,333.33

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



DC Water
Finance Division
Security Sales
Last 6 Months

CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
Operating Reserve Accounts							
912828WB2	US TREASURY NOTES	550,000.00	0.25	10/31/2015	10/6/2014	0.13	551,324.56
0556N1LC5	BNP PARIBAS FINANCE INC COMM PAPER	1,200,000.00	-	11/12/2014	10/6/2014	0.14	1,199,827.33
912828PA2	US TREASURY NOTES	1,175,000.00	1.88	9/30/2017	10/15/2014	0.94	1,207,944.99
912828SS0	US TREASURY NOTES	1,300,000.00	0.88	4/30/2017	10/30/2014	0.65	1,312,918.31
86562YFF6	SUMITOMO MITSUI BANK NY CERT DEPOS	1,200,000.00	0.22	11/7/2014	11/3/2014	0.13	1,200,884.66
06538CNC1	BANK OF TOKYO MITSUBISHI COMM PAPER	500,000.00	-	1/12/2015	11/3/2014	0.19	499,815.28
912828PA2	US TREASURY NOTES	885,000.00	1.88	9/30/2017	11/18/2014	0.98	909,669.90
06538CNC1	BANK OF TOKYO MITSUBISHI COMM PAPER	700,000.00	-	1/12/2015	12/9/2014	0.19	699,874.39
46640QR78	JP MORGAN SECURITIES LLC COMM PAPER	1,200,000.00	-	4/7/2015	12/9/2014	0.24	1,199,048.00
74977LPH4	RABOBANK USA FIN CORP COMM PAPER	1,200,000.00	-	2/17/2015	12/9/2014	0.19	1,199,556.67
912828PA2	US TREASURY NOTES	350,000.00	1.88	9/30/2017	1/12/2015	0.93	360,679.69
912828WB2	US TREASURY NOTES	4,450,000.00	0.25	10/31/2015	2/4/2015	0.13	4,456,774.50
912828NR7	US TREASURY NOTES	1,100,000.00	2.38	7/31/2017	2/6/2015	0.68	1,146,151.76
912828NR7	US TREASURY NOTES	825,000.00	2.38	7/31/2017	2/6/2015	0.68	859,613.82
912828PA2	US TREASURY NOTES	240,000.00	1.88	9/30/2017	2/6/2015	0.76	248,560.41
3137EADJ5	FREDDIE MAC GLOBAL NOTES	750,000.00	1.00	7/28/2017	2/10/2015	0.83	753,273.21
3137EADJ5	FREDDIE MAC GLOBAL NOTES	200,000.00	1.00	7/28/2017	2/10/2015	0.83	200,872.86
912828QF0	US TREASURY NOTES	1,750,000.00	2.00	4/30/2016	2/13/2015	0.33	1,795,357.01
912828PM6	US TREASURY NOTES	3,900,000.00	2.13	12/31/2015	2/27/2015	0.22	3,975,739.25
912828UU2	US TREASURY NOTES	1,800,000.00	0.75	3/31/2018	3/6/2015	1.14	1,784,447.80
0556N1SU8	BNP PARIBAS FINANCE INC COMM PAPER	1,750,000.00	-	5/28/2015	3/10/2015	0.23	1,749,135.94
3130A0SD3	FEDERAL HOME LOAN BANK GLOBAL NOTES	4,000,000.00	0.38	2/19/2016	3/27/2015	0.34	4,002,863.33
912828PM6	US TREASURY NOTES	725,000.00	2.13	12/31/2015	3/27/2015	0.25	738,996.96
912828PM6	US TREASURY NOTES	375,000.00	2.13	12/31/2015	3/27/2015	0.27	382,181.22
2014A Construction Fund							
313396AN3	FREDDIE MAC DISC NOTE	2,050,000.00	-	1/13/2015	10/3/2014	0.05	2,049,709.58
313396AP8	FREDDIE MAC DISC NOTE	925,000.00	-	1/14/2015	10/3/2014	0.05	924,867.67
313588AP0	FANNIE MAE DISC NOTE	5,274,000.00	-	1/14/2015	10/3/2014	0.05	5,273,320.97
313588AP0	FANNIE MAE DISC NOTE	946,000.00	-	1/14/2015	10/3/2014	0.05	945,878.20
313588AP0	FANNIE MAE DISC NOTE	12,231,000.00	-	1/14/2015	10/3/2014	0.05	12,229,425.26
313589T37	FANNIE MAE DISC NOTE	35,000,000.00	-	12/15/2014	10/3/2014	0.05	34,996,451.39
31359MA45	FNMA GLOBAL BENCHMARK NOTES	6,850,000.00	5.00	4/15/2015	3/18/2015	0.10	7,020,702.00
2014B Construction Fund							
313385J98	FEDERAL HOME LOAN BANKS DISC NOTE	15,000,000.00	-	10/10/2014	10/3/2014	0.03	14,999,924.17
313588AP0	FANNIE MAE DISC NOTE	5,000,000.00	-	1/14/2015	10/3/2014	0.05	4,999,356.25
313588AP0	FANNIE MAE DISC NOTE	5,000,000.00	-	1/14/2015	10/3/2014	0.05	4,999,356.25
313589T37	FANNIE MAE DISC NOTE	20,000,000.00	-	12/15/2014	10/3/2014	0.05	19,997,972.22

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



DC Water
Finance Division
Security Maturities
Last 6 Months

CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
Operating Reserve Accounts							
RE0937269	INDUSTRIAL BANK CDARS	5,000,000.00	0.65	10/16/2014	10/16/2014	0.00	5,064,821.92
RE1002089	INDUSTRIAL BANK CDARS	5,030,006.63	0.35	10/16/2014	10/16/2014	0.00	5,047,807.26
RE0907890	CITY FIRST BK OF WASHINGTON, D.C (CDARS)	5,000,000.00	0.40	11/13/2014	11/13/2014	0.00	5,020,000.00
RE0907908	INDUSTRIAL BANK CDARS	5,000,000.00	0.50	11/13/2014	11/13/2014	0.00	5,025,000.00
RE0907981	INDUSTRIAL BANK CDARS	2,528,079.57	0.45	1/22/2015	1/22/2015	0.00	2,539,455.93
RE1000216	CITY FIRST BK OF WASHINGTON, DC (CDARS)	2,519,265.07	0.60	3/19/2015	3/19/2015	0.00	2,549,496.25
Total Debt Service Reserve							
313381YP4	FEDERAL HOME LOAN BANK GLOBAL NOTES	5,000,000.00	0.25	2/20/2015	2/20/2015	0.00	5,000,000.00
2014A Construction Fund							
06538CMW8	BANK OF TOKYO MITSU UFJ LTD COMM PAPER	16,750,000.00	-	12/30/2014	12/30/2014	0.00	16,750,000.00
3134A4UX0	FHLMC NOTES	3,500,000.00	4.50	1/15/2015	1/15/2015	0.00	3,500,000.00
0556N1NU3	BNP PARIBAS FINANCE INC COMM PAPER	16,750,000.00	-	1/28/2015	1/28/2015	0.00	16,750,000.00
13607FNU6	CANADIAN IMPERIAL HOLDING COMM PAPER	16,750,000.00	-	1/28/2015	1/28/2015	0.00	16,750,000.00
36959JPR8	GENERAL ELEC CAP CORP COMM PAPER	16,750,000.00	-	2/25/2015	2/25/2015	0.00	16,750,000.00
89233HQT4	TOYOTA MOTOR CREDIT CORP COMM PAPER	16,750,000.00	-	3/27/2015	3/27/2015	0.00	16,750,000.00

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



**DC Water
Finance Division
Upcoming Transaction Cash Flows
Next 30 Days**

DATE	TRANSACTION	CUSIP	DESCRIPTION	COUPON	MATURITY DATE	PAR VALUE/SHARES	PRINCIPAL	INTEREST	TOTAL
<u>Operating Reserve Accounts</u>									
04/01/15	INTEREST	605581FX0	MS ST TXBL GO BONDS	1.090	10/01/17	120,000.00	0.00	156.23	156.23
04/13/15	INTEREST	78010U4A2	ROYAL BANK OF CANADA CORP NOTES	1.400	10/13/17	550,000.00	0.00	3,807.22	3,807.22
04/13/15	INTEREST	78010U4A2	ROYAL BANK OF CANADA CORP NOTES	1.400	10/13/17	1,200,000.00	0.00	8,306.67	8,306.67
04/15/15	MATURITY	31359MA45	FNMA GLOBAL BENCHMARK NOTES	5.000	04/15/15	13,150,000.00	13,150,000.00	328,750.00	13,478,750.00
04/24/15	MATURITY	46640QRQ6	JP MORGAN SECURITIES LLC COMM PAPER		04/24/15	16,750,000.00	16,711,488.90	38,511.10	16,750,000.00
04/24/15	MATURITY	74977LRQ2	RABOBANK USA FIN CORP COMM PAPER		04/24/15	16,750,000.00	16,716,583.75	33,416.25	16,750,000.00
04/27/15	INTEREST	3135G0JA2	FNMA NOTES	1.125	04/27/17	4,500,000.00	0.00	25,312.50	25,312.50
04/28/15	MATURITY	06538CRU7	BANK OF TOKYO MITSUBISHI UFJ COMM PAPER		04/28/15	1,500,000.00	1,498,579.17	1,420.83	1,500,000.00
04/30/15	INTEREST	912828QF0	US TREASURY NOTES	2.000	04/30/16	3,250,000.00	0.00	32,500.00	32,500.00



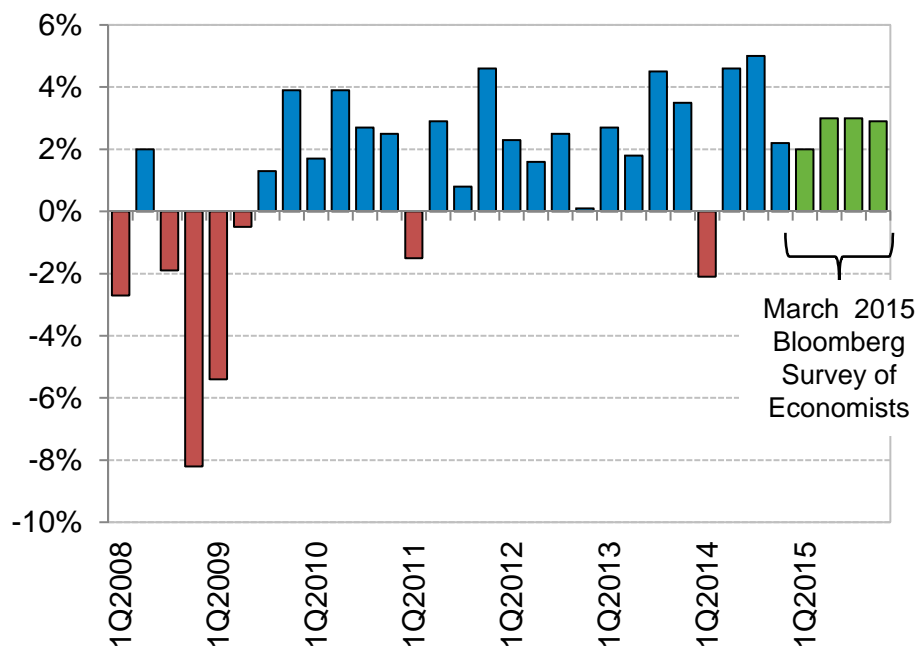
Appendix: Economic Update



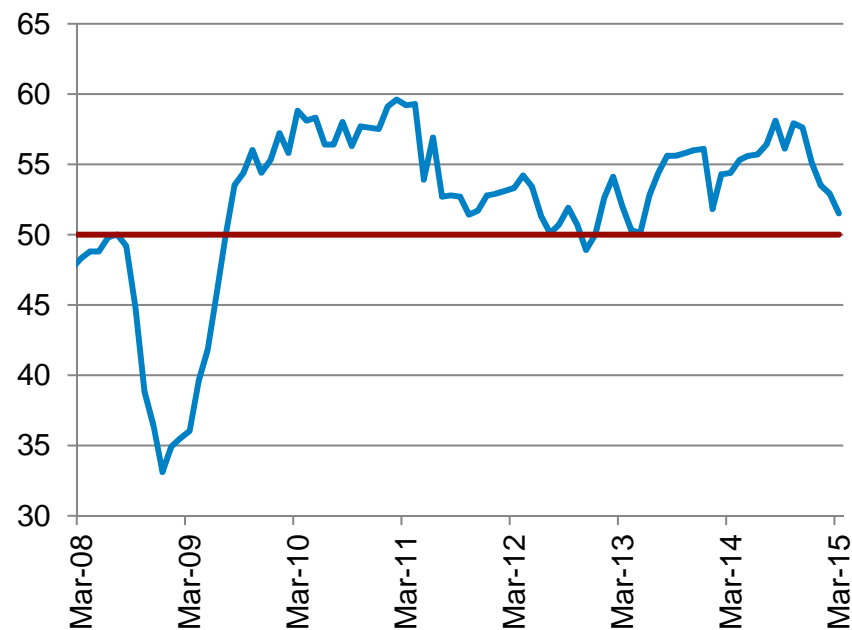
Gross Domestic Product

- U.S. Gross Domestic Product (“GDP”) growth for the fourth quarter of 2014 increased at an annual rate of 2.2%.
- The Institute for Supply Management Manufacturing Index fell slightly from February to March but still indicated expansion in the manufacturing sector.

**Gross Domestic Product
January 2008 – December 2015 (Projected)**



**ISM Manufacturing Index
March 2008– March 2015**

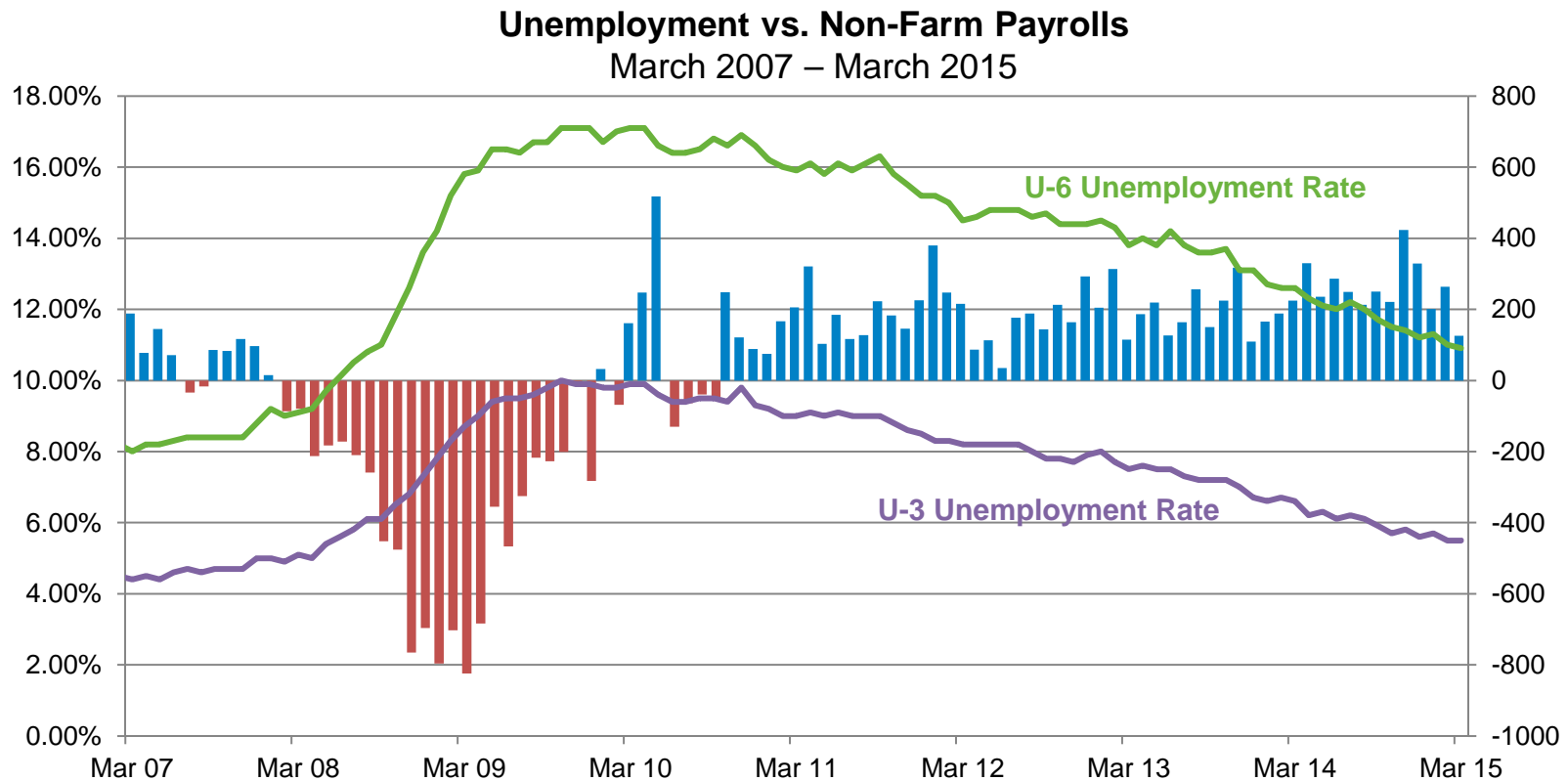


Source: Bloomberg



Employment Growth Slows in March

- In March, the U.S. economy added 126,000 jobs, making it the 54th straight month of employment gains but was well below estimates of 245,000. The unemployment rate remained at 5.5%.

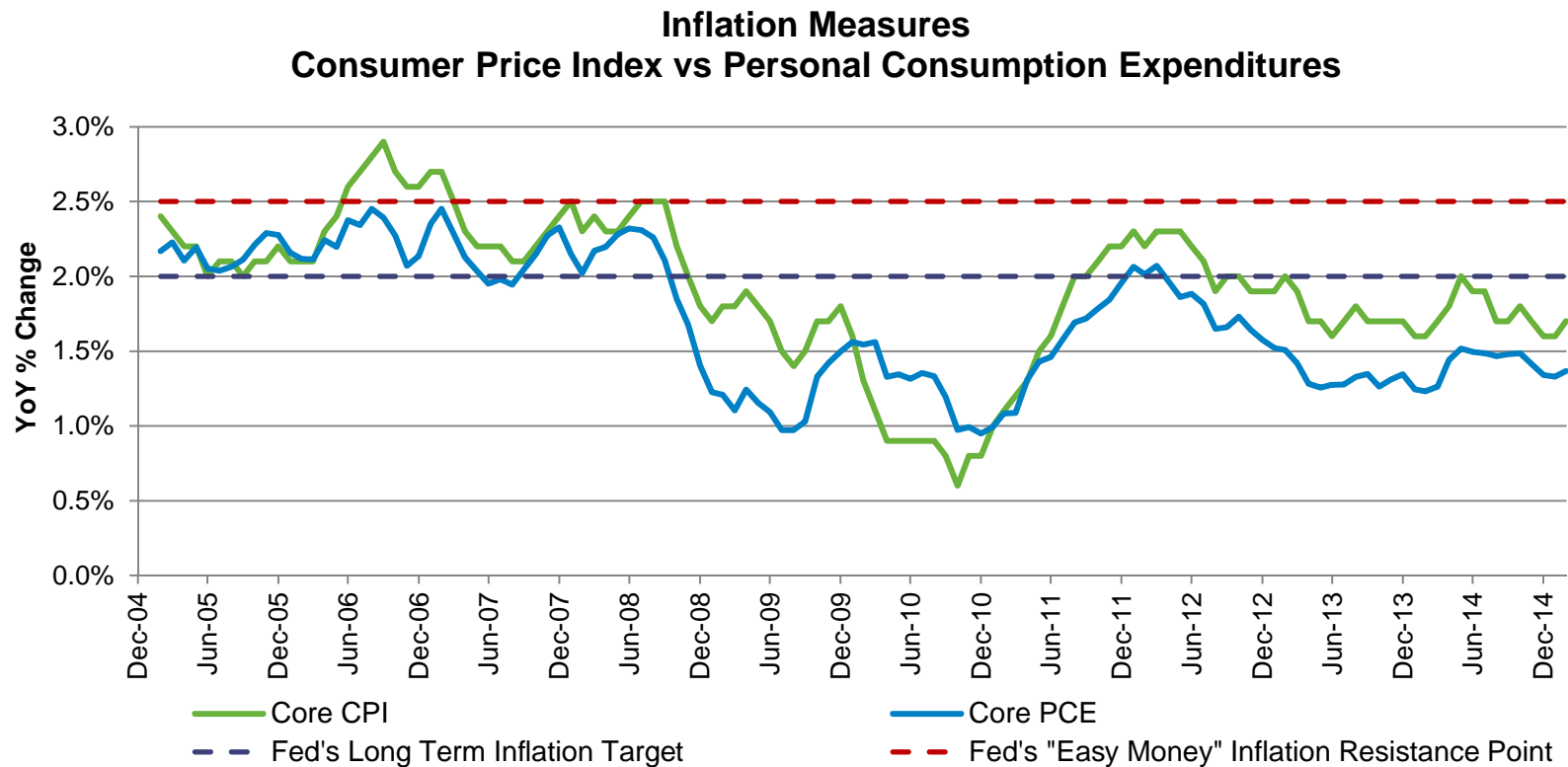


Source: Bloomberg



Inflation Remains Muted

- The personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, continues to undershoot the 2% target; it advanced 1.4% year-over-year in February, slightly above the January reading.
- The Core Consumer Price Index (CPI) registered 1.7% year-over-year growth in February.



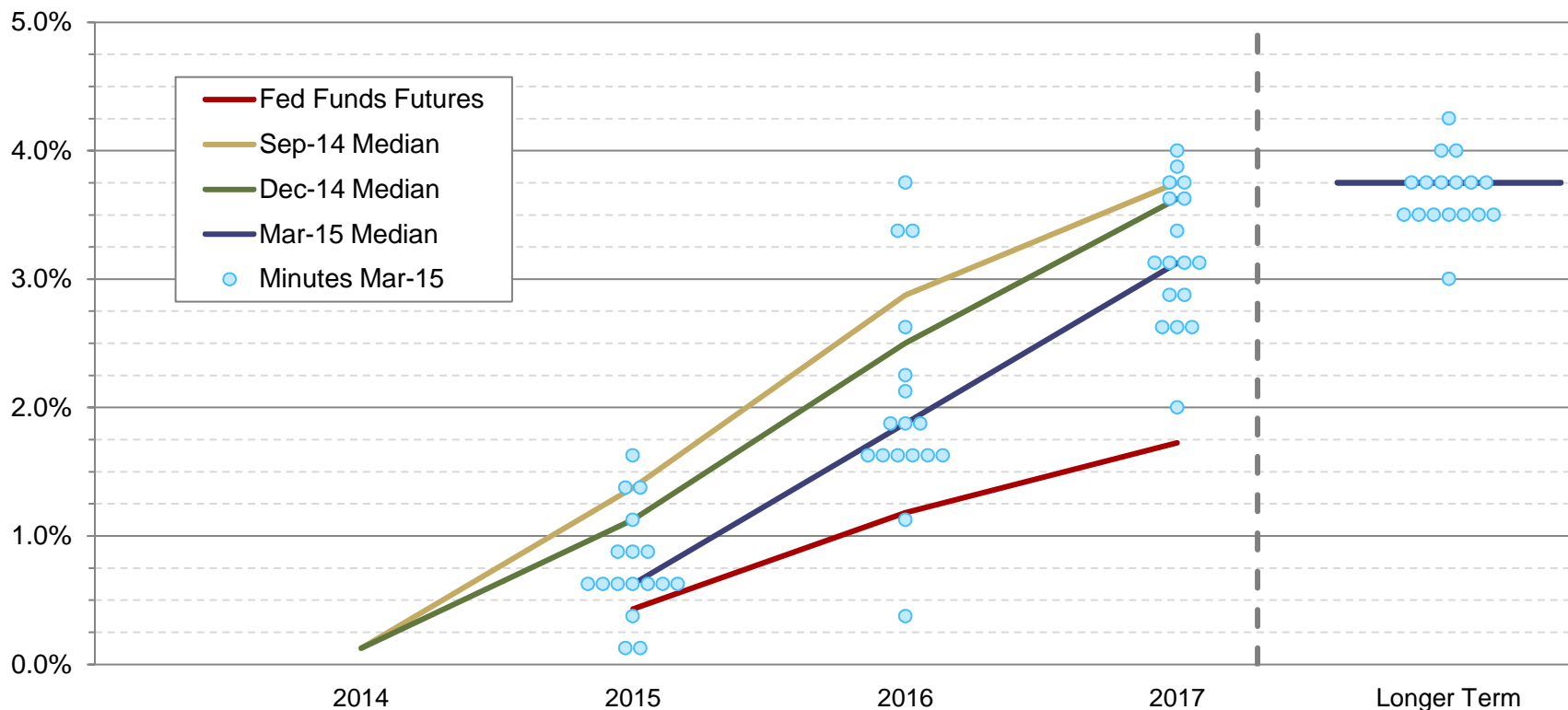
Source: Bloomberg



Federal Funds Target Rate Projections

- The FOMC reiterated at it's March meeting that it has not decided on the timing of the initial increase in the target range and lowered their median estimates of projected rate increases.
- The consensus is for one or two ¼% rate hikes in 2015.

Fed Dot Plot versus Previous Plots and Fed Funds

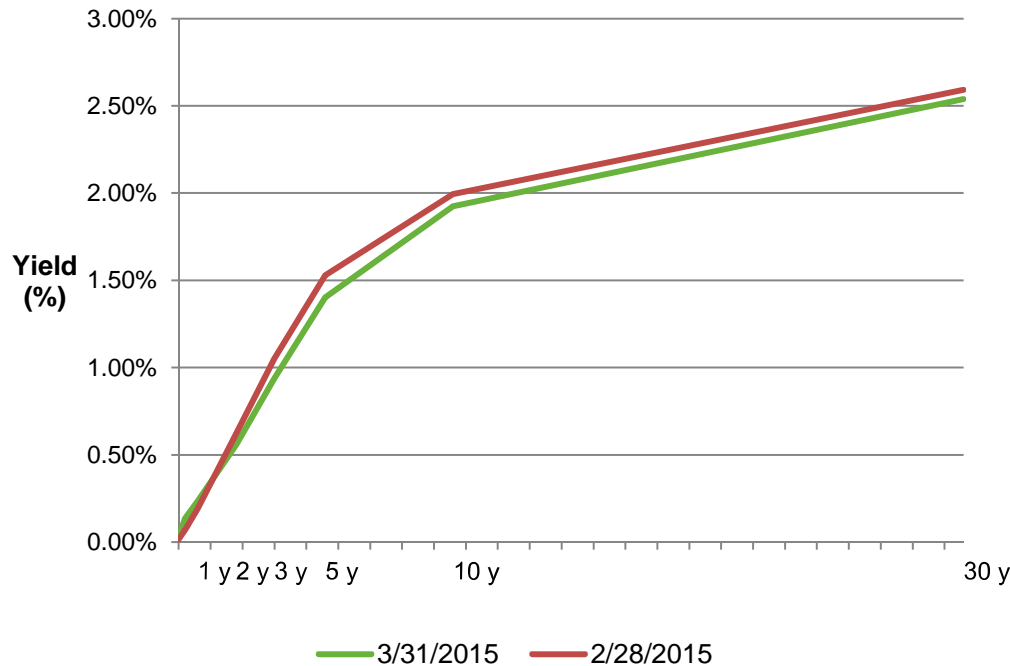


Source: Bloomberg and Federal Reserve. Summary of economic projections from March 18, 2015.



Interest Rates Fell Modestly in March

U.S. Treasury Yield Curve
March 31, 2015 vs. February 28, 2015



	<u>2/28/2015</u>	<u>3/31/2015</u>	<u>Change</u>
3 month	0.01%	0.02%	0.01%
6 month	0.07%	0.14%	0.07%
1 year	0.19%	0.23%	0.04%
2 year	0.62%	0.56%	-0.06%
3 year	1.05%	0.94%	-0.11%
5 year	1.53%	1.40%	-0.13%
10 year	1.99%	1.92%	-0.07%
30 year	2.59%	2.54%	-0.05%

Source: Bloomberg



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Biosolids Management Program: Fiscal Impact Analysis

Presented to Finance & Budget Committee

April 23, 2015



Agenda

- Program Background
- Impacted Operating Costs
- Construction Projects Status
- Estimated Operational Costs of Delay
- Budget Assumptions: Capital and Operating
- FY 2015 and FY 2016 Impacts



Program Background

- In 2008, the Biosolids Management Plan (BMP) update identified Thermal Hydrolysis Process (THP) and digestion as the most effective solution for biosolids management at DC Water
- The program benefits:
 - Hedging against Class B biosolids land application restrictions
 - Hedge against electricity cost uncertainty
 - Reliable supplemental power providing up to 1/3 of the energy use at Blue Plains
 - Approx. 50% Reduction in quantity of biosolids and disposal costs
 - Reduction of operating power costs
 - Generation of Class A biosolids increases diversity of product use by expanding markets which provides greater sustainability



Impacted Operating Costs

- The program estimated benefits are in the following areas of operations:
 - Hauling costs through reduction in volume
 - Chemical Costs: Discontinue use of lime stabilization and post dewatering polymer processes and additions of new polymer for pre-dewatering and Belt Filter Presses
 - Electricity: on-site power generation with a net installed capacity of 10 MW
 - CHP Fee: Annual operations & maintenance of the Combined Heat & Power by the contractor



Construction Project Status

Biosolids Program - Major Components

- Main Process Train 96% complete
 - Seeding of digesters on 09/30/2014
 - Cambi start-up on 10/14/2014
 - All biosolids through new Facilities as of 02/16/2015

- Combined Heat and Power 93% complete
 - Steam production started on Temporary boilers on 02/26/2014
 - Aux Boiler providing steam on NG on 02/16/2015
 - CHP generation expected in July 2015

- Final Dewatering Facilities 92% complete
 - Started receiving THP digested sludge on 11/25/2014
 - All BFPs were ready as of 03/02/2015



Construction Project Status - cont.

- By February 2015, program benefits accomplished:
 - Reduction of 50% of biosolids
 - Reduction of operational costs including chemicals reduction
 - Biosolids reached Class A
 - CHP generation is pending
- The digesters have been exceeding the expected performance
 - Slippage in the seeding date for the digesters
 - Main driver for delays in operational savings
 - From 03/01/2014 to 09/30/2014 (7 months)



Estimated Operational Costs of Delay

(\$000's)	Explanation	Lime System	Digesters	Delta
Chemicals	Estimated difference of costs between lime and polymer used for lime system and polymer used for new facilities	\$2,558	\$1,671	\$887
Hauling	Estimated costs incurred during the delay of 7 months	\$11,333	\$3,943	\$7,390
CHP Electricity Generation	Assumes budgeted costs incurred during the delay of 7 months	\$0	(\$3,515)	\$3,515
CHP Fee	Fee not incurred in 7 months	\$0	\$2,625	(\$2,625)
Projected Costs of Delay				\$9,167

**This is based on the 7 months delay due to seeding and uses the best available data for digester operation, chemical dosage and power generation*



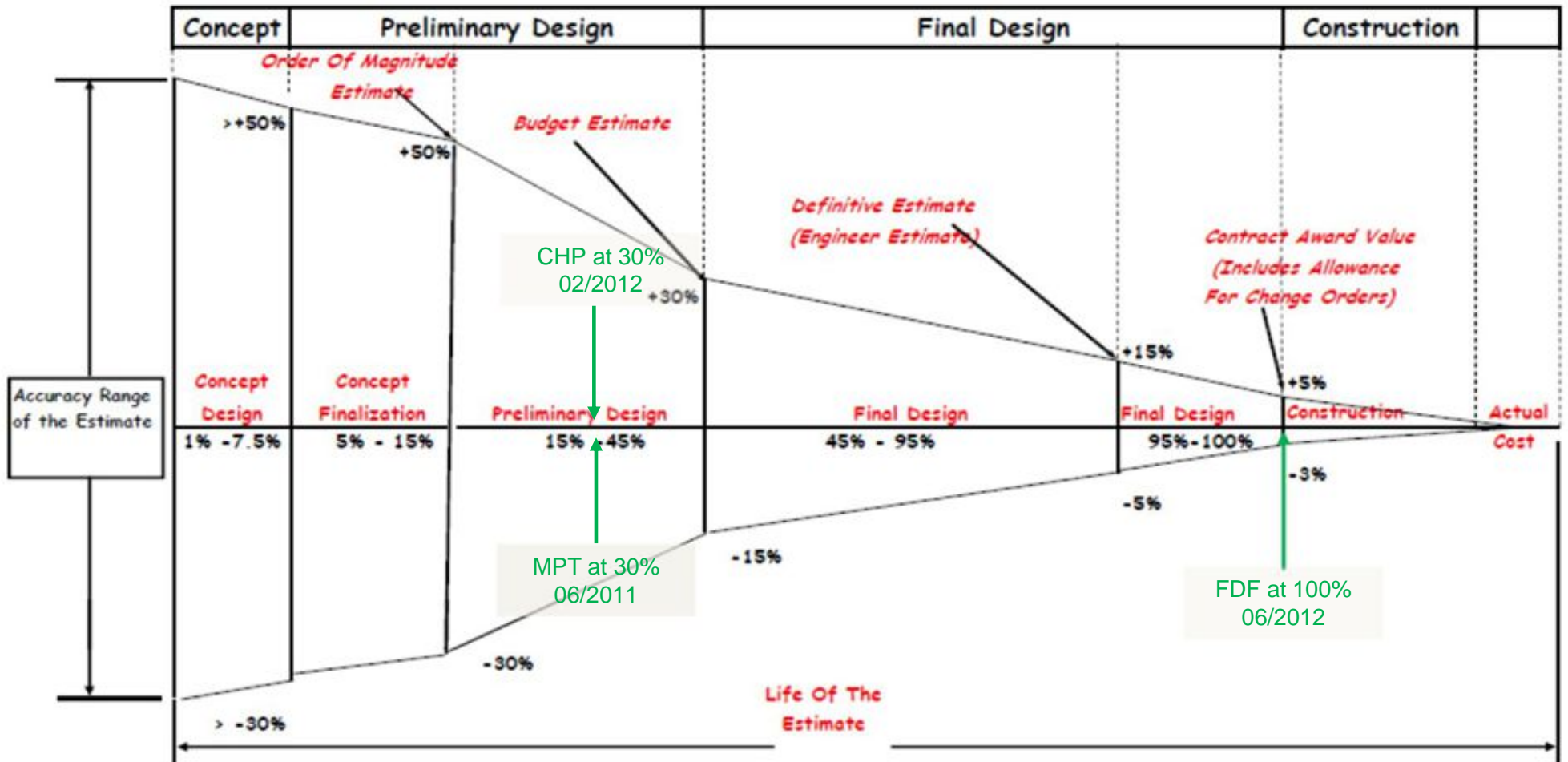
Capital Budget Assumptions

Project XA New Digestion Facilities Budget by Job Number				
(\$000's)	Job	FY 2012 Approved Budget	FY 2015 Approved Budget	Difference FY 2015 vs FY 2012
XA08	Main Process Train	237,940	245,979	8,039
XA10	Combined Heat and Power	93,240	97,712	4,472
XA11	Site Preparation	7,430	6,952	(478)
XA12	Final Dewatering Contract (1&2)	101,460	113,357	11,897
Subtotal (at completion)		\$440,070	\$464,000	\$23,930
	PM Costs	35,650	35,101	(549)
Budget Projection		\$475,720	\$499,101	\$23,381

- At completion cost includes preliminary design (30% concept), CM, Design, Construction and other costs. It does not include contingency
- The current approved budget does not include current unresolved changes estimated at \$3M



Capital Budget Assumptions – cont.



- AACE: American Association of Construction Engineers



Operating Budget Assumptions: Wastewater Treatment - Operations

(\$000's)	FY 2014 Actual Result	FY 2015 Approved Budget	FY 2016 Approved Budget
Budget Development Timelines	CY 2014 Winter	CY 2013 Fall/Winter	CY 2014 Fall/Winter
Total Expenditure – WWT - Operations	\$82,042	\$82,415	\$86,972
Major Expenditure Line Items (including Digesters)			
Chemicals ⁽¹⁾	\$24,121	\$27,260	\$27,688
Electricity Cost ⁽¹⁾ - Average Usage ⁽²⁾ (MW)	\$20,079 <i>26MW</i>	\$19,073 <i>26MW</i>	\$22,599 <i>29MW</i>
CHP O&M Fee	-	\$4,000	\$4,000
Hauling Cost - Average Wet Tons/Day	\$18,783 <i>1,087</i>	\$11,213 <i>647</i>	\$10,783 <i>600</i>
Subtotal	\$62,983	\$61,546	\$65,070

(1) This represents the total chemical and electricity costs for operations of the various WWT facilities, inclusive of the Digesters

(2) FY 2016 usage is inclusive of projected net increase based on energy capacity needs for the new WWT facilities coming online.
This usage is exclusive of the Tunnel Boring Machine of approximately 1MW



FY 2015 and FY 2016 Budget Impacts

FY 2015	Budget Assumptions	Current Assumptions	Budget Estimates	Current Estimates	Difference
Solids Processing Chemicals	No use of current lime system (lime and polymer). Only new biosolids polymers.	Current system used during ramp up period (Lime and polymer)	\$4,039	\$3,252	(\$787)
Electricity	No onsite power generation	Net Power production of 8.6 MW anticipated beginning July 2015	\$19,073	\$20,146	\$1,073
Hauling	647 average wet tons/day	562 average wet tons/day	\$11,213	\$9,744	(\$1,469)
Fee	Full operations of the CHP facility	Payment to contractor for 3 months	\$4,000	\$1,125	(\$2,875)
					(\$4,058)

FY 2016	Budget Assumptions	Current Assumptions	Budget Estimates	Current Estimates	Difference
Chemicals	No use of current lime system (lime and polymer). Only new biosolids polymers.	No use of current lime system (lime and polymer). Only new biosolids polymers.	\$3,900	\$2,704	(\$1,196)
Electricity	Onsite power generation	Power production of 8.6 MW for the full year	\$22,599	\$15,873	(\$6,727)
Hauling	600 average wet tons/day	412 average wet tons/day	\$10,783	\$7,369	(\$3,415)
Fee	Full operations of the CHP facility	Full operations of the CHP facility	\$4,000	\$4,500	\$500
					(\$10,838)

- Budget estimates include the assumptions in the Board-approved budgets
- FY 2015 current estimates include ramp up from Oct 1, 2014 to Feb. 16, 2015 and full operations of new biosolids facilities based on most recent process data through March 30, 2015
- FY 2016 current estimates include full operations of new biosolids facilities based on most recent process data



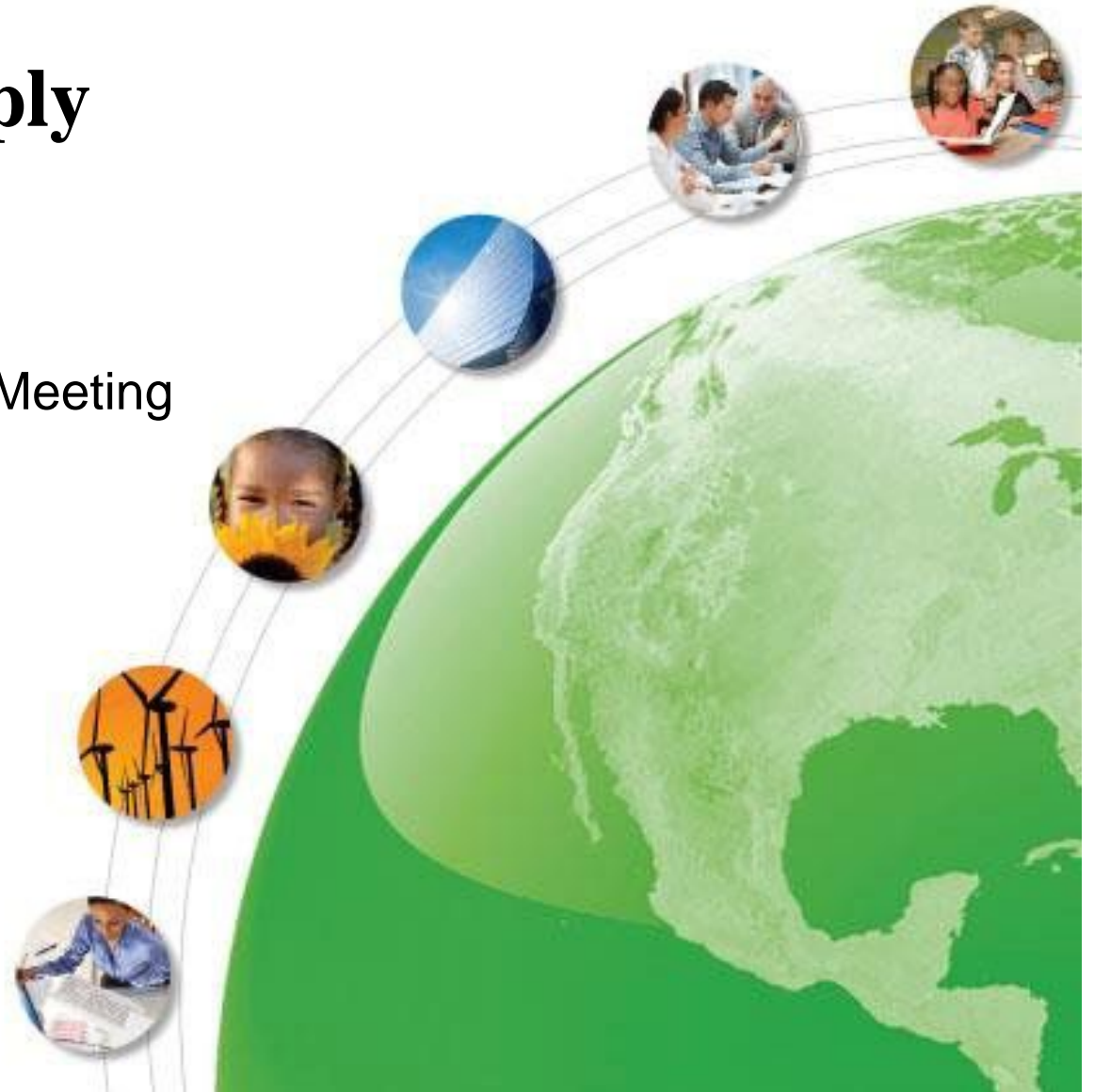
Conclusion

- No impact on FY 2015 operating budget due to delays mitigated by better than anticipated process performance and budget assumptions regarding power production in first year
- Potential revisions to approved FY 2016 operating budget based on better than expected performance of new processes and current power forecasts



DC Water & Sewer Electric Power Supply Strategy & Support

Prepared for:
Finance & Budget Committee Meeting
April 23, 2015



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Objective

- Provide market information and advice necessary to support creation and execution of DC Water's electricity supply budget.

Reporting

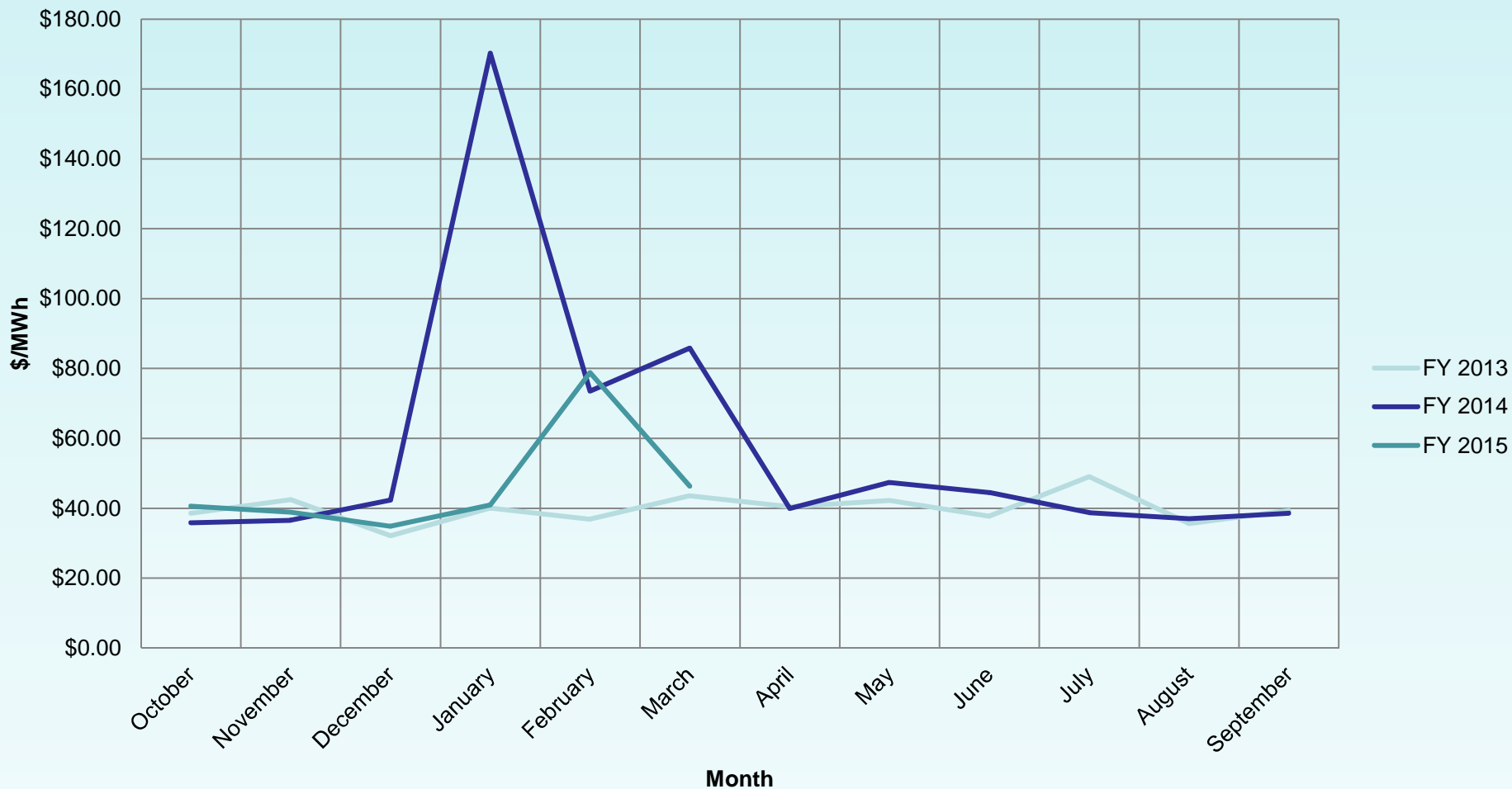
- Generate weekly market reports
- Reports include:
 - Summary of long and short term outlook
 - Forward market prices
 - DC Water hedge positioning
 - 3 year budget forecast
 - Hedge performance summary

Activity To Date

- Met with DC Water staff to update demand forecasts in anticipation of on-site generation projects (digester, solar)
- Met with DC Water staff to review sale vs. self-supply of RECs generated on-site
- Layered 6 discrete block purchases covering FY '15, FY '16 and FY '17 budget years

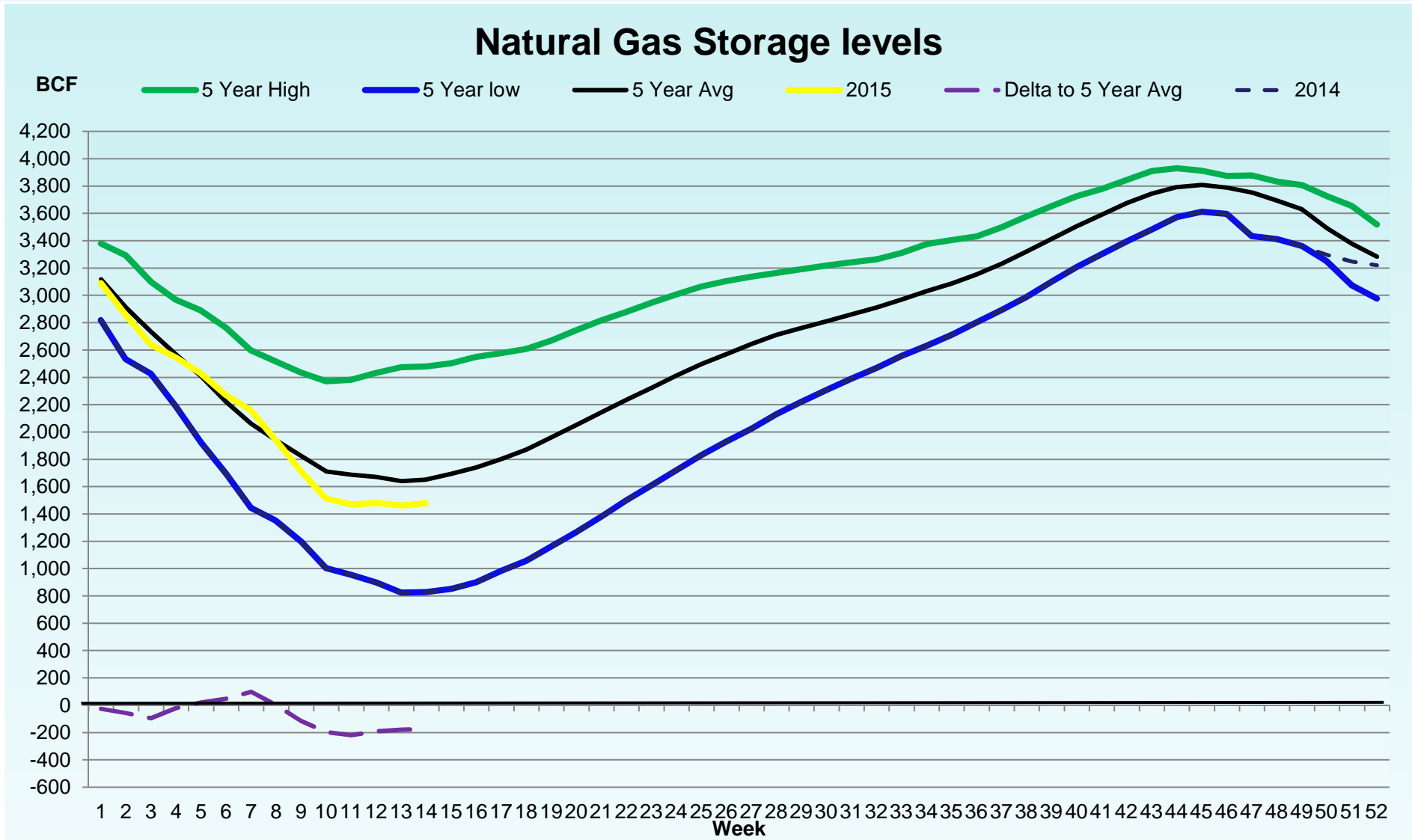
Historical Market Prices

**PEPCO-DC
Monthly Average Zonal LMP Prices**

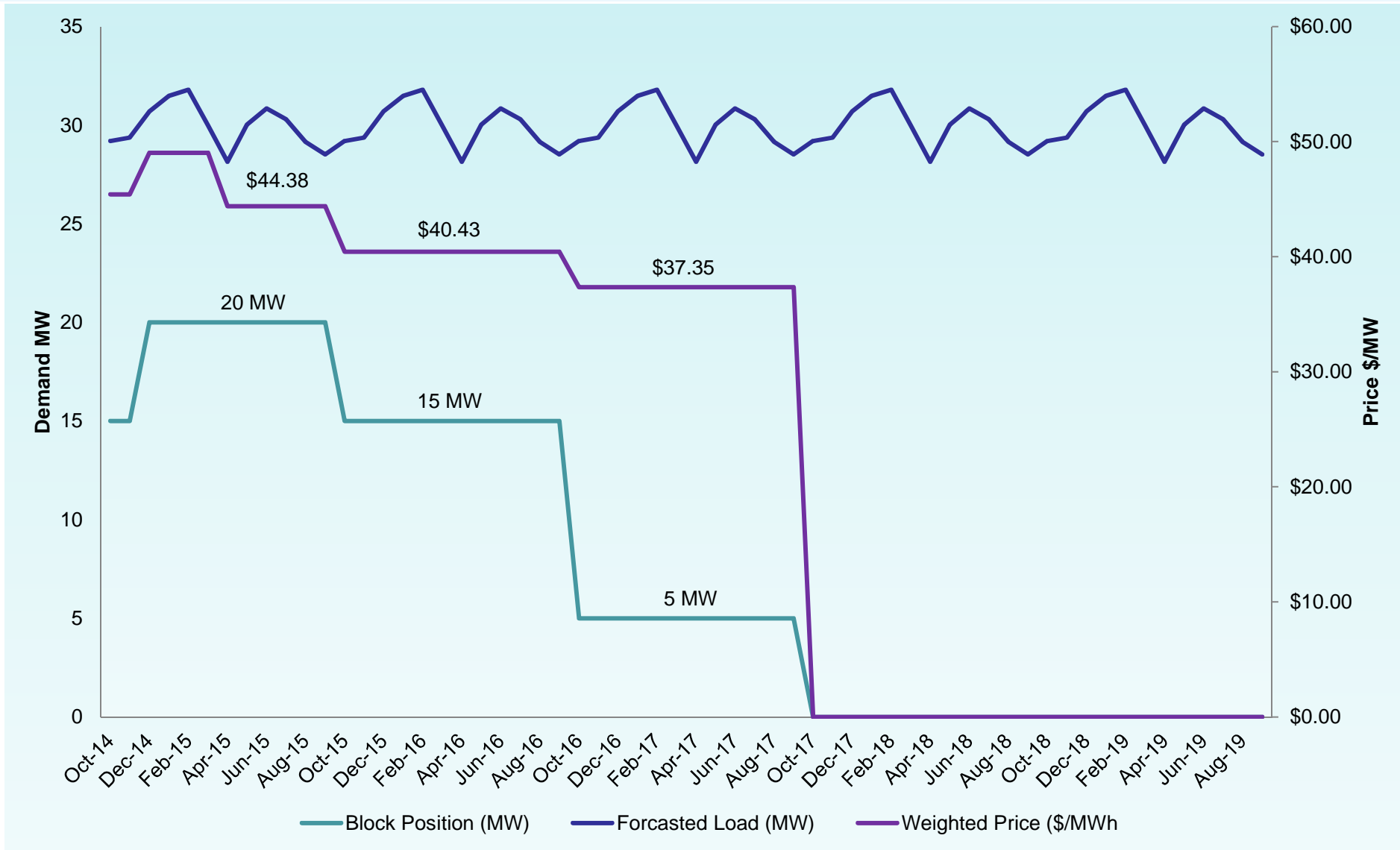


Source: PJM Data Miner

Natural Gas Impact



DC Water Block Positions



Billing: Components & Format

- Financial settlement of block positions
- Direct pass-through of DC Water's cost of service for PJM-settled components (Energy, Ancillary, Capacity, Transmission, Credits, etc.)
- Estimated cost of compliance with RPS component, reconciled annually to actual cost
- Administrative and Bidding Services fees
- Invoices display hourly volume and component cost detail

Questions?

K&S Draft
4/2/15

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

between

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

and

**LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE,
acting through its New York Branch**

Relating to

Not Exceeding \$100,000,000
Commercial Paper Notes, Series B

Dated as of May 1, 2015

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EXHIBIT A FORM OF BANK NOTE

EXHIBIT B FORM OF LETTER OF CREDIT

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

THIS LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT is executed and entered into as of May 1, 2015 by and between DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY and LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE, acting through its New York Branch. All capitalized terms used herein and not otherwise defined in connection with such use shall have the meanings set forth in Article I.

RECITALS:

WHEREAS, the Authority established its current commercial paper program in 2010 to finance certain costs incurred in connection with the construction of capital improvements to its wastewater collection, treatment and disposal system and its water system; and

WHEREAS, pursuant to such program, the Authority is currently authorized to issue and sell from time to time its Commercial Paper Notes, Series B and Series C in aggregate principal amounts outstanding at any time not to exceed \$100,000,000 and \$50,000,000, respectively, in accordance with the Resolution and the Issuing and Paying Agency Agreement; and

WHEREAS, the Authority has determined to terminate the separate letters of credit that currently support its Commercial Paper Notes, Series B and Series C and has requested that the Bank provide, in substitution for such letters of credit, two irrevocable letters of credit, one to support the payment of the principal of and interest on the Authority's Commercial Paper Notes, Series B and the other to support the payment of the principal of and interest on the Authority's Commercial Paper Notes, Series C; and

WHEREAS, subject to the terms and conditions set forth herein, the Bank is willing to issue, pursuant to this Agreement, the Letter of Credit in support of the Authority's Commercial Paper Notes, Series B; and

WHEREAS, pursuant to a separate letter of credit and reimbursement agreement between the Authority and the Bank entered into concurrently herewith, the Bank also intends to issue an irrevocable letter of credit in support of the Authority's Commercial Paper Notes, Series C Notes; and

WHEREAS, the obligations of the Authority to reimburse the Bank for amounts drawn under the Letter of Credit and repay loans made hereunder will be payable from and secured by a pledge of the Pledged Funds and a subordinate Lien on the Trust Estate;

NOW, THEREFORE, in consideration of the agreements set forth herein and in order to induce the Bank to issue the Letter of Credit, the Authority and the Bank agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Capitalized terms used and not defined herein shall have the meaning assigned in the Resolution or the Master Indenture. In addition to terms defined at other places in this Reimbursement Agreement, the following defined terms are used throughout this Reimbursement Agreement with the following meanings:

“*Affiliate*” means any other Person controlling or controlled by or under common control with the Authority. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“*Anti-Corruption Laws*” means all laws, rules, and regulations of any jurisdiction applicable to the Authority from time to time concerning or relating to bribery, money laundering or corruption.

“*Authority*” means the District of Columbia Water and Sewer Authority, an independent authority of the government of the District of Columbia.

“*Bank*” means Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, and any successor thereto.

“*Banking Arrangements*” means (a) the agreements of the Bank and the Authority set forth in this Reimbursement Agreement and the transactions contemplated thereby, including, without limitation, (i) any commitment to extend credit, to issue any letter of credit or other credit or liquidity facility, to purchase any obligation of or for the benefit of the Authority, or to extend any other financial accommodation, (ii) any issuance, extension or maintenance of any of the foregoing, and (iii) any pledge, purchase or carrying of any obligation of or for the benefit of the Authority, and (b) any participation agreement or similar arrangement entered into in connection with the foregoing.

“*Bank Note*” means the note executed by the Authority in favor of the Bank in the form of Exhibit A hereto properly completed, including any renewals, amendments, modifications and supplements thereto permitted by the terms hereof.

“*Bank Rate*” for any day, a rate of interest per annum equal to (i) from the date such interest begins to accrue to and including the 90th day thereafter, the higher of (a) the Prime Rate plus 1.00% and (b) the Federal Funds Rate plus 2.00% and (ii) from the 91st day and thereafter, the higher of (a) the Prime Rate plus 1.00%, (b) the Federal Funds Rate plus 2.00% and (c) 7.00%; provided, however, from and after the earlier of (a) the date amounts are owed under the Bank Rate but only so long as not paid when due and (b) during the occurrence and continuance of an Event of Default, all amounts owed will be paid at the Default Rate and, provided further, that at no time will the Bank Rate be less than the applicable rate of interest on outstanding Notes. The Bank Rate is calculated on the basis of 365/366 days, as applicable, and the actual number of days elapsed.

“*Benefit Plan Event*” means (a) the imposition of any lien on any of the rights, properties or assets of the Authority or the System, or the posting of a bond or other security by the Authority, in either case pursuant to Sections 412, 430 or 436 of the Code; (b) the occurrence of a non-exempt prohibited transaction (within the meaning of Section 4975 of the Code) involving the assets of an Employee Benefit Plan, if the Authority has any liability therefor; (c) the receipt by the Authority of notice of the final determination by the Internal Revenue Service that a Qualified Plan’s qualification or tax exempt status should be revoked; (d) with respect to any Employee Benefit Plan, the failure to make or, if applicable, accrue in accordance with normal accounting practices, any employer or employee contributions required by applicable law or by the terms of such Employee Benefit Plan, (e) the failure to register or loss of good standing with applicable regulatory authorities of any Employee Benefit Plan required to be registered; or (f) the failure of any Employee Benefit Plan to comply with any material provisions of applicable law and regulations or with the material terms of such Employee Benefit Plan.

“*Business Day*” has the meaning set forth in the Issuing and Paying Agency Agreement.

“*Change in Law*” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding

anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“*Closing Date*” means May __, 2015, the date on which this Reimbursement Agreement shall be executed and delivered by the Authority and the Bank.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and all rules and regulations from time to time promulgated thereunder.

“*Date of Issuance*” means the date on which the Letter of Credit is executed and delivered to the Paying Agent.

“*Dealer*” means each institution appointed from time to time by the Authority to act as a Dealer for the Notes pursuant to a Dealer Agreement; as of the date of this Reimbursement Agreement, the Dealer is _____.

“*Dealer Agreement*” means each Dealer Agreement between the Authority and a Dealer pursuant to which such Dealer agrees to act as dealer for the Notes.

“*Debt*” means, with respect to any Person, at any date, without duplication, (i) all obligations of such Person for borrowed money; (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business; (iv) all obligations of such Person as lessee under capital leases; (v) all obligations of such Person under take or pay or similar contracts; (vi) all obligations of such Person to reimburse or indemnify the issuer of a letter of credit or Guarantee for drawings or payments thereunder; (vii) all obligations of such Person to repurchase any security (or other Property) which arise out of or in connection with the sale of such security (or other Property); (viii) all obligations of such Person in respect of interest rate swap agreements, currency swap agreements and other similar agreements and arrangements designed to protect such Person against adverse movements in interest rates or foreign exchange rates; (ix) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; and (x) all Debt of others Guaranteed by such Person.

“*Default*” means any condition or event which constitutes an Event of Default or which, with the giving of notice or lapse of time or both would, become an Event of Default.

“*Default Rate*” means the rate of interest established pursuant to Section 2.04.

“*Disclosure Document*” means any official statement or offering memorandum or circular used by a Dealer in marketing the Notes.

“*Drawing*” means a drawing under the Letter of Credit to pay amounts due on Notes at maturity.

“*Employee Benefit Plan*” means all of the following plans, to the extent the Authority has, or could reasonably be expected to have, any liability with respect to such plans: (a) all “employee benefit plans” (as defined in Section 3(3) of ERISA), and (b) any other employee benefit plan, program or arrangement that is or at any time has been maintained or sponsored by the Authority or to which the

Authority has ever made, or been obligated to make, contributions or with respect to which the Authority has incurred any material liability or obligation, including without limitation the Authority's Section 401(a) defined contribution plan and the Authority's Section 457(b) deferred compensation plan.

"Environmental Law" means any current or future legal requirement of any Governmental Authority pertaining to (a) the protection of health, safety, and the indoor or outdoor environment, (b) the conservation, management, or use of natural resources and wildlife, (c) the protection or use of surface water and groundwater or (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, release, threatened release, abatement, removal, remediation or handling of, or exposure to, any hazardous or toxic substance or material or (e) pollution (including any release to land surface water and groundwater).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated, and any publicly available rulings issued, thereunder.

"Event of Default" means one of the events defined as such in Section 6.01.

"Excess Interest Amount" has the meaning assigned to such term in Section 2.15(b).

"Expiration Date" means the date on which the Letter of Credit is scheduled to expire as set forth in Paragraph 1(a) of the Letter of Credit, as such date may be extended from time to time pursuant to Section 8.02 and Paragraph 1(a) of the Letter of Credit and subject to the earlier termination of the Letter of Credit as set forth in Paragraph 1 of the Letter of Credit.

"Fed Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, that (a) if such day is not a Business Day, the Fed Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Fed Funds Rate for such day shall be the average rate (rounded upwards, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank.

"Fee Letter" means that Fee Letter dated as of the Date of Issuance from the Bank to the Authority.

"Fiscal Year" means the fiscal year of the Authority ending on September 30 of each calendar year.

"Fitch" means Fitch, Inc., Fitch Ratings Ltd. or in each case any successor or assignee of the business of such company in the business of rating securities.

"GAAP" means generally accepted accounting principles in the United States of America applied on a consistent basis.

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“*Guarantee*” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term *Guarantee* shall not include endorsement for collection or deposit in the ordinary course of business. The term “*Guarantee*” used as a verb has a corresponding meaning.

“*Hedge Agreement*” means any rate swap transaction, basis swap, forward rate transaction, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, total return swap, credit default swap or any other similar transaction (including any option with respect to any of these transactions) and any other agreement or option involving, or settled by reference to, one or more rates, currencies, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

“*Indemnified Party*” has the meaning assigned in Section 7.04.

“*Interest Drawing*” means that portion of each Drawing used to pay interest accrued on Notes at maturity.

“*Issuing and Paying Agency Agreement*” means that Issuing and Paying Agency Agreement dated as of June 1, 2010, as amended, by and between the Authority and the Paying Agent, including such amendments, modifications and supplements thereto permitted pursuant to its terms and the terms hereof.

“*Letter of Credit*” means the Irrevocable Letter of Credit No. HLG-30073 issued by the Bank on the Date of Issuance, including such amendments, modifications and supplements permitted pursuant to its terms.

“*Lien*” on any asset means any mortgage, deed of trust, lien, pledge, charge, security interest, hypothecation, assignment, deposit arrangement or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or effective under applicable law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital or finance lease or other title retention agreement relating to such asset.

“*Loan*” has the meaning assigned in Section 2.03.

“*Master Indenture*” means the Master Indenture of Trust dated as of April 1, 1998, as amended and supplemented including, in particular, by an Eleventh Supplemental Indenture of Trust dated as of June 1, 2010, each between the Authority and Wells Fargo Bank, National Association, as successor Trustee.

“*Maximum Lawful Rate*” means the maximum rate of interest on the relevant obligation permitted by applicable law.

“*Moody’s*” means Moody’s Investors Service or any successor or assignee of the business of such company in the business of rating securities.

“*No Issuance Notice*” has the meaning assigned in Section 6.02.

“*Notes*” means the District of Columbia Water and Sewer Authority Commercial Paper Notes, Series B.

“*Participant(s)*” means any bank(s) or other financial institution(s) which may purchase a participation interest from the Bank in the Letter of Credit, this Reimbursement Agreement and certain of the Related Documents pursuant to a participation agreement between the Bank and the Participant(s).

“*Patriot Act*” has the meaning specified in Section 9.12.

“*Paying Agent*” means the institution appointed from time to time by the Authority to act as Issuing and Paying Agent under the Issuing and Paying Agency Agreement, initially U.S. Bank, National Association.

“*Person*” means any natural person, corporation, partnership, limited liability company, association, trust, joint venture, public body or other legal entity.

“*Prime Rate*” means, for any day, the rate of interest publicly established by Landesbank Hessen-Thüringen Girozentrale, New York Branch, from time to time as its prime rate; the Bank may lend to its customers at rates that are at, above or below the Prime Rate.

“*Principal Drawing*” means that portion of each Drawing used to pay the principal of Notes at maturity.

“*Qualified Plan*” means any Employee Benefit Plan that is intended to be tax-qualified under Section 401(a) of the Code.

“*Rating Agency*” means S&P, Moody’s or Fitch or any successor or additional rating agency that rates the Notes at the written request of the Authority with the written consent of the Bank.

“*Reimbursement Agreement*” means this Letter of Credit and Reimbursement Agreement, including such amendments, modifications or supplements permitted pursuant to Section 9.02.

“*Related Documents*” means the Letter of Credit, the Resolution, the Master Indenture, the Dealer Agreements, the Issuing and Paying Agency Agreement, the Notes, the Bank Note, the Fee Letter and any exhibits, instruments or agreements relating thereto.

“*Resolution*” means, collectively, the resolutions adopted by the Board of Directors of the Authority on May 6, 2010, April 14, 2013 and April 30, 2015.

“*S&P*” means Standard & Poor’s Financial Services LLP, a subsidiary of The McGraw-Hill Companies, Inc., or any successor or assignee of the business of such company in the business of rating securities.

“*Sanctions*” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or by the U.S. Department of State, or (b) the United Nations Security Council, the European Union, any EU member state, or Her Majesty’s Treasury of the United Kingdom.

“*Sanctioned Country*” means, at any time of determination, a country or territory which is the subject or target of any Sanctions.

“*Sanctioned Person*” means, at any time of determination, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the United Nations Security Council, the European Union or any EU member state, (b) any Person operating, organized or resident in a Sanctioned Country, (c) any Person owned or controlled by or acting on behalf of any such Person described in the preceding clause (a) or (b), or (d) any Person with which the Bank is prohibited under Sanctions relevant to it from dealing or engaging in transactions. For purposes of the foregoing, control of a Person shall be deemed to include where a Sanctioned Person (i) owns or has power to vote 25% or more of the issued and outstanding equity interests having ordinary voting power for the election of directors of the Person or other individuals performing similar functions for the Person, or (ii) has the power to direct or cause the direction of the management and policies of the Person, whether by ownership of equity interests, contracts or otherwise.

“*Series C Reimbursement Agreement*” means the Letter of Credit and Reimbursement Agreement dated as of May 1, 2015 by and between the Authority and the Bank providing for the issuance by the Bank of an irrevocable letter of credit in support of the Authority’s Commercial Paper Notes, Series C, as amended, supplemented or modified from time to time.

“*Stated Amount*” has the meaning assigned to such term in Paragraph 2 of the Letter of Credit, as reduced by any reductions pursuant to Exhibit C to the Letter of Credit.

“*Substitute Credit Facility*” means a letter of credit issued in substitution for the Letter of Credit pursuant to the Issuing and Paying Agency Agreement.

“*Termination Date*” means the date on which the Letter of Credit terminates or expires as described in Paragraph 1 of the Letter of Credit.

Section 1.02. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, and except as otherwise expressly provided herein all accounting determinations required to be made pursuant to this Reimbursement Agreement shall be made in accordance with generally accepted accounting principles.

Section 1.03. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted hereunder. References herein to Articles or Sections shall be references to the corresponding Articles and Sections of this Reimbursement Agreement unless otherwise provided.

Section 1.04. Relation to Other Documents. Nothing in this Reimbursement Agreement shall be deemed to amend, or relieve the Authority of any of its obligations under, any Related Document. To the extent any provision of this Reimbursement Agreement conflicts with any provision of any other Related Document to which the Authority and the Bank are parties, the provisions of this Reimbursement Agreement shall control.

ARTICLE II

ISSUANCE OF LETTER OF CREDIT; REIMBURSEMENT, FEES AND PAYMENT PROVISIONS

Section 2.01. Issuance of the Letter of Credit. The Bank agrees to issue the Letter of Credit on the Closing Date if the conditions set forth in this Section and in Article III required to be satisfied on or before the Date of Issuance are satisfied. In addition to the conditions set forth in Article III, on the Date of Issuance the following conditions shall be satisfied as determined by the Bank:

- (a) The amount of the Letter of Credit shall not exceed the Stated Amount.
- (b) All representations and warranties of the Authority contained in Article IV shall be true and correct.
- (c) No Default shall have occurred and be continuing and no Default shall occur as a result of the issuance of the Letter of Credit.

Section 2.02. Interest on Principal Drawings. The Authority shall pay to the Bank interest on all amounts drawn under the Letter of Credit pursuant to a Principal Drawing, such interest to accrue from the date of such Drawing until payment thereof in full, payable on the first Business Day of each month or, if earlier, the date on which all or a portion of such principal amount is repaid, to the extent of such principal repayment, and payable on each date that the Principal Drawing is required to be repaid pursuant to Section 2.03 at a fluctuating interest rate per annum equal to the Bank Rate, subject to the provisions of Section 2.04.

Section 2.03. Reimbursement of Drawings. The Authority agrees to pay to the Bank an amount equal to all amounts drawn under the Letter of Credit, payable without any requirement of notice or demand by the Bank on the day on which such drawing is paid. Notwithstanding the preceding sentence, if on the date of any Principal Drawing no Event of Default has occurred and is continuing and the representations and warranties made by the Authority herein are true and correct as if made on such day, the Authority shall not be required to pay to the Bank an amount equal to such Principal Drawing on the date of such Drawing but rather the Authority agrees to pay to the Bank with respect to the Principal Drawing, payable without any requirement of notice or demand by the Bank, on the first Business Day of the first month that is not less than six (6) months after the date of such Principal Drawing, and on the first Business Day of each sixth month thereafter, amounts sufficient, with interest thereon at the Bank Rate, to amortize the amount of such Principal Drawing in approximately equal semi-annual payments over the period ending on the 5th anniversary of the date of such Drawing, with the remaining outstanding amount of the Principal Drawing together with interest thereon as provided herein being due and payable on such 5th anniversary of the date of such Principal Drawing; provided, however, that upon issuance of Notes, the amount owed to the Bank pursuant to this Section shall be immediately paid to the Bank in an amount equal to the lesser of the amount outstanding under this Section and the principal amount of the Notes issued which is not used to repay Notes maturing on such date or to reimburse the Bank for amounts drawn under the Letter of Credit to repay such maturing Notes; and provided, further, that the amount owed to the Bank under this Section shall be due and payable in full on the date of delivery to the Paying Agent of any substitute letter of credit (as provided in the Resolution) in substitution for the Letter of Credit. On the date of each Principal Drawing the Authority shall be deemed to have made the representations and warranties set forth in Article IV as of such date. The amount of any Drawing hereunder which is not paid on the date of such Drawing together with interest thereon, as provided in this Section and Section 2.04, shall be herein referred to as a "Loan." For the avoidance doubt, the foregoing provisions under which, subject to certain conditions, the Authority is not required to reimburse the Bank

for a Principal Drawing on the date of such Drawing shall not be applicable to an Interest Drawing.

Section 2.04. Default Rate. The Authority agrees to pay to the Bank, interest on any and all amounts owed by the Authority under this Reimbursement Agreement from and after the earlier of (a) the occurrence of an Event of Default and (b) the date such amounts are due and payable but not paid until payment thereof in full, at a fluctuating interest rate per annum (computed on the basis of the actual number of days elapsed and a year of 365/366 days, as applicable) equal to the Bank Rate plus three percent (3.00%) (the “*Default Rate*”).

Section 2.05. Fees. On the Date of Issuance, the Authority and the Bank shall execute the Fee Letter pursuant to which the Authority agrees to pay certain fees to the Bank and reimburse the Bank for certain expenses. The Authority covenants and agrees to pay such fees and expenses to the Bank.

Section 2.06. Costs, Expenses and Taxes. The Authority agrees to pay on demand all out-of-pocket costs and expenses of the Bank in connection with the negotiation, execution, delivery, administration and enforcement of this Reimbursement Agreement, the Related Documents and such other documents which may be delivered in connection with this Reimbursement Agreement plus the reasonable fees and expenses of counsel to the Bank with respect to advising the Bank as to its rights and responsibilities under this Reimbursement Agreement and the Related Documents and all costs and expenses, if any, in connection with the enforcement of this Reimbursement Agreement, the Related Documents and such other documents which may be delivered in connection with this Reimbursement Agreement. In addition, the Authority shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Reimbursement Agreement, the Related Documents and such other documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 2.07. Increased Costs; Reduced Return.

- (a) If any Change in Law shall:
 - (i) subject the Bank to any tax, charge, fee, deduction or withholding of any kind with respect to this Reimbursement Agreement or the Letter of Credit, or any amount paid or to be paid by the Bank as the obligor under the Letter of Credit (other than any tax measured by or based upon the overall net income of the Bank);
 - (ii) impose, modify or deem applicable any reserve, premium, special deposit or similar requirements against any assets held by, deposits with or for the account of, or loans, letters of credit or commitments by, an office of the Bank;
 - (iii) change the basis of taxation of payments due the Bank under this Reimbursement Agreement or the Letter of Credit (other than a change in taxation of the overall net income of the Bank); or
 - (iv) impose upon the Bank any other condition with respect to such amount paid or payable to or by the Bank or with respect to this Reimbursement Agreement or the Letter of Credit,

and the result of any of the foregoing is to increase the cost to the Bank of agreeing to enter into (or participate in), entering into (or participating in), making any payment under or maintaining this Reimbursement Agreement or the Letter of Credit to reduce the amount of any payment (whether of

principal, interest or otherwise) receivable by the Bank or to require the Bank to make any payment on or calculated by reference to the gross amount of any sum received by it, in each case by an amount which the Bank in its reasonable judgment deems material, then:

(A) The Bank shall promptly notify the Authority in writing of the happening of such event;

(B) The Bank shall promptly deliver to the Authority a certificate stating the change which has occurred or the reserve requirements or other costs or conditions which have been imposed on the Bank or the request, direction or requirement with which it has complied together with the date thereof, the amount of such increased cost, reduction or payment and the way in which such amount has been calculated, including a reasonably detailed calculation, and the determination of such amounts by the Bank absent fraud or manifest error, shall be conclusive; and

(C) The Authority shall pay to the Bank, from time to time as specified by the Bank, such an amount or amounts as will compensate the Bank for such additional cost, reduction or payment, together with interest on such amount from, but including, the day specified by the Bank for payment, at the Bank Rate.

(b) In addition to the foregoing, if after the date of this Reimbursement Agreement the Bank shall have determined that a Change in Law has or would have the effect of reducing the rate of return on the capital of the Bank to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the policies of the Bank with respect to capital adequacy) by an amount deemed by the Bank to be material, or affects or would affect the amount of capital required or expected to be maintained by the Bank or any corporation controlling the Bank by an amount deemed by the Bank to be material, as a consequence of its obligations under this Reimbursement Agreement or the Letter of Credit, then from time to time the Authority shall be obligated to pay or cause to be paid to the Bank such additional amount or amounts as will compensate the Bank for such reduction or capital increase with respect to any period for which such reduction or capital increase was incurred upon demand by the Bank, together with interest on such amount for each day from such date of demand until payment in full at the Bank Rate. A certificate setting forth in reasonable detail such reduction in the rate of return on capital, or such capital increase, of the Bank as a result of any event mentioned in this paragraph shall be submitted by the Bank to the Authority and such certificate shall, in the absence of fraud or manifest error, be conclusive as to the amount thereof.

(c) Notwithstanding anything in this Section to the contrary, if such costs are to be incurred on a continuing basis by the Bank and the Bank shall so notify the Authority in writing as to the amount thereof, such costs shall be paid by the Authority to the Bank monthly in arrears.

(d) The protections of this Section 2.07 shall be available to the Bank regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which has been imposed; provided, however, that if it shall be later determined that any amount so paid by the Authority pursuant to this Section 2.07 is in excess of the amount payable under the provisions of this Agreement, the Bank shall refund such excess amount to the Authority.

(e) The Authority shall not be required to compensate the Bank pursuant to this Section for any increased costs incurred or reductions suffered more than six months prior to the

date that the Bank notifies the Authority of the Change in Law giving rise to such increased costs or reductions and of the Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 2.08. Method of Payment. All payments by the Authority to the Bank hereunder or under the Fee Letter shall be nonrefundable and made in lawful currency of the United States and in immediately available funds. Amounts payable to the Bank hereunder or under the Fee Letter shall be transferred to the Bank's account specified on its signature page hereto (or to such other account of the Bank as the Bank may specify by written notice to the Authority and the Paying Agent) not later than 1:00 p.m., New York, New York time, on the date payment is due. Any payment received by the Bank after 1:00 p.m., New York, New York time, shall be deemed to have been received by the Bank on the next Business Day. If any payment hereunder is due on a day that is not a Business Day, then such payment shall be due on the immediately succeeding Business Day.

Section 2.09. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Authority and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Reimbursement Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Authority therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Authority hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.10. Cure. The Authority agrees to pay to the Bank on demand any amounts advanced by or on behalf of the Bank to the extent required to cure any default, event of default or event of nonperformance under this Reimbursement Agreement or any Related Document. The Bank shall give the Authority reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any such default, event of default or event of nonperformance.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Authority, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Authority is required by law to withhold or deduct any sum from payments required under this Reimbursement Agreement, the Authority shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Bank Note.

(a) The Loans of the Bank shall be evidenced by a single promissory note payable to the order of the Bank in an amount equal to the aggregate unpaid principal amount of the Bank's Loans.

(b) The Bank shall record the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by or on behalf of the Authority with respect thereto, and prior to any transfer of the Bank Note shall endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Authority hereunder or under the Bank Note.

The Bank is hereby irrevocably authorized by the Authority to endorse the Bank Note and to attach to and make a part of the Bank Note a continuation of any such schedule as and when required.

Section 2.13. Prepayment. Any Loan may be prepaid in whole or in part (but only in the amount of \$1,000,000 and integral multiples of \$1,000 in excess thereof) at any time without penalty or premium on one Business Day's prior written notice from the Authority to the Bank and by payment of such amounts to the Bank.

Section 2.14. Reductions of Stated Amount and Termination of the Letter of Credit.

(a) The Stated Amount may be permanently reduced from time to time or terminated by the Authority upon five Business Days' prior written notice of such reduction or termination given by the Authority to the Bank; provided, that (i) each such reduction shall be in an amount equal to the lesser of (A) \$1,000,000 or any integral multiple in excess thereof and (B) the Stated Amount, (ii) the Stated Amount of the Letter of Credit shall not be reduced below an amount equal to the sum of the outstanding amount of the Loan plus the principal amount of Notes outstanding plus interest on such principal amount of Notes computed at 12% per annum for a period of 90 days and (iii) the Authority first pays to the Bank all fees and expenses payable by the Authority to the Bank hereunder and under the Fee Letter, including any reduction fee then due and payable.

(b) Notwithstanding any provision to the contrary to the Resolution, the Master Indenture or the Issuing and Paying Agency Agreement, the Authority agrees to (i) provide at least two (2) Business Days' prior notice to the Bank of its intention to replace or terminate the Letter of Credit, (ii) in the case of a substitution for the Letter of Credit with a substitute letter of credit, first pay to the Bank the outstanding amount of the Loans, including accrued and unpaid interest thereon, and (iii) in the case of any Termination Date, pay on the Termination Date all fees and expenses payable by the Authority to the Bank hereunder and under the Fee Letter.

Section 2.15. Maximum Lawful Rate.

(a) If the amount of interest payable for any period in accordance with terms hereof exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Lawful Rate, then interest for such period shall be payable in an amount calculated at the Maximum Lawful Rate for such period.

(b) Any interest that would have been due and payable for any period but for the operation of Section 2.15(a) shall accrue and be payable as provided in this paragraph (b) and shall, less interest actually paid to the Bank for such period, constitute the "Excess Interest Amount." If there is any accrued and unpaid Excess Interest Amount as of any date then the principal amount with respect to which interest is payable shall bear interest at the Maximum Lawful Rate, until payment to the Bank of the entire Excess Interest Amount.

(c) Notwithstanding the foregoing, to the extent permitted by applicable law, on the date on which no principal amount hereunder remains unpaid, the Authority shall pay to the Bank a fee equal to any accrued and unpaid Excess Interest Amount.

ARTICLE III

CONDITIONS PRECEDENT

As a condition precedent to the issuance of the Letter of Credit, the Bank shall have received the following items on or before the Date of Issuance, each in form and substance satisfactory to the Bank and its Counsel:

Section 3.01. Authority Resolutions. Copies of the resolutions of the Authority approving this Reimbursement Agreement, the other Related Documents to which the Authority is a party, the form and content of the Letter of Credit and the other matters contemplated hereby, and copies of all other documents evidencing any other necessary corporate action, all certified by the Secretary of the Authority (which certificate shall state that such copies are true, accurate and complete and such resolutions are in full force and effect on the Date of Issuance).

Section 3.02. Regulatory Approvals. Certified copies of all approvals or authorizations by, or consents of, or notices to or registrations with, any governmental body or agency, if any, required for the Authority to enter into and confirming the validity and enforceability of this Reimbursement Agreement and certified copies of all such approvals, authorizations, consents, notices or registrations required to be obtained or made prior to the Date of Issuance in connection with the transactions contemplated by the Related Documents.

Section 3.03. Incumbency Certificates. A certificate of the Secretary of the Authority certifying the names and true signatures of the officers of the Authority authorized to sign this Reimbursement Agreement.

Section 3.04. Opinion of Counsel for the Authority. Opinions, upon which the Bank may rely, of the General Counsel of the Authority dated the Date of Issuance and covering such matters relating to the transactions contemplated hereby as the Bank may reasonably request.

Section 3.05. Opinion of Bond Counsel. Opinions, upon which the Bank may rely, of Squire Patton Boggs (US) LLP and Leftwich LLC, Co-Bond Counsel, each dated the Date of Issuance and addressed to the Bank covering such matters relating to the transactions contemplated hereby as the Bank may reasonably request.

Section 3.06. Related Documents. An executed original or copy certified by the Authority to be a true, correct and complete copy of an executed original, of each of the following:

- (a) the Issuing and Paying Agency Agreement;
- (b) the Dealer Agreements;
- (c) the Resolution;
- (d) the Master Indenture;
- (e) the Bank Note;
- (f) the Disclosure Document; and
- (g) the Fee Letter.

Section 3.07. Other Certificates. Certificates signed by a duly authorized officer of the Authority, the Paying Agent and the Dealer, dated the Date of Issuance, covering such matters as the Bank may reasonably request.

Section 3.08. Ratings. A rating letter from S&P which confirms that the Notes have received a short-term rating of “A-1” , a rating letter from Moody’s which confirms that the Notes have received a short-term rating of “P-1” and a rating letter from Fitch which confirms that the Notes have received a short-term rating of “F-1”.

Section 3.09. Authority Certificate. A certificate signed by duly authorized officers of the Authority, dated the Date of Issuance, stating that: (a) the representations and warranties of the Authority contained in Article IV are correct on and as of the Date of Issuance as though made on and as of such date; (b) no petition by or against the Authority has at any time been filed under the United States Bankruptcy Code or under any similar act; and (c) no Default or Event of Default has occurred and is continuing or would result from the issuance of the Letter of Credit and execution of this Reimbursement Agreement or the Related Documents.

Section 3.10. Payment of Fees and Expenses. Payment of the fees and all other amounts (including attorney’s fees and expenses) payable on or before the Date of Issuance pursuant to Section 2.05 and the Fee Letter.

Section 3.11. Bank Note. An original executed Bank Note properly completed.

Section 3.12. KYC Information. Receipt by the Bank of all documentation and information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the Patriot Act, to the extent such documentation or information is requested by the Bank prior to the Closing Date.

Section 3.13. Other Documents. Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed copies thereof, and opinions as the Bank may reasonably request.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Reimbursement Agreement and to issue the Letter of Credit, the Authority hereby represents and warrants to, and agrees with, the Bank as follows (which representations, warranties and agreements shall survive the execution and delivery of this Reimbursement Agreement and the issuance of the Letter of Credit).

Section 4.01. Status. The Authority (a) is duly organized and validly existing as an independent authority of the government of the District of Columbia, (b) is qualified or licensed to transaction business in the District of Columbia and each jurisdiction in which the nature of the business conducted by it makes such qualification necessary, (c) has full power and authority to own its properties, operate the System and carry on its business as now conducted, including the autonomy to set rates for its services and (d) has all requisite power and authority to execute and deliver, and to perform its obligations under, this Reimbursement Agreement and the Related Documents to which it is a party and to issue, execute and deliver the Notes and the Bank Note.

Section 4.02. Power and Authority. The Authority has the requisite power and authority to

execute and deliver, and to perform its obligations under, this Reimbursement Agreement and the other Related Documents to which it is or will be a party and has taken all necessary action to authorize the execution, delivery and performance of this Reimbursement Agreement and the other Related Documents to which it is or will be a party.

Section 4.03. Enforceability. Assuming due authorization, execution and delivery by each of the other parties thereto, each of this Reimbursement Agreement and the Related Documents to which the Authority is a party constitutes, and the Notes when issued will constitute, the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its respective terms, except as such enforceability may be limited by the Authority's bankruptcy, moratorium, insolvency or similar laws or equitable principles relating to or limiting the rights of creditors generally. Each of the Related Documents is or will be on the Date of Issue in full force and effect.

Section 4.04. No Conflict. The execution and delivery of this Reimbursement Agreement and the Related Documents and the performance by the Authority of its obligations hereunder and thereunder do not and will not violate any constitutional provision or any law, including, without limitation, any usury law, or any regulation, order, writ, injunction or decree of any court or governmental body, agency or other instrumentality applicable to the Authority, or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien (other than the lien of the Master Indenture) upon any of the assets of the Authority pursuant to the terms of, any ordinance, resolution, mortgage, indenture, agreement or instrument to which the Authority is a party or by which it or any of its properties is bound.

Section 4.05. Consents. All consents, licenses, approvals, validations and authorizations of, and registrations, validations or declarations by or with, any court or any Governmental Authority, bureau or agency required to be obtained in connection with the execution, delivery, performance, validity or enforceability of this Reimbursement Agreement and the other Related Documents (including the Notes) have been obtained and are in full force and effect.

Section 4.06. No Litigation. Except as disclosed in the Offering Memorandum [confirm the Offering Memorandum incorporates information on litigation], there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the best knowledge of the Authority, threatened against or affecting the Authority or the System wherein an unfavorable decision, ruling or finding would have a material adverse effect on the properties, business, condition (financial or other), results of operations or prospects of the Authority, the System or the transactions contemplated by this Reimbursement Agreement, the Bank Note or the other Related Documents, or which would adversely affect the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, this Reimbursement Agreement or any other Related Document to which it is a party.

Section 4.07. Default. No Event of Default or Default has occurred and is continuing.

Section 4.08. Disclosure. No representation, warranty or other statement made by the Authority in or pursuant to this Reimbursement Agreement or any Related Document or any other document or financial statement provided by the Authority to the Bank in connection with this Reimbursement Agreement or any other Related Document, contains any untrue statement of a material fact or omits (as of the date made or furnished) any material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they are made. There is no fact known to the Authority which the Authority has not disclosed to the Bank in writing which materially adversely affects or, so far as the Authority can now reasonably foresee, is likely to materially adversely affect the ability (financial or otherwise) of the Authority to perform its obligations hereunder or under the Related

Documents. The Disclosure Document prepared with respect to the Notes and the transactions herein contemplated, true copies of which have heretofore been delivered to the Bank, does not contain, and such Disclosure Document (including any amendments or supplements prepared subsequent to its date) (a true copy of which, in each case, shall be furnished to the Bank prior to the distribution thereof) will not contain, any untrue statement of a material fact and such Disclosure Document does not omit, and will not omit, to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to information furnished in writing by the Bank expressly for inclusion therein. [expand to cover any annual continuing disclosure document most recently filed with the EMMA]

Section 4.09. Notes; Parity Indebtedness. Each Note and the Bank Note has been and will be duly issued under the Resolution, the Master Indenture and the Issuing and Paying Agency Agreement and each such Note and the Bank Note is entitled to the benefits thereof and of the Master Indenture, including the pledge, on a subordinated basis, of the Trust Estate pursuant to the Master Indenture and the pledge of the Pledged Funds pursuant to the Issuing and Paying Agency Agreement. The Notes and the Bank Note and the lien securing the Notes and the Bank Note are each on a parity with all Subordinate Debt. There is no Lien on the moneys, investments, property and certain rights of the Authority thereto granted, pursuant to the Master Indenture, as security for the holders of Senior Debt and, on a subordinate basis, Subordinate Debt (the “Trust Estate”) other than the Liens created by or pursuant to the Master Indenture. The Master Indenture does not permit the issuance of any Debt secured by the Trust Estate to rank senior to the Notes and the Bank Note, other than Senior Debt issued and to be issued under the Master Indenture. No filing, registering, recording or publication of the Master Indenture, the Resolution or the Issuing and Paying Agency Agreement or any other instrument is required to establish the pledge under the Master Indenture or the pledge under the Issuing and Paying Agency Agreement or to perfect, protect or maintain the Lien created thereby on the Trust Estate, including the Net Revenues, in the case of the Master Indenture, or on the Pledged Funds, in case of the Issuing and Paying Agency Agreement, to secure the Notes and the Bank Note.

Section 4.10. Incorporation of Representations and Warranties. The Authority hereby makes to the Bank the same representations and warranties as were made by it in the Related Documents, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety.

Section 4.11. Employment Benefit Plan Compliance. Except to the extent not reasonably expected to result, either singly or in the aggregate, in liability to the Authority, (a) each Employee Benefit Plan has been operated in substantial compliance with its terms and with all applicable provisions and requirements of the Code and all other applicable federal, state, and local laws, (b) the Authority have performed all its obligations under each Employee Benefit Plan and (c) the accrued benefit obligations of each Employee Benefit Plan (based on those assumptions used to fund such Employee Benefit Plan) with respect to all current and former participants do not exceed the assets of such Employee Benefit Plan. No Benefit Plan Event or similar event has occurred or is reasonably expected to occur that could reasonably result, either singly or in the aggregate with all other such Benefit Plan Events and similar events, in liability to the Authority. Each of the Employee Benefit Plans is a “governmental plan” (as defined in Section 3(32) of ERISA). None of the Employee Benefit Plans is subject to ERISA.

Section 4.12. Financial Statements. As of the date hereof, the audited balance sheets of the Authority as of September 30, 2014 and the related statements of revenues, expenses and changes in retained earnings, and cash flows, of the Authority for the Authority’s fiscal year then ended, and the accompanying footnotes thereon, dated September 30, 2014, of KPMG LLP, independent certified public accountants, copies of which have been delivered to the Bank, are complete and correct and fairly present

the financial condition of the Authority as at such dates, for the periods covered by such statements, all in conformity with generally accepted accounting principles consistently applied. Since September 30, 2014, there has been no material adverse change in the condition (financial or otherwise), business or operations of the Authority.

Section 4.13. No Proposed Legal Changes. There is no amendment, or to the knowledge of the Authority, proposed amendment certified for placement on a ballot within the District of Columbia or any District of Columbia law, or any legislation that has passed either house of the United States Congress, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect the Notes or the Authority's ability to perform its obligations under this Reimbursement Agreement, the Notes, and the other Related Documents.

Section 4.14. Margin Stock. No portion of the proceeds of any Notes will be used by the Authority (or the Trustee or Paying Agent or any other Person on behalf of the Authority) for the purpose of "purchasing" or "carrying" any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation U issued by the Board of Governors of the Federal Reserve System or any other regulation of said Board of Governors or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such use of proceeds.

Section 4.15. Permitted Investments. The Authority has neither made any investment nor entered into any agreements for the purpose of effecting any investment which are not permitted to be made by it pursuant to its investment guidelines, the Master Indenture or any other Related Document.

Section 4.16. Environmental Laws. Except as disclosed in writing to the Bank, the Authority has not received notice to the effect that the operations of the System are not in compliance with Environmental Laws.

Section 4.17. Insurance. The Authority currently maintains insurance coverage with insurance companies believed to be responsible by the Authority (as determined in its reasonable discretion) against such risks and in such amounts as is customarily maintained by companies or other entities similarly situated to the Authority and operating like properties and businesses to that of the Authority.

Section 4.18. Anti-Corruption Laws and Sanctions. The Authority has implemented and maintains in effect policies and procedures designed to ensure compliance by the Authority and its directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Authority and its officers and employees and, to the knowledge of the Authority, its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of the Authority or any of its officers or employees is a Sanctioned Person. Neither the Letter of Credit nor the use of proceeds thereof or any other transaction contemplated by this Agreement will violate Anti-Corruption Laws or applicable Sanctions.

ARTICLE V

COVENANTS

So long as the Termination Date has not occurred or any amount is due or owing to the Bank under this Reimbursement Agreement or any Related Document, the Authority will comply with each of the covenants contained in this Article V unless the Bank shall otherwise consent in writing.

Section 5.01. Payment Obligations. The Authority shall promptly pay or cause to be paid all amounts payable by it hereunder and under the Related Documents according to the terms hereof or

thereof and shall duly perform each of its obligations under this Reimbursement Agreement, including, without limitation, under Section 2.07, and the other Related Documents to which it is a party. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Authority.

Section 5.02. Related Documents.

(a) The Authority agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in each Related Document to which it is a party, including, without limitation, the rate covenant set forth in Section 601 of the Master Indenture, and in each case such provisions, together with the related definitions of terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety.

(b) The Authority shall not amend, supplement or otherwise modify (or permit any of the foregoing), or request or agree to any consent or waiver under, or effect or permit the cancellation, acceleration or termination of, or (except as otherwise permitted under the Related Documents) release or permit the release of any collateral held under any of the Related Documents which is not otherwise contemplated by, or permitted pursuant to the terms of, any of the Related Documents, without the prior written consent of the Bank; provided, however, that the consent of the Bank shall not be required with respect to (i) amendments, supplements and modifications to the Related Documents which do not require consent of Bondholders pursuant to clauses (a), (b), (c), (f), (g) or (h) of Section 1001 of the Master Indenture, but the Authority shall provide prior written notice of any such amendments, supplements and modifications to the Bank, and (ii) supplements entered into solely for the purpose of providing for the issuance of a series of bonds pursuant to the Master Indenture.

Section 5.03. Access to Books and Records; Reporting Requirements. The Authority shall keep proper books of record and account in which full, true and correct entries will be made of all dealings and transactions of or in relation to affairs, operations, transactions and activities of the Authority in accordance with generally accepted accounting principles applicable to governmental entities, consistently applied, and, upon reasonable prior notice and during normal business hours the Authority will permit representatives of the Bank to visit and inspect the Authority's property, including its books and records, its accounts receivable and inventory, the Authority's facilities and its other business assets and to discuss such matters with the officers of the Authority. The Authority will furnish to the Bank a copy of each of the following:

(a) as soon as available and in any event within one hundred eighty (180) days after the end of each fiscal year of the Authority, a balance sheet of the Authority as of the end of such fiscal year and the related statements of revenues, expenses, changes in retained earnings and cash flows for such fiscal year and accompanying notes thereto, all prepared in accordance with GAAP and in reasonable detail showing in comparative form the figures for the previous fiscal year, accompanied by an opinion thereon of KPMG LLP, or another firm of independent public accountants of recognized national standing, selected by the Authority, to the effect that the financial statements described herein have been prepared in accordance with GAAP and present fairly in accordance with GAAP the consolidated financial condition of the Authority as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as

were considered necessary in the circumstances;

(b) simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a certificate of the Authority stating that the Authority is in compliance with the rate covenant set forth in Section 601 of the Master Indenture (including calculations evidencing such compliance) and that, to the best knowledge of the chief financial officer (or his/her designee) of the Authority, there exists on the date of such certificate no Default or Event of Default or, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Authority is taking or proposes to take with respect thereto;

(c) forthwith, and in any event within five (5) Business Days any officer of the Authority obtains knowledge thereof, written notice of the occurrence of any Default or Event of Default, together with a statement of the Authority setting forth the details thereof and the action which the Authority is taking or proposes to take with respect thereto;

(d) promptly after process has been served on the Authority, notice of any action, suit or proceeding before any court or arbitrator or any governmental body, agency or official in which there is a reasonable probability of an adverse decision which could (i) materially adversely affect the business, financial position or results of operations of the Authority or the ability of the Authority to perform its obligations hereunder, under the Fee Letter or under any other Related Document or (ii) draw into question the validity or enforceability of this Reimbursement Agreement, the Fee Letter or any other Related Document or (iii) challenge the validity or enforceability of the security interest in and the pledge of the Trust Estate, or the priority of such pledge and Lien in favor of the Notes and the Bank Note over any or all other liabilities and obligations of the Authority (except in respect of Senior Debt) as against all Persons having claims of any kind in tort, contract or otherwise, whether or not such Persons shall have notice thereof;

(e) promptly upon the availability thereof, a copy of any official statement, offering memorandum or other disclosure documents relating to the offering of any Indebtedness secured by and payable from Net Revenues;

(f) as soon as available and in any event within thirty (30) days after adoption, a copy of the Authority's budget (including, without limitation, annual expenses) for each fiscal year of the Authority, prepared pursuant to Section 602 of the Master Indenture and including the budget for the System for such fiscal year, and a copy of the capital budget, and any amendments thereto, prepared pursuant to Section 811 of the Master Indenture;

(g) as soon as the forms may be made available to or filed with the Trustee, any report, recommendation, finding, audit or other document required pursuant to Sections 601, 602, 808 and 810 of the Master Indenture;

(h) promptly upon the availability thereof, a copy of each Monthly Financial Report prepared by the Authority's Department of Finance, Accounting and Budget;

(i) as soon as available to the Authority, copies of all enacted legislation which, to the best knowledge of the Authority, relates to, in any material way, or impacts upon this Reimbursement Agreement, the Fee Letter or the other Related Documents or the ability of the Authority to perform its obligations in connection herewith or therewith; and

(j) from time to time such additional information regarding the financial position,

operations, business or prospects of the Authority and regarding the System as the Bank may reasonably request.

As and to the extent the information required by this Section 5.03 has been properly and timely filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System, the Authority will be deemed to have complied with the provisions of this Section; provided, however, that (y) the Authority shall have delivered written notice to the Bank of such filing and (z) the Bank has access to the information so filed.

Section 5.04. Compliance with Laws. The Authority shall comply with all laws, ordinances, orders, rules and regulations (including, without limitation, all Environmental Laws) that may be applicable to it and the System, if the failure to comply could have a material adverse effect on the security for any of the Notes or the Bank Note, or the Authority's ability to repay when due its obligations under this Reimbursement Agreement, any of the Notes, and the Related Documents unless the same is being contested in good faith and by appropriate proceedings and such contest shall operate to stay the material adverse effect of such failure to comply.

Section 5.05. Notices. In addition to and not in substitution of its obligation to furnish any other notice hereunder, the Authority will promptly furnish, or cause to be furnished, to the Bank (i) notice of the occurrence of any Event of Default, (ii) notice of the failure by any Dealer, the Paying Agent or the Trustee to perform any of its obligations under the Dealer Agreement or the Master Indenture, (iii) notice of any proposed substitution of this Reimbursement Agreement, and (iv) each notice required to be given to the Bank pursuant to the Master Indenture, the Resolution or the Issuing and Paying Agency Agreement.

Section 5.06. Certain Information. The Authority shall not include in an offering document for the Notes any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein. The Authority agrees to provide to the Bank, in writing, all information and notices it is required to provide to the Municipal Securities Rulemaking Board (the "MSRB") in accordance with Securities and Exchange Commission Rule 15(c)2-12, simultaneously with the providing thereof to the MSRB.

Section 5.07. Liquidity. The Authority agrees to use best efforts to obtain a Substitute Credit Facility in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to Section 8.02, (ii) the Authority terminates the Letter of Credit pursuant to Section 2.14, (iii) the Bank shall furnish a Notice of Termination Date to the Tender Agent and the Trustee or (iv) a No-Issuance Notice is delivered. The Authority agrees that, with respect to any Substitute Credit Facility, the Authority will require, as a condition to its effectiveness, that all unreimbursed Drawings and Loans shall be repaid in full. The Authority shall not permit a Substitute Credit Facility to become effective with respect to fewer than all of the Notes without the prior written consent of the Bank.

Section 5.08. Appointment of Successors and Replacements. The Bank hereby consents to the appointment of J.P. Morgan Securities LLC as the Dealer for the Notes. So long as this Reimbursement Agreement is in effect and the Bank has not wrongfully failed to honor a Drawing under the Letter of Credit, the Authority will not permit the appointment of a successor Trustee, Paying Agent or Dealer unless the Authority has obtained the prior written consent of the Bank, which consent shall not be unreasonably withheld. If any Dealer or successor Dealer fails to sell Notes for sixty (60) consecutive days, then the Authority agrees, at the written request of the Bank to cause such Dealer to be replaced with a Dealer reasonably satisfactory to the Bank. The Authority shall use all commercially reasonable efforts to have a Dealer and an Issuing and Paying Agent in place at all times while this Reimbursement Agreement is in effect or the Bank Note is outstanding.

Section 5.09. Maintenance of Franchises. The Authority will maintain, or cause to be maintained, all licenses and franchises, required by the District of Columbia or any other Governmental Authority for operation of the System and the sale of water to customers, the loss of which would have or, could reasonably be expected to result in, a material adverse effect regarding the financial position, operations, business or prospects of the Authority or the System.

Section 5.10. Accounting Methods and Fiscal Year. The Authority will not adopt, permit or consent to any change in its established fiscal year without giving the Bank written notice thereof.

Section 5.11. Employment Benefit Plans.

(a) Except as would not reasonably be expected to result, either singly or in the aggregate, in material liability to the Authority, the Authority shall do each of the following: (i) maintain each Employee Benefit Plan in compliance with the applicable provisions of the Code and all other applicable federal, state and local laws; (ii) cause each Qualified Plan to maintain its qualified status under Section 401(a) of the Code; (iii) timely make all required contributions to each Employee Benefit Plan; (iv) ensure that all liabilities under each Employee Benefit Plan are (A) funded to at least the minimum level required by law and, to the extent applicable, by the terms governing such Employee Benefit Plan, (B) insured with a reputable insurance company, or (C) provided for or recognized to the extent required by applicable accounting standards in the most recent annual audit report; and (v) ensure that the contributions or premium payments to or in respect of each Employee Benefit Plan is and continues to be promptly paid at no less than the rates required under applicable law and in accordance with the most recent actuarial advice received in relation to such Employee Benefit Plan and any order, rule or regulation of any court or other agency of government applicable to such Employee Benefit Plan.

(b) Except as would not reasonably be expected to result, either singly or in the aggregate, in material liability to the Authority, the Authority shall not terminate any Qualified Plan.

(c) The Authority shall provide to the Bank as soon as possible, and in any event within 10 days after the Authority knows or has reason to know of the occurrence of any Benefit Plan Event or similar event with respect to any Employee Benefit Plan that could result in a material liability to such Employee Benefit Plan or to the Authority, a statement of the chief financial officer of the Authority describing such event and the action, if any, that the Authority proposes to take with respect thereto.

(d) Other than an Employee Benefit Plan in existence on the date of this Agreement and other than as required by law, the Authority shall not adopt, establish, participate in, or incur any obligation to contribute to, any Employee Benefit Plan or incur any liability to provide post-retirement welfare benefits to the extent such obligations or unfunded liabilities could reasonably be expected to result in a material adverse effect on the financial condition of the Authority or on the ability of the Authority to perform its obligations hereunder.

Section 5.12. Additional Obligations. The Authority shall not issue any bonds, notes or similar obligations or evidence of indebtedness payable from the Net Revenues or any other amounts, accounts or other property held under the Master Indenture except as permitted by the Master Indenture.

Section 5.13. Permitted Liens. The Authority shall not sell or dispose of or create any Lien on the System or create or incur or permit to exist any Lien on the Trust Estate, the Net Revenues on deposit in the Subordinate Fund or any other funds, accounts or other property held under the Master Indenture.

Section 5.14. Provisions to Facilitate Payments. Subject to Section 602 of the Master Indenture, the Authority shall cause to be included in each annual budget of the Authority reasonable provisions for the payment of all amounts due and estimated to become due with respect to the Notes and all obligations payable to the Bank under this Reimbursement Agreement, the Fee Letter and the other Related Documents during the fiscal year of the Authority covered by such budget. To the extent estimates are used, such estimates shall be made by the Authority in good faith and shall be based upon reasonable estimates of the amount of Senior Debt and Subordinate Debt expected to be outstanding, the Revenues and Operating Expenses anticipated to be received and paid for such fiscal year, and the interest rates reasonably expected to be charged during the coming fiscal year for the remaining term of the Senior Debt and Subordinate Debt. To the extent that amounts actually due and payable to the Bank under this Reimbursement Agreement, the Fee Letter and the other Related Documents in any fiscal year exceed the amounts estimated and/or available therefrom in an annual budget of the Authority for such Fiscal Year, the Authority shall take, or cause to be taken, as promptly as possible, all such actions (including, without limitation, amendments of such annual budget) as may be required to permit and facilitate the expenditure of additional moneys from all sources legally available for the payment of such amounts.

Section 5.15. Taxes and Liabilities. The Authority will pay, or cause to be paid, all Indebtedness of the Authority and the System promptly and in accordance with the terms thereof and to pay and discharge, or cause to be paid and discharged, promptly all taxes, assessments, and governmental charges or levies imposed upon it or the System, including income and profits, or upon any of its property, real, personal, or mixed, or upon any part thereof, before the same shall become in default, except for those matters which are reasonably being contested in good faith by appropriate action or proceedings or for which the Authority has established adequate reserves in accordance with GAAP.

Section 5.16. Payment of Fees. The Authority hereby agrees that fees and other amounts payable to the Bank (other than principal and interest on unreimbursed Drawings or the Bank Note) shall constitute Operating Expenses pursuant to the Master Indenture and, pursuant to Section 604(c) of the Master Indenture, will be paid from the Operating Reserve Fund when due. The Authority further agrees that to the extent sufficient funds are not available in the Operating Reserve Fund to pay such fees and other amounts when due for any reason, the Authority will immediately pay or cause to be paid such fees and other amounts from available funds of the Authority.

Section 5.17. Maintenance of Existence; No Merger. The Authority shall preserve and maintain its existence as an independent authority of the District of Columbia and to perform its obligations under this Reimbursement Agreement and the Related Documents. The Authority will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the Authority will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body or other Governmental Authority promulgating same, except for any noncompliance that, individually or in the aggregate, could not reasonably be expected to have a material adverse effect upon the Authority's business, operations, assets or financial condition. The Authority shall not consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into it or acquire all or substantially all of the property and assets of any other Person if, at the time of such consolidation, merger, or acquisition the resulting or surviving entity fails to assume, by written document in form and substance satisfactory to the Bank, all the obligations of the Authority under this Reimbursement Agreement or the benefits of any Related Document fail to extend to the performance by such resulting or surviving entity of the Authority's obligations under this Reimbursement Agreement.

Section 5.18. Use of Proceeds. The Authority shall use the proceeds of the Notes for the purposes set forth in the Master Indenture.

Section 5.19. Further Assurances. The Authority shall execute, acknowledge where appropriate, and deliver, and cause to be executed, acknowledged where appropriate, and delivered, from time to time promptly at the reasonable request of the Bank, all such instruments and documents as in the reasonable judgment of the Bank are necessary to effectuate the intention of this Reimbursement Agreement and the other Related Documents.

Section 5.20. Investment Guidelines. The Authority will:

(a) promptly notify the Bank in writing of any changes proposed to the Authority's written investment policies or guidelines (the "Investment Guidelines") if the proposed change would increase the types of investments permitted by such Investment Guidelines.

(b) promptly notify the Bank in writing, after the adoption thereof by the Authority, of any change in the Investment Guidelines, which change increases the types of investments permitted by the Investment Guidelines and of which change the Bank was not previously notified pursuant to clause (a) above.

(c) within ten (10) Business Days of the adoption of any resolution of the Authority's Board amending its financing policies or financial practices or any provision or portion thereof, send a copy of such resolution to the Bank.

Section 5.21. Exempt Status. To the extent that the interest on the Notes is intended to be excludable from the gross income of the holders thereof for purposes of federal income taxation, the Authority shall not take any action or omit to take any action that, if taken or omitted, would adversely affect the excludability of interest on the Notes from the gross income of the holders thereof for purposes of federal income taxation.

Section 5.22. Regulation. The Authority covenants and agrees that no proceeds of any Drawing shall be used, by or on behalf of the Authority, directly or indirectly to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time).

Section 5.23. Hedge Agreements. The Authority shall at all times require that any termination fees or settlement amounts payable in connection with any Hedge Agreement entered into by the Authority on or after the Closing Date shall be subordinate to the payment of the Authority's obligations hereunder; provided, however, that the foregoing shall not operate to prevent amendments and supplements to Hedge Agreements entered into prior to the date hereof as long as such amendments or supplements do not operate to modify the priority of payment of any related termination fees or settlement amounts. The Authority shall use its best efforts to obtain any Hedge Agreement to which it is a counterparty without providing any collateral to support its obligations thereunder other than a Lien on Net Revenues, which Lien on Net Revenues (other than termination fees and settlement amounts) shall be on a parity with the Lien securing the indebtedness to which such Hedge Agreement relates; provided, however, that if no Hedge Agreement on the foregoing terms is then available to the Authority in any instance, the Authority may post cash collateral to support its obligations under the Hedge Agreement; provided further, however, that the aggregate notional amount of all such Hedge Agreements to which the Authority is a counterparty does not exceed ten percent (10%) of the aggregate Subordinate Debt of the Authority or such other amount as is approved in advance by the Bank.

Section 5.24. Sovereign Immunity Defense. Unless otherwise specifically provided by District of Columbia law, the Authority shall not raise the defense of sovereign immunity in any proceeding by the Bank to enforce any of the contractual obligations of the Authority under this Reimbursement Agreement, the Fee Letter or any other Related Document. Any such proceeding shall be brought exclusively in either the District of Columbia Superior Court or the United States District Court for the District of Columbia.

Section 5.25. Compliance with Anti-Corruption Laws and Sanctions. The Authority will maintain in effect and enforce policies and procedures designed to ensure compliance by the Authority and its directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions in all material respects.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01. Events of Default. The occurrence of any of the following events (including the expiration of any specified time) shall constitute an “Event of Default,” unless waived by the Bank in writing:

(a) failure of the Authority to pay when due any amount due under this Reimbursement Agreement or under any of the Related Documents;

(b) the Authority shall fail to observe or perform any covenant or agreement contained in Section 5.02(b), 5.12, 5.13 or 5.17;

(c) failure of the Authority to observe or perform any of the covenants, conditions or provisions of this Reimbursement Agreement (other than as specified in (a) and (b) above) and to remedy such failure within 30 days after receipt by the Authority of written notice of such failure;

(d) any representation or warranty made by the Authority herein, or in any certificate, financial or other statement furnished by the Authority pursuant to this Reimbursement Agreement, shall prove to have been untrue or incomplete in any material respect when made;

(e) (i) default by the Authority in the payment of the principal of or interest on any of its bonds or (ii) default by the Authority in the payment of any Debt owed to the Bank or (iii) default by the Authority in the payment of the principal of or interest on any Debt in an aggregate amount in excess of \$10,000,000 as and when the same shall become due or (iv) default under any mortgage, agreement or other instrument under or pursuant to which such Debt is incurred or issued and continuance of such default beyond the period of grace, if any, allowed with respect thereto which, in any such case, would give rise to the right of acceleration of any such bond or Debt;

(f) an Event of Default (as defined in the Series C Reimbursement Agreement) or a default or event of default under any of the Related Documents shall have occurred and be continuing;

(g) entry or filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$ 10,000,000 against the Authority or against any of its property and failure of the Authority to vacate, bond, stay or contest in good faith such judgment,

writ, warrant of attachment or other process or failure to pay or satisfy such judgment within 60 days;

(h) the Authority shall commence a voluntary case or other proceeding seeking liquidation, reorganization, dissolution, rehabilitation or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(i) appointment of a trustee in bankruptcy, custodian or receiver for the Authority or all or part of its property and failure to obtain discharge of such within 30 days after such appointment;

(j) an involuntary case or other proceeding shall be commenced against the Authority seeking liquidation, reorganization, dissolution, rehabilitation or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of 60 days; or the Authority or any Governmental Authority having jurisdiction over the Authority shall have declared a moratorium or taken similar action with respect to any of the Authority's debts;

(k) (i) this Reimbursement Agreement or any provision of Article II hereof or this Article VI or any other provision hereof or of any Related Document affecting the security for or the payment of the Notes or the Bank Note or (ii) any provision of any agreement, instrument or document evidencing any Debt of the Authority or pursuant to which any such Debt has been issued or incurred which relates to or affects any security provided to the holder thereof or the payment thereof or constitutes an event of default or similar provision thereunder shall at any time for any reason cease to be valid and binding on the Authority or shall be declared to be null and void by any Governmental Authority having jurisdiction over the Authority in each case pursuant to a final judgment or order; or the Authority shall contest the validity or enforceability of any of the foregoing or repudiate its obligations hereunder or under the Bank Note; or

(l) the occurrence of any condition, event or series of events causing a change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Authority that would materially adversely affect (i) the ability of the Authority to perform its obligations under this Agreement or (ii) the validity or enforceability of this Agreement or the rights and remedies of the Bank hereunder; or

(m) the ratings assigned to any of the long-term, unenhanced debt obligations of the Authority by any two of S&P, Moody's and Fitch shall be (i) withdrawn or suspended for credit-related reasons or (ii) reduced below "BBB-", "Baa3" and "BBB-", respectively, or revoked.

Section 6.02. Rights and Remedies. Upon the occurrence and continuation of an Event of Default, the Bank, in its sole discretion, (a) may deliver to the Paying Agent a notice in the form of Schedule I to the Letter of Credit (a "*No Issuance Notice*") and on the maturity date for the last Note to mature which was issued prior to the delivery of such No Issuance Notice and upon the Bank's honoring

Drawings under the Letter of Credit with respect to such Notes, the Letter of Credit shall terminate and be returned to the Bank, (b) may deliver a notice to the Paying Agent that an Event of Default has occurred hereunder and that the Letter of Credit will terminate 10 days after the Paying Agent's receipt of such notice, (c) may cure any default, event of default or event of nonperformance under this Reimbursement Agreement or under any of the Related Documents (in which event the Authority shall reimburse the Bank therefor pursuant to Section 2.10), or (d) may, if permitted by the Master Indenture, declare the Bank Note and all obligations of the Authority hereunder to be immediately due and payable, or (e) may exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity. The rights and remedies of the Bank specified herein are for the sole and exclusive benefit, use and protection of the Bank, and the Bank is entitled, but shall have no duty or obligation to the Authority, the Paying Agent, the holders of the Notes or otherwise, (i) to exercise or to refrain from exercising any right or remedy reserved to the Bank hereunder, or (ii) to cause the Paying Agent or any other party to exercise or to refrain from exercising any right or remedy available to it under any of the Related Documents.

ARTICLE VII

NATURE OF OBLIGATIONS; INDEMNIFICATION

Section 7.01. Obligations Absolute. The obligations of the Authority under this Reimbursement Agreement shall be absolute, unconditional and irrevocable, and shall not be subject to any right of setoff or counterclaim against the Bank or any Participant and shall be paid and performed strictly in accordance with the terms of this Reimbursement Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

- (a) any lack of validity or enforceability of the Letter of Credit or any of the Related Documents;
- (b) any amendment or waiver of any provision of all or any of the Related Documents;
- (c) the existence of any claim, setoff, defense or other rights which the Authority may have at any time against the Paying Agent, any beneficiary or any transferee of the Letter of Credit (or any persons or entities for whom the Paying Agent, any such beneficiary or any such transferee may be acting), the Bank (other than the defense of payment to the Bank in accordance with the terms of this Reimbursement Agreement), any Participant or any other Person, whether in connection with this Reimbursement Agreement, the Related Documents or any transaction contemplated thereby or any unrelated transaction;
- (d) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;
- (e) payment by the Bank under the Letter of Credit against presentation of a sight draft or certificate which does not comply with the terms of the Letter of Credit; and
- (f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

Section 7.02. Continuing Obligation. This Reimbursement Agreement is a continuing obligation, shall survive the expiration of the Letter of Credit and shall (a) be binding upon the Authority,

its successors and assigns, and (b) inure to the benefit of and be enforceable by the Bank and its successors, transferees and assigns; provided that the Authority may not assign all or any part of this Reimbursement Agreement without the prior written consent of the Bank.

Section 7.03. Liability of the Bank. With respect to the Bank only, the Authority assumes all risks of the acts or omissions of the Paying Agent and any transferee of the Letter of Credit with respect to its use of the Letter of Credit. The Bank and any of its officers or directors shall not be liable or responsible for: (a) the use which may be made of the Letter of Credit or for any acts or omissions of the Paying Agent and any transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents (other than the validity and enforceability of the Bank's obligations hereunder), or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except only that the Authority shall have a claim against the Bank, and the Bank shall be liable to the Authority, to the extent, but only to the extent, of any direct, as opposed to consequential or punitive, damages suffered by the Authority which the Authority proves were caused by (i) the Bank's willful misconduct or gross negligence or (ii) the Bank's willful failure to pay under the Letter of Credit after the presentation to it by the Paying Agent (or a successor trustee under the Master Indenture to whom the Letter of Credit has been transferred in accordance with its terms) of a certificate strictly complying with the terms and conditions of the Letter of Credit; provided, however, that the maximum amount of damages recoverable by the Authority as provided above is expressly limited to the Stated Amount of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 7.04. Indemnification. In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Authority agrees, to the extent permitted by law, to indemnify and hold harmless the Bank and each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that any Indemnified Party may incur (or which may be claimed against any Indemnified Party, by any person or entity whatsoever) that arises out of the transactions contemplated by this Reimbursement Agreement, the Master Indenture, the Resolution or the Notes, including, without limitation, (a) the issuing, offering, sale, remarketing or resale of the Notes (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any offering memorandum or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in light of the circumstances under which it is or was made, not misleading or the failure to deliver any offering memorandum or any other offering circular or document to any offeree or purchaser of Notes), (b) the execution and delivery of, or payment or failure to pay under, this Reimbursement Agreement and (c) the use of the proceeds of the sale of the Notes; provided, however, that the Authority shall not be required to indemnify an Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Indemnified Party, (ii) the material inaccuracy of any information included in any offering memorandum or any offering circular or document related to the Notes and concerning the Bank or any Participant that was furnished in writing by the Bank or any such Participant expressly for inclusion therein or (iii) any failure by the Bank to honor a drawing under the Letter of Credit made in strict compliance with the terms of the Letter of Credit. If any proceeding shall be brought or threatened against any Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Authority in

writing and the Authority shall assume the defense thereof, including the employment of counsel and the payment of all reasonable costs of litigation. Notwithstanding the preceding sentence, an Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the sole expense of such Indemnified Party unless (A) the employment of such counsel shall have been authorized in writing by the Authority or (B) the Authority, after due notice of the action, shall have unreasonably failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Authority. The Authority shall not be liable for any settlement of any such action effected without its express written consent. The parties hereto agree that the provisions of this Section shall survive the termination of this Reimbursement Agreement.

Section 7.05. Facsimile Documents. At the request of the Authority, the Letter of Credit provides that demands for payment thereunder may be presented to the Bank by, among other methods, facsimile transmission. The Authority acknowledges and assumes all risks relating to the use of such demands for payment sent by facsimile transmission and agrees that its obligations under this Reimbursement Agreement and the Related Documents shall remain absolute, unconditional and irrevocable as provided in Section 7.01 above if the Bank honors such telecopied demands for payment.

ARTICLE VIII

TRANSFER, REDUCTION OR EXTENSION OF LETTER OF CREDIT

Section 8.01. Transfer, Reduction and Reinstatement. The Letter of Credit may be transferred, reduced (subject to Section 2.14 of this Reimbursement Agreement) and reinstated in accordance with the provisions set forth therein.

Section 8.02. Extension. The Expiration Date of the Letter of Credit may be extended by the Bank upon the written request of the Authority given to the Bank no more than 180 days prior to the Termination Date. Within 60 days of receipt of a request for extension, the Bank shall endeavor either to notify the Authority and the Paying Agent that the Letter of Credit will be extended to the new expiration date set forth in such notice in accordance with the terms of the Letter of Credit or notify the Authority and the Paying Agent that the Letter of Credit will not be so extended. Failure of the Bank to so respond to any such request shall constitute the Bank's denial of such request.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Right of Setoff. Upon the occurrence of an Event of Default, the Bank may, at any time and from time to time, without notice to the Authority or any other person (any such notice being expressly waived), set off and appropriate and apply, against and on account of, any obligations and liabilities of the Authority to the Bank arising under or connected with this Reimbursement Agreement and the Related Documents, without regard to whether or not the Bank shall have made any demand therefor, and although such obligations and liabilities may be contingent or unmatured, any and all deposits (general or special, including but not limited to indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts or accounts subject to a prior Lien in favor of a creditor extending credit to the Authority) and any other indebtedness at any time held or owing by the Bank to or for the credit or the account of the Authority (excluding amounts payable under the Letter of Credit).

Section 9.02. Amendments and Waivers. No waiver of any provision of this Reimbursement

Agreement nor consent to any departure by the Authority from any such provision shall in any event be effective unless the same shall be in writing and signed by the Bank. No amendment of this Reimbursement Agreement shall be effective unless the same is in writing and signed by all of the parties hereto. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event any agreement contained in this Reimbursement Agreement should be breached by the Authority and thereafter waived by the Bank, such waiver shall be limited to the particular breach so waived for the specific period set out in such waiver and such waiver shall not constitute a waiver of such breach for any other period and shall not waive any other or similar breach hereunder.

Section 9.03. No Waiver; Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right under this Reimbursement Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Reimbursement Agreement preclude any other further exercise of such right or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 9.04. Notices. Unless specifically indicated otherwise herein, all notices and other communications provided for hereunder shall be in writing and, if to the Authority, addressed to it at:

If to the Authority
addressed to it at: TO COME

or if to the Bank,
addressed to it at: For Credit Matters and Notices:
Landesbank Hessen-Thüringen Girozentrale
New York Branch
420 Fifth Avenue, 24th Floor
New York, NY 10018
Attention: Manager, Public Finance
Telephone: (212) 703-5310
Facsimile: (212) 703-5256

For Draws:
Landesbank Hessen-Thüringen Girozentrale
New York Branch
420 Fifth Avenue, 24th Floor
New York, NY 10018
Attention: Ms. Gudrun Dronca,
Loan Administration
Telephone: (212) 703-5244
Facsimile: (212) 703-5256

or if to the Paying
Agent, addressed
to it at: [U.S. Bank Trust National Association
100 Wall Street, 16th Floor
New York, NY 10005
Attention: Corporate Trust Administration
Telephone: (212) 951-8512
Facsimile: (212) 361-6153]

or as to each party at such other address as shall be designated by such party in a written notice to the other parties.

Any notice or other communication shall be sufficiently given and shall be deemed given when delivered to the addressee in writing or when given by telephone immediately confirmed in writing by telecopier or other telecommunication device.

Section 9.05. Severability. Any provision of this Reimbursement Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.06. GOVERNING LAW. THIS REIMBURSEMENT AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES OTHER THAN NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401; PROVIDED, HOWEVER, THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE DISTRICT OF COLUMBIA AND APPLICABLE FEDERAL LAW.

Section 9.07. Headings. Section headings in this Reimbursement Agreement are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of this Reimbursement Agreement.

Section 9.08. Participations; Assignments by Bank to Federal Reserve Bank.

(a) The Authority acknowledges and agrees that the Bank may participate portions of its obligations under the Letter of Credit and the obligations of the Authority under the Bank Note, this Reimbursement Agreement and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions and waives any notice of such participations. The Authority further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Authority waives any right of setoff it may at any time have against the Bank or any Participant with regard to the Participated Obligations, subject to the limitations with respect thereto contained in Section 9.01. Any participation granted as described above in this Section shall not limit the obligations of the Bank under the Letter of Credit.

(b) The Bank may assign and pledge all or any portion of the obligations owing to it hereunder to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the Bank from its obligations hereunder.

Section 9.09. Counterparts. This Reimbursement Agreement may be signed in any number of counterpart copies, but all such copies shall constitute one and the same instrument.

Section 9.10. Complete and Controlling Agreement. This Reimbursement Agreement and the other Related Documents completely set forth the agreements between the Bank and the Authority and fully supersede all prior agreements, both written and oral, between the Bank and the Authority relating to the issuance of the Letter of Credit and all matters set forth herein and in the Related Documents.

Section 9.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY FOR ANY TRIAL RESULTING EITHER DIRECTLY OR INDIRECTLY OUT OF, UNDER OR IN CONNECTION WITH THIS REIMBURSEMENT AGREEMENT OR ANY OF THE RELATED DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY FURTHER AGREES THAT, IN THE EVENT OF LITIGATION, IT WILL NOT PERSONALLY OR THROUGH ITS AGENTS OR ATTORNEYS SEEK TO REPUDIATE THE VALIDITY OF THIS SECTION 9.11 AND ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS AND, IN THE CASE OF THE BANK, TO ISSUE THE LETTER OF CREDIT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.12. USA PATRIOT Act Notice. The Bank hereby notifies the Authority that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (as amended, restated, modified or otherwise supplemented from time to time, the “Patriot Act”), it is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow such the Bank to identify the Authority in accordance with the Patriot Act. The Authority shall, promptly following a request by the Bank, provide all documentation and other information that the Bank requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Patriot Act.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Letter of Credit and Reimbursement Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

DISTRICT OF COLUMBIA WATER AND
SEWER AUTHORITY

By _____
Name _____
Title _____

[Signatures continued on following page]

LANDESBANK HESSEN-THÜRINGEN
GIROZENTRALE, New York Branch,
as the Bank

By _____
Name:
Title:

By _____
Name:
Title:

Wire Instructions:

Landesbank Hessen-ThuringenGirozentrale

ABA#: 021-000-089

Account: HELABA, New York

Acct #

Ref: DC Water, Commercial Paper Notes, Series B

EXHIBIT A

FORM OF BANK NOTE

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
[BANK NOTE, SERIES B]**

New York, New York

May __, 2015

For value received, DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY (the "Authority") promises to pay to the order of LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE, New York Branch (the "Bank"), the lesser of (a) \$_____ and (b) the unpaid principal amount due and owing to the Bank under that Letter of Credit and Reimbursement Agreement dated as of May __, 2015 (the "Reimbursement Agreement") by and between the Authority and the Bank relating to the Authority's Commercial Paper Notes, Series B. The Authority promises to pay interest on the unpaid principal amount of this Bank Note on the dates and at the rate or rates provided for in the Reimbursement Agreement. All such payments of principal and interest shall be made in lawful money of the United States in immediately available funds to the Bank as provided in the Reimbursement Agreement.

All Loans made by the Bank, the maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding shall be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided, however, that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Authority hereunder or under the Reimbursement Agreement.

The Bank Note is not a general obligation of the Authority but is a limited obligation payable from and secured by a pledge of the Pledged Funds, as such term is defined in the Issuing and Paying Agency Agreement dated as of June 1, 2010, as amended (the "Issuing and Paying Agency Agreement"), by and between the Authority and U.S. Bank, National Association, as Issuing and Paying Agent, and by a subordinate lien on the Trust Estate, as such term is defined in the Issuing and Paying Agency Agreement.

Reference is made to the Issuing and Paying Agency Agreement and the Reimbursement Agreement, and to the Master Indenture and the Resolution (as defined in the Reimbursement Agreement), for provisions relating to the repayment, prepayment and the acceleration of the maturity hereof.

Capitalized terms used in this Bank Note and not defined shall have the meaning assigned in the Reimbursement Agreement or the Issuing and Paying Agency Agreement.

IN WITNESS WHEREOF, the Authority has issued this Bank Note and caused the same to be signed by its Chairman and attested by its Secretary-Treasurer.

DISTRICT OF COLUMBIA WATER AND
SEWER AUTHORITY

By _____
Name _____
Title _____

[Authentication block if necessary]

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By
-------------	---------------------------	---	--------------------------	-----------------------------

EXHIBIT B

FORM OF LETTER OF CREDIT

K&S Draft
4/13/15

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

between

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

and

**LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE,
acting through its New York Branch**

Relating to

Not Exceeding \$50,000,000
Commercial Paper Notes, Series C

Dated as of May 1, 2015

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LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

THIS LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT is executed and entered into as of May 1, 2015 by and between DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY and LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE, acting through its New York Branch. All capitalized terms used herein and not otherwise defined in connection with such use shall have the meanings set forth in Article I.

RECITALS:

WHEREAS, the Authority established its current commercial paper program in 2010 to finance certain costs incurred in connection with the construction of capital improvements to its wastewater collection, treatment and disposal system and its water system; and

WHEREAS, pursuant to such program, the Authority is currently authorized to issue and sell from time to time its Commercial Paper Notes, Series B and Series C in aggregate principal amounts outstanding at any time not to exceed \$100,000,000 and \$50,000,000, respectively, in accordance with the Resolution and the Issuing and Paying Agency Agreement; and

WHEREAS, the Authority has determined to terminate the separate letters of credit that currently support its Commercial Paper Notes, Series B and Series C and has requested that the Bank provide, in substitution for such letters of credit, two irrevocable letters of credit, one to support the payment of the principal of and interest on the Authority's Commercial Paper Notes, Series B and the other to support the payment of the principal of and interest on the Authority's Commercial Paper Notes, Series C; and

WHEREAS, subject to the terms and conditions set forth herein, the Bank is willing to issue, pursuant to this Agreement, the Letter of Credit in support of the Authority's Commercial Paper Notes, Series C; and

WHEREAS, pursuant to a separate letter of credit and reimbursement agreement between the Authority and the Bank entered into concurrently herewith, the Bank also intends to issue an irrevocable letter of credit in support of the Authority's Commercial Paper Notes, Series B Notes; and

WHEREAS, the obligations of the Authority to reimburse the Bank for amounts drawn under the Letter of Credit and repay loans made hereunder will be payable from and secured by a pledge of the Pledged Funds and a subordinate Lien on the Trust Estate;

NOW, THEREFORE, in consideration of the agreements set forth herein and in order to induce the Bank to issue the Letter of Credit, the Authority and the Bank agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Capitalized terms used and not defined herein shall have the meaning assigned in the Resolution or the Master Indenture. In addition to terms defined at other places in this Reimbursement Agreement, the following defined terms are used throughout this Reimbursement Agreement with the following meanings:

“*Affiliate*” means any other Person controlling or controlled by or under common control with the Authority. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“*Anti-Corruption Laws*” means all laws, rules, and regulations of any jurisdiction applicable to the Authority from time to time concerning or relating to bribery, money laundering or corruption.

“*Authority*” means the District of Columbia Water and Sewer Authority, an independent authority of the government of the District of Columbia.

“*Bank*” means Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, and any successor thereto.

“*Banking Arrangements*” means (a) the agreements of the Bank and the Authority set forth in this Reimbursement Agreement and the transactions contemplated thereby, including, without limitation, (i) any commitment to extend credit, to issue any letter of credit or other credit or liquidity facility, to purchase any obligation of or for the benefit of the Authority, or to extend any other financial accommodation, (ii) any issuance, extension or maintenance of any of the foregoing, and (iii) any pledge, purchase or carrying of any obligation of or for the benefit of the Authority, and (b) any participation agreement or similar arrangement entered into in connection with the foregoing.

“*Bank Note*” means the note executed by the Authority in favor of the Bank in the form of Exhibit A hereto properly completed, including any renewals, amendments, modifications and supplements thereto permitted by the terms hereof.

“*Bank Rate*” for any day, a rate of interest per annum equal to (i) from the date such interest begins to accrue to and including the 90th day thereafter, the higher of (a) the Prime Rate plus 1.00% and (b) the Federal Funds Rate plus 2.00% and (ii) from the 91st day and thereafter, the higher of (a) the Prime Rate plus 1.00%, (b) the Federal Funds Rate plus 2.00% and (c) 7.00%; provided, however, from and after the earlier of (a) the date amounts are owed under the Bank Rate but only so long as not paid when due and (b) during the occurrence and continuance of an Event of Default, all amounts owed will be paid at the Default Rate and, provided further, that at no time will the Bank Rate be less than the applicable rate of interest on outstanding Notes. The Bank Rate is calculated on the basis of 365/366 days, as applicable, and the actual number of days elapsed.

“*Benefit Plan Event*” means (a) the imposition of any lien on any of the rights, properties or assets of the Authority or the System, or the posting of a bond or other security by the Authority, in either case pursuant to Sections 412, 430 or 436 of the Code; (b) the occurrence of a non-exempt prohibited transaction (within the meaning of Section 4975 of the Code) involving the assets of an Employee Benefit Plan, if the Authority has any liability therefor; (c) the receipt by the Authority of notice of the final determination by the Internal Revenue Service that a Qualified Plan’s qualification or tax exempt status should be revoked; (d) with respect to any Employee Benefit Plan, the failure to make or, if applicable, accrue in accordance with normal accounting practices, any employer or employee contributions required by applicable law or by the terms of such Employee Benefit Plan, (e) the failure to register or loss of good standing with applicable regulatory authorities of any Employee Benefit Plan required to be registered; or (f) the failure of any Employee Benefit Plan to comply with any material provisions of applicable law and regulations or with the material terms of such Employee Benefit Plan.

“*Business Day*” has the meaning set forth in the Issuing and Paying Agency Agreement.

“*Change in Law*” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding

anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“*Closing Date*” means May __, 2015, the date on which this Reimbursement Agreement shall be executed and delivered by the Authority and the Bank.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and all rules and regulations from time to time promulgated thereunder.

“*Date of Issuance*” means the date on which the Letter of Credit is executed and delivered to the Paying Agent.

“*Dealer*” means each institution appointed from time to time by the Authority to act as a Dealer for the Notes pursuant to a Dealer Agreement; as of the date of this Reimbursement Agreement, the Dealer is J.P. Morgan Securities LLC.

“*Dealer Agreement*” means each Dealer Agreement between the Authority and a Dealer pursuant to which such Dealer agrees to act as dealer for the Notes.

“*Debt*” means, with respect to any Person, at any date, without duplication, (i) all obligations of such Person for borrowed money; (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business; (iv) all obligations of such Person as lessee under capital leases; (v) all obligations of such Person under take or pay or similar contracts; (vi) all obligations of such Person to reimburse or indemnify the issuer of a letter of credit or Guarantee for drawings or payments thereunder; (vii) all obligations of such Person to repurchase any security (or other Property) which arise out of or in connection with the sale of such security (or other Property); (viii) all obligations of such Person in respect of interest rate swap agreements, currency swap agreements and other similar agreements and arrangements designed to protect such Person against adverse movements in interest rates or foreign exchange rates; (ix) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; and (x) all Debt of others Guaranteed by such Person.

“*Default*” means any condition or event which constitutes an Event of Default or which, with the giving of notice or lapse of time or both would, become an Event of Default.

“*Default Rate*” means the rate of interest established pursuant to Section 2.04.

“*Disclosure Document*” means any official statement or offering memorandum or circular used by a Dealer in marketing the Notes.

“*Drawing*” means a drawing under the Letter of Credit to pay amounts due on Notes at maturity.

“*Employee Benefit Plan*” means all of the following plans, to the extent the Authority has, or could reasonably be expected to have, any liability with respect to such plans: (a) all “employee benefit plans” (as defined in Section 3(3) of ERISA), and (b) any other employee benefit plan, program or arrangement that is or at any time has been maintained or sponsored by the Authority or to which the

Authority has ever made, or been obligated to make, contributions or with respect to which the Authority has incurred any material liability or obligation, including without limitation the Authority's Section 401(a) defined contribution plan and the Authority's Section 457(b) deferred compensation plan.

"Environmental Law" means any current or future legal requirement of any Governmental Authority pertaining to (a) the protection of health, safety, and the indoor or outdoor environment, (b) the conservation, management, or use of natural resources and wildlife, (c) the protection or use of surface water and groundwater or (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, release, threatened release, abatement, removal, remediation or handling of, or exposure to, any hazardous or toxic substance or material or (e) pollution (including any release to land surface water and groundwater).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated, and any publicly available rulings issued, thereunder.

"Event of Default" means one of the events defined as such in Section 6.01.

"Excess Interest Amount" has the meaning assigned to such term in Section 2.15(b).

"Expiration Date" means the date on which the Letter of Credit is scheduled to expire as set forth in Paragraph 1(a) of the Letter of Credit, as such date may be extended from time to time pursuant to Section 8.02 and Paragraph 1(a) of the Letter of Credit and subject to the earlier termination of the Letter of Credit as set forth in Paragraph 1 of the Letter of Credit.

"Fed Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, that (a) if such day is not a Business Day, the Fed Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Fed Funds Rate for such day shall be the average rate (rounded upwards, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank.

"Fee Letter" means that Fee Letter dated as of the Date of Issuance from the Bank to the Authority.

"Fiscal Year" means the fiscal year of the Authority ending on September 30 of each calendar year.

"Fitch" means Fitch, Inc., Fitch Ratings Ltd. or in each case any successor or assignee of the business of such company in the business of rating securities.

"GAAP" means generally accepted accounting principles in the United States of America applied on a consistent basis.

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“*Guarantee*” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term *Guarantee* shall not include endorsement for collection or deposit in the ordinary course of business. The term “*Guarantee*” used as a verb has a corresponding meaning.

“*Hedge Agreement*” means any rate swap transaction, basis swap, forward rate transaction, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, total return swap, credit default swap or any other similar transaction (including any option with respect to any of these transactions) and any other agreement or option involving, or settled by reference to, one or more rates, currencies, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

“*Indemnified Party*” has the meaning assigned in Section 7.04.

“*Interest Drawing*” means that portion of each Drawing used to pay interest accrued on Notes at maturity.

“*Issuing and Paying Agency Agreement*” means that Issuing and Paying Agency Agreement dated as of June 1, 2010, as amended, by and between the Authority and the Paying Agent, including such amendments, modifications and supplements thereto permitted pursuant to its terms and the terms hereof.

“*Letter of Credit*” means the Irrevocable Letter of Credit No. HLG-30074 issued by the Bank on the Date of Issuance, including such amendments, modifications and supplements permitted pursuant to its terms.

“*Lien*” on any asset means any mortgage, deed of trust, lien, pledge, charge, security interest, hypothecation, assignment, deposit arrangement or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or effective under applicable law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital or finance lease or other title retention agreement relating to such asset.

“*Loan*” has the meaning assigned in Section 2.03.

“*Master Indenture*” means the Master Indenture of Trust dated as of April 1, 1998, as amended and supplemented including, in particular, by an Eleventh Supplemental Indenture of Trust dated as of June 1, 2010, each between the Authority and Wells Fargo Bank, National Association, as successor Trustee.

“*Maximum Lawful Rate*” means the maximum rate of interest on the relevant obligation permitted by applicable law.

“*Moody’s*” means Moody’s Investors Service or any successor or assignee of the business of such company in the business of rating securities.

“*No Issuance Notice*” has the meaning assigned in Section 6.02.

“*Notes*” means the District of Columbia Water and Sewer Authority Commercial Paper Notes, Series C.

“*Participant(s)*” means any bank(s) or other financial institution(s) which may purchase a participation interest from the Bank in the Letter of Credit, this Reimbursement Agreement and certain of the Related Documents pursuant to a participation agreement between the Bank and the Participant(s).

“*Patriot Act*” has the meaning specified in Section 9.12.

“*Paying Agent*” means the institution appointed from time to time by the Authority to act as Issuing and Paying Agent under the Issuing and Paying Agency Agreement, initially U.S. Bank, National Association.

“*Person*” means any natural person, corporation, partnership, limited liability company, association, trust, joint venture, public body or other legal entity.

“*Prime Rate*” means, for any day, the rate of interest publicly established by Landesbank Hessen-Thüringen Girozentrale, New York Branch, from time to time as its prime rate; the Bank may lend to its customers at rates that are at, above or below the Prime Rate.

“*Principal Drawing*” means that portion of each Drawing used to pay the principal of Notes at maturity.

“*Qualified Plan*” means any Employee Benefit Plan that is intended to be tax-qualified under Section 401(a) of the Code.

“*Rating Agency*” means S&P, Moody’s or Fitch or any successor or additional rating agency that rates the Notes at the written request of the Authority with the written consent of the Bank.

“*Reimbursement Agreement*” means this Letter of Credit and Reimbursement Agreement, including such amendments, modifications or supplements permitted pursuant to Section 9.02.

“*Related Documents*” means the Letter of Credit, the Resolution, the Master Indenture, the Dealer Agreements, the Issuing and Paying Agency Agreement, the Notes, the Bank Note, the Fee Letter and any exhibits, instruments or agreements relating thereto.

“*Resolution*” means, collectively, the resolutions adopted by the Board of Directors of the Authority on May 6, 2010, April 14, 2013 and April 30, 2015.

“*S&P*” means Standard & Poor’s Financial Services LLP, a subsidiary of The McGraw-Hill Companies, Inc., or any successor or assignee of the business of such company in the business of rating securities.

“*Sanctions*” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or by the U.S. Department of State, or (b) the United Nations Security Council, the European Union, any EU member state, or Her Majesty’s Treasury of the United Kingdom.

“*Sanctioned Country*” means, at any time of determination, a country or territory which is the subject or target of any Sanctions.

“*Sanctioned Person*” means, at any time of determination, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the United Nations Security Council, the European Union or any EU member state, (b) any Person operating, organized or resident in a Sanctioned Country, (c) any Person owned or controlled by or acting on behalf of any such Person described in the preceding clause (a) or (b), or (d) any Person with which the Bank is prohibited under Sanctions relevant to it from dealing or engaging in transactions. For purposes of the foregoing, control of a Person shall be deemed to include where a Sanctioned Person (i) owns or has power to vote 25% or more of the issued and outstanding equity interests having ordinary voting power for the election of directors of the Person or other individuals performing similar functions for the Person, or (ii) has the power to direct or cause the direction of the management and policies of the Person, whether by ownership of equity interests, contracts or otherwise.

“*Series B Reimbursement Agreement*” means the Letter of Credit and Reimbursement Agreement dated as of May 1, 2015 by and between the Authority and the Bank providing for the issuance by the Bank of an irrevocable letter of credit in support of the Authority’s Commercial Paper Notes, Series B, as amended, supplemented or modified from time to time.

“*Stated Amount*” has the meaning assigned to such term in Paragraph 2 of the Letter of Credit, as reduced by any reductions pursuant to Exhibit C to the Letter of Credit.

“*Substitute Credit Facility*” means a letter of credit issued in substitution for the Letter of Credit pursuant to the Issuing and Paying Agency Agreement.

“*Termination Date*” means the date on which the Letter of Credit terminates or expires as described in Paragraph 1 of the Letter of Credit.

Section 1.02. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, and except as otherwise expressly provided herein all accounting determinations required to be made pursuant to this Reimbursement Agreement shall be made in accordance with generally accepted accounting principles.

Section 1.03. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted hereunder. References herein to Articles or Sections shall be references to the corresponding Articles and Sections of this Reimbursement Agreement unless otherwise provided.

Section 1.04. Relation to Other Documents. Nothing in this Reimbursement Agreement shall be deemed to amend, or relieve the Authority of any of its obligations under, any Related Document. To the extent any provision of this Reimbursement Agreement conflicts with any provision of any other Related Document to which the Authority and the Bank are parties, the provisions of this Reimbursement Agreement shall control.

ARTICLE II

ISSUANCE OF LETTER OF CREDIT; REIMBURSEMENT, FEES AND PAYMENT PROVISIONS

Section 2.01. Issuance of the Letter of Credit. The Bank agrees to issue the Letter of Credit on the Closing Date if the conditions set forth in this Section and in Article III required to be satisfied on or before the Date of Issuance are satisfied. In addition to the conditions set forth in Article III, on the Date of Issuance the following conditions shall be satisfied as determined by the Bank:

- (a) The amount of the Letter of Credit shall not exceed the Stated Amount.
- (b) All representations and warranties of the Authority contained in Article IV shall be true and correct.
- (c) No Default shall have occurred and be continuing and no Default shall occur as a result of the issuance of the Letter of Credit.

Section 2.02. Interest on Principal Drawings. The Authority shall pay to the Bank interest on all amounts drawn under the Letter of Credit pursuant to a Principal Drawing, such interest to accrue from the date of such Drawing until payment thereof in full, payable on the first Business Day of each month or, if earlier, the date on which all or a portion of such principal amount is repaid, to the extent of such principal repayment, and payable on each date that the Principal Drawing is required to be repaid pursuant to Section 2.03 at a fluctuating interest rate per annum equal to the Bank Rate, subject to the provisions of Section 2.04.

Section 2.03. Reimbursement of Drawings. The Authority agrees to pay to the Bank an amount equal to all amounts drawn under the Letter of Credit, payable without any requirement of notice or demand by the Bank on the day on which such drawing is paid. Notwithstanding the preceding sentence, if on the date of any Principal Drawing no Event of Default has occurred and is continuing and the representations and warranties made by the Authority herein are true and correct as if made on such day, the Authority shall not be required to pay to the Bank an amount equal to such Principal Drawing on the date of such Drawing but rather the Authority agrees to pay to the Bank with respect to the Principal Drawing, payable without any requirement of notice or demand by the Bank, on the first Business Day of the first month that is not less than six (6) months after the date of such Principal Drawing, and on the first Business Day of each sixth month thereafter, amounts sufficient, with interest thereon at the Bank Rate, to amortize the amount of such Principal Drawing in approximately equal semi-annual payments over the period ending on the 5th anniversary of the date of such Drawing, with the remaining outstanding amount of the Principal Drawing together with interest thereon as provided herein being due and payable on such 5th anniversary of the date of such Principal Drawing; provided, however, that upon issuance of Notes, the amount owed to the Bank pursuant to this Section shall be immediately paid to the Bank in an amount equal to the lesser of the amount outstanding under this Section and the principal amount of the Notes issued which is not used to repay Notes maturing on such date or to reimburse the Bank for amounts drawn under the Letter of Credit to repay such maturing Notes; and provided, further, that the amount owed to the Bank under this Section shall be due and payable in full on the date of delivery to the Paying Agent of any substitute letter of credit (as provided in the Resolution) in substitution for the Letter of Credit. On the date of each Principal Drawing the Authority shall be deemed to have made the representations and warranties set forth in Article IV as of such date. The amount of any Drawing hereunder which is not paid on the date of such Drawing together with interest thereon, as provided in this Section and Section 2.04, shall be herein referred to as a "Loan." For the avoidance doubt, the foregoing provisions under which, subject to certain conditions, the Authority is not required to reimburse the Bank

for a Principal Drawing on the date of such Drawing shall not be applicable to an Interest Drawing.

Section 2.04. Default Rate. The Authority agrees to pay to the Bank, interest on any and all amounts owed by the Authority under this Reimbursement Agreement from and after the earlier of (a) the occurrence of an Event of Default and (b) the date such amounts are due and payable but not paid until payment thereof in full, at a fluctuating interest rate per annum (computed on the basis of the actual number of days elapsed and a year of 365/366 days, as applicable) equal to the Bank Rate plus three percent (3.00%) (the “*Default Rate*”).

Section 2.05. Fees. On the Date of Issuance, the Authority and the Bank shall execute the Fee Letter pursuant to which the Authority agrees to pay certain fees to the Bank and reimburse the Bank for certain expenses. The Authority covenants and agrees to pay such fees and expenses to the Bank.

Section 2.06. Costs, Expenses and Taxes. The Authority agrees to pay on demand all out-of-pocket costs and expenses of the Bank in connection with the negotiation, execution, delivery, administration and enforcement of this Reimbursement Agreement, the Related Documents and such other documents which may be delivered in connection with this Reimbursement Agreement plus the reasonable fees and expenses of counsel to the Bank with respect to advising the Bank as to its rights and responsibilities under this Reimbursement Agreement and the Related Documents and all costs and expenses, if any, in connection with the enforcement of this Reimbursement Agreement, the Related Documents and such other documents which may be delivered in connection with this Reimbursement Agreement. In addition, the Authority shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Reimbursement Agreement, the Related Documents and such other documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 2.07. Increased Costs; Reduced Return.

- (a) If any Change in Law shall:
 - (i) subject the Bank to any tax, charge, fee, deduction or withholding of any kind with respect to this Reimbursement Agreement or the Letter of Credit, or any amount paid or to be paid by the Bank as the obligor under the Letter of Credit (other than any tax measured by or based upon the overall net income of the Bank);
 - (ii) impose, modify or deem applicable any reserve, premium, special deposit or similar requirements against any assets held by, deposits with or for the account of, or loans, letters of credit or commitments by, an office of the Bank;
 - (iii) change the basis of taxation of payments due the Bank under this Reimbursement Agreement or the Letter of Credit (other than a change in taxation of the overall net income of the Bank); or
 - (iv) impose upon the Bank any other condition with respect to such amount paid or payable to or by the Bank or with respect to this Reimbursement Agreement or the Letter of Credit,

and the result of any of the foregoing is to increase the cost to the Bank of agreeing to enter into (or participate in), entering into (or participating in), making any payment under or maintaining this Reimbursement Agreement or the Letter of Credit to reduce the amount of any payment (whether of

principal, interest or otherwise) receivable by the Bank or to require the Bank to make any payment on or calculated by reference to the gross amount of any sum received by it, in each case by an amount which the Bank in its reasonable judgment deems material, then:

(A) The Bank shall promptly notify the Authority in writing of the happening of such event;

(B) The Bank shall promptly deliver to the Authority a certificate stating the change which has occurred or the reserve requirements or other costs or conditions which have been imposed on the Bank or the request, direction or requirement with which it has complied together with the date thereof, the amount of such increased cost, reduction or payment and the way in which such amount has been calculated, including a reasonably detailed calculation, and the determination of such amounts by the Bank absent fraud or manifest error, shall be conclusive; and

(C) The Authority shall pay to the Bank, from time to time as specified by the Bank, such an amount or amounts as will compensate the Bank for such additional cost, reduction or payment, together with interest on such amount from, but including, the day specified by the Bank for payment, at the Bank Rate.

(b) In addition to the foregoing, if after the date of this Reimbursement Agreement the Bank shall have determined that a Change in Law has or would have the effect of reducing the rate of return on the capital of the Bank to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the policies of the Bank with respect to capital adequacy) by an amount deemed by the Bank to be material, or affects or would affect the amount of capital required or expected to be maintained by the Bank or any corporation controlling the Bank by an amount deemed by the Bank to be material, as a consequence of its obligations under this Reimbursement Agreement or the Letter of Credit, then from time to time the Authority shall be obligated to pay or cause to be paid to the Bank such additional amount or amounts as will compensate the Bank for such reduction or capital increase with respect to any period for which such reduction or capital increase was incurred upon demand by the Bank, together with interest on such amount for each day from such date of demand until payment in full at the Bank Rate. A certificate setting forth in reasonable detail such reduction in the rate of return on capital, or such capital increase, of the Bank as a result of any event mentioned in this paragraph shall be submitted by the Bank to the Authority and such certificate shall, in the absence of fraud or manifest error, be conclusive as to the amount thereof.

(c) Notwithstanding anything in this Section to the contrary, if such costs are to be incurred on a continuing basis by the Bank and the Bank shall so notify the Authority in writing as to the amount thereof, such costs shall be paid by the Authority to the Bank monthly in arrears.

(d) The protections of this Section 2.07 shall be available to the Bank regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which has been imposed; provided, however, that if it shall be later determined that any amount so paid by the Authority pursuant to this Section 2.07 is in excess of the amount payable under the provisions of this Agreement, the Bank shall refund such excess amount to the Authority.

(e) The Authority shall not be required to compensate the Bank pursuant to this Section for any increased costs incurred or reductions suffered more than six months prior to the

date that the Bank notifies the Authority of the Change in Law giving rise to such increased costs or reductions and of the Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 2.08. Method of Payment. All payments by the Authority to the Bank hereunder or under the Fee Letter shall be nonrefundable and made in lawful currency of the United States and in immediately available funds. Amounts payable to the Bank hereunder or under the Fee Letter shall be transferred to the Bank's account specified on its signature page hereto (or to such other account of the Bank as the Bank may specify by written notice to the Authority and the Paying Agent) not later than 1:00 p.m., New York, New York time, on the date payment is due. Any payment received by the Bank after 1:00 p.m., New York, New York time, shall be deemed to have been received by the Bank on the next Business Day. If any payment hereunder is due on a day that is not a Business Day, then such payment shall be due on the immediately succeeding Business Day.

Section 2.09. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Authority and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Reimbursement Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Authority therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Authority hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.10. Cure. The Authority agrees to pay to the Bank on demand any amounts advanced by or on behalf of the Bank to the extent required to cure any default, event of default or event of nonperformance under this Reimbursement Agreement or any Related Document. The Bank shall give the Authority reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any such default, event of default or event of nonperformance.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Authority, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Authority is required by law to withhold or deduct any sum from payments required under this Reimbursement Agreement, the Authority shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Bank Note.

(a) The Loans of the Bank shall be evidenced by a single promissory note payable to the order of the Bank in an amount equal to the aggregate unpaid principal amount of the Bank's Loans.

(b) The Bank shall record the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by or on behalf of the Authority with respect thereto, and prior to any transfer of the Bank Note shall endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Authority hereunder or under the Bank Note.

The Bank is hereby irrevocably authorized by the Authority to endorse the Bank Note and to attach to and make a part of the Bank Note a continuation of any such schedule as and when required.

Section 2.13. Prepayment. Any Loan may be prepaid in whole or in part (but only in the amount of \$1,000,000 and integral multiples of \$1,000 in excess thereof) at any time without penalty or premium on one Business Day's prior written notice from the Authority to the Bank and by payment of such amounts to the Bank.

Section 2.14. Reductions of Stated Amount and Termination of the Letter of Credit.

(a) The Stated Amount may be permanently reduced from time to time or terminated by the Authority upon five Business Days' prior written notice of such reduction or termination given by the Authority to the Bank; provided, that (i) each such reduction shall be in an amount equal to the lesser of (A) \$1,000,000 or any integral multiple in excess thereof and (B) the Stated Amount, (ii) the Stated Amount of the Letter of Credit shall not be reduced below an amount equal to the sum of the outstanding amount of the Loan plus the principal amount of Notes outstanding plus interest on such principal amount of Notes computed at 12% per annum for a period of 90 days and (iii) the Authority first pays to the Bank all fees and expenses payable by the Authority to the Bank hereunder and under the Fee Letter, including any reduction fee then due and payable.

(b) Notwithstanding any provision to the contrary to the Resolution, the Master Indenture or the Issuing and Paying Agency Agreement, the Authority agrees to (i) provide at least two (2) Business Days' prior notice to the Bank of its intention to replace or terminate the Letter of Credit, (ii) in the case of a substitution for the Letter of Credit with a substitute letter of credit, first pay to the Bank the outstanding amount of the Loans, including accrued and unpaid interest thereon, and (iii) in the case of any Termination Date, pay on the Termination Date all fees and expenses payable by the Authority to the Bank hereunder and under the Fee Letter.

Section 2.15. Maximum Lawful Rate.

(a) If the amount of interest payable for any period in accordance with terms hereof exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Lawful Rate, then interest for such period shall be payable in an amount calculated at the Maximum Lawful Rate for such period.

(b) Any interest that would have been due and payable for any period but for the operation of Section 2.15(a) shall accrue and be payable as provided in this paragraph (b) and shall, less interest actually paid to the Bank for such period, constitute the "Excess Interest Amount." If there is any accrued and unpaid Excess Interest Amount as of any date then the principal amount with respect to which interest is payable shall bear interest at the Maximum Lawful Rate, until payment to the Bank of the entire Excess Interest Amount.

(c) Notwithstanding the foregoing, to the extent permitted by applicable law, on the date on which no principal amount hereunder remains unpaid, the Authority shall pay to the Bank a fee equal to any accrued and unpaid Excess Interest Amount.

ARTICLE III

CONDITIONS PRECEDENT

As a condition precedent to the issuance of the Letter of Credit, the Bank shall have received the following items on or before the Date of Issuance, each in form and substance satisfactory to the Bank and its Counsel:

Section 3.01. Authority Resolutions. Copies of the resolutions of the Authority approving this Reimbursement Agreement, the other Related Documents to which the Authority is a party, the form and content of the Letter of Credit and the other matters contemplated hereby, and copies of all other documents evidencing any other necessary corporate action, all certified by the Secretary of the Authority (which certificate shall state that such copies are true, accurate and complete and such resolutions are in full force and effect on the Date of Issuance).

Section 3.02. Regulatory Approvals. Certified copies of all approvals or authorizations by, or consents of, or notices to or registrations with, any governmental body or agency, if any, required for the Authority to enter into and confirming the validity and enforceability of this Reimbursement Agreement and certified copies of all such approvals, authorizations, consents, notices or registrations required to be obtained or made prior to the Date of Issuance in connection with the transactions contemplated by the Related Documents.

Section 3.03. Incumbency Certificates. A certificate of the Secretary of the Authority certifying the names and true signatures of the officers of the Authority authorized to sign this Reimbursement Agreement.

Section 3.04. Opinion of Counsel for the Authority. Opinions, upon which the Bank may rely, of the General Counsel of the Authority dated the Date of Issuance and covering such matters relating to the transactions contemplated hereby as the Bank may reasonably request.

Section 3.05. Opinion of Bond Counsel. Opinions, upon which the Bank may rely, of Squire Patton Boggs (US) LLP and Leftwich LLC, Co-Bond Counsel, each dated the Date of Issuance and addressed to the Bank covering such matters relating to the transactions contemplated hereby as the Bank may reasonably request.

Section 3.06. Related Documents. An executed original or copy certified by the Authority to be a true, correct and complete copy of an executed original, of each of the following:

- (a) the Issuing and Paying Agency Agreement;
- (b) the Dealer Agreements;
- (c) the Resolution;
- (d) the Master Indenture;
- (e) the Bank Note;
- (f) the Disclosure Document; and
- (g) the Fee Letter.

Section 3.07. Other Certificates. Certificates signed by a duly authorized officer of the Authority, the Paying Agent and the Dealer, dated the Date of Issuance, covering such matters as the Bank may reasonably request.

Section 3.08. Ratings. A rating letter from S&P which confirms that the Notes have received a short-term rating of “A-1” , a rating letter from Moody’s which confirms that the Notes have received a short-term rating of “P-1” and a rating letter from Fitch which confirms that the Notes have received a short-term rating of “F-1”.

Section 3.09. Authority Certificate. A certificate signed by duly authorized officers of the Authority, dated the Date of Issuance, stating that: (a) the representations and warranties of the Authority contained in Article IV are correct on and as of the Date of Issuance as though made on and as of such date; (b) no petition by or against the Authority has at any time been filed under the United States Bankruptcy Code or under any similar act; and (c) no Default or Event of Default has occurred and is continuing or would result from the issuance of the Letter of Credit and execution of this Reimbursement Agreement or the Related Documents.

Section 3.10. Payment of Fees and Expenses. Payment of the fees and all other amounts (including attorney’s fees and expenses) payable on or before the Date of Issuance pursuant to Section 2.05 and the Fee Letter.

Section 3.11. Bank Note. An original executed Bank Note properly completed.

Section 3.12. KYC Information. Receipt by the Bank of all documentation and information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the Patriot Act, to the extent such documentation or information is requested by the Bank prior to the Closing Date.

Section 3.13. Other Documents. Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed copies thereof, and opinions as the Bank may reasonably request.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Reimbursement Agreement and to issue the Letter of Credit, the Authority hereby represents and warrants to, and agrees with, the Bank as follows (which representations, warranties and agreements shall survive the execution and delivery of this Reimbursement Agreement and the issuance of the Letter of Credit).

Section 4.01. Status. The Authority (a) is duly organized and validly existing as an independent authority of the government of the District of Columbia, (b) is qualified or licensed to transaction business in the District of Columbia and each jurisdiction in which the nature of the business conducted by it makes such qualification necessary, (c) has full power and authority to own its properties, operate the System and carry on its business as now conducted, including the autonomy to set rates for its services and (d) has all requisite power and authority to execute and deliver, and to perform its obligations under, this Reimbursement Agreement and the Related Documents to which it is a party and to issue, execute and deliver the Notes and the Bank Note.

Section 4.02. Power and Authority. The Authority has the requisite power and authority to

execute and deliver, and to perform its obligations under, this Reimbursement Agreement and the other Related Documents to which it is or will be a party and has taken all necessary action to authorize the execution, delivery and performance of this Reimbursement Agreement and the other Related Documents to which it is or will be a party.

Section 4.03. Enforceability. Assuming due authorization, execution and delivery by each of the other parties thereto, each of this Reimbursement Agreement and the Related Documents to which the Authority is a party constitutes, and the Notes when issued will constitute, the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its respective terms, except as such enforceability may be limited by the Authority's bankruptcy, moratorium, insolvency or similar laws or equitable principles relating to or limiting the rights of creditors generally. Each of the Related Documents is or will be on the Date of Issue in full force and effect.

Section 4.04. No Conflict. The execution and delivery of this Reimbursement Agreement and the Related Documents and the performance by the Authority of its obligations hereunder and thereunder do not and will not violate any constitutional provision or any law, including, without limitation, any usury law, or any regulation, order, writ, injunction or decree of any court or governmental body, agency or other instrumentality applicable to the Authority, or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien (other than the lien of the Master Indenture) upon any of the assets of the Authority pursuant to the terms of, any ordinance, resolution, mortgage, indenture, agreement or instrument to which the Authority is a party or by which it or any of its properties is bound.

Section 4.05. Consents. All consents, licenses, approvals, validations and authorizations of, and registrations, validations or declarations by or with, any court or any Governmental Authority, bureau or agency required to be obtained in connection with the execution, delivery, performance, validity or enforceability of this Reimbursement Agreement and the other Related Documents (including the Notes) have been obtained and are in full force and effect.

Section 4.06. No Litigation. Except as disclosed in the Offering Memorandum [confirm the Offering Memorandum incorporates information on litigation], there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the best knowledge of the Authority, threatened against or affecting the Authority or the System wherein an unfavorable decision, ruling or finding would have a material adverse effect on the properties, business, condition (financial or other), results of operations or prospects of the Authority, the System or the transactions contemplated by this Reimbursement Agreement, the Bank Note or the other Related Documents, or which would adversely affect the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, this Reimbursement Agreement or any other Related Document to which it is a party.

Section 4.07. Default. No Event of Default or Default has occurred and is continuing.

Section 4.08. Disclosure. No representation, warranty or other statement made by the Authority in or pursuant to this Reimbursement Agreement or any Related Document or any other document or financial statement provided by the Authority to the Bank in connection with this Reimbursement Agreement or any other Related Document, contains any untrue statement of a material fact or omits (as of the date made or furnished) any material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they are made. There is no fact known to the Authority which the Authority has not disclosed to the Bank in writing which materially adversely affects or, so far as the Authority can now reasonably foresee, is likely to materially adversely affect the ability (financial or otherwise) of the Authority to perform its obligations hereunder or under the Related

Documents. The Disclosure Document prepared with respect to the Notes and the transactions herein contemplated, true copies of which have heretofore been delivered to the Bank, does not contain, and such Disclosure Document (including any amendments or supplements prepared subsequent to its date) (a true copy of which, in each case, shall be furnished to the Bank prior to the distribution thereof) will not contain, any untrue statement of a material fact and such Disclosure Document does not omit, and will not omit, to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to information furnished in writing by the Bank expressly for inclusion therein. [expand to cover any annual continuing disclosure document most recently filed with the EMMA]

Section 4.09. Notes; Parity Indebtedness. Each Note and the Bank Note has been and will be duly issued under the Resolution, the Master Indenture and the Issuing and Paying Agency Agreement and each such Note and the Bank Note is entitled to the benefits thereof and of the Master Indenture, including the pledge, on a subordinated basis, of the Trust Estate pursuant to the Master Indenture and the pledge of the Pledged Funds pursuant to the Issuing and Paying Agency Agreement. The Notes and the Bank Note and the lien securing the Notes and the Bank Note are each on a parity with all Subordinate Debt. There is no Lien on the moneys, investments, property and certain rights of the Authority thereto granted, pursuant to the Master Indenture, as security for the holders of Senior Debt and, on a subordinate basis, Subordinate Debt (the “Trust Estate”) other than the Liens created by or pursuant to the Master Indenture. The Master Indenture does not permit the issuance of any Debt secured by the Trust Estate to rank senior to the Notes and the Bank Note, other than Senior Debt issued and to be issued under the Master Indenture. No filing, registering, recording or publication of the Master Indenture, the Resolution or the Issuing and Paying Agency Agreement or any other instrument is required to establish the pledge under the Master Indenture or the pledge under the Issuing and Paying Agency Agreement or to perfect, protect or maintain the Lien created thereby on the Trust Estate, including the Net Revenues, in the case of the Master Indenture, or on the Pledged Funds, in case of the Issuing and Paying Agency Agreement, to secure the Notes and the Bank Note.

Section 4.10. Incorporation of Representations and Warranties. The Authority hereby makes to the Bank the same representations and warranties as were made by it in the Related Documents, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety.

Section 4.11. Employment Benefit Plan Compliance. Except to the extent not reasonably expected to result, either singly or in the aggregate, in liability to the Authority, (a) each Employee Benefit Plan has been operated in substantial compliance with its terms and with all applicable provisions and requirements of the Code and all other applicable federal, state, and local laws, (b) the Authority have performed all its obligations under each Employee Benefit Plan and (c) the accrued benefit obligations of each Employee Benefit Plan (based on those assumptions used to fund such Employee Benefit Plan) with respect to all current and former participants do not exceed the assets of such Employee Benefit Plan. No Benefit Plan Event or similar event has occurred or is reasonably expected to occur that could reasonably result, either singly or in the aggregate with all other such Benefit Plan Events and similar events, in liability to the Authority. Each of the Employee Benefit Plans is a “governmental plan” (as defined in Section 3(32) of ERISA). None of the Employee Benefit Plans is subject to ERISA.

Section 4.12. Financial Statements. As of the date hereof, the audited balance sheets of the Authority as of September 30, 2014 and the related statements of revenues, expenses and changes in retained earnings, and cash flows, of the Authority for the Authority’s fiscal year then ended, and the accompanying footnotes thereon, dated September 30, 2014, of KPMG LLP, independent certified public accountants, copies of which have been delivered to the Bank, are complete and correct and fairly present

the financial condition of the Authority as at such dates, for the periods covered by such statements, all in conformity with generally accepted accounting principles consistently applied. Since September 30, 2014, there has been no material adverse change in the condition (financial or otherwise), business or operations of the Authority.

Section 4.13. No Proposed Legal Changes. There is no amendment, or to the knowledge of the Authority, proposed amendment certified for placement on a ballot within the District of Columbia or any District of Columbia law, or any legislation that has passed either house of the United States Congress, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect the Notes or the Authority's ability to perform its obligations under this Reimbursement Agreement, the Notes, and the other Related Documents.

Section 4.14. Margin Stock. No portion of the proceeds of any Notes will be used by the Authority (or the Trustee or Paying Agent or any other Person on behalf of the Authority) for the purpose of "purchasing" or "carrying" any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation U issued by the Board of Governors of the Federal Reserve System or any other regulation of said Board of Governors or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such use of proceeds.

Section 4.15. Permitted Investments. The Authority has neither made any investment nor entered into any agreements for the purpose of effecting any investment which are not permitted to be made by it pursuant to its investment guidelines, the Master Indenture or any other Related Document.

Section 4.16. Environmental Laws. Except as disclosed in writing to the Bank, the Authority has not received notice to the effect that the operations of the System are not in compliance with Environmental Laws.

Section 4.17. Insurance. The Authority currently maintains insurance coverage with insurance companies believed to be responsible by the Authority (as determined in its reasonable discretion) against such risks and in such amounts as is customarily maintained by companies or other entities similarly situated to the Authority and operating like properties and businesses to that of the Authority.

Section 4.18. Anti-Corruption Laws and Sanctions. The Authority has implemented and maintains in effect policies and procedures designed to ensure compliance by the Authority and its directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Authority and its officers and employees and, to the knowledge of the Authority, its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of the Authority or any of its officers or employees is a Sanctioned Person. Neither the Letter of Credit nor the use of proceeds thereof or any other transaction contemplated by this Agreement will violate Anti-Corruption Laws or applicable Sanctions.

ARTICLE V

COVENANTS

So long as the Termination Date has not occurred or any amount is due or owing to the Bank under this Reimbursement Agreement or any Related Document, the Authority will comply with each of the covenants contained in this Article V unless the Bank shall otherwise consent in writing.

Section 5.01. Payment Obligations. The Authority shall promptly pay or cause to be paid all amounts payable by it hereunder and under the Related Documents according to the terms hereof or

thereof and shall duly perform each of its obligations under this Reimbursement Agreement, including, without limitation, under Section 2.07, and the other Related Documents to which it is a party. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Authority.

Section 5.02. Related Documents.

(a) The Authority agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in each Related Document to which it is a party, including, without limitation, the rate covenant set forth in Section 601 of the Master Indenture, and in each case such provisions, together with the related definitions of terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety.

(b) The Authority shall not amend, supplement or otherwise modify (or permit any of the foregoing), or request or agree to any consent or waiver under, or effect or permit the cancellation, acceleration or termination of, or (except as otherwise permitted under the Related Documents) release or permit the release of any collateral held under any of the Related Documents which is not otherwise contemplated by, or permitted pursuant to the terms of, any of the Related Documents, without the prior written consent of the Bank; provided, however, that the consent of the Bank shall not be required with respect to (i) amendments, supplements and modifications to the Related Documents which do not require consent of Bondholders pursuant to clauses (a), (b), (c), (f), (g) or (h) of Section 1001 of the Master Indenture, but the Authority shall provide prior written notice of any such amendments, supplements and modifications to the Bank, and (ii) supplements entered into solely for the purpose of providing for the issuance of a series of bonds pursuant to the Master Indenture.

Section 5.03. Access to Books and Records; Reporting Requirements. The Authority shall keep proper books of record and account in which full, true and correct entries will be made of all dealings and transactions of or in relation to affairs, operations, transactions and activities of the Authority in accordance with generally accepted accounting principles applicable to governmental entities, consistently applied, and, upon reasonable prior notice and during normal business hours the Authority will permit representatives of the Bank to visit and inspect the Authority's property, including its books and records, its accounts receivable and inventory, the Authority's facilities and its other business assets and to discuss such matters with the officers of the Authority. The Authority will furnish to the Bank a copy of each of the following:

(a) as soon as available and in any event within one hundred eighty (180) days after the end of each fiscal year of the Authority, a balance sheet of the Authority as of the end of such fiscal year and the related statements of revenues, expenses, changes in retained earnings and cash flows for such fiscal year and accompanying notes thereto, all prepared in accordance with GAAP and in reasonable detail showing in comparative form the figures for the previous fiscal year, accompanied by an opinion thereon of KPMG LLP, or another firm of independent public accountants of recognized national standing, selected by the Authority, to the effect that the financial statements described herein have been prepared in accordance with GAAP and present fairly in accordance with GAAP the consolidated financial condition of the Authority as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as

were considered necessary in the circumstances;

(b) simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a certificate of the Authority stating that the Authority is in compliance with the rate covenant set forth in Section 601 of the Master Indenture (including calculations evidencing such compliance) and that, to the best knowledge of the chief financial officer (or his/her designee) of the Authority, there exists on the date of such certificate no Default or Event of Default or, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Authority is taking or proposes to take with respect thereto;

(c) forthwith, and in any event within five (5) Business Days any officer of the Authority obtains knowledge thereof, written notice of the occurrence of any Default or Event of Default, together with a statement of the Authority setting forth the details thereof and the action which the Authority is taking or proposes to take with respect thereto;

(d) promptly after process has been served on the Authority, notice of any action, suit or proceeding before any court or arbitrator or any governmental body, agency or official in which there is a reasonable probability of an adverse decision which could (i) materially adversely affect the business, financial position or results of operations of the Authority or the ability of the Authority to perform its obligations hereunder, under the Fee Letter or under any other Related Document or (ii) draw into question the validity or enforceability of this Reimbursement Agreement, the Fee Letter or any other Related Document or (iii) challenge the validity or enforceability of the security interest in and the pledge of the Trust Estate, or the priority of such pledge and Lien in favor of the Notes and the Bank Note over any or all other liabilities and obligations of the Authority (except in respect of Senior Debt) as against all Persons having claims of any kind in tort, contract or otherwise, whether or not such Persons shall have notice thereof;

(e) promptly upon the availability thereof, a copy of any official statement, offering memorandum or other disclosure documents relating to the offering of any Indebtedness secured by and payable from Net Revenues;

(f) as soon as available and in any event within thirty (30) days after adoption, a copy of the Authority's budget (including, without limitation, annual expenses) for each fiscal year of the Authority, prepared pursuant to Section 602 of the Master Indenture and including the budget for the System for such fiscal year, and a copy of the capital budget, and any amendments thereto, prepared pursuant to Section 811 of the Master Indenture;

(g) as soon as the forms may be made available to or filed with the Trustee, any report, recommendation, finding, audit or other document required pursuant to Sections 601, 602, 808 and 810 of the Master Indenture;

(h) promptly upon the availability thereof, a copy of each Monthly Financial Report prepared by the Authority's Department of Finance, Accounting and Budget;

(i) as soon as available to the Authority, copies of all enacted legislation which, to the best knowledge of the Authority, relates to, in any material way, or impacts upon this Reimbursement Agreement, the Fee Letter or the other Related Documents or the ability of the Authority to perform its obligations in connection herewith or therewith; and

(j) from time to time such additional information regarding the financial position,

operations, business or prospects of the Authority and regarding the System as the Bank may reasonably request.

As and to the extent the information required by this Section 5.03 has been properly and timely filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System, the Authority will be deemed to have complied with the provisions of this Section; provided, however, that (y) the Authority shall have delivered written notice to the Bank of such filing and (z) the Bank has access to the information so filed.

Section 5.04. Compliance with Laws. The Authority shall comply with all laws, ordinances, orders, rules and regulations (including, without limitation, all Environmental Laws) that may be applicable to it and the System, if the failure to comply could have a material adverse effect on the security for any of the Notes or the Bank Note, or the Authority's ability to repay when due its obligations under this Reimbursement Agreement, any of the Notes, and the Related Documents unless the same is being contested in good faith and by appropriate proceedings and such contest shall operate to stay the material adverse effect of such failure to comply.

Section 5.05. Notices. In addition to and not in substitution of its obligation to furnish any other notice hereunder, the Authority will promptly furnish, or cause to be furnished, to the Bank (i) notice of the occurrence of any Event of Default, (ii) notice of the failure by any Dealer, the Paying Agent or the Trustee to perform any of its obligations under the Dealer Agreement or the Master Indenture, (iii) notice of any proposed substitution of this Reimbursement Agreement, and (iv) each notice required to be given to the Bank pursuant to the Master Indenture, the Resolution or the Issuing and Paying Agency Agreement.

Section 5.06. Certain Information. The Authority shall not include in an offering document for the Notes any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein. The Authority agrees to provide to the Bank, in writing, all information and notices it is required to provide to the Municipal Securities Rulemaking Board (the "MSRB") in accordance with Securities and Exchange Commission Rule 15(c)2-12, simultaneously with the providing thereof to the MSRB.

Section 5.07. Liquidity. The Authority agrees to use best efforts to obtain a Substitute Credit Facility in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to Section 8.02, (ii) the Authority terminates the Letter of Credit pursuant to Section 2.14, (iii) the Bank shall furnish a Notice of Termination Date to the Tender Agent and the Trustee or (iv) a No-Issuance Notice is delivered. The Authority agrees that, with respect to any Substitute Credit Facility, the Authority will require, as a condition to its effectiveness, that all unreimbursed Drawings and Loans shall be repaid in full. The Authority shall not permit a Substitute Credit Facility to become effective with respect to fewer than all of the Notes without the prior written consent of the Bank.

Section 5.08. Appointment of Successors and Replacements. The Bank hereby consents to the appointment of J.P. Morgan Securities LLC as the Dealer for the Notes. So long as this Reimbursement Agreement is in effect and the Bank has not wrongfully failed to honor a Drawing under the Letter of Credit, the Authority will not permit the appointment of a successor Trustee, Paying Agent or Dealer unless the Authority has obtained the prior written consent of the Bank, which consent shall not be unreasonably withheld. If any Dealer or successor Dealer fails to sell Notes for sixty (60) consecutive days, then the Authority agrees, at the written request of the Bank to cause such Dealer to be replaced with a Dealer reasonably satisfactory to the Bank. The Authority shall use all commercially reasonable efforts to have a Dealer and an Issuing and Paying Agent in place at all times while this Reimbursement Agreement is in effect or the Bank Note is outstanding.

Section 5.09. Maintenance of Franchises. The Authority will maintain, or cause to be maintained, all licenses and franchises, required by the District of Columbia or any other Governmental Authority for operation of the System and the sale of water to customers, the loss of which would have or, could reasonably be expected to result in, a material adverse effect regarding the financial position, operations, business or prospects of the Authority or the System.

Section 5.10. Accounting Methods and Fiscal Year. The Authority will not adopt, permit or consent to any change in its established fiscal year without giving the Bank written notice thereof.

Section 5.11. Employment Benefit Plans.

(a) Except as would not reasonably be expected to result, either singly or in the aggregate, in material liability to the Authority, the Authority shall do each of the following: (i) maintain each Employee Benefit Plan in compliance with the applicable provisions of the Code and all other applicable federal, state and local laws; (ii) cause each Qualified Plan to maintain its qualified status under Section 401(a) of the Code; (iii) timely make all required contributions to each Employee Benefit Plan; (iv) ensure that all liabilities under each Employee Benefit Plan are (A) funded to at least the minimum level required by law and, to the extent applicable, by the terms governing such Employee Benefit Plan, (B) insured with a reputable insurance company, or (C) provided for or recognized to the extent required by applicable accounting standards in the most recent annual audit report; and (vi) ensure that the contributions or premium payments to or in respect of each Employee Benefit Plan is and continues to be promptly paid at no less than the rates required under applicable law and in accordance with the most recent actuarial advice received in relation to such Employee Benefit Plan and any order, rule or regulation of any court or other agency of government applicable to such Employee Benefit Plan.

(b) Except as would not reasonably be expected to result, either singly or in the aggregate, in material liability to the Authority, the Authority shall not terminate any Qualified Plan.

(c) The Authority shall provide to the Bank as soon as possible, and in any event within 10 days after the Authority knows or has reason to know of the occurrence of any Benefit Plan Event or similar event with respect to any Employee Benefit Plan that could result in a material liability to such Employee Benefit Plan or to the Authority, a statement of the chief financial officer of the Authority describing such event and the action, if any, that the Authority proposes to take with respect thereto.

(d) Other than an Employee Benefit Plan in existence on the date of this Agreement and other than as required by law, the Authority shall not adopt, establish, participate in, or incur any obligation to contribute to, any Employee Benefit Plan or incur any liability to provide post-retirement welfare benefits to the extent such obligations or unfunded liabilities could reasonably be expected to result in a material adverse effect on the financial condition of the Authority or on the ability of the Authority to perform its obligations hereunder.

Section 5.12. Additional Obligations. The Authority shall not issue any bonds, notes or similar obligations or evidence of indebtedness payable from the Net Revenues or any other amounts, accounts or other property held under the Master Indenture except as permitted by the Master Indenture.

Section 5.13. Permitted Liens. The Authority shall not sell or dispose of or create any Lien on the System or create or incur or permit to exist any Lien on the Trust Estate, the Net Revenues on deposit in the Subordinate Fund or any other funds, accounts or other property held under the Master Indenture.

Section 5.14. Provisions to Facilitate Payments. Subject to Section 602 of the Master Indenture, the Authority shall cause to be included in each annual budget of the Authority reasonable provisions for the payment of all amounts due and estimated to become due with respect to the Notes and all obligations payable to the Bank under this Reimbursement Agreement, the Fee Letter and the other Related Documents during the fiscal year of the Authority covered by such budget. To the extent estimates are used, such estimates shall be made by the Authority in good faith and shall be based upon reasonable estimates of the amount of Senior Debt and Subordinate Debt expected to be outstanding, the Revenues and Operating Expenses anticipated to be received and paid for such fiscal year, and the interest rates reasonably expected to be charged during the coming fiscal year for the remaining term of the Senior Debt and Subordinate Debt. To the extent that amounts actually due and payable to the Bank under this Reimbursement Agreement, the Fee Letter and the other Related Documents in any fiscal year exceed the amounts estimated and/or available therefrom in an annual budget of the Authority for such Fiscal Year, the Authority shall take, or cause to be taken, as promptly as possible, all such actions (including, without limitation, amendments of such annual budget) as may be required to permit and facilitate the expenditure of additional moneys from all sources legally available for the payment of such amounts.

Section 5.15. Taxes and Liabilities. The Authority will pay, or cause to be paid, all Indebtedness of the Authority and the System promptly and in accordance with the terms thereof and to pay and discharge, or cause to be paid and discharged, promptly all taxes, assessments, and governmental charges or levies imposed upon it or the System, including income and profits, or upon any of its property, real, personal, or mixed, or upon any part thereof, before the same shall become in default, except for those matters which are reasonably being contested in good faith by appropriate action or proceedings or for which the Authority has established adequate reserves in accordance with GAAP.

Section 5.16. Payment of Fees. The Authority hereby agrees that fees and other amounts payable to the Bank (other than principal and interest on unreimbursed Drawings or the Bank Note) shall constitute Operating Expenses pursuant to the Master Indenture and, pursuant to Section 604(c) of the Master Indenture, will be paid from the Operating Reserve Fund when due. The Authority further agrees that to the extent sufficient funds are not available in the Operating Reserve Fund to pay such fees and other amounts when due for any reason, the Authority will immediately pay or cause to be paid such fees and other amounts from available funds of the Authority.

Section 5.17. Maintenance of Existence; No Merger. The Authority shall preserve and maintain its existence as an independent authority of the District of Columbia and to perform its obligations under this Reimbursement Agreement and the Related Documents. The Authority will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the Authority will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body or other Governmental Authority promulgating same, except for any noncompliance that, individually or in the aggregate, could not reasonably be expected to have a material adverse effect upon the Authority's business, operations, assets or financial condition. The Authority shall not consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into it or acquire all or substantially all of the property and assets of any other Person if, at the time of such consolidation, merger, or acquisition the resulting or surviving entity fails to assume, by written document in form and substance satisfactory to the Bank, all the obligations of the Authority under this Reimbursement Agreement or the benefits of any Related Document fail to extend to the performance by such resulting or surviving entity of the Authority's obligations under this Reimbursement Agreement.

Section 5.18. Use of Proceeds. The Authority shall use the proceeds of the Notes for the purposes set forth in the Master Indenture.

Section 5.19. Further Assurances. The Authority shall execute, acknowledge where appropriate, and deliver, and cause to be executed, acknowledged where appropriate, and delivered, from time to time promptly at the reasonable request of the Bank, all such instruments and documents as in the reasonable judgment of the Bank are necessary to effectuate the intention of this Reimbursement Agreement and the other Related Documents.

Section 5.20. Investment Guidelines. The Authority will:

(a) promptly notify the Bank in writing of any changes proposed to the Authority's written investment policies or guidelines (the "Investment Guidelines") if the proposed change would increase the types of investments permitted by such Investment Guidelines.

(b) promptly notify the Bank in writing, after the adoption thereof by the Authority, of any change in the Investment Guidelines, which change increases the types of investments permitted by the Investment Guidelines and of which change the Bank was not previously notified pursuant to clause (a) above.

(c) within ten (10) Business Days of the adoption of any resolution of the Authority's Board amending its financing policies or financial practices or any provision or portion thereof, send a copy of such resolution to the Bank.

Section 5.21. Exempt Status. To the extent that the interest on the Notes is intended to be excludable from the gross income of the holders thereof for purposes of federal income taxation, the Authority shall not take any action or omit to take any action that, if taken or omitted, would adversely affect the excludability of interest on the Notes from the gross income of the holders thereof for purposes of federal income taxation.

Section 5.22. Regulation. The Authority covenants and agrees that no proceeds of any Drawing shall be used, by or on behalf of the Authority, directly or indirectly to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time).

Section 5.23. Hedge Agreements. The Authority shall at all times require that any termination fees or settlement amounts payable in connection with any Hedge Agreement entered into by the Authority on or after the Closing Date shall be subordinate to the payment of the Authority's obligations hereunder; provided, however, that the foregoing shall not operate to prevent amendments and supplements to Hedge Agreements entered into prior to the date hereof as long as such amendments or supplements do not operate to modify the priority of payment of any related termination fees or settlement amounts. The Authority shall use its best efforts to obtain any Hedge Agreement to which it is a counterparty without providing any collateral to support its obligations thereunder other than a Lien on Net Revenues, which Lien on Net Revenues (other than termination fees and settlement amounts) shall be on a parity with the Lien securing the indebtedness to which such Hedge Agreement relates; provided, however, that if no Hedge Agreement on the foregoing terms is then available to the Authority in any instance, the Authority may post cash collateral to support its obligations under the Hedge Agreement; provided further, however, that the aggregate notional amount of all such Hedge Agreements to which the Authority is a counterparty does not exceed ten percent (10%) of the aggregate Subordinate Debt of the Authority or such other amount as is approved in advance by the Bank.

Section 5.24. Sovereign Immunity Defense. Unless otherwise specifically provided by District of Columbia law, the Authority shall not raise the defense of sovereign immunity in any proceeding by the Bank to enforce any of the contractual obligations of the Authority under this Reimbursement Agreement, the Fee Letter or any other Related Document. Any such proceeding shall be brought exclusively in either the District of Columbia Superior Court or the United States District Court for the District of Columbia.

Section 5.25. Compliance with Anti-Corruption Laws and Sanctions. The Authority will maintain in effect and enforce policies and procedures designed to ensure compliance by the Authority and its directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions in all material respects.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01. Events of Default. The occurrence of any of the following events (including the expiration of any specified time) shall constitute an “Event of Default,” unless waived by the Bank in writing:

(a) failure of the Authority to pay when due any amount due under this Reimbursement Agreement or under any of the Related Documents;

(b) the Authority shall fail to observe or perform any covenant or agreement contained in Section 5.02(b), 5.12, 5.13 or 5.17;

(c) failure of the Authority to observe or perform any of the covenants, conditions or provisions of this Reimbursement Agreement (other than as specified in (a) and (b) above) and to remedy such failure within 30 days after receipt by the Authority of written notice of such failure;

(d) any representation or warranty made by the Authority herein, or in any certificate, financial or other statement furnished by the Authority pursuant to this Reimbursement Agreement, shall prove to have been untrue or incomplete in any material respect when made;

(e) (i) default by the Authority in the payment of the principal of or interest on any of its bonds or (ii) default by the Authority in the payment of any Debt owed to the Bank or (iii) default by the Authority in the payment of the principal of or interest on any Debt in an aggregate amount in excess of \$10,000,000 as and when the same shall become due or (iv) default under any mortgage, agreement or other instrument under or pursuant to which such Debt is incurred or issued and continuance of such default beyond the period of grace, if any, allowed with respect thereto which, in any such case, would give rise to the right of acceleration of any such bond or Debt;

(f) an Event of Default (as defined in the Series B Reimbursement Agreement) or a default or event of default under any of the Related Documents shall have occurred and be continuing;

(g) entry or filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$ 10,000,000 against the Authority or against any of its property and failure of the Authority to vacate, bond, stay or contest in good faith such judgment,

writ, warrant of attachment or other process or failure to pay or satisfy such judgment within 60 days;

(h) the Authority shall commence a voluntary case or other proceeding seeking liquidation, reorganization, dissolution, rehabilitation or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(i) appointment of a trustee in bankruptcy, custodian or receiver for the Authority or all or part of its property and failure to obtain discharge of such within 30 days after such appointment;

(j) an involuntary case or other proceeding shall be commenced against the Authority seeking liquidation, reorganization, dissolution, rehabilitation or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of 60 days; or the Authority or any Governmental Authority having jurisdiction over the Authority shall have declared a moratorium or taken similar action with respect to any of the Authority's debts;

(k) (i) this Reimbursement Agreement or any provision of Article II hereof or this Article VI or any other provision hereof or of any Related Document affecting the security for or the payment of the Notes or the Bank Note or (ii) any provision of any agreement, instrument or document evidencing any Debt of the Authority or pursuant to which any such Debt has been issued or incurred which relates to or affects any security provided to the holder thereof or the payment thereof or constitutes an event of default or similar provision thereunder shall at any time for any reason cease to be valid and binding on the Authority or shall be declared to be null and void by any Governmental Authority having jurisdiction over the Authority in each case pursuant to a final judgment or order; or the Authority shall contest the validity or enforceability of any of the foregoing or repudiate its obligations hereunder or under the Bank Note; or

(l) the occurrence of any condition, event or series of events causing a change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Authority that would materially adversely affect (i) the ability of the Authority to perform its obligations under this Agreement or (ii) the validity or enforceability of this Agreement or the rights and remedies of the Bank hereunder; or

(m) the ratings assigned to any of the long-term, unenhanced debt obligations of the Authority by any two of S&P, Moody's and Fitch shall be (i) withdrawn or suspended for credit-related reasons or (ii) reduced below "BBB-", "Baa3" and "BBB-", respectively, or revoked.

Section 6.02. Rights and Remedies. Upon the occurrence and continuation of an Event of Default, the Bank, in its sole discretion, (a) may deliver to the Paying Agent a notice in the form of Schedule I to the Letter of Credit (a "*No Issuance Notice*") and on the maturity date for the last Note to mature which was issued prior to the delivery of such No Issuance Notice and upon the Bank's honoring

Drawings under the Letter of Credit with respect to such Notes, the Letter of Credit shall terminate and be returned to the Bank, (b) may deliver a notice to the Paying Agent that an Event of Default has occurred hereunder and that the Letter of Credit will terminate 10 days after the Paying Agent's receipt of such notice, (c) may cure any default, event of default or event of nonperformance under this Reimbursement Agreement or under any of the Related Documents (in which event the Authority shall reimburse the Bank therefor pursuant to Section 2.10), or (d) may, if permitted by the Master Indenture, declare the Bank Note and all obligations of the Authority hereunder to be immediately due and payable, or (e) may exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity. The rights and remedies of the Bank specified herein are for the sole and exclusive benefit, use and protection of the Bank, and the Bank is entitled, but shall have no duty or obligation to the Authority, the Paying Agent, the holders of the Notes or otherwise, (i) to exercise or to refrain from exercising any right or remedy reserved to the Bank hereunder, or (ii) to cause the Paying Agent or any other party to exercise or to refrain from exercising any right or remedy available to it under any of the Related Documents.

ARTICLE VII

NATURE OF OBLIGATIONS; INDEMNIFICATION

Section 7.01. Obligations Absolute. The obligations of the Authority under this Reimbursement Agreement shall be absolute, unconditional and irrevocable, and shall not be subject to any right of setoff or counterclaim against the Bank or any Participant and shall be paid and performed strictly in accordance with the terms of this Reimbursement Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

- (a) any lack of validity or enforceability of the Letter of Credit or any of the Related Documents;
- (b) any amendment or waiver of any provision of all or any of the Related Documents;
- (c) the existence of any claim, setoff, defense or other rights which the Authority may have at any time against the Paying Agent, any beneficiary or any transferee of the Letter of Credit (or any persons or entities for whom the Paying Agent, any such beneficiary or any such transferee may be acting), the Bank (other than the defense of payment to the Bank in accordance with the terms of this Reimbursement Agreement), any Participant or any other Person, whether in connection with this Reimbursement Agreement, the Related Documents or any transaction contemplated thereby or any unrelated transaction;
- (d) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;
- (e) payment by the Bank under the Letter of Credit against presentation of a sight draft or certificate which does not comply with the terms of the Letter of Credit; and
- (f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

Section 7.02. Continuing Obligation. This Reimbursement Agreement is a continuing obligation, shall survive the expiration of the Letter of Credit and shall (a) be binding upon the Authority,

its successors and assigns, and (b) inure to the benefit of and be enforceable by the Bank and its successors, transferees and assigns; provided that the Authority may not assign all or any part of this Reimbursement Agreement without the prior written consent of the Bank.

Section 7.03. Liability of the Bank. With respect to the Bank only, the Authority assumes all risks of the acts or omissions of the Paying Agent and any transferee of the Letter of Credit with respect to its use of the Letter of Credit. The Bank and any of its officers or directors shall not be liable or responsible for: (a) the use which may be made of the Letter of Credit or for any acts or omissions of the Paying Agent and any transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents (other than the validity and enforceability of the Bank's obligations hereunder), or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except only that the Authority shall have a claim against the Bank, and the Bank shall be liable to the Authority, to the extent, but only to the extent, of any direct, as opposed to consequential or punitive, damages suffered by the Authority which the Authority proves were caused by (i) the Bank's willful misconduct or gross negligence or (ii) the Bank's willful failure to pay under the Letter of Credit after the presentation to it by the Paying Agent (or a successor trustee under the Master Indenture to whom the Letter of Credit has been transferred in accordance with its terms) of a certificate strictly complying with the terms and conditions of the Letter of Credit; provided, however, that the maximum amount of damages recoverable by the Authority as provided above is expressly limited to the Stated Amount of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 7.04. Indemnification. In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Authority agrees, to the extent permitted by law, to indemnify and hold harmless the Bank and each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that any Indemnified Party may incur (or which may be claimed against any Indemnified Party, by any person or entity whatsoever) that arises out of the transactions contemplated by this Reimbursement Agreement, the Master Indenture, the Resolution or the Notes, including, without limitation, (a) the issuing, offering, sale, remarketing or resale of the Notes (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any offering memorandum or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in light of the circumstances under which it is or was made, not misleading or the failure to deliver any offering memorandum or any other offering circular or document to any offeree or purchaser of Notes), (b) the execution and delivery of, or payment or failure to pay under, this Reimbursement Agreement and (c) the use of the proceeds of the sale of the Notes; provided, however, that the Authority shall not be required to indemnify an Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Indemnified Party, (ii) the material inaccuracy of any information included in any offering memorandum or any offering circular or document related to the Notes and concerning the Bank or any Participant that was furnished in writing by the Bank or any such Participant expressly for inclusion therein or (iii) any failure by the Bank to honor a drawing under the Letter of Credit made in strict compliance with the terms of the Letter of Credit. If any proceeding shall be brought or threatened against any Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Authority in

writing and the Authority shall assume the defense thereof, including the employment of counsel and the payment of all reasonable costs of litigation. Notwithstanding the preceding sentence, an Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the sole expense of such Indemnified Party unless (A) the employment of such counsel shall have been authorized in writing by the Authority or (B) the Authority, after due notice of the action, shall have unreasonably failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Authority. The Authority shall not be liable for any settlement of any such action effected without its express written consent. The parties hereto agree that the provisions of this Section shall survive the termination of this Reimbursement Agreement.

Section 7.05. Facsimile Documents. At the request of the Authority, the Letter of Credit provides that demands for payment thereunder may be presented to the Bank by, among other methods, facsimile transmission. The Authority acknowledges and assumes all risks relating to the use of such demands for payment sent by facsimile transmission and agrees that its obligations under this Reimbursement Agreement and the Related Documents shall remain absolute, unconditional and irrevocable as provided in Section 7.01 above if the Bank honors such telecopied demands for payment.

ARTICLE VIII

TRANSFER, REDUCTION OR EXTENSION OF LETTER OF CREDIT

Section 8.01. Transfer, Reduction and Reinstatement. The Letter of Credit may be transferred, reduced (subject to Section 2.14 of this Reimbursement Agreement) and reinstated in accordance with the provisions set forth therein.

Section 8.02. Extension. The Expiration Date of the Letter of Credit may be extended by the Bank upon the written request of the Authority given to the Bank no more than 180 days prior to the Termination Date. Within 60 days of receipt of a request for extension, the Bank shall endeavor either to notify the Authority and the Paying Agent that the Letter of Credit will be extended to the new expiration date set forth in such notice in accordance with the terms of the Letter of Credit or notify the Authority and the Paying Agent that the Letter of Credit will not be so extended. Failure of the Bank to so respond to any such request shall constitute the Bank's denial of such request.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Right of Setoff. Upon the occurrence of an Event of Default, the Bank may, at any time and from time to time, without notice to the Authority or any other person (any such notice being expressly waived), set off and appropriate and apply, against and on account of, any obligations and liabilities of the Authority to the Bank arising under or connected with this Reimbursement Agreement and the Related Documents, without regard to whether or not the Bank shall have made any demand therefor, and although such obligations and liabilities may be contingent or unmatured, any and all deposits (general or special, including but not limited to indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts or accounts subject to a prior Lien in favor of a creditor extending credit to the Authority) and any other indebtedness at any time held or owing by the Bank to or for the credit or the account of the Authority (excluding amounts payable under the Letter of Credit).

Section 9.02. Amendments and Waivers. No waiver of any provision of this Reimbursement

Agreement nor consent to any departure by the Authority from any such provision shall in any event be effective unless the same shall be in writing and signed by the Bank. No amendment of this Reimbursement Agreement shall be effective unless the same is in writing and signed by all of the parties hereto. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event any agreement contained in this Reimbursement Agreement should be breached by the Authority and thereafter waived by the Bank, such waiver shall be limited to the particular breach so waived for the specific period set out in such waiver and such waiver shall not constitute a waiver of such breach for any other period and shall not waive any other or similar breach hereunder.

Section 9.03. No Waiver; Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right under this Reimbursement Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Reimbursement Agreement preclude any other further exercise of such right or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 9.04. Notices. Unless specifically indicated otherwise herein, all notices and other communications provided for hereunder shall be in writing and, if to the Authority, addressed to it at:

If to the Authority
addressed to it at: TO COME

or if to the Bank,
addressed to it at: For Credit Matters and Notices:
Landesbank Hessen-Thüringen Girozentrale
New York Branch
420 Fifth Avenue, 24th Floor
New York, NY 10018
Attention: Manager, Public Finance
Telephone: (212) 703-5310
Facsimile: (212) 703-5256

For Draws:
Landesbank Hessen-Thüringen Girozentrale
New York Branch
420 Fifth Avenue, 24th Floor
New York, NY 10018
Attention: Ms. Gudrun Dronca,
Loan Administration
Telephone: (212) 703-5244
Facsimile: (212) 703-5256

or if to the Paying
Agent, addressed
to it at: [U.S. Bank Trust National Association
100 Wall Street, 16th Floor
New York, NY 10005
Attention: Corporate Trust Administration
Telephone: (212) 951-8512
Facsimile: (212) 361-6153]

or as to each party at such other address as shall be designated by such party in a written notice to the other parties.

Any notice or other communication shall be sufficiently given and shall be deemed given when delivered to the addressee in writing or when given by telephone immediately confirmed in writing by telecopier or other telecommunication device.

Section 9.05. Severability. Any provision of this Reimbursement Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.06. GOVERNING LAW. THIS REIMBURSEMENT AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES OTHER THAN NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1401; PROVIDED, HOWEVER, THE OBLIGATIONS OF THE AUTHORITY HEREUNDER SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE DISTRICT OF COLUMBIA AND APPLICABLE FEDERAL LAW.

Section 9.07. Headings. Section headings in this Reimbursement Agreement are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of this Reimbursement Agreement.

Section 9.08. Participations; Assignments by Bank to Federal Reserve Bank.

(a) The Authority acknowledges and agrees that the Bank may participate portions of its obligations under the Letter of Credit and the obligations of the Authority under the Bank Note, this Reimbursement Agreement and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions and waives any notice of such participations. The Authority further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Authority waives any right of setoff it may at any time have against the Bank or any Participant with regard to the Participated Obligations, subject to the limitations with respect thereto contained in Section 9.01. Any participation granted as described above in this Section shall not limit the obligations of the Bank under the Letter of Credit.

(b) The Bank may assign and pledge all or any portion of the obligations owing to it hereunder to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the Bank from its obligations hereunder.

Section 9.09. Counterparts. This Reimbursement Agreement may be signed in any number of counterpart copies, but all such copies shall constitute one and the same instrument.

Section 9.10. Complete and Controlling Agreement. This Reimbursement Agreement and the other Related Documents completely set forth the agreements between the Bank and the Authority and fully supersede all prior agreements, both written and oral, between the Bank and the Authority relating to the issuance of the Letter of Credit and all matters set forth herein and in the Related Documents.

Section 9.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY FOR ANY TRIAL RESULTING EITHER DIRECTLY OR INDIRECTLY OUT OF, UNDER OR IN CONNECTION WITH THIS REIMBURSEMENT AGREEMENT OR ANY OF THE RELATED DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY FURTHER AGREES THAT, IN THE EVENT OF LITIGATION, IT WILL NOT PERSONALLY OR THROUGH ITS AGENTS OR ATTORNEYS SEEK TO REPUDIATE THE VALIDITY OF THIS SECTION 9.11 AND ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS AND, IN THE CASE OF THE BANK, TO ISSUE THE LETTER OF CREDIT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.12. USA PATRIOT Act Notice. The Bank hereby notifies the Authority that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (as amended, restated, modified or otherwise supplemented from time to time, the “Patriot Act”), it is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow such the Bank to identify the Authority in accordance with the Patriot Act. The Authority shall, promptly following a request by the Bank, provide all documentation and other information that the Bank requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Patriot Act.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Letter of Credit and Reimbursement Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

DISTRICT OF COLUMBIA WATER AND
SEWER AUTHORITY

By _____
Name _____
Title _____

[Signatures continued on following page]

LANDESBANK HESSEN-THÜRINGEN
GIROZENTRALE, New York Branch,
as the Bank

By _____
Name:
Title:

By _____
Name:
Title:

Wire Instructions:

Landesbank Hessen-ThuringenGirozentrale

ABA#: 021-000-089

Account: HELABA, New York

Acct #

Ref: DC Water, Commercial Paper Notes, Series C

EXHIBIT A

FORM OF BANK NOTE

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
[BANK NOTE, SERIES C]

New York, New York

May __, 2015

For value received, DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY (the "Authority") promises to pay to the order of LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE, New York Branch (the "Bank"), the lesser of (a) \$_____ and (b) the unpaid principal amount due and owing to the Bank under that Letter of Credit and Reimbursement Agreement dated as of May __, 2015 (the "Reimbursement Agreement") by and between the Authority and the Bank relating to the Authority's Commercial Paper Notes, Series C. The Authority promises to pay interest on the unpaid principal amount of this Bank Note on the dates and at the rate or rates provided for in the Reimbursement Agreement. All such payments of principal and interest shall be made in lawful money of the United States in immediately available funds to the Bank as provided in the Reimbursement Agreement.

All Loans made by the Bank, the maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding shall be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided, however, that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Authority hereunder or under the Reimbursement Agreement.

The Bank Note is not a general obligation of the Authority but is a limited obligation payable from and secured by a pledge of the Pledged Funds, as such term is defined in the Issuing and Paying Agency Agreement dated as of June 1, 2010, as amended (the "Issuing and Paying Agency Agreement"), by and between the Authority and U.S. Bank, National Association, as Issuing and Paying Agent, and by a subordinate lien on the Trust Estate, as such term is defined in the Issuing and Paying Agency Agreement.

Reference is made to the Issuing and Paying Agency Agreement and the Reimbursement Agreement, and to the Master Indenture and the Resolution (as defined in the Reimbursement Agreement), for provisions relating to the repayment, prepayment and the acceleration of the maturity hereof.

Capitalized terms used in this Bank Note and not defined shall have the meaning assigned in the Reimbursement Agreement or the Issuing and Paying Agency Agreement.

IN WITNESS WHEREOF, the Authority has issued this Bank Note and caused the same to be signed by its Chairman and attested by its Secretary-Treasurer.

DISTRICT OF COLUMBIA WATER AND
SEWER AUTHORITY

By _____
Name _____
Title _____

[Authentication block if necessary]

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By
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EXHIBIT B

FORM OF LETTER OF CREDIT

Presented and Adopted: May 7, 2015

Subject: Approving the Substantially Final Form of Certain Documents, Authorizing the Execution and Delivery of Documents Relating to the Delivery of Substitute Letters of Credit associated with the Commercial Paper Notes, Series B and Series C, Authorizing the Decrease of the Authorized Maximum Aggregate Principal Amount of the Series A Notes to \$0; Authorizing the Increase of the Authorized Maximum Aggregate Principal Amount of the Series B Notes to \$100,000,000, and Authorizing the Decrease of the Authorized Maximum Aggregate Principal Amount of the Series C Notes to \$50,000,000

#15-____
Resolution of the
Board of Directors
of the District of Columbia
Water and Sewer Authority

The Board of Directors (the “Board”) of the District of Columbia Water and Sewer Authority (the “Authority”), at its meeting on May 7, 2015, upon consideration took the following action by a vote of _____(____) in favor and _____(____) opposed.

WHEREAS, pursuant to Resolution #10-60, adopted by the Board on May 6, 2010 (the “Original Resolution”), the Authority previously authorized and executed agreements to issue its Commercial Paper Notes, Series A (the “Series A Notes”), in an aggregate principal amount not to exceed \$100,000,000 outstanding at any one time, its Commercial Paper Notes, Series B (the “Series B Notes”), in an aggregate principal amount not to exceed \$50,000,000 outstanding at any one time, and its Commercial Paper Notes, Series C (the “Series C Notes” and, together with the Series A Notes and Series B Notes, the “Notes”), in an aggregate principal amount not to exceed \$75,000,000 outstanding at any one time,

WHEREAS, the Series A Notes, the Series B Notes and the Series C Notes are secured by separate letters of credit (collectively, the “Original Letters of Credit”) issued by U.S. Bank National Association (“U.S. Bank”) securing the Series C Notes, and JPMorgan Chase Bank, National Association (“J.P. Morgan” and together with U.S. Bank, the “Banks”) securing the Series A Notes and Series B Notes; and

WHEREAS, pursuant to Resolution #13-41, adopted by the Board on April 4, 2013 (the “First Supplemental Resolution”), the Authority authorized the extension of the terms of the Original Letters of Credit and authorized the decrease of the authorized maximum aggregate principal amount of the Series A Notes from \$100,000,000 to \$75,000,000; and

WHEREAS, each of the Original Letters of Credit expires on May 29, 2015, and the Authority desire to obtain substitute letters of credit in replacement of the Original Letters of Credit; and

WHEREAS, the Authority desires to reduce the authorized maximum aggregate principal amount of the Series A Notes from \$75,000,000 to \$0; and

WHEREAS, the Authority desires to increase the authorized maximum aggregate principal amount of the Series B Notes from \$50,000,000 to \$100,000,000; and

WHEREAS, the Authority desires to decrease the authorized maximum aggregate principal amount of the Series C Notes from \$75,000,000 to \$50,000,000; and

WHEREAS, the Authority now desires to obtain substitute Letters of Credit (each a “Substitute Letter of Credit” and, together, the “Substitute Letters of Credit”) from Landesbank Hessen-Thüringen Girozentrale (the “Bank”), acting through its New York branch, to secure the Series B Notes and Series C Notes, respectively, which Substitute Letters of Credit will each expire on May [___], 2020; and

WHEREAS, there have been presented at this meeting drafts of the substantially final forms of the following documents that the Authority proposes to execute to carry out the transactions described above, copies of which documents shall be filed with the records of the Authority:

(a) the Second Amendment to the Eleventh Supplemental Indenture of Trust, dated as of May 1, 2015 (the “Second Amendment to the Eleventh Supplemental Indenture”), between the Authority and the Trustee;

(b) the Letter of Credit and Reimbursement Agreement relating to the Series B Notes (the “Series B Notes Reimbursement Agreement”) dated as of May 1, 2015, between the Authority and the Bank, pursuant to which the Substitute Letter of Credit relating to the Series B Notes will be issued;

(c) the Letter of Credit and Reimbursement Agreement relating to the Series C Notes (the “Series C Notes Reimbursement Agreement” and, together with the Series B Notes Reimbursement Agreement, the “Reimbursement Agreements”) dated as of May 1, 2015, between the Authority and the Bank, pursuant to which the Substitute Letter of Credit relating to the Series C Notes will be issued;

(d) the form of the Bank Note related to the Series B Notes (the “Series B Bank Note”) attached as an exhibit to the Series B Notes Reimbursement Agreement to bear interest at the Bank Rate or the Default Rate or as otherwise provided in the Series B Notes Reimbursement Agreement; and

(e) the form of the Bank Note related to the Series C Notes (the “Series C Bank Note” and, together with the Series B Bank Note, the “Bank Notes”) attached as an exhibit to the Series C Notes Reimbursement Agreement to bear interest at the Bank Rate or the Default Rate or as otherwise provided in the Series C Notes Reimbursement Agreement; and

(f) an Updated Offering Memorandum (the “Updated Offering Memorandum”); and

(g) First Amendment to Dealer Agreement relating to the Series B Notes and the Series C Notes (the “First Amendment to J.P. Morgan Dealer Agreement”), dated as of May 1, 2015, between the Authority and J.P. Morgan Securities LLC, as dealer for the Series B Notes and the Series C Notes (the “Dealer”); and

WHEREAS, the Finance and Budget Committee met on April 23, 2015, to review the matters covered in this Resolution and has recommended approval of this Resolution by the Board.

NOW, THEREFORE, BE IT RESOLVED,

1. That the Dealer is authorized to distribute the Updated Offering Memorandum to potential purchasers of the Notes;

2. That the maximum aggregate principal amount of the Series A Notes shall be reduced and, from and after the effective date of this Resolution, shall not exceed \$0 outstanding at any one time;

3. That the maximum aggregate principal amount of the Series B Notes shall be increased and, from and after the effective date of this Resolution, shall not exceed \$100,000,000 outstanding at any one time;

4. That the maximum aggregate principal amount of the Series C Notes shall be reduced and, from and after the effective date of this Resolution, shall not exceed \$50,000,000;

5. That the Chairman of the Board (the "Chairman") (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), the General Manager, the Chief Financial Officer, the Controller, the Budget Director, and the Finance Director, are individually authorized to execute the Second Amendment to the Eleventh Supplemental Indenture, the Reimbursement Agreements, the First Amendment to J.P. Morgan Dealer Agreement and the Bank Notes, and the Secretary or Assistant Secretary is authorized and directed to affix the Seal of the Authority on such documents as required and to attest to the same;

6. That the Chief Financial Officer is hereby individually authorized to approve any changes, modifications or updates of the Updated Offering Memorandum from time to time;

7. That the Second Amendment to the Eleventh Supplemental Indenture, the Reimbursement Agreements, the First Amendment to J.P. Morgan Dealer Agreement and the Bank Notes shall be in substantially the forms submitted to the Board at this meeting, which hereby are approved, with such completions, omissions, insertions and changes necessary to reflect the note principal amount and other terms of the Notes, and as otherwise may be approved by the persons executing them, their execution to constitute conclusive evidence of their approval of any such completions, omissions, insertions and changes;

8. That the General Manager, the Chief Financial Officer, the Controller, the Budget Director, and the Finance Director, are individually authorized to execute, deliver and file, from time to time, all other certificates and instruments, and any agreements, and any amendment or modification to existing agreements, with the Issuing and Paying Agent, the Dealer, or the provider of any credit facility or liquidity facility for the Notes, including, without limitation, the Bank, and to take all such further actions, from time to time, as they may consider necessary or desirable in connection with the issuance, sale and distribution of the Notes;

9. This Resolution shall serve as an amendment and supplement to the Original Resolution and the First Supplemental Resolution; and

10. That this resolution is effective immediately.

Secretary to the Board of Directors

FIRST AMENDMENT TO DEALER AGREEMENT

This First Amendment to Dealer Agreement (this “**Agreement**”), dated as of May 1, 2015, is between the District of Columbia Water and Sewer Authority, an independent authority of the District of Columbia government (the “**Authority**”), and J.P. Morgan Securities Inc. (the “**Dealer**” or “**J.P. Morgan**”), and amends that certain Dealer Agreement between the Authority and the Dealer, dated as of June 1, 2010 (the “**Original Agreement**”). In order to amend the Original Agreement and facilitate the sale of the Authority’s Commercial Paper Notes, Series B and C, the Authority and the Dealer agree as follows:

I. **Authorization of Amendments.**

This Agreement is authorized and executed pursuant to and in accordance with Section 11 of the Original Agreement. All defined terms used but not defined herein shall have the meaning provided such defined term in the Original Agreement.

II. **Amendments.**

Section 1 of the Original Agreement shall be amended and the following terms found therein shall be revised as follows:

1. **Definitions**

“**Bank**” shall mean Landesbank Hessen-Thüringen Girozentrale, acting through its New York branch, as issuer of Letter of Credit for the Authority’s Commercial Paper Notes, Series B and the Letter of Credit for the Authority’s Commercial Paper Notes, Series C, or any successor thereto, and any issuer or issuers of an alternate Letters of Credit with respect to the Notes.

“**Issuing and Paying Agent**” means U.S. Bank National Association, as successor to Deutsche Bank Trust Company Americas, in its capacity as Issuing and Paying Agent, or any successor thereto, as party to the Issuing and Paying Agency Agreement.

“**Notes**” means collectively, the Authority’s (i) Commercial Paper Notes, Series B, in an aggregate principal amount not to exceed \$100,000,000 outstanding at any time and (ii) Commercial Paper Notes, Series C, in an aggregate principal amount not to exceed \$50,000,000 at any one time, each in the form contemplated by and with terms consistent with limits specified in the Issuing and Paying Agency Agreement.

“**Offering Memorandum**” means the Offering Memorandum relating to the Notes dated as of May 26, 2010, as such Offering Memorandum was supplemented on April 5, 2013, and May __, 2015, respectively, and any amendment or supplement thereto.

“**Reimbursement Agreement**” means, together, each of the Reimbursement Agreements dated as of May 1, 2015, between the Authority and the Bank pursuant to each the Letter of Credit securing each respective series of the Notes has been issued, as amended or supplemented, and including any substitute thereof or replacement therefor.

III. Miscellaneous.

A. Severability. If any provision of this Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof and this Agreement shall be construed and enforced as if such illegal provision had not been contained herein.

B. Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

C. Applicable Law. This Agreement shall be governed by the applicable laws of the District of Columbia.

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

E. Effect of Amendment. Except as specifically amended herein, the Original Agreement shall continue in full force and effect in accordance with its terms. Reference to this Agreement need not be made in any note, document, agreement, letter, certificate, or any communication issued or made subsequent to or with respect to the Original Agreement, it being hereby agreed that any reference to the Original Agreement shall be sufficient to refer to the Original Agreement, as hereby amended.

The parties to this Agreement have caused this Agreement to be duly executed and delivered by their respective officers as of the day and year stated above.

ATTEST:

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Secretary

Chairman

APPROVED AS TO FORM:

J.P. MORGAN SECURITIES INC.

By: _____
Title: _____

BOOK-ENTRY ONLY

UPDATED OFFERING MEMORANDUM

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

\$100,000,000
Commercial Paper Notes
Series B (Tax-Exempt)

J.P. Morgan
As Dealer

\$50,000,000
Commercial Paper Notes
Series C (Taxable)

J.P. Morgan
As Dealer

Dated: May __, 2015



As Letter of Credit Provider
for the Series B and the Series C Notes

This Updated Offering Memorandum (“Offering Memorandum”) is intended for use only in an offering to qualifying investors and is not to be used for any other purpose. It does not purport to provide a complete description of all risks and factors that may be considered by an investor. Qualifying investors include institutional investors and individual investors who customarily purchase commercial paper in denominations of at least \$100,000.

This Offering Memorandum is provided in connection with the sale of the Notes 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 Offering Memorandum has been obtained from the District of Columbia Water and Sewer Authority (the “Authority”), Landesbank Hessen-Thüringen Girozentrale, New York Branch (the “Bank”) and other sources that are believed to be reliable. The CP Dealer (as defined herein) has provided the following sentence for inclusion in this Offering Memorandum. The CP Dealer has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the CP Dealer does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Authority or the CP Dealer to give any information or to make any representations other than those contained in this Offering Memorandum, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes 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 herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority since the date hereof.

The Notes will be exempt from registration under the Securities Act of 1933, as amended.

The short-term ratings in this Offering Memorandum are only accurate as of the date hereof, and do not reflect watch status, if any. The ratings may subsequently be changed or withdrawn, and, therefore, any prospective purchaser should confirm the ratings prior to purchasing the Notes.

If for any reason the Bank (as hereinafter defined) fails to make a payment due under the relevant Letter of Credit, no assurance can be given that the Authority will have sufficient funds on hand and available to make such payment of principal of and/or interest on the relevant Commercial Paper Notes or to make such payments in a timely manner. Prospective investors therefore should base their investment decision primarily on the credit standing of the Bank, rather than on that of the Authority.

This Offering Memorandum contains certain information for quick reference only; it is not a summary of the terms of the Notes. Information essential to the making of an informed decision with respect to the Notes may be obtained in the manner described herein. All references to the documents and other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials referenced which may be obtained in the manner described herein. The information in this Offering Memorandum

is subject to change without notice after May ____, 2015, and future use of this Offering Memorandum shall not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum since May ____, 2015.

The information set forth herein was obtained from sources that the CP Dealer believes to be reliable, but the CP Dealer does not guarantee its accuracy. Neither the information, nor any opinion expressed, constitutes a solicitation by the CP Dealer of the purchase or sale of any instruments. The information contained herein will not typically be distributed or updated upon each new sale of Notes, although the information will be distributed from time to time. Further, the information herein is not intended as substitution for the investors' own inquiry into the creditworthiness of the Authority, and, if applicable, another party providing credit or liquidity support for the Notes, and investors are encouraged to make such inquiry.

**UPDATED OFFERING MEMORANDUM
RELATING TO**

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

\$100,000,000
Commercial Paper Notes
Series B (Tax-Exempt)

\$50,000,000
Commercial Paper Notes
Series C (Taxable)

This Updated Offering Memorandum amends and restates that certain Offering Memorandum of the District of Columbia Water and Sewer Authority (the “Authority”) dated May 26, 2010 (the “Original Offering Memorandum”), as such Offering Memorandum was amended and restated on April 5, 2013, and related to the continual issuance of the Notes (as hereinafter defined). This update is being provided in connection with the delivery of substitute Letters of Credit securing the payment of principal of and interest on the Notes, which Letters of Credit will expire on May [__], 2020.

The Authority: The District of Columbia Water and Sewer Authority (the “Authority”), an independent authority of the District of Columbia Government (the “District”), was created in April 1996. The Authority began operating on October 1, 1996, under and pursuant to an act of the Council of the District of Columbia (the “Council”) entitled the “Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996,” (D.C. Law 11-111, codified as amended as D.C. Code Ann. § 34-2201.01 et seq. (2001)) 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,” Pub.L. No. 104-184, (the “Federal Act”).

The Act created the Authority for the purpose of assuming full responsibility from the District for the financing, operating and the providing of essential retail water and wastewater services to approximately 650,000 people in the District and wholesale wastewater conveyance and treatment to approximately 1.6 million people in the suburban areas of Prince George’s and Montgomery Counties, Maryland and Fairfax and Loudoun Counties, Virginia, among others.

Significant users of the Authority’s services include the Washington Suburban Sanitary Commission (“WSSC”), Fairfax County, Virginia, the federal government, including several federal agencies such as the Department of Defense, the Department of the Navy, and the General Services Administration, and commercial and residential customers within the District.

The Authority is governed by a Board of Directors (the “Board”) that includes representatives from the District, Prince George’s and Montgomery Counties, Maryland, and Fairfax County, Virginia. Since its inception, the Authority has improved its financial performance and operations. Specifically, the Authority has developed and is implementing a ten-year, \$3.8 billion capital improvement program (the “CIP”) and has regularly raised its retail rates since 1996 to support this program. In accordance with Board policy, the Authority annually revises its comprehensive ten-year financial plan which provides financing for the CIP, required regulatory improvements and operating and maintenance expenses, while meeting Board policy requirements for cash reserves and debt service coverage.

Pursuant to the Act, the District has authorized the Authority to use all of the property and assets of the water distribution system (the “Water System”) and the sewage collection, treatment and disposal system (the “Sewer System” and together with the Water System, the “System”) formerly operated by the District’s Department of Public Works, Water and Sewer Utility Administration, for as long as any revenue bonds of the Authority remain outstanding. In accordance with the Act, the District retains full legal title to and a complete equitable interest in the System, but the System will remain under the uninterrupted control of the Authority for as long as any Authority debt remains outstanding.

One of the facilities comprising the Sewer System is the Blue Plains Wastewater Treatment Plant, the largest advanced wastewater treatment facility in the United States. This facility has the capacity to process 370 million gallons of wastewater per day. Wastewater conveyance, treatment and disposal services are provided to the District and to jurisdictions outside the District pursuant to several intermunicipal agreements. Wastewater collection services are primarily offered within the District.

Water transmission and distribution services are provided by the Authority primarily to the District. Pursuant to a Water Sales Agreement, the Authority purchases all of its water, fully treated, from the Washington Aqueduct, which is owned by the federal government and operated by the U.S. Army Corps of Engineers.

The ability to establish the Authority’s water and sewer rates rests solely with the Board, and neither the Council of the District of Columbia nor the United States Congress have any authority over the rate setting process.

Inquiries regarding information about the Authority and its financial matters contained in this Offering Memorandum may be directed to the Chief Financial Officer at (202) 787-2000.

Not all relevant information with respect to the operations of the Authority that may be necessary to analyze its current financial condition is included in this Offering Memorandum in light of the presence of the Letters of Credit, as described below. Investors should primarily consider the relevant Letter of Credit in assessing the Authority’s ability to repay the Notes promptly when due. See “**The Letters of Credit**” herein.

Issuance of the Notes: The Authority has issued and continues to issue its Commercial Paper Notes, Series B (Tax-Exempt) (the “Series B Notes”), in an aggregate principal amount not to exceed \$100,000,000 at any one time outstanding, and its Commercial Paper Notes, Series C (Taxable) (the “Series C Notes” and, together with the Series B Notes, the “Notes”) in an aggregate principal amount not to exceed \$50,000,000 at any one time outstanding. The Notes are issued pursuant to resolutions adopted by the Board on May 6, 2010, April 4, 2013, and May 7, 2015 (collectively, the “Resolution”), and an Issuing and Paying Agency Agreement dated as of June 1, 2010 (the “Issuing and Paying Agency Agreement”) between the Authority and U.S. Bank National Association, as successor in interest to Deutsche Bank Trust Company Americas (the “Issuing and Paying Agent”).

Amount of Notes: The Board has authorized the issuance of (i) Series A Notes in an aggregate principal amount not to exceed \$0 at any one time outstanding,* (ii) Series B Notes in an aggregate principal amount not to exceed \$100,000,000 at any one time outstanding, and (iii) Series C Notes in an aggregate principal amount not to exceed \$50,000,000 at any one time outstanding.

Plan of Finance: Proceeds of the Notes will be used to provide funds to pay (i) Costs of the System, (ii) obligations of the Bank under each Bank Note resulting from draws under the Letters of Credit, and (iii) the costs of issuance of the Notes.

Issuing and Paying Agent: U.S. Bank National Association, as successor in interest to Deutsche Bank Trust Company Americas, will act as Issuing and Paying Agent for the Notes.

Dealers: J.P. Morgan Securities LLC (the “CP Dealer”) will serve as commercial paper dealer for the offering of the Notes to qualifying investors, pursuant to the terms of the Commercial Paper Dealer Agreement between the Authority and the CP Dealer, dated as of June 1, 2010, as amended by the First Amendment to Dealer Agreement, dated as of May 1, 2015 (together, the “Dealer Agreement”).

Form and Terms of Notes: The Notes initially will be registered in the name of The Depository Trust Company (“DTC”) or Cede & Co., its nominee, and will be issued in denominations of \$100,000 or in additional increments of \$1,000. See APPENDIX A - INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM. The Notes shall be dated and bear interest from their date of delivery at a rate per annum not in excess of the Maximum Rate, calculated on the basis of a 365- or 366-day year, as appropriate, and actual days elapsed as for the Series B Notes, and calculated on the basis of a 360-day year, actual days elapsed, as for the Series C Notes. The “Maximum Rate” means the maximum interest rate authorized by the Authority from time to time for the Notes and shall initially mean 12% per annum. The Notes will mature and become payable on such dates as an authorized representative of the Authority may establish at the time of issuance, provided that no Note shall mature or become payable more than 270 days from the date of issuance. No Note will mature fewer than 10 days prior to the expiration of the appropriate Letter of Credit delivered in connection with such Series of Notes, which expiration date is currently May [___], 2020. The Notes are not subject to redemption prior to maturity. The Notes will be sold at their par amount.

Exemption: The Notes are exempt from registration under the Securities Act of 1933, as amended.

Maturity Date: 1 to 270 days.

Interest Payment Dates: Interest on each Note is payable on the related Maturity Date.

* Accordingly, there will be no future offer or sale of any Series A Notes unless and until the Board authorizes an increase in the maximum aggregate principal amount of such Notes that may be outstanding at any one time, and such other actions necessary to facilitate the sale of any Series A Notes.

Defined Terms: Capitalized terms used in this Offering Memorandum and not defined herein have the meanings set forth in the Issuing and Paying Agency Agreement. See “Miscellaneous” herein.

Source of Payment for the Notes: The Notes will be secured by and payable solely from and secured by a subordinate lien on the Trust Estate, including but not limited to the Net Revenues, a lien on Pledged Funds, the income derived from the investment of any Pledged Funds, and other moneys that have been pledged as described in the Indenture and the Issuing and Paying Agency Agreement to secure payment thereof. “Pledged Funds” means (i) proceeds of the sale of the Notes deposited in the Commercial Paper Account, (ii) moneys held in the Construction Account, (iii) amounts on deposit in the appropriate Letter of Credit Account made available from draws under the appropriate Letter of Credit with respect to such Notes, and (iv) other legally available funds as shall be determined by the Authority and paid into the Commercial Paper Account, all of which are pledged by the Authority to the Issuing and Paying Agent under the Issuing and Paying Agency Agreement as security for the Notes and the Bank Note. “Trust Estate” means the money, investments, property and certain rights of the Authority thereto, including, without limitation, the Net Revenues, granted under the Indenture for certain holders of Authority debt, including holders of the Notes.

UNDER THE ACT AND THE FEDERAL ACT, THE NOTES ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM AND SECURED BY A SUBORDINATE LIEN ON THE TRUST ESTATE, INCLUDING BUT NOT LIMITED TO THE NET REVENUES, A LIEN ON PLEDGED FUNDS, THE INCOME DERIVED FROM THE INVESTMENT OF ANY PLEDGED FUNDS, AND OTHER MONEYS THAT HAVE BEEN PLEDGED AS DESCRIBED IN THE INDENTURE AND THE ISSUING AND PAYING AGENCY AGREEMENT TO SECURE PAYMENT THEREOF. THE NOTES SHALL BE WITHOUT RECOURSE TO THE DISTRICT. THE NOTES SHALL NOT BE GENERAL OBLIGATIONS OF THE DISTRICT OR OF THE AUTHORITY. THE NOTES 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 AND NEITHER THE DISTRICT NOR THE UNITED STATES SHALL BE LIABLE THEREON. THE NOTES ALSO SHALL NOT CONSTITUTE THE LENDING OF THE PUBLIC CREDIT FOR PRIVATE UNDERTAKINGS AS PROHIBITED BY THE HOME RULE ACT OF THE DISTRICT (AS DEFINED HEREIN). THE AUTHORITY HAS NO TAXING POWER.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Notes or for any claim based thereon or upon any obligation, covenant or agreement in the Indenture or the Issuing and Paying Agency Agreement contained, against the Authority, any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff, or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Authority or any successor public entity, under any rule of law or penalty or otherwise.

Events of Default on the Notes. Each of the following events constitutes an “Event of Default” under the Issuing and Paying Agency Agreement:

- (a) Default in the payment of interest on any Note when it becomes due and payable; and
- (b) Default in the payment of principal of (or premium, if any, on) any Note when the same becomes due and payable.

Upon the happening and continuance of any Event of Default, if the Bank is then in default under its Letters of Credit, the holders of the Notes may take any one or more of the following steps:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the holders of the Notes, and require the Authority or the Issuing and Paying Agent to carry out any agreements with or for the benefit of the holders of the Notes and to perform its or their duties under the Act, the Letter of Credit and the Issuing and Paying Agency Agreement, including that the Issuing and Paying Agent immediately draw on the Letters of Credit and use the proceeds of the Drawings and, to the extent needed, other Pledged Funds, to repay the Notes at their respective stated maturities;

(b) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the holders of the Notes; or

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Notes.

The Letters of Credit. The Authority and Landesbank Hessen-Thüringen Girozentrale, New York Branch (the “Bank”), have entered into a Letter of Credit and Reimbursement Agreement, dated as of May 1, 2015, (the “Series B Reimbursement Agreement”) and the Authority (the Bank) have entered into a Letter of Credit and Reimbursement Agreement, dated as of May 1, 2015 relating to the Series C Notes (the “Series C Reimbursement Agreement” and, together with the Series B Reimbursement Agreement, the “Reimbursement Agreements”). In order to ensure timely payment of the principal of and interest on the Notes, at the Authority’s request, the Bank has issued a Letter of Credit for the Series B Notes (“Series B Letter of Credit”), and a Letter of Credit for the Series C Notes (“Series C Letter of Credit” and, together with the Series B Letter of Credit, the “Letters of Credit”) to the Issuing and Paying Agent as beneficiary pursuant to, and upon the terms and conditions stated in, the Reimbursement Agreements. On or before the date of maturity of any Note, the Issuing and Paying Agent shall draw on the appropriate Letter of Credit an amount equal to the principal amount and interest due on the related Notes maturing on such date. Pursuant to the Issuing and Paying Agency Agreement, all amounts received from any drawing on the Letters of Credit are required to be deposited in the applicable subaccount of the Letter of Credit Account established thereunder and held in trust and set aside exclusively for the payment of the related Notes for which such drawing was made, and the Issuing and Paying Agent is required to apply such amounts to the payment of the principal of and interest on such Notes, upon presentation for payment. The Series B Letter of Credit has been issued in a stated principal amount of up to \$100,000,000, and the Series C Letter of Credit has been issued in a stated principal amount of up to \$50,000,000, in each case with interest thereon at the Maximum Rate for the Maximum Term, each of which may be drawn upon by the Issuing and Paying Agent to pay the principal amount of and interest on the

applicable series of maturing Notes. Unless further extended, the current expiration date of each Letter of Credit is May [___], 2020.

The Authority will at all times maintain the Letters of Credit or other credit facilities (each a “Substitute Letter of Credit”) supporting all Outstanding Notes. Any Substitute Letter of Credit shall go into effect at least one Business Day prior to the termination of the Letter of Credit then in effect, and on the stated maturity of the then Outstanding Notes secured by such Letter of Credit. The termination date with respect to such substitute Letter of Credit shall be no earlier than the later of (i) six months after its date or (ii) the termination date set forth in such Letter of Credit then in effect. The Substitute Letter of Credit shall have a stated amount at least as great as the principal amount of Outstanding Commercial Paper Notes, plus interest at the Maximum Rate for the Maximum Term. Other conditions to the Issuing and Paying Agent’s ability to release an existing Letter of Credit and accept a Substitute Letter of Credit include: (1) the Authority shall deliver written notice of the proposed substitution to the Issuing and Paying Agent, the Bank and each Dealer not fewer than 25 days prior to the substitution date; (2) there shall be delivered to the Authority and the Issuing and Paying Agent written evidence from each rating agency then maintaining a rating on the Notes at the request of the Authority, that the substitution of such Letter of Credit will not, in and of itself, result in any rating then assigned to the Notes being suspended, reduced or withdrawn; and (3) the Issuing and Paying Agent shall deliver written notice to the holders of the Notes at least 15 days prior to the substitution date.

Substitute Date: May 18, 2015.

Maximum Rate: The Maximum Rate for the Notes is currently 12% per annum.

Maximum Term: The Maximum Term for the Notes is currently 270 days.

The Bank:

The Bank took its present name on July 1, 1992 upon the effectiveness of the Treaty on the Formation of a Joint Savings Banks Organization (the “State Treaty”) between the German federal states of Hesse and Thuringia. The former Hessische Landesbank was formed in 1953 by the merger of Hessische Landesbank Darmstadt (founded 1940), Nassauische Landesbank Wiesbaden (founded 1840), and Landeskreditkasse zu Kassel (founded 1832).

The Bank is a legal entity under German public law. The Bank is owned by the German states of Hesse and Thuringia, the savings banks in Hesse, Thuringia, and North Rhine-Westphalia (via Savings Banks and Giro Association Hesse-Thuringia, Rhenish Savings Banks and Giro Association, and Savings Banks Association Westphalia-Lippe) as well as the German-wide Savings Banks Finance Group (DSGV, association of German savings banks and landesbanks; via Fides Alpha Ltd. and Fides Beta Ltd.). The savings banks are at the same time customers, owners and partners of the Bank.

Since November 4, 2014, the Bank is subject to prudential supervision by the European Central Bank (ECB) under the Single Supervisory Mechanism (SSM), a uniform system for the supervision of banks and other credit institutions in the Eurozone (and in any other EU member states on a voluntary basis). Based on the SSM regulations the ECB requests national competent authorities to assist in the supervisory process. In the case of the Bank, especially the German

Federal Financial Services Supervisory Authority and the Deutsche Bundesbank assist the ECB. State supervision of the Bank and the Association is exercised by the Thuringian Ministry of Finance and the Hessian Ministry for Economics. Executive bodies of the Bank are the Board of Owners, the Supervisory Board and the Board of Managing Directors.

The Bank is dual headquartered in Frankfurt/Main and Erfurt with its primary business office in Frankfurt/Main. The Bank has the following three lines of business:

- “Wholesale Business” activities concentrate on Financial Institutions and Public Finance, Real Estate, Corporate Finance, Global Markets, Asset Management and Transactions Business.
- “S-Group Business, Private Customers and SME Business” serves as a central product supplier and services platform for savings banks. Additionally, this line of business includes the wholly-owned subsidiary Frankfurter Sparkasse as well as Landesbausparkasse Hessen-Thüringen and Frankfurter Bankgesellschaft (Switzerland) Ltd.
- “Public Development and Infrastructure Business” undertakes public development functions on behalf of the State of Hesse via the “*Wirtschafts- und Infrastrukturbank Hessen*” (*WIBank*) – a legally dependent entity within The Bank with the statutory guarantee of the State of Hesse.

The Bank’s business outside of Germany is conducted by offices in New York, London and Paris, by its subsidiary Frankfurter Bankgesellschaft (Switzerland) Ltd., Zurich, and representative offices in Madrid, Moscow, Shanghai, and Singapore. The New York Branch of the Bank, licensed under New York law, was established over 30 years ago and provides a wide range of wholesale commercial banking services throughout North America.

For the year ending December 31, 2014, the Bank Group generated an IFRS group pre-tax profit of €607mio. At December 31, 2014, the Bank Group had total assets of €179.5bn (USD equivalent \$218bn^{*}), and a total capital ratio of 18.5%.

The Bank’s long-term credit ratings for obligations incurred after July 18, 2005 (i.e. without benefit of the prior statutory guarantee) are currently:

- ‘A2’ from Moody’s Investors Service
- ‘A’ from Standard & Poor’s Rating Services
- ‘A+’ from Fitch Ratings, and
- The Bank’s short-term credit ratings are ‘P-1’ from Moody’s, ‘A-1’ from Standard & Poor’s, and ‘F1+’ from Fitch.

The prior statutory guarantee continues to apply to certain of the Bank’s obligations as follows:

^{*} The exchange rate from the European Central Bank on December 31, 2014 was €1.00 = US\$1.2141.

- obligations that existed on July 18, 2001 will continue to be subject to statutory guarantee, irrespective of their maturity.
- obligations incurred after July 18, 2001 but prior to July 19, 2005 are covered in full by statutory guarantee so long as their maturity is on or before December 31, 2015.

Long-term credit ratings of ‘Aa1’ from Moody’s, ‘AA-’ from Standard & Poor’s, and ‘AAA’ from Fitch apply to the Bank’s obligations that are subject to statutory guarantee.

The Bank does not accept any responsibility for any information contained in this Offering Memorandum other than the information relating to the Bank. The Bank will provide without charge a copy of its most recent Annual Report.

Requests should be directed to Landesbank Hessen-Thüringen Girozentrale, *New York Branch, 420 Fifth Avenue, 24th Floor, New York, NY 10018, Tel: (212) 703-5200, Fax: (212) 703-5256, Attention: Public Finance and Financial Institutions. The most current published financial information may also be obtained via The Bank’s website: www.the Bank.de.*

Tax Status of Interest on the Notes:

- **Series B Notes.** On June 2, 2010, the date of issuance of the Series B Notes, Squire Patton Boggs (US) LLP* and Leftwich LLC†, Co-Bond Counsel (“Co-Bond Counsel”), delivered their opinions to the effect that as of that date, under then-existing law and assuming compliance with certain covenants in the documents pertaining to the Series B Notes and certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Series B Notes was (a) excluded from gross income of Bondholders for federal income tax purposes under Section 103 of the Code, and (b) exempt from all District of Columbia taxation except estate, inheritance and gift taxes. A copy of the form of opinion delivered by Co-Bond Counsel on the date of issuance of the Series B Notes is attached as APPENDIX A-2 – “TEXT OF OPINION OF CO-BOND COUNSEL (TAX-EXEMPT)” to the Original Offering Memorandum. That opinion speaks only as of its date.

On the Substitution Date, Co-Bond Counsel delivered an opinion to the effect that the delivery of the Series B Letter of Credit (a) is authorized under the Issuing and Paying Agency Agreement, and (b) will not, in and of itself, affect adversely affect either the exclusion of interest on the Series B Notes from gross income of Holders for federal income tax purposes or the exemption of interest on the Series B Notes from treatment as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code. No opinion was or will be expressed by Co-Bond Counsel as to other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series B Notes, including, specifically, whether the interest on the Series B notes is currently excluded from gross income for federal income tax purposes. Other than matters relating to the delivery of the Series B Letter of Credit reviewed by Co-Bond Counsel, Co-Bond Counsel has not been requested, nor has it undertaken to review any matters related to the validity, enforceability, or tax-exempt status of the Series B Notes or the interest thereon

* Known as Squire, Sanders & Dempsey L.L.P. on the date of issuance of the Series B Notes.

† Known as Leftwich & Ludaway, LLC, on the date of issuance of the Series B Notes.

- **Series C Notes.** On June 2, 2010, the date of issuance of the Series C Notes, Co-Bond Counsel delivered their opinions to the effect that as of that date, under then-existing law and assuming compliance with certain covenants in the documents pertaining to the Series C Notes, interest on the Series C Notes was exempt from all District of Columbia taxation except estate, inheritance and gift taxes. Co-Bond Counsel expressed no other opinion as to the tax consequences of the Series C Notes. A copy of the form of opinion delivered by Co-Bond Counsel on the date of issuance of the Series C Notes is attached as APPENDIX A-1 – “TEXT OF OPINION OF CO-BOND COUNSEL (TAXABLE)” to the Original Offering Memorandum. That opinion speaks only as of its date.

Legal and Other Matters. Certain legal matters relating to the authorization and validity of the Notes were subject to the approving opinion of Co-Bond Counsel, which was furnished at the expense of the Authority upon delivery of each Series of Notes, in substantially the form set forth as Appendices A-1 and A-2 (collectively, the “Bond Opinion”). The Bond Opinion is limited to matters relating to authorization and validity of the Notes, to the tax-exempt status of interest on the Tax-Exempt Notes as described in the section “Tax Status of Interest on the Notes” herein and to the exemption of the interest on the Taxable Notes from District taxation, except estate, inheritance and gift taxes. Co-Bond Counsel has not been engaged to investigate the financial resources of the Authority or its ability to provide for payment of the Notes, and the Bond Opinion makes no statement as to such matters or as to the accuracy or completeness of this Offering Memorandum or any other information that may have been relied on by individuals in making the decision to purchase the Notes.

Certain legal matters were passed upon for the Authority by the then General Counsel of the Authority, and for the Bank by its counsel, King & Spalding LLP.

The Issuing and Paying Agent has not participated in the preparation of this Offering Memorandum and takes no responsibility for its content.

Ratings of the Notes as of May [__], 2015:

Series B Notes

	<u>Moody’s</u>	<u>S&P</u>	<u>Fitch, Inc.</u>
[Short Term	P-1	A-1	F1]

Series C Notes

	<u>Moody’s</u>	<u>S&P</u>	<u>Fitch, Inc.</u>
[Short Term	P-1	A-1+	F1+]

The ratings on the Notes from Moody’s Investors Service, Standard and Poor’s Ratings Group and Fitch, Inc. are based upon the availability of the Letters of Credit to provide credit enhancement for the Notes.

Miscellaneous. No attempt is made herein to summarize the Resolution, the Issuing and Paying Agency Agreement, the Letters of Credit and agreements with respect thereto, the Bond Opinion,

the financial condition or operations of the Authority, the terms and provisions of the Notes or other matters which may be material to a credit decision to purchase the Notes. Note purchasers are expected to conduct their own due diligence and analysis prior to making an investment decision. Copies of all relevant documents may be examined at the office of the Chief Financial Officer of the Authority during regular business hours. Copies of the Resolution, the Issuing and Paying Agency Agreement and Letters of Credit also are on file with the Issuing and Paying Agent for the Notes.

The Appendices are integral parts of this Offering Memorandum and must be read together with all other parts of this Offering Memorandum. So far as any statements made in this Offering Memorandum involve matters of opinion, whether or not expressly stated, they are set forth as such and not as representation of fact.

This Offering Memorandum shall be deemed to be amended, supplemented and reissued as of the latest date of any supplement hereto.

APPENDIX A

INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for such Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“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 purchases. 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 Notes 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 Notes, except in the event that use of the book entry system for the Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Principal and interest payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name, and will be the responsibility of such Participant and not of DTC or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority, 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 Notes at any time by giving reasonable notice to the Authority or the Issuing and Paying Agent. Under such circumstances, in the event that a successor securities depository is not selected, Note 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, Note certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Notes, as nominee for DTC, references herein to Bondholders or registered owners of the Notes (other than under the caption "OTHER INFORMATION - Tax Status of Interest on the Notes") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Notes.

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

NEITHER THE AUTHORITY NOR THE ISSUING AND PAYING AGENT 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, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE NOTES UNDER THE IMPLEMENTING RESOLUTION; (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 NOTES; (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 NOTES; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF NOTES; OR (vi) ANY OTHER MATTER.

SECOND AMENDMENT TO ELEVENTH SUPPLEMENTAL INDENTURE OF TRUST

THIS SECOND AMENDMENT TO ELEVENTH SUPPLEMENTAL INDENTURE OF TRUST dated the ___ day of May, 2015, (the “**Second Amendment to Eleventh 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 Philadelphia, Pennsylvania, as trustee (in such capacity, together with any successor in such capacity, herein called the “**Trustee**”), amending the Eleventh Supplemental Indenture of Trust dated as of June 1, 2010, as previously amended by the First Amendment to Eleventh Supplemental Indenture, dated April 5, 2013 (together, the “**Eleventh Supplemental Indenture**”), by and between the Authority and the Trustee, provides:

WHEREAS, pursuant to the Eleventh Supplemental Indenture, the Authority is authorized to issue, and continue to issue, \$100,000,000 aggregate principal amount of its Commercial Paper Notes, Series A (the “**Series A Notes**”), \$50,000,000 aggregate principal amount of its Commercial Paper Notes, Series B (the “**Series B Notes**”) and \$75,000,000 aggregate principal amount of its Commercial Paper Notes, Series C (the “**Series C Notes**,” and together with the Series A Notes and the Series B Notes, the “**Series A-B-C Notes**”) pursuant to the terms of a certain Issuing and Paying Agency Agreement, dated as of June 1, 2010 (the “**Issuing and Paying Agency Agreement**”), as amended, between the Authority and U.S. Bank National Association, as successor to Deutsche Bank Trust Company Americas, as issuing and paying agent thereunder, to finance Costs of the System; and

WHEREAS, the Series A Notes are secured by an irrevocable direct pay letter of credit (the “**Original Series A Letter of Credit**”) issued by JPMorgan Chase Bank, National Association (“**JPMorgan**”), and the Series B Notes are secured by separate irrevocable direct pay letter of credit (the “**Original Series B Letter of Credit**”) issued by JPMorgan, pursuant to the terms of a certain Letter of Credit and Reimbursement Agreement dated as of June 1, 2010, between the Authority and JPMorgan, as amended by the First Amendment to Letter of Credit and Reimbursement Agreement, dated April 5, 2013 (together, the “**JPMorgan Reimbursement Agreement**”); and

WHEREAS, the Series C Notes are secured by an irrevocable direct pay letter of credit (the “**Original Series C Letter of Credit**” and, together with the Original Series A Letter of Credit and the Original Series B Letter of Credit, the “**Original Letters of Credit**”) issued by U.S. Bank National Association (“**U.S. Bank**” and, together with JPMorgan, the “**Banks**”), pursuant to the terms of a certain Reimbursement Agreement dated as of June 1, 2010 between the Authority and U.S. Bank, as amended by a First Amendment to Reimbursement Agreement, dated April 5, 2013 (together, the “**U.S. Bank Reimbursement Agreement**” and, together with the JPMorgan Reimbursement Agreement, the “**Original Reimbursement Agreements**”); and

WHEREAS, each of the Original Letters of Credit expires on May 29, 2015, and the Authority desires to obtain substitute irrevocable direct pay letters of credit in replacement of the Original Letters of Credit, as provided in the Issuing and Paying Agency Agreement; and

WHEREAS, the Authority desires to reduce the maximum aggregate principal amount of the Series A Notes from \$75,000,000 to \$0; and

WHEREAS, the Authority desires to increase the maximum aggregate principal amount of the Series B Notes from \$50,000,000 to \$100,000,000; and

WHEREAS, the Authority desires to reduce the maximum aggregate principal amount of the Series C Notes from \$75,000,000 to \$50,000,000; and

WHEREAS, the Authority now desires to obtain substitute irrevocable direct pay letters of credit (each, a “**Substitute Letter of Credit**” and, together, the “**Substitute Letters of Credit**”) from Landesbank Hessen-Thüringen Girozentrale, New York Branch (the “**Bank**”), to secure the Series B Notes and the Series C Notes, respectively, which Substitute Letters of Credit will be issued by the Bank pursuant to a Letter of Credit and Reimbursement Agreement, dated as of May 1, 2015, between the Authority and the Bank, relating to the Series B Notes (the “**Series B Reimbursement Agreement**”) and a Letter of Credit and Reimbursement Agreement, dated as of May 1, 2015, between the Authority and the Bank, relating to the Series C Notes (the “**Series C Reimbursement Agreement**” and, together with the Series B Reimbursement Agreement, the “**Reimbursement Agreements**”);

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I
SECOND AMENDMENT TO ELEVENTH SUPPLEMENTAL INDENTURE

Section 101. Authorization of Amendments.

This Second Amendment to Eleventh 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 of Trust. All defined terms used herein and not defined herein shall have the meaning assigned to such defined terms in the Eleventh Supplemental Indenture.

Section 102. Amendments.

(a) Section 102 of the Eleventh Supplemental Indenture shall be amended and the following terms found therein shall be replaced as follows:

“**Bank**” shall mean the provider of the Letter of Credit, and shall mean, initially, Landesbank Hessen-Thüringen Girozentrale, New York Branch, and its successors and assigns.

“**Letter of Credit**” shall mean, collectively, the Irrevocable Transferable Letter of Credit No. HLG-30073 in a Maximum Stated Amount of \$108,876,712.33 securing the Series B Notes and the Irrevocable Transferable Letter of Credit No. HLG-30074 in a Maximum Stated Amount of \$54,438,356.16 securing the Series C Notes, each issued by the Bank and dated May __, 2015, as each may be amended or supplemented from time to time, and any substitute Letter or Letters of Credit.

“**Reimbursement Agreement**” shall mean, collectively, those certain Letter of Credit and Reimbursement Agreements, dated as of May 1, 2015, between the Authority and the Bank, relating to the Series B Notes and the Series C Notes, respectively.

“**Series A Notes**” shall mean the Authority’s Commercial Paper Notes, Series A, authorized to be outstanding in the maximum aggregate principal amount of \$0.

“**Series B Notes**” shall mean the Authority’s \$100,000,000 Commercial Paper Notes, Series B, dated their date of issuance.

“**Series C Notes**” shall mean the Authority’s \$50,000,000 Commercial Paper Notes, Series C, dated their date of issuance.

(b) Section 401 of the Eleventh Supplemental Indenture shall be amended as follows:

(a) [Reserved].

(b) The Bank shall be deemed to be the sole holder of the Series B Notes and Series C Notes secured by the related Letter of Credit for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series B Notes and Series C Notes secured by the related Letter of Credit are entitled to take pursuant to Article IX (pertaining to defaults and remedies), Section 1002(f) regarding consents for Supplemental Indentures affecting the Series B Notes and Series C Notes and Article XI (pertaining to the Trustee) of the Indenture. The Trustee shall take no action with respect to the Series B Notes and Series C Notes except with the consent, or at the direction, of the Bank. To the extent applicable, the maturity of the Series B Notes or the Series C Notes shall not be accelerated without the consent of the Bank.

(c) The Bank shall be a third-party beneficiary under the Indenture.

(d) [Reserved].

(e) The rights of the Bank to direct or consent to the actions of the Authority, Trustee or holders of the Series B Notes and Series C Notes under the Indenture shall be suspended during any period in which the Bank is in default in its payment obligations under the related Letter of Credit (except to the extent of amounts previously paid by the Bank and due and owing to the Bank) and shall be of no force or effect in the event the related Letter of Credit is no longer in effect or the Bank asserts that the related Letter of Credit is not in effect or the Bank shall have provided written notice that it waives such rights.

(f) [Reserved].

(g) The rights granted to the Bank under the Indenture to request, consent to or direct any action are rights granted to the Bank in consideration of its issuance of the Letter of Credit. Any exercise by the Bank of such rights is merely an exercise of the Bank’s contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the holders of the Series B Notes or the Series C Notes nor does such action evidence any position of the

Bank, positive or negative, as to whether the consent of the holders of the Series B Notes and the Series C Notes is required in addition to the consent of the Bank.

(h) Amounts paid by the Bank under the Letter of Credit shall not be deemed paid for purposes of the Indenture and shall remain outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture.

(i) The Indenture shall not be discharged unless all amounts due or to become due to the Bank have been paid in full or duly provided for. Notwithstanding the last paragraph of Section 906 and Section 610 of the Indenture, no moneys may be transferred to the Authority until such times as all the amounts described in the immediately preceding sentence have been paid to the Bank.

(j) The Bank shall, to the extent it makes any payment of principal of or interest on the Series A-B-C Notes, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Reimbursement Agreement, the Series A-B-C Notes, the Indenture and the Issuing and Paying Agency Agreement.

ARTICLE II MISCELLANEOUS

Section 201. Severability.

If any provision of this Second Amendment to Eleventh Supplemental Indenture shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof and this Second Amendment to Eleventh Supplemental Indenture shall be construed and enforced as if such illegal provision had not been contained herein.

Section 202. Successors and Assigns.

This Second Amendment to Eleventh Supplemental Indenture shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 203. Applicable Law.

This Second Amendment to Eleventh Supplemental Indenture shall be governed by the applicable laws of the District of Columbia.

Section 204. Counterparts.

This Second Amendment to Eleventh Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 205. Effect of Amendment.

Except as specifically amended herein, the Eleventh Supplemental Indenture shall continue in full force and effect in accordance with its terms. Reference to this Second Amendment to Eleventh Supplemental Indenture need not be made in any note, document, agreement, letter, certificate, the Eleventh Supplemental Indenture or any communication issued or made subsequent to or with respect to the Eleventh Supplemental Indenture, it being hereby agreed that any reference to the Eleventh Supplemental Indenture shall be sufficient to refer to the Eleventh Supplemental Indenture, as hereby amended.

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IN WITNESS WHEREOF, the Authority and the Trustee have caused this Second Amendment to Eleventh 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 _____

ATTACHMENT 4

**FINANCE & BUDGET COMMITTEE
PROPOSED SUBSTITUTION OF LETTERS OF CREDIT ASSOCIATED WITH
THE COMMERCIAL PAPER PROGRAM AND CHANGES IN THE
AUTHORIZED AMOUNT**

ACTION ITEM A: Approval of substitute letters of credit for the commercial paper program and increase and decrease of the amounts by series.

The Board will be asked to approve a resolution to approve the substitution of letters of credit associated with the Commercial Paper Notes, Series B and Series C, Authorizing the decrease of the authorized maximum aggregate principal amount of the Series A Notes to \$0; Authorizing the increase of the authorized maximum aggregate principal amount of the Series B notes to \$100,000,000 and Authorizing the decrease of the authorized maximum aggregate principal amount of the series C Notes to \$50,000,000.



D.C. WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
FINANCE & BUDGET
MAY COMMITTEE MEETING

Thursday, May 28, 2015; 11:00 a.m.
Blue Plains Wastewater Treatment Plant
5000 Overlook Avenue, SW, DC
AGENDA

Call to Order	Chairman
April 2015 Financial Report	Budget Director, Finance Director
Agenda for June Committee Meeting	Chairman
Adjournment	Chairman

*Detailed agenda can be found on DC Water's website at www.dewater.com/about/board_agendas.cfm