

In the opinion of Squire Sanders (US) LLP, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the Series 2012 Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. Interest on the Series 2012 Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

\$42,935,000
DISTRICT OF COLUMBIA
(Washington, D.C.)
Federal Highway Grant Anticipation Revenue Bonds,
Series 2012



Dated: Date of Delivery

Due: December 1, as shown on the inside cover

This cover page contains certain information for quick reference only. It is not a summary of this Official Statement and investors must read the entire Official Statement (including the "Investment Considerations" section) to obtain the information essential to the making of an informed investment decision. Capitalized terms used herein (including on this cover) that are not otherwise defined have the meanings given such terms in APPENDIX A.

The District of Columbia (the "District") is issuing its Federal Highway Grant Anticipation Revenue Bonds, Series 2012 in the aggregate principal amount of \$42,935,000 (the "Series 2012 Bonds"). The Series 2012 Bonds will be issued under and secured by the Master Trust Indenture dated as of February 1, 2011 (the "Master Indenture"), as supplemented and amended, including by a First Supplemental Trust Indenture dated as of February 1, 2011 (the "First Supplemental Trust Indenture"), and a Second Supplemental Trust Indenture dated as of October 1, 2012 (the "Second Supplemental Trust Indenture" and, together with the Master Indenture and First Supplemental Trust Indenture, the "Indenture"), each by and between the District and U.S. Bank National Association, as trustee (the "Trustee"). The Series 2012 Bonds are the second series of bonds issued under the Master Indenture and will be secured on a parity with bonds previously issued in 2011, as described herein, and any Additional Bonds issued by the District under the Master Indenture (collectively, the "Senior Lien Bonds"), all as further described herein. The Senior Lien Bonds and any Subordinate Lien Bonds issued under the Indenture are collectively referred to herein as the "Bonds."

The issuance of the Series 2012 Bonds is authorized pursuant to the Transportation Infrastructure Improvements GARVEE Bond Financing Act of 2009, effective September 23, 2009 (D.C. Law 18-54; D.C. Official Code §§ 9-107.51-62) (the "Act") to finance Phase II of the Project (as defined herein). The Project meets the eligibility requirements of the Federal Highway Administration ("FHWA") as a Federal Project.

The Series 2012 Bonds are being used to (i) provide funds to finance a portion of the costs of Phase II of the Project, and (ii) pay certain costs of issuing the Series 2012 Bonds. See "The Project" herein.

The Series 2012 Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof, and will bear interest at the rates set forth on the inside cover hereof, payable semi-annually on June 1 and December 1, commencing June 1, 2013.

The Series 2012 Bonds are subject to redemption prior to maturity, as described herein.

The Series 2012 Bonds are payable solely from and are secured solely by a pledge of the Trust Estate, which includes the Pledged Revenues. Pledged Revenues means all Federal Transportation Funds that are paid to the District or the Trustee, including those held in the Transportation Infrastructure Improvement Fund, together with the right of the District to receive such funds.

The Bonds are special obligations of the District, payable solely from the Pledged Revenues specifically pledged to the payment thereof and other amounts specifically pledged therefor under the Indenture. The District has neither pledged nor agreed to use any District revenues, taxes or other moneys to repay the Bonds other than federal transportation funds. The Bonds are without recourse to the District, are not a pledge of, and do not involve, the faith and credit or the taxing power of the District. The Bonds shall not constitute a debt of the District, and shall not constitute lending of public credit for private undertakings as prohibited in the Home Rule Act. The Bonds are payable solely from the Pledged Revenues, and the Bonds shall be a valid claim of the respective Owners thereof only against the Trust Estate, which is pledged, assigned and otherwise secured for the equal and ratable payment of the Bonds (except as otherwise set forth in the Indenture with respect to the priority over Subordinate Lien Bonds of any Senior Lien Bonds and the obligations of the District to make Scheduled Hedge Payments (but excluding any Other Hedge Payments) related to such Senior Lien Bonds) and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Master Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS."

The Series 2012 Bonds are offered for delivery when, as and if issued by the District, subject to receipt of the approving legal opinion of Squire Sanders (US) LLP, Washington, D.C., Bond Counsel to the District. The Office of the Attorney General for the District of Columbia will deliver an opinion as to certain legal matters pertaining to the District. Edwards Wildman Palmer LLP, Washington, D.C., Disclosure Counsel to the District, will deliver an opinion regarding certain matters to the District and the Underwriters. Certain legal matters will also be passed upon for the Underwriters by their co-counsel, Bryant Miller Olive P.C., Washington, D.C., and McKenzie & Associates, Washington, D.C. It is expected that the Series 2012 Bonds will be available for delivery in book-entry form through the facilities of DTC on or about October 10, 2012.

Ramirez & Co., Inc.

Citigroup

BofA Merrill Lynch

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

Wells Fargo Securities, LLC

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND PRICES**\$42,935,000****Federal Highway Grant Anticipation Revenue Bonds,
Series 2012**

<u>Maturity (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u>
2013	\$2,130,000	2.00%	0.33%	101.901%	25483VJV7
2014	2,190,000	3.00	0.42	105.494	25483VJW5
2015	2,265,000	3.50	0.60	109.011	25483VJX3
2016	2,350,000	4.00	0.73	113.315	25483VJY1
2017	2,445,000	4.00	0.93	115.377	25483VJZ8
2018	2,550,000	4.00	1.21	116.464	25483VKA1
2019	2,650,000	4.00	1.49	116.943	25483VKB9
2020	2,770,000	5.00	1.75	124.559	25483VKC7
2021	1,000,000	3.00	2.00	108.315	25483VKD5
2021	1,900,000	5.00	2.00	124.947	25483VKL7
2022	1,000,000	4.00	2.17	116.576	25483VKE3
2022	2,035,000	5.00	2.17	125.635	25483VKM5
2023	3,185,000	5.00	2.35*	123.786*	25483VKF0
2024	3,350,000	5.00	2.47*	122.571*	25483VKG8
2025	3,520,000	5.00	2.54*	121.869*	25483VKH6
2026	3,705,000	5.00	2.60*	121.271*	25483VKJ2
2027	3,890,000	5.00	2.66*	120.677*	25483VKK9

* Priced at the stated yield to the first optional call date of December 1, 2022.

** Copyright 2003, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2012 Bonds and neither the District nor the Underwriters make any representation with respect to such CUSIP numbers nor undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Series 2012 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2012 Bonds.

DISTRICT OF COLUMBIA

Vincent C. Gray
Mayor

EXECUTIVE OFFICERS

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

COUNCIL OF THE DISTRICT OF COLUMBIA

Phil Mendelson, Chairman

David A. Catania	At Large	Muriel Bowser	Ward 4
Michael A. Brown (Chair Pro Tempore)	At Large	Kenyan R. McDuffie	Ward 5
Vincent Orange	At Large	Tommy Wells	Ward 6
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No dealer, broker, salesperson or other person has been authorized by the District of Columbia (the "District") to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2012 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

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

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

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

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED

THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

Summary

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

Issuer:	District of Columbia
Issue:	\$42,935,000 Federal Highway Grant Anticipation Revenue Bonds, Series 2012
Dated Date:	Date of delivery
Denominations:	\$5,000 and integral multiples thereof
Interest:	The Series 2012 Bonds will bear interest at the rates set forth on the inside cover page hereof payable on each June 1 and December 1, commencing June 1, 2013.
Maturity:	December 1, as shown on the inside cover
Redemption:	The Series 2012 Bonds are subject to redemption prior to maturity as described under “THE SERIES 2012 BONDS - Redemption” herein.
Security:	<p>The Indenture pledges the Trust Estate to the Trustee as security for the payment of the Series 2012 Bonds, the District’s \$82,610,000 original principal amount of Federal Highway Grant Anticipation Revenue Bonds, Series 2011 (the “Series 2011 Bonds”), \$78,775,000 of which are expected to be Outstanding upon the issuance and delivery of the Series 2012 Bonds, and any Additional Bonds and Subordinate Lien Bonds issued under the Indenture. The Trust Estate includes all right, title and interest of the District in and to the Pledged Revenues.</p> <p>“Pledged Revenues” includes, principally, all Federal Transportation Funds (as defined below) that are paid to the District or the Trustee, including those held in the Transportation Infrastructure Improvement Fund (as defined below).</p> <p>“Federal Transportation Funds” means all revenues and funds received by or on behalf of, or available to, the District pursuant to Federal Aid Authorization (as defined below) that are legally available for the payment of the debt service on the Bonds and for the reimbursement of eligible costs related to a Federal Project (as defined below).</p> <p>“Federal Project” means any eligible project under Title 23 (as defined below).</p> <p>“Title 23” means Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.</p> <p>“Transportation Infrastructure Improvement Fund” shall mean the fund established pursuant to Section 4 of the Act (as defined below).</p>

“Federal Aid Authorization” means, as applicable, (a) Title 23, (b) any extension of Title 23, or (c) any successor to Title 23 authorizing federal funding of state highways.

The Indenture provides that, for any series of Senior Lien Bonds, a Senior Lien Bonds Debt Reserve Subaccount may be established to be drawn upon to the extent there exists any deficiency in the amounts available in the Senior Lien Bonds Debt Service Account with respect to the series of Senior Lien Bonds for which such reserve account was established. **No Senior Lien Bonds Debt Service Reserve Subaccount will be established in connection with the Series 2012 Bonds.** Any deficiency in the Senior Lien Bonds Debt Service Account with respect to the Series 2012 Bonds will be paid by the District solely with Federal Transportation Funds, if and to the extent available.

For more information on the Trust Estate see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS - Trust Estate” and APPENDIX B - “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE” herein.

Flow of Funds:

The Memorandum of Agreement (as defined below) provides that the Federal Highway Administration (“FHWA”) will remit funds directly to the Trustee (for deposit into the Senior Lien Bonds Debt Service Account), generally three (3) Business Days prior to each Interest Payment Date (as defined below), in an amount sufficient to pay debt service on the Series 2012 Bonds.

“Memorandum of Agreement” means the Memorandum of Agreement between the District and FHWA, pursuant to which FHWA agrees to pay Federal Transportation Funds directly to the Trustee for debt service on the Series 2012 Bonds.

“Interest Payment Date” means each June 1 and December 1.

Indenture:

The Series 2012 Bonds will be issued under and secured by the Master Indenture, dated as of February 1, 2011, as supplemented and amended, including by the First Supplemental Trust Indenture dated as of February 1, 2011 and the Second Supplemental Trust Indenture dated as of October 1, 2012, each by and between the District and U.S. Bank National Association, as Trustee. The Series 2012 Bonds are the second series of Senior Lien Bonds issued under the Master Indenture and will be secured on a parity with the Series 2011 Bonds and any Additional Bonds issued by the District under the Master Indenture, except as otherwise provided therein, all as further described herein.

Authorization:

The issuance of the Series 2012 Bonds is authorized pursuant to the Transportation Infrastructure Improvements GARVEE Bond Financing Act of 2009, effective September 23, 2009 (D.C. Law 18-54; D.C. Official Code §§ 9-107.51-.62) (the “Act”).

Limited Obligation:

The Bonds are special obligations of the District, payable solely from the Pledged Revenues specifically pledged to the payment thereof and other amounts specifically pledged therefor under the Indenture. The District has neither pledged nor agreed to use any District revenues, taxes or other moneys to repay the Bonds other than federal transportation funds. The Bonds are without

recourse to the District, are not a pledge of, and do not involve, the faith and credit or the taxing power of the District. The Bonds shall not constitute a debt of the District, and shall not constitute lending of public credit for private undertakings as prohibited in the Home Rule Act. The Bonds are payable solely from the Pledged Revenues, and the Bonds shall be a valid claim of the respective Owners thereof only against the Trust Estate, which is pledged, assigned and otherwise secured for the equal and ratable payment of the Bonds (except as otherwise set forth in the Indenture with respect to the priority over Subordinate Lien Bonds of any Senior Lien Bonds and the obligations of the District to make Scheduled Hedge Payments (but excluding any Other Hedge Payments) related to such Senior Lien Bonds) and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Master Indenture.

**Non-Impairment
Covenant:**

The District pledges, covenants, and agrees with the holders of the Bonds that, subject to the provisions of the Indenture, the District will not limit or alter the Pledged Revenues pledged to secure the Bonds or the basis on which the Pledged Revenues are collected or allocated, will not impair the contractual obligations of the District to fulfill the terms of any agreement made with the holders of the Bonds, will not in any way impair the rights or remedies of the holders of the Bonds, and will not modify in any way the exemptions from taxation provided for in the Act, until the Bonds, together with interest thereon, and all costs and expenses in connection with any suit, action, or proceeding by or on behalf of the holders of the Bonds, are fully met and discharged.

Additional Bonds:

Additional Bonds with a Senior Lien on Federal Transportation Funds may be issued from time to time payable from the Transportation Infrastructure Improvement Fund and ranking as to lien on the Trust Estate on a parity with the Series 2012 Bonds provided certain conditions are met. The Act authorizes the issuance of an aggregate total of \$200 million in Bonds, of which \$74,455,000 will remain available following the issuance of the Series 2012 Bonds. See “THE SERIES 2012 BONDS - “Additional Bonds” herein.

Project:

The Series 2012 Bonds are being issued to finance Phase II of the project to replace the twin 11th Street Bridges over the Anacostia River and to improve the interchanges at either end, including adding missing movements to and from the north onto the Anacostia Freeway (the “Project”). The Project meets the eligibility requirements of FHWA as a Federal Project. The District will use a portion of the proceeds of the Series 2012 Bonds to finance a portion of the costs of Phase II of the Project. See “THE PROJECT” herein.

Ratings:

See “RATINGS” herein.

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**OFFICIAL STATEMENT
of the
DISTRICT OF COLUMBIA
(Washington, D.C.)**

Relating to

**\$42,935,000
DISTRICT OF COLUMBIA
(Washington, D.C.)
Federal Highway Grant Anticipation Revenue Bonds,
Series 2012**

INTRODUCTION

The District of Columbia (the “District”) has prepared this Official Statement in connection with the issuance and sale of its Federal Highway Grant Anticipation Revenue Bonds, Series 2012 in the aggregate principal amount of \$42,935,000 (the “Series 2012 Bonds”).

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

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

GENERAL DESCRIPTION OF THE SERIES 2012 BONDS

Authorization

The Series 2012 Bonds are special obligations of the District and the issuance of the Series 2012 Bonds is authorized pursuant to the Transportation Infrastructure Improvements GARVEE Bond Financing Act of 2009, effective September 23, 2009 (D.C. Law 18-54; D.C. Official Code §§ 9-107.51-.62) (the “Act”). The Act authorizes the issuance of revenue bonds supported by grants to be received from the Federal Highway Administration (the “FHWA”) to finance the “Qualified Transportation Project,” which is defined in the Act as “the project to replace the twin 11th Street Bridges over the Anacostia River and to improve the interchanges at either end, including adding missing movements to and from the north onto the Anacostia Freeway” (hereinafter, the “Project”). The Project meets the eligibility requirements of FHWA as a Federal Project.

The Series 2012 Bonds will be issued under and secured by the Master Trust Indenture dated as of February 1, 2011 (the “Master Indenture”), as supplemented and amended, including by the First Supplemental Trust Indenture dated as of February 1, 2011 (the “First Supplemental Trust Indenture”), and the Second Supplemental Trust Indenture dated as of October 1, 2012 (the “Second Supplemental Trust Indenture” and, together with the Master Indenture and First Supplemental Trust Indenture, the “Indenture”), each by and between the District and U.S. Bank National Association, as trustee (the “Trustee”). The Series 2012 Bonds are the second series of Senior Lien Bonds issued under the Master Indenture and will be secured on a parity with the District’s \$82,610,000 original principal amount of Federal Highway Grant Anticipation Revenue Bonds, Series 2011 (the “Series 2011 Bonds”), \$78,775,000 of which are expected to be Outstanding upon the issuance and delivery of the Series 2012 Bonds, and any Additional Bonds and Subordinate Lien Bonds issued by the District under the Indenture (collectively, the “Bonds”), except as otherwise provided therein, all as further described herein.

Use of Proceeds

The proceeds of the Series 2012 Bonds will be used to (i) provide funds to finance a portion of the costs of Phase II of the Project, and (ii) pay certain costs of issuing the Series 2012 Bonds. See “THE PROJECT” herein.

General Information

The District Department of Transportation (“DDOT”), on behalf of the District, has entered into a Federal Aid Agreement with respect to the Project, pursuant to which FHWA has approved the Project as a federal highway construction project eligible for Federal Transportation Funds. In connection with the issuance of the Series 2012 Bonds, FHWA and the District, acting by and through DDOT, have entered into an agreement titled “Memorandum of Agreement between Federal Highway Administration and District of Columbia, Accounting for Debt Service Payment on GARVEE Bonds for the 11th Street Bridge Project (Phase II)” (the “Memorandum of Agreement”) dated August 28, 2012, pursuant to which FHWA has agreed that the reimbursement to the District for the federal share of costs of the Project, by the receipt of Federal Transportation Funds with respect to the Project, will be effected through the making of payments by or on behalf of FHWA (subject to the availability of applicable federal aid under those statutes codified under Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law (“Title 23”) and applicable regulations) in amounts and at times that correspond to payments of debt service on the Series 2012 Bonds that relate to the Project.

The principal of and interest on the Series 2012 Bonds will be payable solely from the Trust Estate, which includes Federal Transportation Funds. Federal Transportation Funds means all revenues and funds received by or on behalf of, or available to the District pursuant to the Federal Aid Authorization (“Federal Transportation Aid”), that are legally available for the payment of the debt service on any Bonds and for the reimbursement of eligible costs related to a Federal Project.

Application of the Federal Transportation Funds to the payment of principal of and interest on the Bonds is permitted under federal law and may be made without any further appropriation by the District under the law of the District. **However, federal aid authorization expressly provides that no Federal Aid Agreement can create any right in any party (other than the District) against FHWA and neither the Federal Aid Agreement nor the Memorandum of Agreement constitute a commitment, guaranty or obligation on the part of the United States to provide for the payment of debt service on the Series 2012 Bonds.**

Federal Transportation Aid is paid to all states (including the District) on a reimbursement basis. The District’s access to all of the amounts of available Federal Transportation Aid will depend, in part, on its continued spending on Federal Projects. DDOT expects that the District will have sufficient projects that will qualify as Federal Projects to allow it to access all of the Federal Transportation Aid made available to it. See “THE DISTRICT’S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM - Future Utilization of Federal Transportation Aid.”

The Series 2012 Bonds are subject to certain risks, and potential purchasers of the Series 2012 Bonds should consider carefully the investment considerations summarized herein under “INVESTMENT CONSIDERATIONS.”

The foregoing information is intended only as a general introduction to the Series 2012 Bonds, the security provided under the Indenture, and the Project and does not purport to be comprehensive or definitive. For more information concerning the Series 2012 Bonds, the specific pledges and other provisions of the Indenture under which the Series 2012 Bonds are being issued, the Project, descriptions of the Federal-Aid Highway Program (the “FAHP”) and the District’s participation therein, prospective purchasers of the Series 2012 Bonds should read the entirety of this Official Statement, including the appendices hereto.

Unless otherwise defined, capitalized terms used herein are defined in APPENDIX A.

THE SERIES 2012 BONDS

Description of the Series 2012 Bonds

The Series 2012 Bonds are dated the date on which issued and delivered (“Date of Delivery”), and will mature on December 1 in the years and principal amounts as set forth on the inside front cover of this Official Statement. The Series 2012 Bonds shall bear interest from the Date of Delivery, until paid, at the annual rates set forth on the inside front cover (computed on the basis of a 360-day year consisting of twelve 30-day months) payable on June 1 and December 1 of each year (the “Interest Payment Date”), commencing June 1, 2013, while such Series 2012 Bonds are Outstanding.

The Series 2012 Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. So long as the Series 2012 Bonds shall be maintained under a book-entry system, payments of the principal and redemption price of and interest on the Series 2012 Bonds will be made as described under the heading “Book-Entry-Only System” or in APPENDIX E - “BOOK-ENTRY-ONLY SYSTEM PROCEDURES.” At any other time, (i) interest on the Series 2012 Bonds will be payable by check or draft mailed on each Interest Payment Date, or the next ensuing Business Day if such Interest Payment Date is not a Business Day, to each registered owner thereof as of the 15th day of the calendar month next preceding the Interest Payment Date (the “Record Date”) at such address as is shown by the registration records of the Bond Registrar or at such other address as is furnished to the Paying Agent in writing by such registered owner; provided, however, that payment of interest on the Series 2012 Bonds, at the option of a registered owner of at least \$1,000,000 in principal amount of Series 2012 Bonds, may be made by wire transfer to such registered owner upon the written request of such registered owner delivered to the Paying Agent at least three Business Days prior to the Record Date, to the bank account number specified by such registered owner, and (ii) the principal of the Series 2012 Bonds will be payable upon presentation and surrender of the Series 2012 Bonds, when due, at the Principal Office of the Paying Agent.

Book-Entry-Only System

The Series 2012 Bonds will be issued as fully registered Series 2012 Bonds, registered in the name of Cede & Co., as registered Owner and nominee for The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership interests in the Series 2012 Bonds will be available in book-entry only form. Purchasers of beneficial ownership interests in the Series 2012 Bonds will not receive certificates representing their interests in the Series 2012 Bonds purchased. See APPENDIX E - “BOOK-ENTRY-ONLY SYSTEM PROCEDURES.”

Principal of and interest on the Series 2012 Bonds are payable, so long as the Series 2012 Bonds are in book-entry form, through a securities depository as described in APPENDIX E.

Redemption

Optional Redemption. The Series 2012 Bonds maturing on or after December 1, 2023 shall be subject to optional redemption by the District prior to their respective maturities at any time not earlier than December 1, 2022 either in whole or in part by lot in such manner as may be designated by the Trustee, from any funds deposited with the Trustee and available for such purpose at a redemption price of par plus accrued interest to the redemption date.

Timing and Content of Redemption Notices. Notice of redemption identifying the Bonds to be redeemed shall be given by mailing a copy of the redemption notice by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date to the Owner of each Bond to be redeemed, in whole or in part, at the address shown on the Bond Register. Failure to give any such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond as to which notice was given as provided in the Indenture. Notwithstanding the provisions of the Indenture described in this paragraph, so long as any Series 2012 Bonds are Outstanding in Book-Entry Form, the DTC Operational Arrangements shall govern and if any conflict exists between the provisions of this paragraph and the DTC Operational Arrangements, the DTC Operational Arrangements shall prevail. Each notice of redemption shall specify (i) the date fixed for redemption, (ii) the principal amount of the Bonds or portions thereof to be redeemed, (iii) the CUSIP numbers of such Bonds to be redeemed, (iv) the redemption price or prices, (v) the place or places of payment, (vi) that payment will be made upon presentation and surrender of the Bonds to be redeemed, (vii) that interest accrued to the date fixed for redemption will be paid as specified in such notice, (viii) if such redemption is conditional, that such redemption is conditional upon receipt by the Trustee on or prior to the redemption date, of moneys sufficient to effect such redemption, and (ix) that on and after such redemption date, interest thereon will cease to accrue unless such redemption is conditional and such condition is not satisfied. If less than all the outstanding Bonds of a series are to be redeemed, the notice of redemption shall specify the numbers of the Bonds to be redeemed.

Conditional Notice. In the event that any such notice of optional redemption is conditional, and the District notifies the Trustee in writing that such condition is not or will not be satisfied, then the Trustee shall not redeem any Bonds with respect to which such conditional notice of redemption was mailed, such Bonds shall continue to bear interest at the rate specified thereon, and the Trustee, the District and the Owners shall continue as if such conditional notice had not been mailed to the Owners. Immediately after learning that any such condition is not or will not be satisfied, the District shall notify the Trustee in writing thereof. As soon as practicable after receipt of such notice from the District, the Trustee shall send a notice by first class mail to the District and to the Owners of the Bonds that such condition was not or will not be satisfied and that such redemption will not or did not occur.

Selection of Bonds to be Redeemed. If less than all of the outstanding Bonds are to be redeemed, the Trustee shall redeem Bonds of the maturity or maturities specified in writing by the Authorized District Representative or, in the absence of such specification, in inverse order of maturities. If less than all of the Bonds of a series of a particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be selected by random drawing.

Additional Bonds

Additional Bonds with a Senior Lien on Federal Transportation Funds may be issued from time to time payable from the Transportation Infrastructure Improvement Fund and ranking as to lien on the Trust Estate on a parity with the Series 2011 Bonds and the Series 2012 Bonds, so long as the conditions described in the paragraphs below are met, as applicable. The Act authorizes the issuance of an aggregate total of \$200 million in Bonds. The District could seek additional issuance authority but must comply with the conditions described in the paragraphs below, as applicable.

- (a) The Trustee shall receive a certificate of the Authorized District Representative which demonstrates that the amount of Obligation Authority (as defined in APPENDIX A) available to the District during the current or immediately prior federal fiscal year (“FFY”) at the option of the District in which issuance of such Additional Bonds is authorized must be equal to at least three times the Maximum Annual Debt Service for any succeeding Bond Year on all Outstanding Senior Lien Bonds and on the Additional Bonds proposed to be issued excluding, in the case of Additional Bonds issued for refunding purposes, the debt service on the Senior Lien Bonds to be refunded thereby.
- (b) In the case of Federal Highway Grant Anticipation Revenue Bonds issued to refund any Outstanding Federal Highway Grant Anticipation Revenue Bonds, the District shall have delivered to the Trustee a certificate of an Authorized District Representative to the effect that all Federal Aid Agreements and any related Memorandum of Agreement with respect to Federal Highway Grant Anticipation Revenue Bonds that will be Outstanding after the issuance of the refunding bonds have been amended to reflect the new debt service on Federal Highway Grant Anticipation Revenue Bonds.
- (c) Additional Bonds may be issued solely for the purpose of refunding Outstanding Bonds having a Senior Lien on Pledged Revenues without compliance with the provisions of paragraph (a) above; provided that, (i) the aggregate principal and interest payments on such Additional Bonds is less than or equal to the aggregate principal and interest payments payable on the Bonds to be refunded, and (ii) the final maturity of such Additional Bonds is not later than the final maturity of the Bonds to be refunded.

Provided the requirements set forth in the Indenture and described in the paragraph below are met, the District may issue Subordinate Lien Bonds without limit except as set forth in a Supplemental Indenture and may incur other obligations (including without limitation Hedge Agreements), payable from the Pledged Revenues on a junior and subordinate basis without limit except as set forth in a Supplemental Indenture. In the event such Subordinate Lien Bonds are issued, amounts in the Subordinate Lien Bonds Debt Service Account within the Transportation Infrastructure Improvement Fund shall be used to pay debt service on such Subordinate Lien Bonds.

Subordinate Lien Bonds may be issued provided the documents and proceedings pursuant to which such Subordinate Lien Bonds are issued or incurred shall contain provisions to the effect that such Subordinate Lien Bonds shall be junior and subordinate in lien and right of payment in all respects to any Federal Highway Grant Anticipation Revenue Bonds and any obligations of the District under Contracts (excluding Other Hedge Payments) with respect to such Federal Highway Grant Anticipation Revenue Bonds.

SOURCES AND USES OF SERIES 2012 BOND PROCEEDS

The table below sets forth the sources and uses of the Series 2012 Bond proceeds.

SOURCES OF FUNDS:	
Par Amount of the Series 2012 Bonds	\$42,935,000.00
Original Issue Premium	7,723,387.50
Total sources of funds	<u>\$50,658,387.50</u>
USES OF FUNDS:	
Project Fund Deposit	\$50,000,000.00
Costs of Issuance Account ⁽¹⁾	355,076.84
Underwriters' Discount	303,310.66
Total uses of funds	<u>\$50,658,387.50</u>

(1) "Costs of Issuance" shall include fees for rating agencies, legal counsel, financial advisors, other expenses associated with the issuance of the Series 2012 Bonds, and a rounding amount.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS

Limited Obligations

The Bonds are special obligations of the District, payable solely from the Pledged Revenues specifically pledged to the payment thereof and other amounts specifically pledged therefor under the Indenture. The District has neither pledged nor agreed to use any District revenues, taxes or other moneys to repay the Bonds other than federal transportation funds. The Bonds are without recourse to the District, are not a pledge of, and do not involve, the faith and credit or the taxing power of the District. The Bonds shall not constitute a debt of the District, and shall not constitute lending of public credit for private undertakings as prohibited in the Home Rule Act. The Bonds are payable solely from the Pledged Revenues, and the Bonds shall be a valid claim of the respective Owners thereof only against the Trust Estate, which is pledged, assigned and otherwise secured for the equal and ratable payment of the Bonds (except as otherwise set forth in the Indenture with respect to the priority over Subordinate Lien Bonds of any Senior Lien Bonds and the obligations of the District to make Scheduled Hedge Payments (but excluding any Other Hedge Payments) related to such Senior Lien Bonds) and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Master Indenture.

While application of Federal Transportation Funds to the payment of principal of and interest on the Series 2012 Bonds is permitted under federal law and may be made without any further appropriation by the District under District law, neither the Federal Aid Agreement nor the Memorandum of Agreement create any right in any party (other than the District) against FHWA or constitute a commitment, guaranty or obligation on the part of the United States to provide for the payment of debt service on the Series 2012 Bonds.

Non-Impairment Covenant

The District pledges, covenants, and agrees with the holders of the Bonds that, subject to the provisions of the Indenture, the District will not limit or alter the Pledged Revenues pledged to secure the Bonds or the basis on which the Pledged Revenues are collected or allocated, will not impair the contractual obligations of the District to fulfill the terms of any agreement made with the holders of the Bonds, will not in any way impair the rights or remedies of the holders of the Bonds, and will not modify in any way the exemptions from taxation provided for in the Act, until the Bonds, together with interest thereon, and all costs and expenses in connection with any suit, action, or proceeding by or on behalf of the holders of the Bonds, are fully met and discharged.

The pledge made and security interest created in respect of the Bonds shall be valid, binding, and perfected from the time the security interest is created, with or without physical delivery of any funds or any property and with or without any further action. The lien of the pledge shall be valid, binding, and perfected as against all parties having any claim of any kind in tort, contract, or otherwise against the District, whether or not such party has notice. The security interest shall be valid, binding, and perfected whether or not any statement, document, or instrument relating to the security interest is recorded or filed.

Trust Estate

The Series 2012 Bonds are payable solely from the Trust Estate established under the Indenture, and the Trust Estate is to be held by the Trustee for the equal and ratable payment of the Bonds (except as otherwise set forth in the Indenture with respect to the priority over Subordinate Lien Bonds of any Senior Lien Bonds and the obligations of the District to make Scheduled Hedge Payments (but excluding any Other Hedge Payments) related to such Senior Lien Bonds) and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in the Master Indenture. See APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" for a further description of the provisions of the Indenture regarding the Trust Estate.

The Trust Estate consists of: (i) all right, title and interest of the District in and to the Pledged Revenues, (ii) all moneys and securities held by the Trustee in any and all of the funds and accounts established under the Indenture, including without limitation any Construction Fund, but expressly excluding the Rebate Fund; (iii) all the right, title, interest, remedies, claims, and demands of the District in, to, and under any Qualified Hedge Agreements; and (iv) any and all other property from time to time by delivery or by writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the District or by anyone on its behalf or with its written consent to the Trustee.

Pledged Revenues includes, principally, all Federal Transportation Funds that are paid to the District or the Trustee, including those held in the Transportation Infrastructure Improvement Fund created under the Act or in any other funds of the District, together with the right of the District to receive such funds. The Transportation Infrastructure Improvement Fund is the fund established pursuant to Section 4 of the Act, and maintained under the Indenture, which includes, principally, (i) a Senior Lien Bonds Debt Service Account (including therein a Senior Lien Bonds Debt Service Subaccount for each series of Senior Lien Bonds) and (ii) a Senior Lien Bonds Debt Service Reserve Account (including therein, to the extent required by a Supplemental Indenture, a Senior Lien Bonds Debt Service Reserve Subaccount for each series of Senior Lien Bonds). There is no Senior Lien Bonds Debt Service Reserve Subaccount established in connection with the Series 2012 Bonds. A Senior Lien Bonds Debt Service Reserve Subaccount allocable to the Series 2011 Bonds was established at the time of issuance of the Series 2011 Bonds. Amounts held in such subaccount are not available to pay any amounts due with

respect to the Series 2012 Bonds. The Transportation Infrastructure Improvement Fund is held by the District, not the Trustee, and is not part of the Trust Estate; however, the Senior Lien Bonds Debt Service Account is held by the Trustee and is part of the Trust Estate.

Moneys in the Senior Lien Bonds Debt Service Account shall be solely applied in the following order of priority: FIRST, for the payment of the principal of and interest on the Senior Lien Bonds, SECOND, the redemption price of the Senior Lien Bonds subject to mandatory redemption, and THIRD, to make payments to the provider of Credit Facilities and Qualified Hedge Agreements (excluding Other Hedge Payments); provided that moneys representing accrued interest received at the time of the issuance of any series of Senior Lien Bonds shall be used to pay the first interest payment due on such Bonds.

Federal Transportation Funds

The federal government makes federal aid available to state and local entities, including the District, under a number of federal programs for highway, safety, transit, and motor carrier projects. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS” below for a detailed explanation of the FAHP and its history of funding in the District.

The Act authorizes the District to pledge Federal Transportation Funds for debt service on the Series 2012 Bonds directly to the Trustee. All Federal Transportation Funds are Pledged Revenues and are part of the Trust Estate. Debt service will be paid directly to the Trustee by FHWA pursuant to the Memorandum of Agreement for deposit into the Senior Lien Bonds Debt Service Account. Federal Transportation Funds are payable towards debt service on the Series 2012 Bonds without the requirement of District appropriation in each year.

Pursuant to the Memorandum of Agreement, FHWA has agreed that the Project is authorized and budgeted using federal advance construction procedures. Advance construction authorization ensures that the Project follows federal aid procedures and preserves the eligibility to reimburse debt-related costs with future federal aid funds. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS - Federal Aid Funding Procedures” below for a summary of advance construction procedures.

Payments of Federal Transportation Funds to the Trustee

The Memorandum of Agreement provides that FHWA will remit funds directly to the Trustee, generally three (3) Business Days prior to each Interest Payment Date, in an amount sufficient to pay debt service on the Series 2012 Bonds.

If and to the extent amounts required to pay debt service payable in accordance with the Memorandum of Agreement and Indenture are not paid to the Trustee by each Interest Payment Date, the Trustee shall immediately notify the District and, within 24 hours after giving such notice, the District shall cause an amount equal to the amount not so paid, to be paid as follows: with respect to the Series 2012 Bonds, the District shall make payment from Federal Transportation Funds (if and to the extent the District has Federal Transportation Funds that are available for such purposes), or from any lawfully available funds or other sources as may be set forth in the Supplemental Indenture for that series of Senior Lien Bonds. Currently, the only funds available to pay the Series 2012 Bonds, when due, are Federal Transportation Funds, and no other funds of the District are lawfully available to pay the Series 2012 Bonds in the event the Federal Transportation Funds are insufficient for such purpose. The District has no obligation to appropriate other funds of the District for the purpose of curing any deficiency in the Senior Lien Bonds Debt Service Account with respect to the Series 2012 Bonds and there is no assurance that Federal Transportation Funds will be available for such purpose when and if needed.

It should be noted that payment of many federal funds to state and local governmental recipients, including without limitation Federal Transportation Funds, is subject to offset against other amounts that may be owed to an agency of the United States of America. Any such offset would occur as part of the United States Treasury Department's Treasury Offset Program, which collects delinquent amounts due to federal agencies and states in accordance with 26 U.S.C. §6402(d), 31 U.S.C. §3720A and other applicable laws. From time to time payments of various amounts due to the District, including Federal Transportation Funds, have been delayed by the federal government pending resolution of a particular claim or dispute. However, in each case, the District has promptly resolved the matter and to date has received all amounts due with respect to the payment of debt service on the Series 2011 Bonds and other Federal Transportation Funds payable to the District.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each District fiscal year ending September 30 the scheduled annual debt service requirements for Outstanding Bonds and the Series 2012 Bonds, including the amount required to pay principal and interest on each June 1 and December 1 of each fiscal year.

Fiscal Year	Total Outstanding Bonds	Series 2012 Principal	Series 2012 Interest	Series 2012 Total Debt Service	Total Aggregate Debt Service
2013	\$ 7,780,393.76		\$ 1,203,205.21	\$ 1,203,205.21	\$ 8,983,598.97
2014	7,779,343.76	\$ 2,130,000.00	1,853,825.00	3,983,825.00	11,763,168.76
2015	7,778,281.26	2,190,000.00	1,799,675.00	3,989,675.00	11,767,956.26
2016	7,778,156.26	2,265,000.00	1,727,187.50	3,992,187.50	11,770,343.76
2017	7,782,890.63	2,350,000.00	1,640,550.00	3,990,550.00	11,773,440.63
2018	7,782,312.50	2,445,000.00	1,544,650.00	3,989,650.00	11,771,962.50
2019	7,780,812.50	2,550,000.00	1,444,750.00	3,994,750.00	11,775,562.50
2020	7,778,687.50	2,650,000.00	1,340,750.00	3,990,750.00	11,769,437.50
2021	7,778,687.50	2,770,000.00	1,218,500.00	3,988,500.00	11,767,187.50
2022	7,777,937.50	2,900,000.00	1,086,750.00	3,986,750.00	11,764,687.50
2023	7,778,968.75	3,035,000.00	953,375.00	3,988,375.00	11,767,343.75
2024	7,779,843.75	3,185,000.00	802,875.00	3,987,875.00	11,767,718.75
2025	7,781,818.75	3,350,000.00	639,500.00	3,989,500.00	11,771,318.75
2026	7,778,975.00	3,520,000.00	467,750.00	3,987,750.00	11,766,725.00
2027		3,705,000.00	287,125.00	3,992,125.00	3,992,125.00
2028		3,890,000.00	97,250.00	3,987,250.00	3,987,250.00
Total⁽¹⁾	\$ 108,917,109.42	\$42,935,000.00	\$ 18,107,717.71	\$61,042,717.71	\$ 169,959,827.13

⁽¹⁾ Totals may not add due to rounding.

INVESTMENT CONSIDERATIONS

The District's ability to pay principal of and interest on the Series 2012 Bonds depends upon numerous factors, many of which are not subject to the control of the District. Described below are certain factors that could affect the ability of the District to pay debt service on the Series 2012 Bonds.

Limited Obligations

The Bonds, including the Series 2012 Bonds, are special obligations of the District, payable solely from the Pledged Revenues specifically pledged to the payment thereof and other amounts specifically pledged therefor under the Indenture. The District has neither pledged nor agreed to use any District revenues, taxes or other moneys to repay the Bonds other than federal transportation funds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS - Limited Obligations" herein.

Unlike the Series 2011 Bonds, the Series 2012 Bonds are not secured by a Senior Lien Bonds Debt Service Reserve Subaccount. Amounts held in the 2011 Senior Lien Bonds Debt Service Reserve Subaccount (as defined in the Indenture) allocable to the Series 2011 Bonds are not available to pay the Series 2012 Bonds.

Factors Affecting Federal Transportation Aid

A number of factors could impact the availability of Federal Transportation Funds to pay debt service on the Bonds, including the Series 2012 Bonds, including the following:

Federal Reauthorizations and Changes in Law. Federal Transportation Aid has historically been authorized by Congress under multiple-year authorizing legislation. The current legislative authorization was provided by the Safe, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users ("SAFETEA-LU"), which went into effect on August 10, 2005. SAFETEA-LU replaced the previous six-year authorizing legislation, the Transportation Equity Act for the 21st Century ("TEA 21"), as amended, which expired on September 30, 2003. SAFETEA-LU also reauthorized the collection of federal gasoline excise taxes and other taxes generating revenues to the Federal Highway Trust Fund (the "HTF") through the FFY ending September 30, 2011.

SAFETEA-LU expired on September 30, 2009 and has been extended beyond its original expiration date by short-term interim authorizations, which extend the authorizations for Title 23 grants set forth in SAFETEA-LU. On July 6, 2012, the President signed into law P.L. 112-141, the Moving Ahead for Progress in the 21st Century Act ("MAP-21"). This legislation, among other things, extends SAFETEA-LU through September 30, 2012 and continues federal highway funding through September 30, 2014 at levels slightly increased from the FFY 2012 levels.

SAFETEA-LU and MAP-21 include certain provisions designed to provide continuity in the flow of Federal Transportation Aid to the states, including the District. There can be no assurance that such provisions will be continued under any future federal reauthorization or that, if continued, such provisions will be sufficient to ensure that Federal Transportation Aid will be available as needed if in the future Congress amends existing laws or fails to reauthorize expired transportation legislation, or if future legislation or federal administrative action reduces the amount of Federal Transportation Aid available to DDOT. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS - Federal-Aid Funding Procedures - Authorization" herein.

There can be no assurance that there will not be future changes in law, regulation, policy, or the availability of revenues at the federal level which may materially adversely affect the future availability

of Federal Transportation Funds to pay debt service on the Series 2012 Bonds. Changes in law, regulation or policy or a decrease in federal revenues may materially adversely affect the availability of Federal Transportation Funds and the ability of the District to pay debt service on the Bonds, including the Series 2012 Bonds. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS.”

Current Deficit and Potential for Future Deficit in Highway Trust Fund. The primary source of funds in the HTF is federal excise taxes on motor fuels. Trends and patterns in highway usage affect the amount of such federal excise taxes on motor fuels that can be collected. From 1986 to 2007, there was a growth trend in vehicle miles traveled on an annual basis and therefore an annual increase in collections of federal excise taxes on motor fuels. While the growth in vehicle miles traveled has varied somewhat from year to year, there was a slight downward trend in 2008 and 2009, a modest increase in 2010, and a slight decline in 2011.

The United States Department of Transportation (the “U.S. DOT”) has noted that Americans drove more than 100 billion fewer miles between November 2007 and October 2008 than the same period a year earlier and predicted that as driving decreases and vehicle fuel efficiency continues to improve, the long term viability of the HTF grows weaker. The U.S. DOT also indicated that, without additional funds, the HTF would not be able to provide some grants to states in FFYs 2008 and 2009, respectively. In January 2010, the Congressional Budget Office stated that depending on cash flows, the HTF could again be unable to meet obligations in a timely manner in FFY 2010.

Congress responded to these projected and actual deficits in the HTF by enacting three separate laws to maintain a positive balance in the HTF, transferring approximately \$8 billion in 2008, \$7 billion in 2009 and \$14.7 billion in 2010. In addition, MAP-21 authorized the transfer of approximately \$19 billion of funds from the United States Treasury not otherwise appropriated to fund shortfalls in the HTF for FFY 2013 and FFY 2014. Through each of these legislative enactments, Congress alleviated some of the immediate concern regarding deficits in the HTF. However, there can be no assurance that additional action will be taken by Congress to address deficits in the HTF. It is possible that, without further congressional action, the long-term viability of the HTF could be adversely impacted - jeopardizing the availability of FHWA funds to pay debt service on the Bonds, including the Series 2012 Bonds. See “EFFECT OF SEQUESTRATION UNDER THE BUDGET CONTROL ACT” below and “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS - The Federal Highway Program” and “- Federal Highway Trust Fund” herein.

Effect of Sequestration Under the Budget Control Act. Federal funding generally received by the District could be adversely affected by implementation of certain provisions of the Budget Control Act of 2011 (Pub. L. 112-25) (the “Budget Control Act”), which was signed into law by the President on August 2, 2011. However, portions of certain federal programs, including federal aid to highways to the extent otherwise subject to obligation limitations, are currently exempt from sequestration. As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration - a unique budgetary feature of the Budget Control Act - has been triggered. If no legislative action is taken by Congress, sequestration would be implemented beginning on January 2, 2013, and would result in automatic cuts to federal spending in designated agencies and programs of \$1.2 trillion. These federal spending cuts would be spread evenly over fiscal years 2013 through 2021. The Office of Management and Budget has released a preliminary report regarding sequestration for fiscal year 2013, which report includes potential sequestration of \$471 million (7.6%) of a planned \$6.2 billion transfer to the HTF from the United States Treasury. The District does not know at this time if sequestration will, in fact, be implemented, if implemented, what impact, if any, it may have on federal funds, including Federal Transportation Funds, received by the District or whether any current exemptions may be modified.

Default and Remedies

The Indenture does not provide for acceleration of the Series 2012 Bonds if an Event of Default occurs. The rights of the Owners of the Series 2012 Bonds and the enforceability of the Series 2012 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the District of its governmental powers under the Home Rule Act and by the exercise by the United States of the powers delegated to it by the Constitution of the United States. See “- Enforceability of Remedies” below, “LEGAL MATTERS” and APPENDIX D - “PROPOSED FORM OF OPINION OF BOND COUNSEL” herein.

No Acceleration or Early Redemption Upon Loss of Tax Exemption

The Series 2012 Bonds are not subject to immediate acceleration or redemption, and the rates of interest on the Series 2012 Bonds are not subject to retroactive adjustment, by reason of the interest on the Series 2012 Bonds being included in gross income for purposes of federal income taxation.

As discussed under “TAX MATTERS” herein, interest on the Series 2012 Bonds could be, or become, includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012 Bonds as a result of a failure of the District to comply with certain provisions of the Internal Revenue Code of 1986, as amended (the “Code”), the regulations promulgated thereunder by the Treasury Department of the United States (the “Treasury”), and certain other guidance issued by the IRS and courts. See “TAX MATTERS” herein.

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Series 2012 Bonds upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2012 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally. See “LEGAL MATTERS” and APPENDIX D - “PROPOSED FORM OF OPINION OF BOND COUNSEL” herein.

Limited Secondary Market

Investment in the Series 2012 Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the Series 2012 Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Series 2012 Bonds or, if a secondary market exists, that the Series 2012 Bonds can or could be sold for any particular price.

THE PROJECT

The District proposes to use Series 2012 Bond proceeds to fund a portion of the costs of Phase II of the Project. Proceeds of the Series 2012 Bonds will be used (i) for a portion of the costs relating to the replacement of the twin 11th Street bridges over the Anacostia River, for the improvement of the interchanges at either end of the bridges, including adding missing movements to and from the north onto the Anacostia Freeway, and (ii) for certain costs of issuance of the Series 2012 Bonds. The Project meets the eligibility requirements of FHWA as a Federal Project.

DDOT began construction of the Project in December 2009 to replace the two existing bridges with three new bridges and improve the related interchanges. When completed (currently expected in mid calendar year 2013), the \$453.1 million project is intended to (i) improve mobility by providing separate freeway and local traffic connections to both directions of DC 295, the Southeast-Southwest Freeway and local streets on both sides of the Anacostia River, (ii) provide a shared path for pedestrians and bicycles, as well as rails to allow future streetcar connections, (iii) replace the existing functionally deficient and structurally obsolete bridges, (iv) provide an additional alternate evacuation route from the nation's capital, and (v) include new trail connections, improved drainage and other environmental investments.

The District issued its Series 2011 Bonds in the original principal amount of \$82,610,000 to fund Phase I of the Project. The Series 2012 Bonds are being issued to fund Phase II of the Project. In addition to the Series 2012 Bond proceeds, the District expects to utilize a variety of funding sources for the balance of the Project's estimated cost, including but not limited to (i) other federal funds, (ii) District funds (derived from parking taxes, rights of way, parking meter revenues and motor fuel taxes), and (iii) proceeds from District general obligation and tax supported bonds. As of July 2012, the District has spent or encumbered \$384.74 million or 84.9% of the anticipated Project budget.

Projected to serve almost 180,000 vehicles per day by 2030, the existing bridges lack connections to allow travel directly from southbound DC 295/Anacostia Freeway to the Southeast-Southwest Freeway or from the Southeast-Southwest Freeway to northbound DC 295. The two new freeway bridges will provide these connections. The third bridge will carry local traffic between city streets on both sides of the river and provide additional connections to both directions of DC 295.

The project is the largest ever constructed by DDOT and is the first river bridge replacement in the District in more than 40 years.

The Project is consistent with the 2006 Comprehensive Plan and the Anacostia Waterfront Framework Plan. It will provide improved pedestrian, bicycle, and transit connections; mitigate regional traffic impacts on local neighborhoods; and incorporate sustainable, low-impact design techniques.

DDOT began preparation of an Environmental Impact Statement (the "EIS") in September 2005. Since that time, more than 100 meetings have been held with District and federal agencies, neighborhood groups, civic associations, and business or recreational organizations. DDOT will continue to meet with residents and community groups through completion of the Project. DDOT has made available for review the EIS, progress reports and other documents related to the Project. Such information regarding the Project can be found by visiting DDOT's website at <http://ddot.dc.gov/DC/DDOT> and following the links for projects and planning and the 11th Street bridge project.

THE DISTRICT

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

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

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

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THE DISTRICT DEPARTMENT OF TRANSPORTATION

DDOT was created pursuant to the Department of Transportation Establishment Act of 2002, which became effective on May 21, 2002. Prior to DDOT's creation, many of its functions were performed by the District's Department of Public Works. DDOT is an agency within the executive branch of the government of the District and works to improve the District's economic competitiveness and quality of life by planning, coordinating, and operating the transportation system, and managing and maintaining the transportation infrastructure, to ensure the safe, efficient movement of people, goods and information along public rights-of-way (D.C. Law 14-134; D.C. Official Code § 50-921.01). In addition to numerous actions taken in furtherance of its mission, DDOT has worked closely with FHWA over the years on many federal-aid highway endeavors, including the Project.

The District's Highway Trust Fund (the "DHTF") finances projects implemented by DDOT. The DHTF consists of Federal Transportation Funds and local dedicated tax collections used to support investment on the 430 miles of eligible federal-aid roads and highways in the District of Columbia. The DHTF is used to pay the local match for obligated Federal Projects, and match future Federal Transportation Funds, and the remaining balances are to be used for capital improvements to local streets and roads. The DHTF is funded from a variety of local sources which, in part, includes District funds derived from parking taxes, rights of way, parking meter revenues and motor fuel taxes. The only source of funds currently lawfully available and expected to be available to pay the Series 2012 Bonds are Federal Transportation Funds.

The inventory of streets and highways under the District's jurisdiction extends over 1,000 centerline miles of urban roads. The streets and highways consist of two-lane residential streets up to multi-lane interstates. There are approximately 200 bridges eligible for Federal Transportation Funds, and they range from crossings over minor drainage ways to the interstate highway bridges over the Potomac and Anacostia Rivers. Approximately 430 of the over 1,000 miles of streets and highways are eligible for Federal Transportation Funds. Federal Transportation Funds are granted for (approximately) 80 percent of the construction, design and project management costs of an eligible roadway project provided that the District matches the remaining (approximately) 20 percent. The District expects to derive its local share from various District resources, including future bond issuances and pay-as-you-go capital funds. Any future bond issuance for the purpose of funding a Federal Project other than the current Project would require an amendment to the Act or enactment of a new act providing for the issuance of such bonds.

The District's fiscal year 2013 budget reflects total DHTF expenditures of \$1.033 billion during the six-year period from fiscal year 2013 through fiscal year 2018, of which \$193 million would be funded from the District's local share and approximately \$840 million would be funded through federal aid match.

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

For purposes of this section, all references to the “states” shall be construed as including the District, unless otherwise noted.

The Federal-Aid Highway Program

The FAHP is an “umbrella” term that encompasses most of the federal programs providing highway funds to the states. The major funding for the FAHP is made available in the following programs: the National Highway Performance Program, the Surface Transportation Program, the Highway Safety Improvement Program (including Rail-Highway Crossings), the Congestion Mitigation and Air Quality Improvement Program, and Metropolitan Planning. FHWA is the federal agency within the U.S. DOT responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the HTF. The primary source of revenues in the HTF is derived from the federal excise taxes on motor fuels. Other taxes providing revenue to the HTF include excise taxes on tires, trucks and trailers, and truck use taxes.

The FAHP is a reimbursement program. Once projects are approved by FHWA and funds are obligated, the federal government makes reimbursement payments to the states for costs incurred on projects, which may include debt service on obligations issued to finance a project. With few exceptions, the federal government does not pay for the entire cost of a Federal Project. Federal reimbursements are typically to be matched with state and/or local funds. The maximum federal share is specified in the federal legislation authorizing the program. Most projects have an 80 percent federal share, while interstate construction and maintenance projects typically have been funded with a 90 percent federal share. Although FHWA provides funding for eligible highway projects, federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance.

Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (1) multi-year authorization by Congress of the funding for various highway programs; (2) apportionment and allocation of funds to the states each FFY according to statutory formulas or, for some funding categories through administrative action; (3) obligation of funds, which is the federal government’s legal commitment (or promise) to pay or reimburse states for the federal share of a project’s eligible costs; (4) appropriations by Congress specifying the amount of funds available for the year to liquidate obligations; (5) program implementation which covers the programming and authorization phases; and (6) reimbursement by the federal government of the eligible project costs. Each of these steps is described in more detail under “- Federal-Aid Funding Procedures” below.

Title 23 (as defined above) includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

The District’s participation in the FAHP and the role of such participation in providing payment and security for the Series 2012 Bonds are discussed in “THE DISTRICT’S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM” herein.

The terms and conditions of participation in the FAHP are subject to change at the discretion of Congress. There can be no assurance that the laws and regulations now governing the FAHP will not be changed in the future in a manner that may adversely affect the ability of the

District to receive federal aid revenues sufficient to enable the District to pay debt service on the Bonds.

SAFETEA-LU

The FAHP must be periodically reauthorized by Congress. The current multi-year authorization, SAFETEA-LU, became law on August 10, 2005, expired on September 30, 2009, and has been extended through September 30, 2012, as described below. SAFETEA-LU was signed into law by the President on August 10, 2005 and authorized a total of \$286 billion for the federal surface transportation programs in FFYs 2004 through 2009. This amount represented a 31% increase in authorization over the predecessor to SAFETEA-LU, TEA-21.

On September 30, 2009, SAFETEA-LU expired without enactment of a new six-year reauthorization program. In order to avoid a halt in the FAHP, Congress has enacted successive short-term interim authorizations, which extend the authorizations for Title 23 grants set forth in SAFETEA-LU. On November 17, 2011, Congress adopted a law providing funding for the United States Department of Transportation (“U.S. DOT”) through FFY 2012 at a level 4.8% reduced from that of the previous FFY (\$39.1 billion as compared to \$ 41.1 billion). However, such funding is not equivalent to a multi-year authorization of the FAHP. Prior to enactment of MAP-21, the most recent interim legislation (The Surface and Air Transportation Programs Extension Act of 2011) provided for authorization continuing through June 30, 2012.

MAP-21

MAP-21 provides for (i) a short-term extension of SAFETEA-LU through September 30, 2012, and (ii) a two-year federal highway funding reauthorization that continues funding through September 30, 2014 at levels slightly increased from the FFY 2012 levels. MAP-21 also extends the motor fuel and other taxes that fund the FAHP at their current levels through September 30, 2016. The funding authorization under MAP-21 provides obligation limitations of \$39.7 billion and \$40.3 billion in FFYs 2013 and 2014, respectively, and is based on the amount of funding authorization under SAFETEA-LU. Under MAP-21, for FFY 2013, each state receives virtually the same total apportionment as in FFY 2012. In FFY 2014, the total amount available for distribution will be divided proportionally among the states based on the share of apportionments each state received for FFY 2012, adjusted, if necessary, to ensure that no state receives less than 95 cents of every dollar it contributed to the HTF. There are no assurances that if the authorization under MAP-21 lapses any other federal highway funding authorization will become law or that any such law would provide sufficient funding to pay the debt service on the Series 2012 Bonds. See “INVESTMENT CONSIDERATIONS - Factors Affecting Federal Transportation Aid.”

ALTHOUGH MEASURES HAVE BEEN TAKEN BY CONGRESS AND/OR FHWA IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE TAKEN IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF THE CURRENT FUNDING AUTHORIZATION.

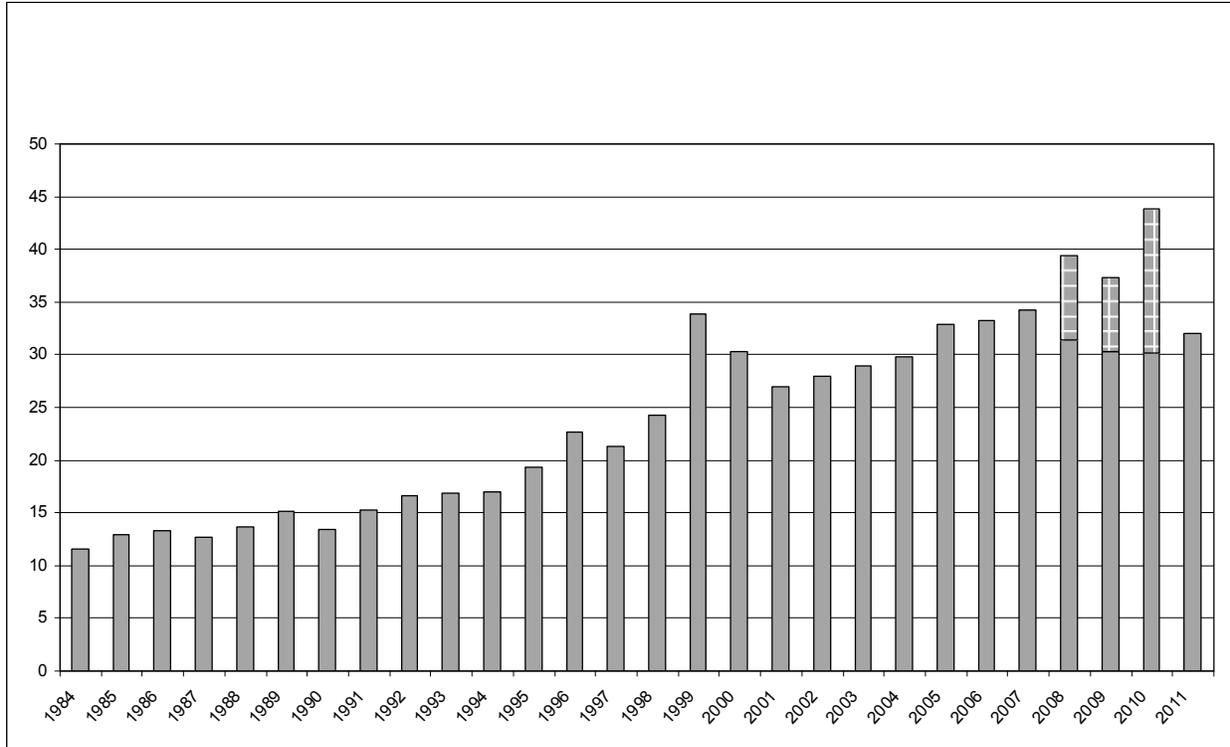
Federal Highway Trust Fund

The HTF provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of the state’s cost of eligible transportation projects (which may include debt service on obligations issued to finance a Federal Project), including highway projects. The HTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account

receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account.

The following table shows annual HTF collections in the Highway Account for the federal fiscal years 1984 through 2011.

**PAYMENTS INTO THE HIGHWAY ACCOUNT OF THE HIGHWAY TRUST FUND
FEDERAL FISCAL YEARS 1984-2011
(\$ billions)**



Source: FFY 1984 through FFY 2010, Highway Statistics 2010, Office of Highway Policy Information, FHWA, Table FE-210; cross-hatched bars in FFY 2008, 2009 and 2010 represent transfers from the U.S. General Fund. FFY 2011, Status of the Highway Trust Fund – Fiscal Year 2011, FHWA, Table FE-1.

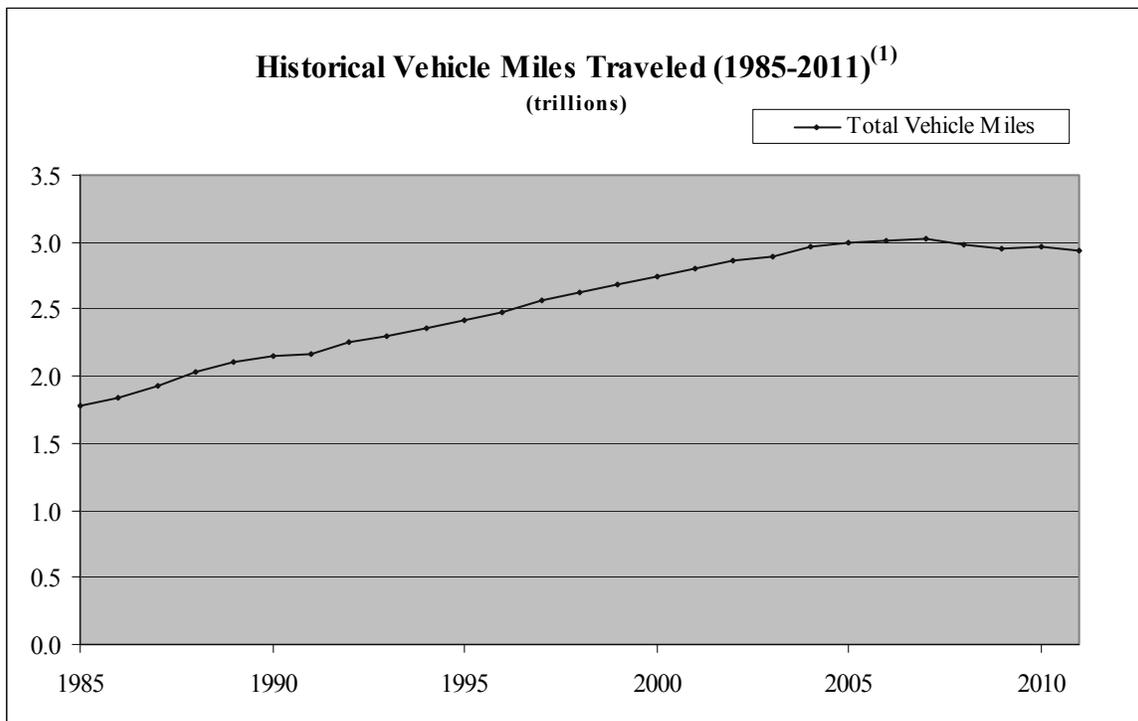
Federal law not only regulates the imposition of the taxes, but also their deposit into and expenditure from the HTF. The table below shows the types of taxes deposited into the HTF and the current tax rates that are in effect.

CURRENT TAX RATES FOR TAXES DEPOSITED INTO THE HIGHWAY TRUST FUND

Motor Fuels	
Gasoline and gasohol	18.4 cent per gallon
Diesel	24.4 cents per gallon
Special Fuels:	
General rate	18.4 cents per gallon
Liquefied petroleum gas	18.3 cents per gallon
Liquefied natural gas	24.3 cents per gallon
M85 (from natural gas)	9.25 cents per gallon
Compressed natural gas	18.3 cents / 126.67 cubic feet
Tires (maximum rated load capacity)	
0-3,500 pounds	No tax
Over 3,500 pounds	9.45 cents per each 10 pounds in excess of 3,500 pounds
Other Taxes	
Truck and Trailer Sales	12 percent of retailer's sales price for tractors and trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds GVW
Heavy Vehicle Use	Annual tax: Trucks 55,000 pounds and over GVW, \$100 plus \$22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 pounds (maximum tax of \$550)

The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend moneys from the HTF, all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception, most recently by SAFETEA-LU and MAP-21. MAP-21 extended the motor fuel and other taxes that fund FAHP at their current levels through September 30, 2016. The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met. For more information on the extension of SAFETEA-LU and reauthorization of the FAHP, see “- Federal-Aid Funding Procedures” herein.

As mentioned above, the primary source of funds in the HTF is federal excise taxes on motor fuels and is largely dependent on vehicle miles traveled on roads and streets throughout the country. While the growth in vehicle miles traveled has varied somewhat from year to year, there was a slight downward trend in 2008 and 2009, a modest increase in 2010, and a slight decline in 2011. The following chart illustrates the historical vehicle miles traveled from 1985 through 2011.



Source: "Historical Monthly VMT Report" which can be found on FHWA's website at <http://www.fhwa.dot.gov/policyinformation/travel/tvt/history/>.

(1) Information contained in the chart represents the moving 12-month total, as of December 31 of each year.

In December 2008, the U.S. DOT issued a press release describing how Americans drove more than 100 billion fewer miles between November 2007 and October 2008 than the same period a year earlier. The press release further predicted that as driving decreases and vehicle fuel efficiency continues to improve, the long term viability of the HTF grows weaker.

In September 2008 and June 2009, the U.S. DOT indicated that, without additional funds, the HTF would not be able to provide some grants to states in FFYs 2008 and 2009, respectively. In January 2010, the Congressional Budget Office ("CBO") stated that depending on cash flows, the HTF could again be unable to meet obligations in a timely manner in FFY 2010. The CBO estimated that a transfer of several billion dollars could be needed to maintain a minimum balance of \$4 billion as suggested by the U.S. DOT.

In response to these projected and actual deficits in the HTF, congressional action was required. In 2008, 2009 and 2010, Congress enacted three separate laws to maintain a positive balance in the HTF. The first, H.R. 6532, enacted in September 2008, transferred approximately \$8 billion from the Treasury's General Fund to the HTF to cover the then-anticipated shortfall for FFY 2009. The second, H.R. 3357, enacted in August 2009, transferred an additional \$7 billion from the Treasury's General Fund to the HTF to cover additional shortfalls through the remainder of FFY 2009. The third, H.R. 2847,

enacted on March 18, 2010, transferred an additional \$14.7 billion from the General Fund to the HTF to cover an additional shortfall through the remainder of FFY 2011.

Each of these legislative enactments helped address potential deficiencies in the HTF. In addition, MAP-21 authorized the transfer of approximately \$19 billion of funds from the United States Treasury not otherwise appropriated to fund shortfalls in the HTF for FFY 2013 and FFY 2014. However, no assurances can be provided that any similar legislation will be considered in the future. Assuming that there is a continued decline in vehicle miles traveled and vehicles become more fuel efficient, fewer federal excise taxes on motor fuels will be collected, causing deficits in the HTF to grow. The long-term viability of the HTF could be adversely impacted without further congressional action. See “INVESTMENT CONSIDERATIONS - Factors Affecting Federal Transportation Aid.”

Federal-Aid Funding Procedures

The FAHP continues to enable the construction of an extensive national transportation system through reimbursement of a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that:

(a) the FAHP is funded by dedicated revenues, from a user-tax source, deposited in a special trust fund (the HTF);

(b) the contract authority of FHWA is established by a multi year authorization act rather than through annual appropriation acts; and

(c) contract authority of FHWA is not at risk during the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate obligations.

The following summarizes the major steps in funding the FAHP.

Authorization

The first and most important step in funding the FAHP is the development and enactment of authorizing legislation. Authorizing legislation for highways began with the Federal-Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the FAHP as it exists today. Since that time, the FAHP has been continued or renewed through the passage of multi year authorization acts. Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi year (*i.e.*, four or more years) surface transportation acts. On July 6, 2012, MAP-21 was signed into law reauthorizing the federal highway funding program through September 30, 2014. Upon the expiration of the funding authorization under MAP-21, there is no guarantee that reauthorization of the FAHP will occur on a multi year basis. The authorization act not only shapes and defines programs, but also sets upper limits on the funding for programs and includes provisions related to the operation of the HTF.

The most recent authorization legislation for highways are SAFETEA-LU, as extended, and MAP-21, which provide for reauthorization of the FAHP through September 30, 2014 and, together, have authorized funding for the core FAHP obligation limitation at these levels: \$34.4 billion in FFY 2005, \$35.6 billion in FFY 2006, \$39.0 billion in FFY 2007, \$41.2 billion in FFY 2008, \$40.7 billion in FFY 2009, \$41.1 billion in FFY 2010; \$41.1 billion in FFY 2011; \$39.1 billion in FFY 2012; \$39.7 billion in FFY 2013; and \$40.3 billion in FY 2014. For more information on the extension of the authorization for the imposition of highway-user taxes, see “- Federal Highway Trust Fund” herein.

Once Congress has established authorizations, the next step involves how funds are made available to states. Typically, federal programs operate using appropriated budget authority which means that funds, although authorized, are not available until passage of an appropriations act. However, most programs within the FAHP do not require this two-step process. Through what is termed “contract authority” (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the FAHP, funds authorized for a FFY are available for distribution through apportionments or allocations. The use of contract authority gives the states advance notice of the level of federal funding at the time an authorization act is enacted, eliminating much of the uncertainty associated with the authorization-appropriation sequence.

Apportionment and Allocations

For most components of the FAHP, the authorization act sets the distribution of contract authority to be apportioned and/or allocated to the states. The authorized amount for a given federal fiscal year is distributed to the states through apportionments and allocations.

(a) Apportionments. The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid funds are distributed to states through apportionments. Each FFY, FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute. Apportionment factors include items such as lane miles, vehicle miles traveled, taxes paid into the HTF and diesel fuel usage. Prior to MAP-21, each highway program had a unique set of factors that determined the apportionments to the states. Under MAP-21, for FFY 2013, each state receives virtually the same total apportionment as in FFY 2012. In FFY 2014, the total amount available for distribution will be divided proportionally among the states based on the share of apportionments each state received for FFY 2012, adjusted, if necessary, to ensure that no state receives less than 95 cents of every dollar it contributed to the HTF. Annual apportionments are generally made on the first day of the FFY.

(b) Allocations. Some categories of the FAHP do not have a legislatively mandated distribution formula. When there are no formulas in law, the distributions of funds are termed “allocations” which may be made at any time during the FFY. In most cases, allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law.

Federal law assures that, notwithstanding the funding it would receive through these formulas, each state shall receive at least a minimum guaranteed amount of funding. The minimum protected funding provision is designed to ensure that each state receives a minimum return on the tax contributions from that state into the Highway Account of the HTF. Under this provision, “donor states” receive a minimum guaranteed level of funding. A donor state is one whose percentage share of national apportionments is less than its percentage share of national contributions to the HTF based on the latest data available at the time of apportionment. These states are guaranteed to receive certain amounts of funding (which amount, as of FFY 2013, is roughly equal to the amount received in FFY 2012, which, for FFY 2012, was the result of multiplying 92% times the state’s percentage share of estimated contributions to the HTF, multiplied against the national level of apportioned funds). In FFY 2014, the minimum guaranteed amount of funding for each state will be increased to 95% times the state’s percentage share of estimated contributions to the HTF multiplied against the national level of apportioned funds. A donee state is one whose percentage share of national apportionments is more than its percentage share of national contributions to the HTF based on the latest data available at the time of apportionment. The District is currently a “donee” state.

See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – The Federal-Aid Highway Program” for a further discussion of apportionments under MAP-21.

Federal-aid highway apportionments are available to states for use for more than one year. Their availability does not terminate at the end of the FFY, as is the case with most other federal programs. In general, apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the amounts are added to a state’s carryover apportionments from the previous year. Should a state fail to obligate a year’s apportionments within the period of availability (usually a total of four years) specified for a given program, the funds will lapse.

Obligation Authority Limitation

The use of most apportionments and allocations is subject to an “obligation ceiling” set forth in SAFETEA-LU and MAP-21 that restricts the amount of apportionments and allocations that FHWA may allow states to obligate towards projects during a specified time period. The obligation ceiling is subject to change and has been changed under SAFETEA-LU as described below.

The ceiling has two purposes: (1) it acts as a budgetary control that limits the rate at which federal-aid funds can be used to ensure that the program is responsive to changes in revenues, and (2) it acts as a “firewall” between highway and transit programs and other federal discretionary programs to the extent discretionary spending budget caps are in place, which prevents funding for highway and transit programs from being reduced in order to increase spending for other federal discretionary programs. The ceiling (or, “firewall amount”) for highways is keyed to the projected receipts to the Highway Account of the HTF and is subject to adjustment on October 15 of each fiscal year. Authorizations for federal-aid highway, motor carrier and other highway safety programs funded from the Highway Account of the HTF will be adjusted (increased or decreased) whenever the highway firewall amount is adjusted to reflect changed estimates of Highway Account revenue; that is, the authorizations (budget authority) will be aligned with the revenue. The adjustment of authorizations is called Revenue Aligned Budget Authority (“RABA”). While the adjustment can be either positive or negative, no negative adjustment will be made in a fiscal year if, as of October 1 of that year, the balance in the Highway Account is more than \$6 billion.

The firewall amount, as adjusted pursuant to RABA adjustments, is a guaranteed level of funding. There is one other category of guaranteed funding, which includes the two surface transportation programs that are mandatory spending programs exempt from the obligation ceiling: (a) \$100 million per year in emergency relief provided in 23 U.S.C. § 125 and (b) \$639 million per year for the Equity Bonus Program. Under SAFETEA-LU, a total of \$244.1 billion in funding for surface transportation programs was guaranteed to be available for obligation from FFYs 2005 through 2009 - \$199 billion for highway and highway safety programs (which includes the discretionary spending firewall amount and mandatory spending) and \$45 billion for transit programs. Put another way, under SAFETEA-LU the obligation ceiling for FFYs 2005 through 2009 was equal to \$244.1 billion. Under MAP-21, the obligation ceiling for FFY 2013 and FFY 2014 is \$39.7 billion and \$40.3 billion, respectively.

Once Congress establishes the obligation ceiling in the annual U.S. DOT appropriations legislation, FHWA divides the obligation ceiling among programs and the states based on a multi-step process. A state’s portion of the obligation ceiling is referred to as its obligation authority. Obligation authority is the amount of such federal revenues that a state may obligate in a given FFY to projects once approved by FHWA. The actual ratio of obligation authority to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the obligation limitation. During the

FFY, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of obligation authority is reduced.

A state's obligation authority (unlike its apportionments and allocations of authorized funding) must be obligated before the end of the FFY for which it is made available; if not, it will be redistributed to other states to ensure that the total obligation limitation nationwide will be used. A state may receive additional obligation authority through a redistribution process each year in August which reallocates obligation authority from states or programs unable to fully obligate their share to other states that are able to obligate more than their initial share. The District has historically used all of its obligation authority in each FFY and has annually received additional obligation authority that has been redistributed by FHWA. During TEA-21 (FFYs 1998-2003), the District received a total of \$8.9 million in redistributed obligation authority, approximately 1.8% of total obligation authority received. Under SAFETEA-LU, as extended (FFYs 2004-2011), the District has received a total of \$58.1 million in redistributed obligation authority. This accounted for approximately \$7.3 million in funding each year, or an average of 5.5% of the total obligation authority received by the District.

The distribution and redistribution of the individual state ceilings do not constitute a grant or a retraction of apportioned and allocated sums. A state already has received apportionments or allocations as a result of authorizations in highway acts; the limitation is only how much of the state's total unobligated balance of apportionments and allocations that the state may obligate during a given fiscal year. Although a ceiling on obligations restricts how much funding may be used in a FFY, the state has flexibility within the overall limitation to mix and match the type of program funds it obligates, based on its individual needs, so long as it does not exceed the ceiling in total. Also, generally, the unobligated balance of apportionments or allocations that the state has remaining at the end of any FFY is carried in subsequent FFYs and is available for use, contingent upon the availability of obligation authority issued in each year.

Rescission

Since the passage of SAFETEA-LU, Congress has taken ten separate actions to reduce SAFETEA-LU's authorized (and unobligated) spending levels by issuing rescissions: three actions for FFY 2006, two for FFY 2007, one for FFY 2008, two for FFY 2009, one for FFY 2010 and one for FFY 2011.

During FFYs 2006 through 2009, approximately 8% of the District's annual apportionment was rescinded each year. In FFY 2010, approximately 5.1% of the District's annual apportionment was rescinded and in FFY 2011, approximately 6.8% of the District's annual apportionment was rescinded. However, rescissions to date have not been large enough to impact the District's obligation authority.

Lapsing of Authorization

All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that FHWA usually can continue to provide obligation authority by administrative action.

Though recent federal surface transportation legislation has been authorized for four to six years at a time, there occasionally have been periods in which the previous authorizing legislation had expired and the future legislation had yet to be enacted. In such circumstances, Congress and/or FHWA have found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states in such instances. Two mechanisms in particular have kept revenues flowing: (i) providing states with the ability to utilize unobligated balances of federal aid funds and (ii) extending the most recently expired multi-year authorization statute until new legislation can be enacted. For example, TEA 21 expired on September 30, 2003 and Congress enacted twelve interim authorization measures until the enactment of SAFETEA-LU on August 10, 2005. Similarly, SAFETEA-LU has been extended as described above. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – The Federal-Aid Highway Program.”

Although these measures have been enacted by Congress and/or FHWA in the past, no assurance can be given that such measures would or could be enacted in the future to maintain the flow of federal-aid funding upon termination of an authorization period.

Project Approval - Highway Program Implementation

In order to receive federal reimbursements for transportation projects, states are required to develop long-range transportation plans that are based on realistic projections of state and federal funding. Projects are not eligible for federal reimbursements unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans and are included in a state’s state transportation improvement program (“STIP”). A STIP (i) typically covers a period of four years, (ii) must be updated every four years (or more frequently if the Governor of a state or the Mayor of the District elects to update more frequently), (iii) lists all projects proposed for financing during the time period covered by the STIP and (iv) must be approved by FHWA. The District’s STIP covers a period of six years.

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states.

States may request FHWA approval for eligible projects either through the traditional process or through the advance construction procedure as discussed below:

(a) Traditional Approach. Under the traditional highway funding approach, FHWA approves the full federal share of the funding for a project at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funds on a project. The project sponsor submits plans, specifications and estimates (“PS&E’s”) for a project to the FHWA Division Office, and requests that FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and PS&Es must identify the category of federal funding that will be used.

FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements. Provided that all requirements are satisfied, FHWA authorizes federal participation on the project, and obligates the federal share of project costs. By obligating the funds, FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of the state’s obligation authority, and also sets aside an equivalent amount

of apportionments by program. Accordingly, the state must have sufficient obligation authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. The state will award the contract to the lowest responsive bidder and submits a modified agreement to FHWA requesting any necessary adjustments to federal funding to reflect the actual bid amount. The project agreement identifies the funds that are estimated to be expended by the state and the amount that will be reimbursed by the federal government.

(b) Advance Construction Approach. In recent years, FHWA has implemented several new fiscal management techniques that provide states additional flexibility in managing their obligation authority and cash flow. Advance construction and partial conversion of advance construction are two key techniques that facilitate Federal Project funding.

The advance construction approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the full federal share of costs at the beginning of the project. This allows states to begin a project before accumulating all of the obligation authority needed to cover the federal share of the project. Similar to the traditional approach, the state submits PS&E's to FHWA and requests project authorization. Under advance construction, however, FHWA is asked to authorize the project without obligating federal funds. The state will provide the up front financing for the project and then at a later date "convert" the advance construction project to a regular Federal Project and obligate the full federal share of the project costs, when sufficient obligation authority is available. At the time of conversion, the state can be reimbursed for the federal share of costs incurred up to the point of conversion.

Partial conversion of advance construction is a form of advance construction in which the state converts, obligates, and receives reimbursement for only a portion of its funding of an advance construction project in a given year. This removes any requirement to wait until the full amount of obligation authority for the project is available. The state can therefore obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's obligation authority is available. Using the technique to partially convert the federal share makes bond and note financing more viable and federal-aid funds available to support a greater number of projects. The National Highway System Act of 1995 (the "NHS Act") provided additional flexibility in the use of advance construction by allowing partial conversion of advance construction as implemented through a Federal Register Notice dated July 19, 1995.

Obligation

When a project is approved by FHWA and a project agreement is executed, FHWA is then obligated to pay, through reimbursement to a state, the federal share of an approved project's eligible costs. An obligation is a legal commitment, or promise, made by the federal government. Eligible costs may include debt service on obligations issued to finance a project. This obligation process allows the states to award contracts with the assurance that the federal government will reimburse its share of incurred costs.

Reimbursement

The FAHP is a reimbursement program. As work progresses on a federal-aid highway project, a state will pay the contractor for completed work from available state funds. The state electronically transmits vouchers for the federal share of completed work and certifies to FHWA that the claims for payment are in accordance with the terms of the project agreements, and applicable state and federal laws

or regulations. After review and approval by the FHWA Division Office, payment is scheduled for the date requested by the state. Payment is transferred directly from a Federal Reserve Bank to the state's financial institution account by wire transfer, and is generally scheduled to be made within two days of the submission of the state's electronic bill.

Special Federal Provisions Relating to Debt-Financed Projects

The NHS Act made several changes affecting the financing of federal-aid highway projects. Section 311 of the NHS Act significantly expanded the eligibility of bond, notes and other debt instrument financing costs for federal-aid reimbursement. This change to the FAHP was codified into permanent highway law as an amendment to Section 122 of Title 23. Under Section 122, various debt-related costs became eligible for reimbursement, including principal and interest payments, issuance costs, insurance, and other costs related to a financing.

FHWA has issued guidelines for debt-financed projects. Key provisions of these guidelines are as follows:

- The project must be approved as a federal-aid, debt-financed (bond, certificate, note or other debt instrument) project in order to receive payments for eligible debt-related costs under Section 122 of Title 23. Once a project is selected for debt financing, the project is submitted to the appropriate FHWA Division Office for approval as an advance construction project under Section 115 of Title 23. This designation ensures that the project will follow federal-aid procedures and will preserve the eligibility to reimburse debt-related costs through future federal-aid fund obligations.
- Debt-financed projects are subject to requirements of the Federal Clean Air Act and federal air quality conformity requirements.
- When the project agreement is signed, a state may elect to seek reimbursement for debt service and/or related issuance costs in lieu of reimbursement for construction costs. If a state elects to receive debt service reimbursements, a debt service schedule will be included in the project agreement. When multiple projects are funded with the proceeds of a debt issue, each project will be assigned a prorated share of the debt-related costs.
- To comply with the intent of the fiscally constrained planning process, the federal share of the debt-related costs anticipated to be reimbursed with federal-aid funds over the life of the debt obligations should be designated as advance construction. The planned amount of federal-aid reimbursements (advance construction conversion) should be included in the STIP, in accordance with FHWA procedures.
- Periodic debt service payments (federal-aid reimbursements) on the debt obligations would represent partial conversions of designated advance construction amounts to federal aid. A state can obligate such federal aid annually over the life of the permanent financing or a state can make the conversion in one lump sum upon completion to help take out construction financing. This would follow the normal procedures for conversion of an advance construction project.
- A state may seek federal-aid reimbursements for eligible debt-related costs as the costs are incurred. Issuance costs, debt service payments, and incidental costs represent costs incurred that may be reimbursed with federal-aid funds to the extent such costs are deemed eligible.

- A state may make arrangements with FHWA Division Office regarding the procedures under which it would submit a billing to FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements could be received shortly before the debt service payment due date.
- A state may designate a trustee or other depository to receive federal-aid debt service payments directly from FHWA.
- FHWA has, pursuant to the terms of the Memorandum of Agreement, approved the Project as a “debt-financed” project.

THE DISTRICT’S PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM

The availability of Federal Transportation Funds to DDOT and/or the Trustee and the resulting ability to meet the debt service requirements on the Series 2012 Bonds will depend on several factors, most importantly, the amount of funding provided to the District by the federal government under the FAHP and the District’s ability to use such funding. The sections below summarize the recent history of funding levels provided to the District under FAHP, the District’s use of such funding, and the anticipated funding levels that will be made available to the District under the SAFETEA-LU or subsequent legislative reauthorization of FAHP. In addition, certain other information is provided regarding federal equity provisions and the District’s potential ability to utilize future available funding for Federal Projects.

Funding History

Role of Obligation Authority. The culmination of the federal authorization and appropriation process for the FAHP is the provision of obligation authority to a state. Obligation authority, which is apportioned to states on an annual basis, sets the upper limit on the federal government’s commitment to pay, through reimbursements, its share of eligible expenditures on approved projects. Thus, current year obligation authority plus prior years’ obligation authority obligated but not yet expended determines the maximum amount of Federal Transportation Aid that a state may receive under FAHP. Although annual obligation authority is not a direct representation of the amount of reimbursements a state will receive under FAHP in a given year due to lags in spending and special appropriations, obligation authority levels will determine over time the amount of reimbursements that a state may receive. See also “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS - Federal-Aid Funding Procedures” herein.

Obligation Authority Provided to the District. Since the advent of the modern multi-year federal authorization acts in 1982, the District has received substantial funding through the FAHP. The table below details the amount of obligation authority made available to the District from FFY 2003 through FFY 2011 and the ten-month period ending July 31, 2012.

The District’s federal highway funding has increased substantially as a result of recent reauthorizations of the FAHP. The District’s federal highway funding has increased an average of 5.1% with each successive reauthorization of the FAHP since 1987. No assurance can be given that the District’s federal highway funding will continue to increase or remain at the same levels in the future.

**District of Columbia
History of Apportionments and Obligation Authority**

FFY ⁽¹⁾ Ending Sept. 30	Total Apportionment ⁽²⁾	Earmarks ⁽³⁾	ARRA	Net Apportionment ⁽⁴⁾	Obligation Authority ⁽⁵⁾
2003	\$478,619,008	\$0	N/A	\$106,458,716	\$105,510,588
2004	\$468,256,672	\$8,691,964	N/A	\$126,151,779	\$114,039,251
2005	\$503,962,114	\$60,618,411	N/A	\$125,353,936	\$118,005,785
2006	\$526,528,453	\$0	N/A	\$164,251,867	\$125,506,323
2007	\$565,690,280	\$1,870,000	N/A	\$138,196,042	\$133,932,696
2008	\$592,528,486	\$0	N/A	\$134,777,601	\$131,577,920
2009	\$490,219,920	\$0	\$123,507,842	\$150,565,626	\$133,241,479
2010	\$499,688,203	\$0	N/A	\$165,557,014	\$148,740,268
2011	\$469,199,658	\$0	N/A	\$165,578,146	\$163,089,136
2012	\$482,433,552	\$0	N/A	\$154,556,290	\$154,219,853

Source: DDOT (as derived from FHWA data from the Fiscal Management Information System (FMIS)).

(1) FFY means federal fiscal year.

(2) Total apportionments include carryover amounts from prior FFYs.

(3) Earmarks shown include only funding that is loaded into FHWA's FMIS system for the fiscal year listed. Earmarks passed in Congress may be entered into FMIS in subsequent fiscal years. States (including the District of Columbia) may need to apply for the Congressional earmarks once they are passed. Customarily, a small amount of the approved earmark may be withheld, thus only a portion of the approved earmark will be loaded into FMIS and made available to a state (including the District of Columbia).

(4) Earmarks and ARRA are not included in Net Apportionment.

(5) Obligation authority includes redistributed obligation authority. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS - Federal Aid Funding Procedures" herein for a description of the District's redistributed obligation authority.

Based upon the enactment of MAP-21, DDOT has been informed by FHWA that its apportionment for FFY 2012 is approximately \$154.6 million, which does not include any redistribution expected to be received by the District. The District has also been informed that it will receive approximately \$8,554,862.00 in redistributed obligation authority for FFY 2012. Further, as provided in MAP-21, for FFY 2013, the District expects to receive an apportionment equal to its apportionment in FFY 2012. In FFY 2014, MAP-21 provides that the total amount available for distribution will be divided proportionally among the states based on the share of apportionments each state received for FFY 2012, adjusted, if necessary, to ensure that no state receives less than 95 cents of every dollar it contributed to the HTF. FHWA has estimated the District's apportionments for FFY 2013 and FFY 2014 at approximately \$154.6 million and \$155.9 million, respectively.

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The table below details the amount of reimbursements received by the District under FAHP for the District's fiscal years 1990 through 2011 and the 11½ -month period ending September 14, 2012.

District of Columbia Federal Reimbursements Received			
District FY Ending September 30	Federal Reimbursement Received	District FY Ending September 30	Federal Reimbursement Received*
1990	\$67,842,285.48	2001	\$185,842,391.63
1991	\$86,135,299.78	2002	\$140,372,925.06
1992	\$74,367,310.56	2003	\$151,716,274.56
1993	\$47,304,036.62	2004	\$116,619,324.59
1994	\$69,853,122.34	2005	\$126,711,049.02
1995	\$69,511,721.20	2006	\$106,511,766.51
1996	\$44,219,557.48	2007	\$128,326,681.46
1997	\$62,717,165.51	2008	\$168,532,427.49
1998	\$85,465,942.34	2009	\$132,703,531.83
1999	\$64,368,698.16	2010	\$190,038,986.99
2000	\$119,764,986.23	2011	\$176,036,413.58
		11½ -month period ending 9/14/2012	\$200,314,965.25

Source: DDOT (as derived from FHWA data from the Rapid Approval & State Payment System).

* Federal reimbursements may be more or less than obligation authority in any given year due to lags in the timing of such reimbursements from FHWA.

Future Utilization of Federal Transportation Aid

DDOT believes that sufficient Federal Transportation Funds will be received during the term of the Series 2012 Bonds to pay debt service on the Series 2012 Bonds. Various factors beyond the control of DDOT may affect DDOT's ability to do so, including, without limitation, subsequent reauthorizations, federal budgetary limitations and other possible changes in the FAHP that cannot now be anticipated.

Under the FAHP, as projects are approved by FHWA, the aggregate dollar amount of each contract relating thereto will be obligated against the remaining annual amount of obligation authority that is still available to the District. The District will then pay the amounts owed under each contract as the work progresses and receive reimbursement from the federal government for the federal share of the total costs. The aggregate amount of reimbursements received by the District in any year is not necessarily equal to the District's apportionment for that year. Projects and contracts can extend over a number of years which means that the aggregate amount made available to a state in any one year, if fully obligated, may be received as reimbursement over a longer period of time relating to the actual pace of construction. DDOT expects that the District will have sufficient projects which will qualify as Federal Projects and allow it to access all of the Federal Transportation Aid made available to it. DDOT also fully expects that the future anticipated funding levels will be sufficient to meet future debt-service obligations.

LITIGATION

There is no litigation pending against the District in any court or, to the knowledge of the Attorney General for the District of Columbia, threatened, which may have the effect of restraining or enjoining the issuance, delivery, or payment of the Series 2012 Bonds, which would adversely affect the obligations of the District or the Mayor under the Series 2012 Bonds or the performance of the obligations of the District or the Mayor under the Series 2012 Bonds, which contests the District entering into any agreement entered into in connection with the authorization, issuance, or sale of the Series 2012

Bonds or which in any way contests or may call into question the validity or enforceability of the Series 2012 Bonds.

TAX MATTERS

In the opinion of Squire Sanders (US) LLP, Bond Counsel, under existing law: (i) interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) the Series 2012 Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2012 Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the District contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2012 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the District’s certifications and representations or the continuing compliance with the District’s covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the District may cause loss of such status and result in the interest on the Series 2012 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2012 Bonds. The District has covenanted to take the actions required of it for the interest on the Series 2012 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2012 Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel’s attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2012 Bonds or the market value of the Series 2012 Bonds.

A portion of the interest on the Series 2012 Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2012 Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-

exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2012 Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2012 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2012 Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Council of the District. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2012 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2012 Bonds will not have an adverse effect on the tax status of interest on the Series 2012 Bonds or the market value or marketability of the Series 2012 Bonds. These adverse effects could result, for example, from changes to federal or District income tax rates, changes in the structure of federal or District income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2012 Bonds from gross income for federal or District income tax purposes for all or certain taxpayers.

For example, both the American Jobs Act of 2011 proposed by President Obama on September 12, 2011, and introduced into the Senate on September 13, 2011, and the federal budget for fiscal year 2013 as proposed by President Obama on February 13, 2012, contain provisions that could, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt obligations, including the Series 2012 Bonds, if they have incomes above certain thresholds.

Prospective purchasers of the Series 2012 Bonds should consult their own tax advisers regarding pending or proposed federal and District tax legislation and court proceedings, and prospective purchasers of the Series 2012 Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the owners of the Series 2012 Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2012 Bonds, under current IRS procedures, the IRS will treat the District as the taxpayer and the beneficial owners of the Series 2012 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2012 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2012 Bonds.

Original Issue Premium

Certain of the Series 2012 Bonds ("Premium Bonds") as indicated on the inside cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax

purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

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

FINANCIAL ADVISORS

Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania and Public Resources Advisory Group, New York, New York (collectively, the "Financial Advisors") have provided certain services to the District in connection with the issuance of the Series 2012 Bonds, and have assisted in the preparation of this Official Statement. The Financial Advisors are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

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

LEGAL INVESTMENT IN DISTRICT OBLIGATIONS

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

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2012 Bonds will be subject to the approving opinion of Squire Sanders (US) LLP, Washington, D.C., Bond Counsel to the District, which will be furnished at the expense of the District upon delivery of the Series 2012 Bonds in substantially the form set forth as APPENDIX D.

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

CONTINUING DISCLOSURE

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

The District is required to provide, by no later than five months after the end of its fiscal year (i.e., by March 1), financial information and operating data on an annual basis pursuant to continuing disclosure agreements entered into in connection with prior issuances of bonds. That financial information and operating data is contained in the District’s Comprehensive Annual Financial Report (“CAFR”), and accordingly the District satisfies its continuing disclosure agreements by filing its annual CAFR. The fiscal year 2007 CAFR was not released until March 31, 2008, and was provided to the national repositories at that time. The District notified the national repositories that the annual filing of the fiscal year 2007 CAFR would be delayed. The District has otherwise complied with its continuing disclosure agreements during the past five years.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Ratings Services (“S&P”) have assigned ratings to the Series 2012 Bonds of “Aa2” (rating under review) and “AA” (negative outlook) respectively. On September 25, 2012, Moody’s announced that the ratings on the Series 2012 Bonds, as well as the Series 2011 Bonds and twenty-six other grant anticipation revenue bond ratings of other issuers, were under review for possible downgrade as Moody’s believes federal transportation aid is subject to increased risk. Moody’s indicated it expects to complete its review within 30 to 60 days. A rating, including any related outlook with respect to potential changes in such rating, reflects only the view of the rating agency assigning such rating and is not a recommendation to buy, sell or hold the Series 2012 Bonds. An explanation of the procedure and methodology used by each rating agency and the significance of the ratings may be obtained from Moody’s Investors Service, Inc., 7 World Trade Center, New York, New York and Standard & Poor’s Ratings Services, 55 Water Street, New York, New York. The District furnished to Moody’s and S&P certain materials and information respecting itself. Generally, rating agencies base their ratings on such materials and information, and on their own investigations, studies and assumptions. Such ratings may be changed at any time and no assurance can be given that they will not be revised, downgraded or withdrawn entirely by any such rating agencies. Any such downgrade, revision or withdrawal of a rating may have an effect on the market price of or market for the Series 2012 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

UNDERWRITING

The underwriters identified on the cover of this Official Statement (the “Underwriters”) have agreed to purchase the Series 2012 Bonds from the District at an aggregate price of \$ 50,355,076.84, reflecting the principal amount of the Series 2012 Bonds of \$42,935,000.00, plus the original issue premium of \$7,723,387.50 less the Underwriters’ discount of \$303,310.66.

The obligation of the Underwriters to purchase the Series 2012 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement relating to the Series 2012 Bonds, dated September 28, 2012, between the District and the Underwriters. The Series 2012 Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial public offering prices, and such initial offering prices may be changed from time to time, by the Underwriters.

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

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association (“WFBNA”), one of the underwriters of the Series 2012 Bonds, has entered into an agreement (the “Distribution Agreement”) with Wells Fargo Advisors, LLC (“WFA”) for the retail distribution of certain municipal securities offerings, including the Series 2012 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2012 Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

The Underwriters affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

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EXECUTION OF OFFICIAL STATEMENT

This Official Statement has been approved by the District for distribution to prospective purchasers of the Series 2012 Bonds.

DISTRICT OF COLUMBIA

By: /s/ Natwar M. Gandhi
Natwar M. Gandhi
Chief Financial Officer

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APPENDIX A

DEFINITIONS OF CERTAIN TERMS

The following terms shall have the following meanings in the Master Indenture and for all purposes of this Official Statement. Terms that are defined in the body of the Official Statement are in general not otherwise defined in this APPENDIX A.

Act means the Transportation Infrastructure Improvements GARVEE Bond Financing Act of 2009, effective September 23, 2009 (D.C. Law 18-54; D.C. Official Code §§ 9-107.51-.62), as amended.

Additional Bonds means any revenue bonds enjoying a Senior Lien on Pledged Revenues issued pursuant to the Master Indenture. Additional Bonds shall not include the Initial Bonds.

Authorized District Representative means the Chief Financial Officer, the District of Columbia Treasurer, or any deputy mayor of the executive office of the Mayor to whom the Mayor has delegated any of the Mayor's functions under the Act pursuant to Section 422(6) of the Home Rule Act.

Bond Counsel means an attorney or firm of attorneys, selected by the District, of national recognition experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

Bond Register means the books of the District with respect to the registration and transfer of Bonds kept by the Trustee, as Bond Registrar.

Bond Registrar means the Trustee, unless otherwise set forth in a Supplemental Indenture.

Bonds means the Federal Highway Grant Anticipation Revenue Bonds, and any Subordinate Lien Bonds authorized and issued under the Master Indenture and any Supplemental Indenture, including the Initial Bonds and any Additional Bonds.

Bond Year means the period commencing on December 1 of each year and ending on November 30 in the following year.

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

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

Construction Fund means each construction fund created pursuant to the Master Indenture.

Contracts means, with respect to any Bonds, the Credit Facility Reimbursement Agreements and Qualified Hedge Agreements relating to such Bonds.

Counsel means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

Credit Facility means a line of credit, letter of credit, insurance policy, surety bond, standby bond purchase agreement or similar facility established to provide credit or liquidity support in connection with the issuance of any Bonds.

Credit Facility Reimbursement Agreement means the reimbursement agreement, line of credit agreement or similar agreement, if any, between the District and a Credit Facility Provider providing for the repayment by the District to such Credit Facility Provider of draws under the related Credit Facility.

Credit Facility Provider means the provider or issuer, as applicable, of a Credit Facility.

DDOT means the District of Columbia Department of Transportation.

Debt Service Reserve Subaccount Requirement means, with respect to each Senior Lien Bonds Debt Service Reserve Subaccount as of any particular date of computation, an amount equal to Maximum Annual Debt Service due on such Outstanding series of Senior Lien Bonds; provided, however, that a Supplemental Indenture either may provide an amount different from Maximum Annual Debt Service, or not require a Debt Service Reserve Subaccount Requirement. There is no Debt Service Reserve Subaccount Requirement for the Series 2012 Bonds.

Default means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

Defeasance Securities means (a) Government Obligations, and (b) obligations issued by United States of America government agencies or subsidiary corporations, in either case as to which the full and timely payment of the principal of, premium, if any, and the interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book entry form on the books of the Department of the Treasury of the United States of America).

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

(i) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest Rating Category of any Rating Agency; or

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

Direct Subsidy Payments means the direct subsidy payments relating to the Bonds and received by the District from the United States Treasury (or the Federal Government) in an amount equal to a percentage of the interest paid on Build America Bonds pursuant to Section 6431 of the Code, or any successor thereto.

Eligible Investments means and include any of the following securities, if and to the extent the same are at the time legal for investment of District funds:

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

Event of Default means any of the events specified in the Master Indenture and described in the section “Defaults; Events of Default” in APPENDIX B.

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

Federal Aid Agreement means one or more agreements or memoranda of understanding among the District and FHWA pursuant to which FHWA has approved a Federal Project as a federal highway construction project eligible for Federal Transportation Funds, as such agreement or agreements may be amended or modified or replaced by another agreement or memoranda from time to time.

Federal Aid Authorization means, as applicable, (a) Title 23 of the United States Code, (b) any extension of Title 23, or (c) any successor to Title 23 authorizing federal funding of state highways.

Federal Highway Grant Anticipation Revenue Bonds means any Bonds issued having a Senior Lien on the Federal Transportation Funds.

Federal Project means any eligible project under Title 23.

Federal Transportation Funds means all revenues and funds received by or on behalf of, or available to the District pursuant to Federal Aid Authorization that are legally available for the payment of the debt service on any Outstanding Bonds and for the reimbursement of eligible costs related to a Federal Project.

Fitch means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns.

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

Hedge Agreement means any type of contract or arrangement: (i) known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) to exchange cash flows or payments or series of payments; (iv) called, or designed to perform the function of, interest rate floors or caps, options, puts or calls or to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) that the District determines is to be used, or is intended to be used, to manage or reduce the cost of indebtedness, to convert any element of indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

Hedge Agreement Counterparty means, with respect to a Hedge Agreement, the person that is identified in such agreement as the counterparty to, or contracting party with, the District.

Hedge Agreement Counterparty Events means the events collectively specified in the Master Indenture and described as Hedge Agreement Counterparty Events in the section “Defaults; Events of Default” in APPENDIX B.

Hedge Indebtedness means any Bonds issued under the Master Indenture with respect to which the District has entered into a Qualified Hedge Agreement.

Indenture means the Master Trust Indenture as amended and supplemented from time to time by any Supplemental Indentures.

Independent Counsel means any Counsel not an employee on a full-time basis of the District or of the District (but who or which may be regularly retained by either).

Initial Bonds means the \$82,610,000 District of Columbia Federal Highway Grant Anticipation Revenue Bonds, Series 2011 issued pursuant to the First Supplemental Indenture, dated as of even date with the Master Indenture, between the District and the Trustee.

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

Maximum Annual Debt Service means the greatest of the amounts required to be paid or set aside during the current or any single future District fiscal year for payment of debt service on all Outstanding Senior Lien Bonds, whether at maturity or upon mandatory redemption; provided, however, unless otherwise set forth in a Supplemental Indenture, that the interest for future periods on any Senior Lien Bonds that bear interest at a variable rate (including commercial paper notes) shall be calculated at a rate equal to the SIFMA Municipal Swap Index related to such variable rate Senior Lien Bonds (including commercial paper notes), plus one percent (1.0%) and shall include the fees payable to any Credit Facility Providers and remarketing agents and any Scheduled Hedge Payments in connection therewith. For purposes of determining the Maximum Annual Debt Service for any series of Bonds 25 percent or more of the original principal amount of which is due in any 12-month period, the assumptions for the amortization of the principal of such Bonds shall be set forth in the related Supplemental Indenture.

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

Obligation Authority means the amount of funds allocated by FHWA pursuant to Federal Aid Authorization to the District for each federal fiscal year.

Other Hedge Payments means any payments, other than Scheduled Hedge Payments, payable by the District to a Qualified Hedge Agreement Counterparty pursuant to a Qualified Hedge Agreement, including, without limitation, termination payments, fees, expenses, and indemnity payments.

Outstanding when used with respect to the Bonds, means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds cancelled because of payment at, or purchase or redemption prior to, maturity;
- (b) Bonds for the full payment or redemption of which cash funds (or Defeasance Securities to the extent permitted in the Discharge of Lien provisions of the Master Indenture and described in APPENDIX B) shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee;
- (c) Bonds in lieu of which others have been authenticated under the Master Indenture, unless proof satisfactory to the Trustee and the District is presented that any such Bond is held by a bona fide holder in due course; and

(d) for purposes of any consent or other action to be taken by the Owners of a specified percentage of Outstanding Bonds hereunder, all Bonds held by or for the account of the District.

Owner means the registered owner of any Bond.

Paying Agent means the Trustee, unless otherwise set forth in a Supplemental Indenture pursuant to the Master Indenture.

Person or **person** means any natural person, corporation, cooperative, limited liability company, partnership, trust or unincorporated organization, government or governmental body or agency, political subdivision or other legal entity as in the context may be appropriate.

Pledged Revenues means:

(a) all Federal Transportation Funds that are paid to the District or the Trustee, including those held in the Transportation Infrastructure Improvement Fund or in any other funds of the District, together with the right of the District to receive such funds;

(b) Direct Subsidy Payments;

(c) amounts received from a Qualified Hedge Agreement Counterparty pursuant to a Qualified Hedge Agreement; and

(d) all interest earned and gains realized on Eligible Investments (i) except for earnings and gains on any investments in the Rebate Fund and (ii) unless the Master Indenture or any Supplemental Indenture specifically requires such interest earned or gains realized to remain in a particular fund or account and does not therefore constitute Pledged Revenues.

Principal Office when referring to the Trustee, means the office designated in the Master Indenture, and when referring to any other Person, means the office thereof designated in writing to the Trustee and the District.

Principal Payment Date means each December 1 unless a different Principal Payment Date is established with respect to a particular series of Bonds by the Supplemental Indenture providing for the issuance of such Bonds.

Program Fee and Expenses means the reasonable fees and expenses of the Trustee and Trustee's counsel incurred under the Master Indenture with respect to any series of Bonds.

Program Fee and Expenses Account means the Program Fee and Expenses Account established in the Transportation Infrastructure Improvement Fund pursuant to the Master Indenture.

Program Fee and Expenses Subaccount means each of the Program Fee and Expenses Subaccounts established in the Program Fee and Expenses Account of the Transportation Infrastructure Improvement Fund pursuant to the Master Indenture.

Qualified Hedge Agreement means any Hedge Agreement with a Qualified Hedge Agreement Counterparty that is secured by Pledged Revenues on a parity as to lien on the Trust Estate securing the related Bonds pursuant to the Master Indenture.

Qualified Hedge Agreement Counterparty means any Hedge Agreement Counterparty who satisfies the requirements set forth in the District's Swap Policy.

Rating Agency means, collectively, Moody's and S&P, if and to the extent any such entity at the time maintains a published credit rating on any Bonds Outstanding.

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

Rebate Fund means the Rebate Fund created pursuant to the Master Indenture.

Redemption Account means the Redemption Account established in the Transportation Infrastructure Improvement Fund pursuant to the Master Indenture.

Redemption Subaccount means each of the Redemption Subaccounts established in the Redemption Account of the Transportation Infrastructure Improvement Fund pursuant to the Master Indenture.

Reserve Account Credit Facility means any a letter of credit, insurance policy, surety bond or other credit facility delivered to the Trustee, for deposit into any Senior Lien Bonds Debt Service Reserve Subaccount in satisfaction of any Debt Service Reserve Subaccount Requirement and issued by a financial institution whose long-term rating is in one of the two highest Rating Categories of a Rating Agency.

Scheduled Hedge Payments means the amounts payable by the District to a Qualified Hedge Agreement Counterparty pursuant to a Qualified Hedge Agreement calculated by the application of a specified rate of interest to a notional principal amount; provided, however that the term "Scheduled Hedge Payments" shall not include Other Hedge Payments.

Senior Lien means a lien on Pledged Revenues that entitles the beneficiaries of such lien to have a claim on such Pledged Revenues prior to any other Person and ahead of the use of such Pledged Revenues for any other purpose; provided one or more series of Bonds, and any Contracts related thereto, may have parity Senior Liens on Pledged Revenues pursuant to the terms of the Master Indenture.

Senior Lien Bonds means the Federal Highway Grant Anticipation Revenue Bonds.

Senior Lien Bonds Debt Service Account means the Senior Lien Bonds Debt Service Account established in the Transportation Infrastructure Improvement Fund pursuant to the Master Indenture.

Senior Lien Bonds Debt Service Reserve Account means the Senior Lien Bonds Debt Service Reserve Account established in the Transportation Infrastructure Improvement Fund pursuant to the Master Indenture.

Senior Lien Bonds Debt Service Reserve Subaccount means each of the Senior Lien Bonds Debt Service Reserve Subaccounts established in the Senior Lien Bonds Debt Service Reserve Account of the Transportation Infrastructure Improvement Fund pursuant to the Master Indenture.

Senior Lien Bonds Debt Service Subaccount means each of the Senior Lien Bonds Debt Service Subaccounts established in the Senior Lien Bonds Debt Service Account of the Transportation Infrastructure Improvement Fund pursuant to the Master Indenture.

Subordinate Lien Bonds means revenue bonds or other obligations of the District primarily payable from and secured by a lien on Pledged Revenues expressly junior and subordinate to Senior Lien Bonds.

Subordinate Lien Bonds Debt Service Account means the Subordinate Lien Bonds Debt Service Account established in the Transportation Infrastructure Improvement Fund pursuant to the Master Indenture.

Supplemental Indenture means any trust indenture supplemental to or amendatory of the Master Indenture providing for the issuance of a particular series of Bonds in accordance with the Master Indenture or otherwise amending the Master Indenture in accordance with the Master Indenture.

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

Transportation Infrastructure Improvement Fund means the fund established pursuant to Section 9-107.53 of the D.C. Official Code and Section 4 of the Act, and maintained pursuant to the Master Indenture, which includes all accounts created pursuant to the Master Indenture, or pursuant to any Supplemental Indenture.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

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

REVENUES AND FUNDS

Application of Bond Proceeds

The Master Indenture provides that all proceeds of the Bonds of any series, upon their issuance, sale and delivery, are to be deposited into the applicable funds or accounts specified, in accordance with the provisions of the Supplemental Indenture authorizing the issuance of those Bonds. The Master Indenture further provides that such proceeds are to be applied solely for purposes for which amounts in the funds and accounts, respectively, may be applied in accordance with the provisions of the Master Indenture and the related Supplemental Indenture.

Creation of Funds

The Act creates the Transportation Infrastructure Improvement Fund as a nonlapsing special fund separate and apart from the General Fund of the District to be held and administered by the District. In addition to the funds and accounts created by other provisions of the Master Indenture and each Supplemental Indenture, the Master Indenture creates and establishes the following funds and accounts, which are trust funds to be held in trust by the Trustee:

- (a) within the Transportation Infrastructure Improvement Fund, the following accounts:
 - (i) Senior Lien Bonds Debt Service Account, and therein a separate subaccount for each series of Federal Highway Grant Anticipation Revenue Bonds;
 - (ii) Senior Lien Bonds Debt Service Reserve Account, and therein, to the extent required by a Supplemental Indenture, a separate subaccount for each series of Federal Highway Grant Anticipation Revenue Bonds;
 - (iii) Redemption Account, and therein, to the extent required by a Supplemental Indenture, a separate subaccount for each series of Federal Highway Grant Anticipation Revenue Bonds;
 - (iv) Subordinate Lien Bonds Debt Service Account;
 - (v) Program Fee and Expenses Account, and therein a separate subaccount for each series of Federal Highway Grant Anticipation Revenue Bonds;
- (b) separate Construction Funds for each series of Bonds; and
- (c) Rebate Fund, and therein a separate subaccount for each series of Federal Highway Grant Anticipation Revenue Bonds, which is a trust account but does not constitute a part of the Trust Estate.

Transportation Infrastructure Improvement Fund; Senior Lien Bonds Debt Service Account

The Master Indenture provides that the following are to be deposited into the Senior Lien Bonds Debt Service Account: (i) all accrued interest received at the time of the issuance of any Bonds; (ii) any capitalized interest from the proceeds of a series of Senior Lien Bonds; (iii) amounts paid to the Trustee, or the District and remitted to the Trustee, pursuant to the Master Indenture; (iv) Direct Subsidy Payments received by the Trustee or the District; (v) moneys transferred from the Senior Lien Bonds Debt Service Reserve Account; (vi) any moneys paid by the District with respect to the mandatory redemption of Senior Lien Bonds; and (vii) all other moneys received by the Trustee accompanied by directions that such moneys are to be deposited into the Senior Lien Bonds Debt Service Account.

The Master Indenture provides that moneys in the Senior Lien Bonds Debt Service Account are to be solely applied in the following order of priority: FIRST, for the payment of the principal of and interest on the Senior Lien Bonds, SECOND, the redemption price of the Senior Lien Bonds subject to mandatory redemption, and THIRD, to make payments to the provider of Credit Facilities and Qualified Hedge Agreements (excluding Other Hedge Payments); provided that moneys representing accrued interest received at the time of the issuance of any series of Senior Lien Bonds are to be used to pay the first interest payment due on such Bonds.

Application of Federal Transportation Funds

The Master Indenture provides that amounts received by the Trustee are to be immediately deposited and used only in the manner and order of priority specified below.

(a) Deposits are to be made into the Senior Lien Bonds Debt Service Account and used in accordance with the provisions of the Master Indenture as described in the section “Transportation Infrastructure Improvement Fund; Senior Lien Bonds Debt Service Account” above.

(b) Federal Transportation Funds are to be deposited to the Senior Lien Bonds Debt Service Reserve Account and used in accordance with the Master Indenture.

(c) Federal Transportation Funds are to be deposited to the Subordinate Lien Bonds Debt Service Account in an amount sufficient to pay debt service on any Subordinate Lien Bonds having a subordinate lien on Pledged Revenues and payments under Contracts relating thereto as and to the extent provided in the Supplemental Indenture authorizing the issuance of such Subordinate Lien Bonds.

(d) Federal Transportation Funds are to be deposited in an amount sufficient to pay all Other Hedge Payments owing to the Qualified Hedge Agreement Counterparties under Qualified Hedge Agreements relating to the Bonds, as certified to the Trustee by an Authorized District Representative.

(e) Federal Transportation Funds are to be deposited to the Program Fee and Expenses Account in an amount sufficient to pay the Program Fee and Expenses.

(f) Federal Transportation Funds are to be deposited, as necessary, in the Rebate Fund as required by the Master Indenture.

Construction Funds

The Master Indenture provides that a separate special trust fund is to be created and established with the Trustee, and therein separate accounts, into which the net proceeds of the sale of each series of Bonds to finance all or a portion of the Project for which such series of Bonds were issued are to be

deposited. Unless otherwise set forth in a related Supplemental Indenture, each Construction Fund contains separate accounts designated as the “General Account” and the “Costs of Issuance Account.” The Trustee, at the written direction of and at the expense of the District, may establish other accounts or subaccounts in each Construction Fund from time to time. Disbursements of amounts on deposit in each Construction Fund are to be made only for payment of the costs of the related Project and costs of issuance of the related Bonds.

Senior Lien Bonds Debt Service Reserve Account

The Master Indenture provides that following actions are to occur with respect to the Senior Lien Bonds Debt Service Reserve Account:

(a) Moneys in each Senior Lien Bonds Debt Service Reserve Subaccount are to be held in trust by the Trustee and applied as provided in the Master Indenture and, pending such application, are to be subject to a lien or charge in favor of the Owners of the respective series of Outstanding Bonds for which such subaccount was created, and for the further security of the Owners of such Bonds until paid out, transferred or released as provided in the Master Indenture.

(b) The Trustee is to deposit to the credit of a Senior Lien Bonds Debt Service Reserve Subaccount such proceeds of the sale of the related series of Senior Lien Bonds, or other available moneys, if any, as prescribed in the Supplemental Indenture authorizing the issuance of such series of Senior Lien Bonds. Moneys held for the credit of a Senior Lien Bonds Debt Service Reserve Subaccount are to be withdrawn by the Trustee and deposited to the credit of the related series Senior Lien Bonds Debt Service Subaccount at the times and in the amounts required to comply with the applicable provisions of the Master Indenture, or deposited to the credit of the related series Redemption Subaccount at the times and in the amounts required to make redemption payments in respect of the related series of Senior Lien Bonds. Amounts in a Senior Lien Bonds Debt Service Reserve Subaccount are pledged to Owners of Senior Lien Bonds of the related series.

(c) (i) Subject to the provisions of the Master Indenture as described in the immediately succeeding paragraph, to the extent that moneys are drawn from a Senior Lien Bonds Debt Service Reserve Subaccount pursuant to the Master Indenture, such moneys are to be replenished upon receipt by the Trustee or the District, as applicable, of (1) amounts paid in arrears to the Trustee, or to the District and remitted to the Trustee, for debt service on the Federal Grant Anticipation Revenue Bonds, and (2) Direct Subsidy Payments paid in arrears to the District and remitted to the Trustee. Upon receipt of amounts as set forth in (1) and (2) of this paragraph, the Trustee is to immediately transfer such amounts from the Senior Lien Bonds Debt Service Account to the applicable series subaccount of the Senior Lien Bonds Debt Service Reserve Account.

(ii) To the extent amounts set forth in subsections (c)(i)(1) and (c)(i)(2) of the immediately preceding paragraph have not been received by the Trustee within thirty (30) days of when such payments were due, the Trustee is to request that any Federal Transportation Funds paid in arrears and on deposit with the Trustee or received by the District or the Trustee, as applicable, on or after the thirty-first (31st) day following when such payments were due, be immediately remitted by the District to the Trustee, if applicable, and applied by the Trustee to each series of Senior Lien Bonds for which a Senior Lien Bonds Debt Service Reserve Subaccount has been designated pursuant to a Supplemental Indenture, on a pro-rata basis, based upon the Debt Service Reserve Subaccount Requirement for each such series of Senior Lien Bonds, until such time as the Debt Service Reserve Subaccount Requirement for each such series is replenished.

(d) The Debt Service Reserve Subaccount Requirement for each series of Senior Lien Bonds may be satisfied by cash or by one or more Reserve Account Credit Facilities, or by any combination thereof as set forth in the applicable Supplemental Indenture; provided, however, that, if at the time moneys are to be withdrawn and one or more Reserve Account Credit Facilities are on deposit, the Trustee is to use cash and obtain payment under each Reserve Account Credit Facility, on a pro-rata basis, based upon the amounts then available to be paid from cash and under such facilities.

(e) (i) If, on any December 2, amounts on deposit in the Senior Lien Bonds Debt Service Reserve Subaccount for any series of Senior Lien Bonds exceed the Debt Service Reserve Subaccount Requirement for such series of Senior Lien Bonds, the District is to direct the Trustee to transfer an amount equal to such excess from the applicable Senior Lien Bonds Debt Service Reserve Subaccount and to deposit such amount into the Program Fee and Expenses Subaccount for such series of Senior Lien Bonds an amount equal to the Program Fee and Expenses for such series of Senior Lien Bonds and the remainder, if any, into the Debt Service Subaccount for such series of Senior Lien Bonds. To effect such a withdrawal, the District is to provide to the Trustee a certificate of an Authorized District Representative specifying (A) the amount of such withdrawal, (B) the Debt Service Reserve Subaccount Requirement for each such series of Senior Lien Bonds following such withdrawal, (C) that the aggregate amount on deposit in the applicable Senior Lien Bonds Debt Service Reserve Subaccount following such withdrawal is to at least equal the Debt Service Reserve Subaccount Requirement for such series of Senior Lien Bonds, and (D) the purpose to which the proceeds of such withdrawal will be applied.

(ii) If, on any December 2, amounts on deposit in the Senior Lien Bonds Debt Service Reserve Subaccount for any series of Senior Lien Bonds is less than the Debt Service Reserve Subaccount Requirement for such Senior Lien Bonds, the District is to transfer from Federal Transportation Funds (if and to the extent the District has Federal Transportation Funds that are available for such purposes), or from such other legally available or other sources as may be set forth in the Supplemental Indenture for that series of Senior Lien Bonds, into the Senior Lien Bonds Debt Service Reserve Subaccount, the amount necessary to cause the sum thereof, together with such moneys as are then on deposit in the applicable Senior Lien Bonds Debt Service Reserve Subaccount, to equal the Debt Service Reserve Subaccount Requirement for such series of Senior Lien Bonds.

(f) Notwithstanding any provisions of the Master Indenture, if, upon a series of Senior Lien Bonds having been deemed to have been paid in accordance with the terms of the Master Indenture as described in the section “Discharge of Lien” below, the moneys and investments held for the credit of a respective Senior Lien Bonds Debt Service Reserve Subaccount will exceed the Debt Service Reserve Subaccount Requirement applicable thereto, then the Trustee is to, simultaneously with such redemption or a deposit made in accordance with the terms of the Master Indenture as described in the section “Discharge of Lien” below, withdraw all or any portion of such excess from such Subaccount and (i) apply such amount to the payment of the principal or redemption price of and interest on such series of Senior Lien Bonds in accordance with the irrevocable instructions by an Authorized District Representative; provided, however, that after such withdrawal the amount remaining in the applicable Senior Lien Bonds Debt Service Reserve Subaccount is not to be less than the Debt Service Reserve Subaccount Requirement applicable thereto.

Redemption Account

(a) The Master Indenture provides that moneys in each Redemption Subaccount of the Redemption Account are to be held in trust by the Trustee and applied for the payment of the redemption price and accrued interest, if any, on the respective series of Bonds in connection with an optional redemption pursuant to the Master Indenture, if notice has been given in accordance with the Master Indenture, and pending such application, are to be subject to a lien or charge in favor of the Owners of the

respective series of Outstanding Bonds and for the further security of such Owners of Bonds until paid out, transferred or released as provided in the Master Indenture.

(b) The Master Indenture provides that, with respect to a series of Bonds, the District is to cause to be deposited into the applicable Redemption Subaccount of the Redemption Account for the payment of the redemption price, plus accrued interest, if any, to the redemption date, upon redemption of a series of Bonds (excluding mandatory redemptions pursuant to the Master Indenture), solely out of Pledged Revenues to be applied and other moneys available to the District and authorized to be used for such purpose, an amount sufficient to pay, when due, the principal and accrued interest to the redemption date, if any, upon a redemption of a series of Bonds. The obligation of the District to cause this deposit to be made under the Master Indenture with respect to a redemption in whole of a series of Senior Lien Bonds is to be reduced by the amount on deposit in the Senior Lien Bonds Debt Service Subaccount for such series of Senior Lien Bonds.

Release of Pledged Revenues

Subject to the requirements of the terms of the Master Indenture as described in the section “Discharge of Lien” below, amounts on deposit in the Transportation Infrastructure Improvement Fund and in other funds held by the District are to be released free and clear of the lien of the Master Indenture on a continuous basis, if and to the extent such amounts are not required to pay the debt service on the Bonds, amounts due under Contracts in the current Bond Year, or replenish the Senior Lien Bonds Debt Service Reserve Account pursuant to the Master Indenture.

Nonpresentment of Bonds

The Master Indenture provides that, in the event any Bond is not presented for payment when the principal thereof becomes due, either at maturity, at the date fixed for redemption thereof, or otherwise, or if any interest check is not cashed, if funds sufficient to pay such Bond or interest are made available to the Trustee for the benefit of the Owner thereof, all liability of the District to the Owner thereof for the payment of such Bond or such interest is to forthwith cease, terminate, and be completely discharged, and thereupon it is the duty of the Trustee to hold such fund or funds, uninvested and without liability for interest thereon, for the benefit of the Owner of such Bond or the payee of such interest check, as the case may be, who is thereafter restricted exclusively to such fund or funds for any claim of whatever nature on its part under the Indenture or on, or with respect to, such Bond or interest.

The Master Indenture provides that any moneys so deposited with and held by the Trustee which are not applied to the payment of such Bond or such interest, if any, within five (5) years after the date on which the same became due (or such earlier date as immediately precedes the date on which such funds would be required to escheat or be payable to the District or any other governmental unit under any laws governing unclaimed funds) are to be transferred to the District, and thereafter Owners are entitled to look only to the District for payment, and then only to the extent of the amount so repaid, and the District is not to be liable for any interest thereon and is not to be regarded as a trustee of such money.

Program Fee and Expenses Account

The Master Indenture provides that moneys in each Program Fee and Expenses Subaccount are to be held in trust by the Trustee and applied as provided in the Master Indenture and, pending such application, are to be subject to a lien or charge in favor of the Owners of the respective series of Outstanding Bonds for which such subaccount was created, and for the further security of the Owners of such Bonds until paid out, transferred or released as provided in the Master Indenture.

The Master Indenture provides that the District agrees to pay the Trustee with respect to each series of Senior Lien Bonds, but only from the applicable Program Fee and Expenses Subaccount, Program Fee and Expenses, as and when the same become due. So long as no Event of Default has occurred and is continuing, the District may, without creating a default under the Master Indenture, contest in good faith the necessity for any such fees and expenses and the reasonableness of any of the fees or expenses referred to in the Master Indenture.

Investment of Funds

The Master Indenture provides that, except as otherwise provided therein or in any Supplemental Indenture, amounts on deposit in any fund or account are to be invested in Eligible Investments at the direction of the District. The Trustee may make any and all investments permitted by the provisions of the Master Indenture through its own or any of its affiliates' investment departments.

The Master Indenture provides that the Trustee is to sell at the best price reasonably obtainable, or present for redemption or exchange, any Eligible Investments purchased by it as an investment pursuant to the Master Indenture whenever it is necessary in order to provide moneys to meet any payment or transfer from the fund or account from which such investment was made. The Trustee is to advise the District in writing, on or before the last day of each calendar month, of the details of all Eligible Investments held for the credit of each fund or account in its custody under the provisions of the Master Indenture as of the end of the preceding month.

The Trustee is to keep the District fully advised as to the details of all such investments and is to comply with any directions of an Authorized District Representative with respect to investments in Eligible Investments. The Master Indenture provides that, except as otherwise provided therein, earnings and losses on Eligible Investments are to be credited to the fund or account with respect to which such investments were made (or pro-rated thereto) and are to become a part thereof for all purposes, except as provided in the Master Indenture.

The Master Indenture provides that it is not necessary for the Trustee to give security for the deposit of any moneys held in trust for the payment of principal of, premium, if any, or interest on any Bonds.

Moneys to be Held in Trust

The Master Indenture provides that all moneys required to be deposited with or paid to the Trustee for the account of any fund created under any provision of the Indenture are to be held by the Trustee in trust and, except for the Rebate Fund, constitute part of the Trust Estate and be subject to the trust created by the Master Indenture and any lien, pledge or assignment granted with respect to the Trust Estate. The Master Indenture provides that the Trustee covenants that all moneys held in any fund under the Indenture (other than the Rebate Fund) and any collateral securing such funds are a part of the Trust Estate, and that the rights and interests of the Owners, the Credit Facility Providers, and the Qualified Hedge Agreement Counterparties in and to such moneys and collateral are superior to the claims of the creditors and depositors of the Trustee and of any other financial institution in which such moneys are deposited or which has provided or pledged such collateral.

COVENANTS OF THE DISTRICT

Representations, Covenants and Warranties

As provided for in the Master Indenture and described in this section “Representations, Covenants and Warranties”, the District represents, covenants and warrants that:

(a) The execution, delivery and performance of the Master Indenture by the District is authorized by the Act and, upon the execution and delivery of the Master Indenture by the Trustee and the Authorized District Representative, acting on behalf of the District, the Master Indenture will be enforceable against the District in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the District and its governmental bodies of the powers under the Home Rule Act and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

(b) The District is authorized by Federal law to receive Federal Transportation Funds payable to the District from FHWA for the Projects and to receive other amounts of Obligation Authority allocated or apportioned to the District and other United States Government funds available to the District to carry out its programs, duties or services and the District has applied for and received and will continue to receive, Federal Transportation Funds.

(c) The execution, delivery and performance of the Federal Aid Agreements by the District are authorized by District law and, upon execution and delivery of the Federal Aid Agreements by the District and FHWA, the Federal Aid Agreements will be enforceable against the District and FHWA in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the District and its governmental bodies of the powers under the Home Rule Act and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

(d) The execution, delivery and performance of its obligations under the Master Indenture and the Federal Aid Agreements by the District do not and will not conflict with or result in violation or a breach of any law or the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitute a default under any of the foregoing, or, except as specifically provided in the Master Indenture, result in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the District.

(e) The District will comply with its obligations under the Federal Aid Agreements, and will take all other actions required to maintain the Federal Aid Agreements in force and effect.

(f) The District will take all action necessary to ensure that (i) each Project at all times qualifies as a Qualified Transportation Project under the Act; (ii) each Project that may be financed, in whole or in part, with Federal Transportation Funds paid pursuant to Title 23, at all times qualifies as a project with respect to which the District is entitled to reimbursement of previously expended funds under 23 U.S.C. § 115, as amended, and the regulations promulgated thereunder (or any successor provision thereto); and (iii) Federal Aid Agreements are maintained in full force and effect pursuant to which FHWA has agreed to make payments of Federal Transportation Funds in an amount at least equal to the principal of and interest due on the Bonds. Such action is to include, but is not limited to, entering into any modification of a Federal Aid Agreement required to assure that Federal Transportation Funds payable thereunder are payable with respect to any refunding bonds.

(g) There is no litigation or proceeding pending or threatened against the District or any other Person affecting the right of the District to execute, deliver or perform its obligations under the Master Indenture or the Federal Aid Agreements.

(h) The execution and delivery of the Master Indenture, the fulfillment of or compliance with the terms and conditions in the Master Indenture and the consummation of the transactions contemplated by the Master Indenture do not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is a party or by which the District is bound or any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the District or its properties are subject or constitute a default under any of the foregoing.

(i) The payment of principal of and interest on the Bonds to the Trustee from Federal Transportation Funds is unconditional and the District is not entitled to offset any such payment as a result of the failure to perform by any contractor of any of its obligations relating to the Project or for any other reason.

DISCHARGE OF LIEN

Discharge of Lien

The Master Indenture provides that if the District pays or causes to be paid the principal of, and the interest on, the Bonds at the times and in the manner stipulated in the Master Indenture and in the Bonds and pays or causes to be paid all fees and expenses of the Trustee and Trustee's counsel due or to become due under the Indenture, if all obligations payable under the Credit Facility Reimbursement Agreements and the Qualified Hedge Agreements, including, without limitation, any payments due upon any early termination thereof, have been paid in full to the satisfaction of the Credit Facility Providers and the Qualified Hedge Agreement Counterparties, respectively, and if the District keeps, performs, and observes all and singular the covenants and promises in the Bonds, the Credit Facility Reimbursement Agreements, the Qualified Hedge Agreements, and the Indenture expressed as to be kept, performed and observed by it or on its part, then these presents and the lien, pledge and assignment under the Master Indenture of the Trust Estate are to cease, terminate and be discharged, in which case the Trustee, upon receipt of an opinion of Bond Counsel to the effect that all conditions precedent to the satisfaction and discharge of the Master Indenture have been complied with, is to cancel and discharge the Master Indenture and the lien, pledge and assignment created by the Master Indenture, and execute and deliver to the District such instruments in writing as required to cancel and discharge the Master Indenture and to reconvey to the District the Trust Estate, and assign and deliver to the District so much of the Trust Estate as may be in its possession or subject to its control, except for moneys and Defeasance Securities held in a special account in the Transportation Infrastructure Improvement Fund for the purpose of paying Bonds which have not yet been presented for payment; provided, however, such cancellation and discharge of the Master Indenture is not to terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of such Bonds.

Provision for Payment of Bonds

The Master Indenture provides that any Bonds are to be deemed to have been paid within the meaning of the terms of the Master Indenture as described in the section "Discharge of Lien" above and are to cease to be entitled to the lien of the Master Indenture if the District (i) deposits irrevocably with the Trustee or in an irrevocable escrow account either cash in an amount sufficient, or Defeasance Securities the principal of and interest on which when due, and without any reinvestment thereof, will provide cash which, together with the cash, if any, deposited at the same time, will be sufficient, to pay when due the principal of, redemption premium (if any) and interest on, such Bonds due and to become

due on and prior to the redemption date or maturity date thereof and to pay all Trustee's and Paying Agents' fees and expenses due under the Master Indenture (unless provision for such payment satisfactory to the Trustee and any Paying Agents has been made); and (ii) makes adequate provision for any redemption of such Bonds and for the giving at the proper time of the proper notice of any such redemption as provided in the Indenture. Neither the Defeasance Securities nor the cash deposited with the Trustee pursuant to the terms of the Master Indenture as described in this section "Provision for Payment of Bonds" nor the principal or interest payments on such Defeasance Securities are to be withdrawn or used for any purpose other than, and are to be held in trust for, the payment of the principal of, redemption premium (if any) and interest on, such Bonds; provided that any cash receipts from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent that such cash will not be required at any time for the purpose of paying the principal of, redemption premium (if any) and interest on, such Bonds, is to be paid over to the District as received by the Trustee, free and clear of any trust, lien or pledge, and (B) to the extent such cash will be required for the payment of such principal, redemption premium (if any) and interest at a later date, is to be, to the extent practicable and unless otherwise expressly provided for in the escrow deposit agreement governing any irrevocable escrow account, reinvested at the written direction of an Authorized District Representative in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal of, and redemption premium (if any) and interest on, such Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and the interest earned from such reinvestment which is not required for such payments is to be paid over to the District as received by the Trustee, free and clear of any trust, lien or pledge.

The Master Indenture provides that the deposit required and described in the immediately preceding paragraph may be made with respect to any particular Bonds or series of Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), in which case such Bonds will no longer be deemed to be Outstanding and will be deemed to be paid within the meaning of the terms of the Master Indenture as described in the section "Discharge of Lien" above, and the Owners of such Bonds are to be secured only by such deposit and not by any other part of the Trust Estate; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, adequate provision for giving notice of such redemption is to be made with respect to such Bonds.

The Master Indenture provides that before accepting or using any moneys to be deposited pursuant to the terms of the Master Indenture as described in this section "Provision for Payment of Bonds", the Trustee may require that the District furnish to it (i) an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and that all conditions under the Master Indenture have been satisfied, and (ii) a certificate of an independent certified public accountant to the effect that such deposit will be sufficient to defease the Bonds as provided by the terms of the Master Indenture as described in this section "Provision for Payment of Bonds". The Trustee is to be fully protected in relying upon such Bond Counsel opinion and/or accountant's certificate in accepting or using any moneys deposited pursuant to the terms of the Master Indenture as described in this section "Provision for Payment of Bonds".

The Master Indenture provides that in the event any series of Bonds secured by a Credit Facility is to be paid or be deemed to have been paid within the meaning of the Master Indenture as described in the immediately preceding paragraph, then the Trustee is to surrender such Credit Facility to the provider thereof for cancellation or reduction and, if applicable, take such additional steps as may be required thereunder to terminate such Credit Facility.

Discharge of the Master Indenture

The Master Indenture provides that notwithstanding the fact that the lien of the Master Indenture upon the Trust Estate may have been discharged and cancelled in accordance with the terms of the Master Indenture as described in the section “Discharge of Lien” above, the Master Indenture and the rights granted and duties imposed by the Master Indenture, to the extent not inconsistent with the fact that the lien upon the Trust Estate may have been discharged and cancelled, nevertheless are to continue and subsist until the principal of, and the interest on, all of the Bonds are paid in full or the Trustee returns to the District in accordance with the terms of the Master Indenture as described in the section “Discharge of Lien” above all funds theretofore held by the Trustee for payment of any Bonds not theretofore presented for payment.

EVENTS OF DEFAULT AND REMEDIES

Defaults; Events of Default

The Master Indenture provides that any one or more of the following events is considered an Event of Default:

- (a) failure to pay the principal or redemption price of any Senior Lien Bond when the same becomes due and payable, either at maturity or by proceedings for redemption (other than optional redemption which by its terms is conditional in accordance with the Master Indenture) or otherwise;
- (b) failure to pay interest on any Senior Lien Bond when same becomes due and payable; or
- (c) failure of the District to duly and punctually perform any other of the covenants, conditions, agreements and provisions on its part contained in the Senior Lien Bonds or in the Master Indenture, which failure continues for 60 days after written notice specifying such failure and requiring the same to be remedied has been given to the District by the Trustee; provided, however, if the failure stated in such notice cannot be corrected within such 60-day period, such failure will not constitute an Event of Default if it is possible to correct such failure and corrective action is instituted by the District within such 60-day period and is diligently pursued until such failure is corrected.

The Master Indenture provides that if such an Event of Default occurs, then in each and every such case the Trustee may, and upon the written request of the Owners of a majority of the outstanding principal amount of Senior Lien Bonds affected by each Event of Default, the Trustee will, upon receiving indemnity or security satisfactory to it, proceed to protect and enforce its rights and the rights of the Owners of the Senior Lien Bonds by a suit, action or special proceeding in equity or at law, by mandamus or otherwise, either for the specific performance of any covenant or agreement contained in the Master Indenture or in aid or execution of any power in the Master Indenture granted or for any enforcement of any proper legal or equitable remedy as the Trustee, being advised by Counsel, deems most effective to protect and enforce the rights provided in the Master Indenture.

The Master Indenture provides that in case there are pending proceedings for the bankruptcy or for the reorganization of any Hedge Agreement Counterparty under federal bankruptcy law or any other applicable law, or in the case a receiver or trustee has been appointed for the property of any such Hedge Agreement Counterparty, or in the case of any other judicial proceedings relative to any Hedge Agreement Counterparty, or relative to the creditors or property of any such Hedge Agreement Counterparty (collectively, the “Hedge Agreement Counterparty Events”), the Trustee (irrespective of whether the principal of the Senior Lien Bonds is then due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee has made any demand pursuant to the

power vested in it by the Master Indenture) is entitled and empowered to and may, and upon the written request of the Owners of a majority of the outstanding principal amount of Senior Lien Bonds affected by such Hedge Agreement Counterparty Events, is to, upon receiving indemnity or security satisfactory to it, by intervention in such proceedings or otherwise, file and prove a claim or claims for the whole amount owing and unpaid and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys, and counsel and for reimbursement of all expenses and liabilities incurred and all advances made by the Trustee except as a result of its negligence or bad faith) and of the Owners, the Credit Facility Providers, and the Hedge Agreement Counterparties allowed in any such judicial proceedings relative to the Hedge Agreement Counterparties or the Hedge Agreements or relative to the creditors or property of the Hedge Agreement Counterparties, or relative to any such other obligor, as the case may be, and to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Owners, the Credit Facility Providers, and the Hedge Agreement Counterparties and of the Trustee on their behalf. Any receiver, assignee, or trustee in bankruptcy or reorganization is authorized under the Master Indenture by each of the Owners, the Credit Facility Providers, and the Hedge Agreement Counterparties to make payments to the Trustee and in the event that the Trustee consents to the making of payments directly to the Owners, the Credit Facility Providers, and the Hedge Agreement Counterparties, to pay to the Trustee such amount sufficient to cover reasonable compensation to the Trustee, its agents, attorneys, and counsel and all other expenses and liabilities incurred and all advances made by the Trustee except as a result of its negligence or bad faith.

Notice of Default

The Master Indenture provides that the Trustee, immediately after the occurrence of an Event of Default as specified in the terms of the Master Indenture as described in the section “Defaults; Events of Default” above and immediately after receipt of written notice from the District, any Credit Facility Provider, any Qualified Hedge Agreement Counterparty or the Owners of a majority in aggregate principal amount of all Senior Lien Bonds then Outstanding affected by such Event of Default, or of any other Event of Default, mail by first class mail, postage prepaid, to the Owners of the Senior Lien Bonds notice of all Events of Default known to the Trustee unless such defaults are cured before the giving of such notice.

Termination of Proceedings by Trustee

The Master Indenture provides that in case any proceedings taken by the Trustee on account of any default are discontinued or abandoned for any reason, or are determined adversely to the Trustee, then and in every case the District, the Trustee and the Owners of the Senior Lien Bonds are to be restored to their former positions and rights under the Master Indenture, and all rights, remedies and powers of the Trustee are to continue as though no such proceeding had been taken.

Right of Owners to Control Proceedings

Anything in the Master Indenture to the contrary notwithstanding, but subject to the terms of the Master Indenture as described in the section “Defaults; Events of Default” above and subject further to the rights of the Credit Facility Providers as provided in the Master Indenture, the Owners of a majority of the outstanding principal amount of the Senior Lien Bonds affected by an Event of Default have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Master Indenture in respect of the Senior Lien Bonds; provided that such direction is not otherwise than in accordance with law and the

Trustee is indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred therein or thereby.

Right of Owners to Institute Suit

The Master Indenture provides that no Owner of any of the Senior Lien Bonds has any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Master Indenture, or for any other remedy under the Master Indenture or on the Senior Lien Bonds unless (a) such Owner previously provides to the Trustee written notice of an Event of Default as provided in the terms of the Master Indenture as described in the section “Notice of Default” above; (b) the Owner, or Owners, of not less than a majority of the outstanding principal amount of the Senior Lien Bonds affected by such Event of Default will have made a written request of the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to it in the Master Indenture, or to institute such action, suit or proceeding in its name; (c) there is offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby; and (d) the Trustee has refused or neglected to comply with such request within a reasonable period of time; and such notification, request, offer of indemnity and refusal or neglect are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Master Indenture or for any other remedy under the Master Indenture. The Master Indenture provides that the parties thereto intend that no one or more Owners of the Senior Lien Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Indenture, or to enforce any right under the Master Indenture, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity are to be instituted, had and maintained in the manner provided in the Master Indenture and for the equal benefit of all Owners of the outstanding Senior Lien Bonds.

The Master Indenture provides that no provision of the Master Indenture is to be deemed to limit or impair the right of any Owner of a Senior Lien Bond, which is absolute and unconditional, to enforce the payment of the principal of and interest on such Owner’s Senior Lien Bonds out of the moneys provided for such payment, or the obligation of the District to pay the same out of the sources pledged thereto, at the time and place expressed in the Master Indenture.

Suits by Trustee

The Master Indenture provides that all rights of action under the Master Indenture, or under any of the Senior Lien Bonds, enforceable by the Trustee may be enforced by it without the possession of any of the Senior Lien Bonds, or the production thereof for the trial or other proceeding relative thereto, and any such suit, or proceeding, instituted by the Trustee are to be brought in its name for the ratable benefit of the Owners of the Senior Lien Bonds affected by such suit or proceeding, subject to the provisions of the Master Indenture.

Remedies Cumulative

The Master Indenture provides that no remedy provided in the Master Indenture conferred upon or reserved to the Trustee or to the Owners of the Senior Lien Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy is cumulative, and is in addition to every other remedy given under the Master Indenture or now or after the execution of the Master Indenture existing at law or in equity or by statute.

Waiver of Default

The Master Indenture provides that no delay or omission of the Trustee or of any of the Owners of any Senior Lien Bond to exercise any right, remedy or power upon any default is to be construed to be a waiver of any such default, or an acquiescence therein; and every right, power and remedy granted by the terms of the Master Indenture as described in this section “Events of Default and Remedies” to the Trustee and the Owners of the Senior Lien Bonds, respectively, may be exercised from time to time, and as often as may be deemed expedient.

Application of Moneys After Default

Pursuant to the Master Indenture, the District covenants that if an Event of Default happens and is not remedied, the Trustee is to apply all moneys, securities and funds received by the Trustee pursuant to any right given or action taken under the provisions of the Master Indenture as described in this section “Events of Default and Remedies” as follows and in the following order:

(a) Expenses of Trustee to the payment of the reasonable and proper fees, expenses and liabilities of the Trustee (including collection fees, attorneys fees and expenses and court costs) with the amounts payable under this paragraph (a), if related to a particular series and therefore to a particular category of Pledged Revenues, first from such category and second from other categories of Pledged Revenues in amounts as determined by the Trustee, and if not so related to a particular series or category of Pledged Revenues, then from all Pledged Revenues as determined by the Trustee;

(b) Principal or redemption price, interest, Scheduled Hedge Payments and Other Hedge Payments within each category of Pledged Revenues, to the payment of the interest and principal or redemption price then due on the Senior Lien Bonds secured thereby, as follows:

(i) Unless the principal of all Senior Lien Bonds is due and payable, all such moneys are to be applied,

first: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

second: to the payment to the Qualified Hedge Agreement Counterparties of the Scheduled Hedge Payments;

third: to the payment to the persons entitled thereto of the unpaid principal of any of the Senior Lien Bonds which has become due (other than Senior Lien Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Master Indenture), in the order of their due dates, with interest on such Senior Lien Bonds from the respective dates upon which they became due, and, if the amount available is not sufficient to pay in full Senior Lien Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference;

fourth: to the payment to the Credit Facility Providers of all obligations payable under the Credit Facility Reimbursement Agreements;

fifth: to the payment of the redemption premium on and the principal of any Senior Lien Bonds called for redemption pursuant to the provisions of the Master Indenture;

sixth: to the payment of the Subordinate Lien Bonds and the Contracts with respect thereto as and to the extent provided in the Supplemental Indenture authorizing the issuance of such Subordinate Lien Bonds; and

seventh: to the payment to the Qualified Hedge Agreement Counterparties of the other obligations of the District under the Qualified Hedge Agreements (including, without limitation, Other Hedge Payments under the Qualified Hedge Agreements).

(ii) If the principal of all the Senior Lien Bonds secured by a certain priority of lien on Pledged Revenues has become due and payable, then all Pledged Revenues subject to such priority of lien are to be applied,

first: to the payment of the principal and interest then due and unpaid upon the Senior Lien Bonds, with interest thereon as aforesaid, and due and unpaid Scheduled Hedge Payments, without preference or priority of principal over interest or Scheduled Hedge Payments or of interest over principal or Scheduled Hedge Payments or of Scheduled Hedge Payments over principal or interest, or of any installment of interest over any other installment of interest, or of any Senior Lien Bond over any other Senior Lien Bond, or of any Scheduled Hedge Payment over any other Scheduled Hedge Payment ratably, according to the amounts due respectively for principal, interest and Scheduled Hedge Payments, to the persons entitled thereto without any discrimination or preference;

second: to the payment to the Credit Facility Providers of all obligations payable under the Credit Facility Reimbursement Agreements;

third: to the payment of the Subordinate Lien Bonds and the Contracts with respect thereto as and to the extent provided in the Supplemental Indenture authorizing the issuance of such Subordinate Lien Bonds; and

fourth: to the payment to the Qualified Hedge Agreement Counterparties of the Other Hedge Payments payable under the Qualified Hedge Agreements (including, without limitation, any payments due upon any early termination thereof).

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Master Indenture as described in this section “Application of Moneys After Default”, such moneys are to be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion determines, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose constitutes proper application by the Trustee; and the Trustee is to incur no liability whatsoever to the District, to any Owner of a Senior Lien Bond or to any other person for any delay in applying any such funds, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Master Indenture as may be applicable at the time of application by the Trustee. Whenever the

Trustee exercises such discretion in applying such funds, it is to fix the date (which is to be an Interest Payment Date unless the Trustee deems another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such date will cease to accrue. The Trustee is to give such notice as it may deem appropriate of the fixing of any such date and of the endorsement to be entered on each Senior Lien Bond on which payment is to be made, and is not to be required to make payment to the Owner of any Senior Lien Bond until such Senior Lien Bond is presented to the Trustee for appropriate endorsement, or some other procedure deemed satisfactory by the Trustee.

CONCERNING THE TRUSTEE

Resignation by the Trustee

The Master Indenture provides that the Trustee and any successor Trustee may at any time resign from the trusts created by the Master Indenture by giving written notice to the District and by first class mail to each Owner of Bonds. No resignation or removal of the Trustee and no appointment of a successor Trustee becomes effective until the acceptance of appointment by such successor Trustee.

Removal of the Trustee

The Master Indenture provides that the Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee and to the District and signed by the Owners of a majority in principal amount of the Senior Lien Bonds then Outstanding.

Appointment of Successor Trustee

The Master Indenture provides that if the Trustee resigns, is removed, is dissolved, is in the course of dissolution or liquidation, or otherwise becomes incapable of acting under the Master Indenture or in case it is to be taken under the control of any public officer, officers or a receiver appointed by a court, a successor Trustee is to be appointed by the Owners of a majority in principal amount of the Senior Lien Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the District, by an instrument signed by an Authorized District Representative and attested by the Secretary of the District under its seal, may appoint a successor Trustee to fill such vacancy until a successor Trustee is appointed by the Owners in the manner provided for in the Master Indenture and described in this paragraph; and any such successor Trustee is to be immediately and without further act superseded by the successor Trustee so appointed by such Owners.

Judicial Appointment of Successor Trustee

The Master Indenture provides that if the Trustee resigns and no appointment of a successor Trustee is made within 30 days after the giving of notice of such resignation as provided in the Master Indenture, the resigning Trustee may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. If no appointment of a successor Trustee is made pursuant to the provisions of the Master Indenture within six months after a vacancy has occurred in the office of Trustee, any Owner may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after giving such notice, if any, as it may deem proper, appoint a successor Trustee.

Qualifications of Successor Trustee

Every such Trustee appointed pursuant to the applicable provisions of the Master Indenture is to be a trust company or a commercial bank having trust powers, in good standing, within or outside the District, and having an unimpaired combined capital and surplus of not less than \$50,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Consent of Owners

The Master Indenture provides that the District and the Trustee may, without the consent of or notice to, any of the Owners, enter into an indenture or indentures supplemental to the Master Indenture, not to be inconsistent with the terms and provisions of the Master Indenture, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in, or to correct or supplement any defective provision of, the Master Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, security or authorities that may lawfully be granted to or conferred upon the Owners or the Trustee or either of them;
- (c) to subject to the lien and pledge of the Master Indenture additional payments, revenues, properties or collateral;
- (d) to modify, amend or supplement the Master Indenture or any indenture supplemental to the Master Indenture in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect following the execution of the Master Indenture or to permit the qualification of the Bonds for sale under the securities laws of any state, and, if they so determine, to add to the Master Indenture or to any indenture supplemental to the Master Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;
- (e) to add to the covenants and agreements of, and limitations and restrictions upon, the District in the Master Indenture other covenants, agreements, limitations and restrictions to be observed by the District for the protection of the Owners;
- (f) to evidence the appointment of a co-Trustee, or the succession of a new Trustee or the appointment of a new or additional Paying Agent or Bond Registrar;
- (g) to modify, amend or supplement the Master Indenture in such manner as to assure the continued exclusion from gross income of the Owners thereof for federal income tax purposes of interest on any Bonds;
- (h) to reflect a change in applicable law provided that such supplemental indenture does not materially adversely affect the rights of Owners;
- (i) to modify, amend or supplement the Master Indenture in a manner that affects only the Owners of Subordinate Lien Bonds if such modification, amendment or supplement

takes effect prior to or contemporaneously with the first issuance of Subordinate Lien Bonds under the Master Indenture;

(j) in connection with any other change in the Master Indenture which does not materially adversely affect the Owners or impair the Trust Estate; or

(k) in connection with the issuance of Additional Bonds in accordance with the Additional Bonds and Delivery of Bonds provisions as provided for in the Master Indenture.

The Trustee may conclusively rely on an opinion of Counsel to the effect that a supplemental indenture complies with the terms of the Master Indenture as described in this section “Supplemental Indentures Not Requiring Consent of Owners”.

Notice of the execution and delivery of any supplemental indenture in accordance with the terms of the Master Indenture as described in this section “Supplemental Indentures Not Requiring Consent of Owners” are to be given to any Credit Facility Provider in the manner provided in the Notices provisions provided for in the Master Indenture and at the address provided by such Credit Facility Provider concurrently with the execution and delivery thereof by the District and the Trustee.

The provisions of the Master Indenture as described in this section “Supplemental Indentures Not Requiring Consent of Owners” and the section “Supplemental Indentures Requiring Consent of Owners” below are to be interpreted by priority of lien on Pledged Revenues such that each provision of any Supplemental Indenture is to be reviewed for compliance with such provisions upon its effect on the Bonds secured by the related lien (whether Senior or Subordinate) on Pledged Revenues. Whether the consent of any Owners of Bonds, the consent of a majority of Owners of Bonds with a certain priority of lien on Pledged Revenues or the consent of all such Owners is required is to be determined for any such Bonds based upon the lien priority of such Bonds on such Pledged Revenues. Supplemental Indentures may be adopted containing provisions which (1) do not require the consents of any Owners, (2) require the consents of the Owners of Senior Lien Bonds but not Subordinate Lien Bonds, (3) require the consents of the Owners of Subordinate Lien Bonds but not Senior Lien Bonds, (4) require the consents of all Owners of Bonds, or (5) are covered in a combination of some or all of (1) through (4).

Supplemental Indentures Requiring Consent of Owners

The Master Indenture provides that exclusive of supplemental indentures covered by the provisions of the Master Indenture as described in the section “Supplemental Indentures Not Requiring Consent of Owners” above and subject to the terms and provisions of the Master Indenture as described in this section “Supplemental Indentures Requiring Consent of Owners”, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by the District and the Trustee of such other indenture or indentures supplemental to the Master Indenture as deemed necessary and desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in any supplemental indenture; provided, however, that nothing contained in the provisions of the Master Indenture as described in this section “Supplemental Indentures Requiring Consent of Owners” permits, or is to be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or a reduction in the rate or an extension of the time of payment of interest on, or a reduction of any premium payable on the redemption of, any Bonds, without the consent of every Owner of the Bonds affected thereby, or (b) the creation of any lien or security interest prior to or on a parity with the lien of the Master Indenture, without the consent of the Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken, or (c) a reduction

in the amount, or an extension of the time of any payment, required by the mandatory redemption provisions of the Master Indenture, without the consent of the Owners of all Bonds affected thereby, or (d) a reduction in the aggregate principal amount of Bonds the Owners of which are required to consent to any such supplemental indenture, without the consent of the Owners of all the Bonds at the time Outstanding, or (e) the modification of the trusts, powers, obligations, remedies, privileges, rights, duties, or immunities of the Trustee, without the written consent of the Trustee, or (f) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (g) the release of or requirements for the release of the Master Indenture, without the consent of the Owners of all the Bonds affected thereby.

The Master Indenture provides that if the District requests the Trustee in writing to enter into any such supplemental indenture for any of the purposes provided for in the Master Indenture as described in this section “Supplemental Indentures Requiring Consent of Owners”, the Trustee, upon being satisfactorily indemnified with respect to expenses, is to cause written notice of the proposed execution of such supplemental indenture together with a copy of such proposed supplemental indenture to be given by first class mail, postage prepaid, to the Owners of the Bonds at their addresses shown on the Bond Register. If, within 60 days or such longer period as reasonably prescribed by the District following the mailing of such notice, the Owners of not less than a majority (or such higher percentage as required by the provisions of the Master Indenture as described in the immediately preceding paragraph) in aggregate principal amount of the Bonds have consented to and approved the execution of such supplemental indenture as provided in the Master Indenture, no Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the District from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as permitted and provided by the provisions of the Master Indenture as described in this section “Supplemental Indentures Requiring Consent of Owners”, the Master Indenture is to be modified and amended in accordance therewith.

The provisions of the Master Indenture as described in this section “Supplemental Indentures Requiring Consent of Owners” are subject to the rights of the Credit Facility Providers as provided in the Master Indenture. Copies of any Supplemental Indenture requiring the consent of a Credit Facility Provider are to be provided to each Rating Agency promptly following the execution and delivery thereof.

The Master Indenture may not be amended, changed or modified except by the execution and delivery of a supplemental indenture entered into in accordance with the provisions of the Master Indenture as described in this section “Supplemental Indentures”.

Trustee Authorized to Join in Supplements; Reliance on Counsel

The Master Indenture provides that the Trustee is authorized to join with the District in the execution and delivery of any supplemental indenture permitted by the provisions of the Master Indenture as described in the section “Supplemental Indentures” and, in so doing, is to be fully protected by an opinion of Independent Counsel that such supplemental indenture is so permitted and has been duly authorized by the District and that all things necessary to make it a valid and binding supplemental indenture have been done.

MISCELLANEOUS

Conflicts

The Master Indenture provides that if there is a conflict between the provisions of the Master Indenture and a Supplemental Indenture, the terms of the Supplemental Indenture prevail with regard to

interpretations relating to the Bonds of the series authorized by such Supplemental Indenture. Notwithstanding anything contained in the Master Indenture to the contrary, the Trustee is entitled to rely exclusively on the provisions of the Master Indenture in its interpretation of its rights and duties under the Master Indenture, the rights and duties of the District, and the rights and security interests of the Owners.

Governing Law

The Master Indenture is governed by, and construed according to, the laws of the District.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of _____, 2012, is executed and delivered by the District of Columbia (the “Issuer”) in connection with the issuance and sale of the Issuer’s \$42,935,000 Federal Highway Grant Anticipation Revenue Bonds, Series 2012 (the “Bonds”), issued pursuant to the Act and the Indenture (as defined in the Official Statement). Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified above or in Article IV hereof.

ARTICLE I

The Undertaking

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

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

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

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

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

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

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

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

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

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

ARTICLE II

Operating Rules

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

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

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

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

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

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

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

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

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

Definitions

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

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

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

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

B. the tables in the Official Statement entitled (a) District of Columbia History of Apportionments and Obligation Authority and (b) District of Columbia Federal Reimbursements Received, for which the Issuer will use its best efforts to provide updated versions of such information for the immediately preceding fiscal year; and

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

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

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

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

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

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

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

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

- (i) principal and interest payment delinquencies;
- (ii) non payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
 - (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (vii) modifications to rights of Bondholders, if material;
 - (viii) Bond calls, if material, and tender offers;
 - (ix) defeasances;
 - (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (xi) rating changes;
 - (xii) bankruptcy, insolvency, receivership or similar event;
 - (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (7) “Official Statement” means the Official Statement dated September 28, 2012 of the Issuer relating to the Bonds.
- (8) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.
- (9) “SEC” means the United States Securities and Exchange Commission.
- (10) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

DISTRICT OF COLUMBIA

By:

Jeffrey Barnette
Interim Deputy Chief Financial Officer and
Interim Treasurer

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

October __, 2012

The District of Columbia
1350 Pennsylvania Avenue, N.W.
Sixth Floor
Washington, D.C. 20004

\$42,935,000
DISTRICT OF COLUMBIA
(Washington, D.C.)
Federal Highway Grant Anticipation Revenue Bonds,
Series 2012

Dear Ladies and Gentlemen:

We have served as bond counsel to our client, the District of Columbia (the “District”), and not as counsel to any other person in connection with the issuance by the District of its Federal Highway Grant Anticipation Revenue Bonds, Series 2012 (the “Bonds”), dated the date of this letter.

The Bonds are issued pursuant to (i) the District of Columbia Home Rule Act (P.L. 98-198; 87 Stat. 774; D.C. Official Code §§ 1-201.01 *et seq.*) (the “Home Rule Act”), (ii) the Transportation Infrastructure Improvements GARVEE Bond Financing Act of 2009, effective September 23, 2009 (D.C. Law 18-54; D.C. Official Code §§ 9-107.51-.62) (the “Act”), and (iii) the Master Trust Indenture dated as of February 1, 2011 (the “Master Indenture”), as supplemented and amended, including by a First Supplemental Trust Indenture dated as of February 1, 2011 (the “First Supplemental Trust Indenture”), and a Second Supplemental Trust Indenture dated as of October 1, 2012 (the “Second Supplemental Trust Indenture” and, together with the Master Indenture and First Supplemental Trust Indenture, the “Indenture”), each by and between the District and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined in this letter are used as defined in the Indenture.

In our capacity as bond counsel, we have examined the transcript of proceedings relating to the issuance of the Bonds, the signed and authenticated Bond of the first maturity, the Indenture and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

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

2. The Bonds and the Indenture are valid and binding obligations of the District, enforceable in accordance with their respective terms.
3. The Bonds constitute special obligations of the District, and the principal of and interest and any premium on (collectively, “debt service”) the Bonds, together with debt service on any other obligations issued and outstanding on a parity with the Bonds as provided in the Indenture, are payable from and secured solely by the Pledged Revenues specifically pledged to the payment thereof and other amounts specifically pledged therefor under the Indenture. The Bonds are without recourse to the District, are not a pledge of, and do not involve, the full faith and credit or taxing power of the District, do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings as prohibited by Section 602(a)(2) of the Home Rule Act.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, portions of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax.
5. The Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes.

We express no opinion as to any other tax consequences regarding the Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the District and (iii) the correctness of the legal conclusions contained in the legal opinion letters of the Attorney General for the District and counsel to other parties to the transaction delivered in connection with this matter.

In rendering those opinions with respect to treatment of the interest on the Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the District. Failure to comply with certain of those covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as bond counsel with respect to the Bonds has concluded on this date.

Respectfully submitted,

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM PROCEDURES

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2012 Bonds, each in the aggregate principal amount thereof, 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 a Standard & Poor's rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.com.

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

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