



# DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

## Board of Directors

*Finance and Budget Committee*

*Thursday, March 26, 2020*

11:00 a.m.

1. **Call to Order**..... Major Riddick, Chairperson
2. **February 2020 Financial Report (Attachment 1)**..... Lola Oyeyemi
3. **Investment Program Update (Attachment 2)** ..... Nelson Bush, Public Financial Management (PFM)
4. **Replacement of Credit Facility Supporting Commercial Paper Program (Attachment 3)** .....Eric Brown, PFM
5. **Renewal of Credit Facility Supporting 2014B-1 and 2014B-2 Bonds (Attachment 4)** ..Eric Brown, PFM
6. **Enterprise Resource Planning (ERP) Implementation Update (Attachment 5)** .....Francis Cooper
7. **Action Items**..... Joel Grosser
  - A. **Recommendation of Approval for ERP Software Renewal (Attachment 6)**
  - B. **Independent Risk Management and Consultant Services (Attachment 7)**
  - C. **Approval of Substitute Letters of Credit for the Commercial Paper Program and Increase and Decrease of the Amounts by Series (Attachment 8)**
    1. Authorizing Resolution
    2. Third Amendment to the 11th Supplemental Trust Agreement
    3. Second Amendment to the Dealer Agreement
    4. Offering Memo
    5. LOC & Reimbursement Agreement - Series B
    6. LOC & Reimbursement Agreement - Series C
    7. Irrevocable Transferable LOC - Series B
    8. Irrevocable Transferable LOC - Series C
  - D. **Approval to Renew Credit Facility Supporting 2014B-1 and 2014B-2 Bonds (Attachment 9)**
    1. Authorizing Resolution
    2. Attachment for Authorizing Resolution
    3. TD Bank Extension proposal letter
8. **Agenda for April Committee Meeting (Attachment 10)** ..... Major Riddick
9. **Executive Session\***
10. **Adjournment**

1 The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); contract negotiations under D.C. Official Code § 2-575(b)(2); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4)(A); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10); proprietary matters under D.C. Official Code § 2-575(b)(11); train and develop members of a public body and staff under D.C. Official Codes § 2-575(b)(12); decision in an adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14), and other matters provided in the Act.

**FOLLOW-UP ITEMS - Follow-up items from the Finance and Budget Committee meeting held on February 25, 2020.**

1. Explore multi-year procurement of fleet vehicles that allows trading in used equipment for new ones over a period **(Mr. Giancola) Status: Scheduled for April 2, 2020 Board Meeting**
2. Provide update on Fleet Policy on Energy efficient vehicles. **(Mr. Giancola) Status: Scheduled for April 2, 2020 Board Meeting**
3. Research the communication or customer service concerns from other utilities when they converted from absorbing the fees to passing the fees to their customers **(Chairperson Riddick) Status: Will be provided during the April 23, 2020 meeting**
4. Provide feedback on the merchant credit card fees to the Committee **(Chairperson Riddick) Status: Will be provided during the April 23, 2020 meeting**



Fiscal Year 2020

# Monthly Financial Report

Period Ending February 29, 2020

## DEPARTMENT OF FINANCE

**Matthew T. Brown**, CFO & Executive Vice President, Finance and Procurement

**Ivan Boykin**, Director, Finance

**Syed Khalil**, Director, Rates & Revenue

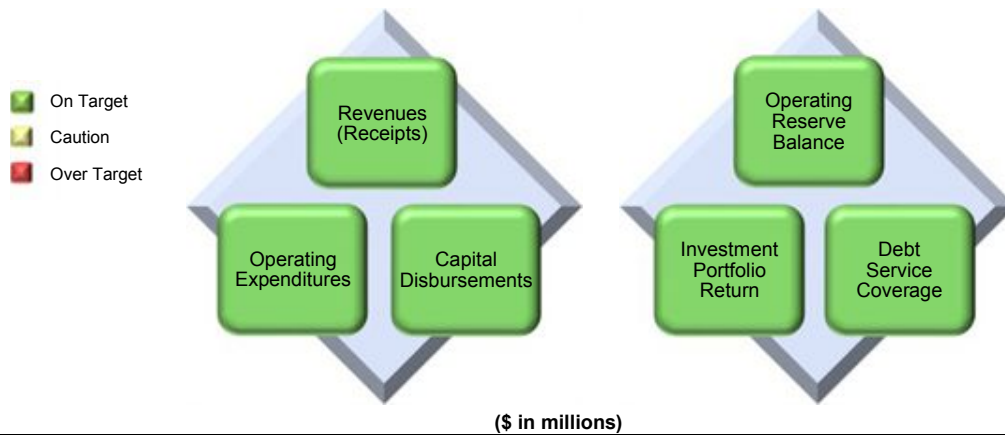
**Genes Malasy**, Controller (Acting)

**Lola Oyeyemi**, Director, Budget

## FEBRUARY 2020

### EXECUTIVE SUMMARY

As of the end of February 2020, with approximately 42 percent of the fiscal year completed, we are on track with budgetary expectations and targeted performance metrics.



	Budget	YTD Budget	Actual	Variance		Actual % Budget
				Favorable	(Unfavorable)	
<b>Revenues (Receipts)</b>	\$694.0	\$303.8	\$312.0	\$8.2	2.7%	45.0%
<b>Expenditures</b>	\$614.5	\$238.2	\$220.3	\$17.9	7.5%	35.9%
<b>Capital Disbursements</b>	\$425.2	\$199.1	\$128.1	\$71.0	35.7%	30.1%

**Highlights:**

- Ongoing review of the FY 2019 Inter Municipal Agreement (IMA) Operating Settlement, with completion expected by March 31, 2020
- FY 2019 Green Bond attestation has been completed and can be viewed on DC Water’s [website](#)
- FY 2020 preliminary year-end projections anticipated for Committee review in May 2020
- FY 2021 Budget Calendar Update
  - The Board-adopted budget summary has been published online at [www.dewater.com](http://www.dewater.com) and detailed budget documents are underway
  - Town Hall meetings has been scheduled in each of the wards from April 21 – May 7, 2020

**Matthew T. Brown**, Executive Vice President & Chief Financial Officer

Monthly Financial Report

Fiscal Year-to-Date  
As of February 29, 2020

Operating Revenues (\$000's)

FY 2019 Actual		CATEGORY	FY 2020					
Total Annual	YTD February		Annual Budget	YTD Budget	YTD Actual	% of Budget	Variance \$	Variance % Fav(Unfav)
\$394,202	\$164,615	Residential / Commercial / Multi-Family	\$399,063	\$166,276	\$169,764	42.5%	\$3,487	2.1%
68,163	32,831	Federal	71,887	35,944	36,357	50.6%	414	1.2%
17,356	6,489	Municipal (DC Govt.)	17,585	7,327	7,592	43.2%	264	3.6%
11,136	4,263	DC Housing Authority	10,525	4,385	4,663	44.3%	278	6.3%
11,613	4,925	Metering Fee	10,776	4,555	4,955	46.0%	400	8.8%
40,660	17,499	Water System Replacement Fee (WSRF)	39,717	17,030	17,674	44.5%	645	3.8%
82,116	40,496	Wholesale	82,539	41,270	41,009	49.7%	(260)	(0.6%)
21,076	9,017	PILOT/ROW	22,113	9,430	9,560	43.2%	130	1.4%
48,116	23,071	All Other	39,774	17,616	20,461	51.4%	2,845	16.1%
<b>\$694,438</b>	<b>\$303,205</b>	<b>TOTAL</b>	<b>\$693,979</b>	<b>\$303,833</b>	<b>\$312,035</b>	<b>45.0%</b>	<b>\$8,202</b>	<b>2.7%</b>



VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of February 2020, cash receipts totaled \$312.0 million, or 45.0 percent of the FY 2020 budget. Several categories of customers make payments on a quarterly basis, including the Federal Government (which made their second quarterly payment in January), and wholesale customers (who made their second quarter payment in February).

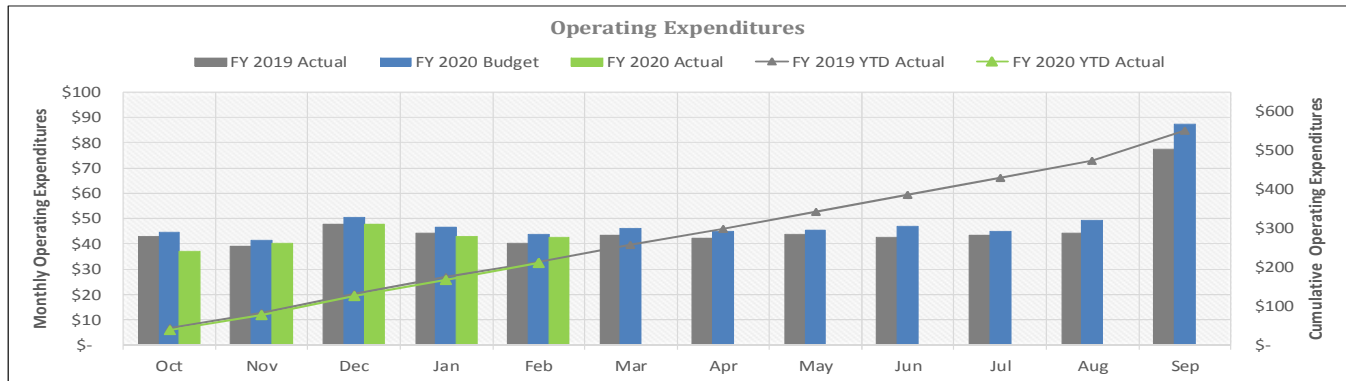
Areas of Overcollection	Areas of Undercollection
<p><b>Residential, Commercial and Multi-Family</b> - Receipts for this category are higher at \$169.8 million or 42.5 percent of the budget. The higher receipts are due to increased year-end billing of the unbilled accounts.</p> <p><b>Federal</b> - Actual receipts through February 2020 total \$36.4 million or 50.6 percent of the budget. The Federal government made their second quarter payment in January 2020.</p> <p><b>District Government</b> – Receipts are slightly higher at \$7.6 million or 43.2 percent of the budget due to higher CRIAC receipts than the budget.</p> <p><b>DC Housing</b> - Receipts are slightly higher at \$4.7 million or 44.3 percent of the budget.</p> <p><b>Other Revenue</b> - Actual receipts through February 2020 total \$20.5 million or 51.4 percent of the budget category. The receipts are higher primarily due to (i) \$1.7 million payment received in October 2019 from the District Government for the fourth quarter 2019 short-payment of Fire Protection Service Fee that was due in August 2019 and (ii) higher Development Contractor Water and Sewer Service Fees. The District Government has not paid the \$3.1 million Fire Protection Service Fee for second quarter 2020.</p>	<p><b>Wholesale</b> – The wholesale customer actual receipts through February 2020 total \$41.0 million or 49.7 percent of FY 2020 budget. The wholesale customers made their second quarter payment in February 2020.</p>

Monthly Financial Report

Fiscal Year-to-Date  
As of February 29, 2020

Operating Expenditures (\$000's)

FY 2019		CATEGORY	FY 2020					
Total Annual	YTD February		Annual Budget	YTD Budget	YTD Actual	% of Budget	Variance \$	Variance % Fav(Unfav)
\$157,979	\$62,919	Personnel	\$170,680	\$ 68,989	\$65,121	38.2%	\$3,868	5.6%
76,206	30,294	Contractual Services	81,886	33,323	31,583	38.6%	1,740	5.2%
32,430	12,379	Water Purchases	34,929	12,840	11,567	33.1%	1,273	9.9%
34,979	14,386	Supplies & Chemicals	33,158	13,704	12,666	38.2%	1,038	7.6%
25,778	10,938	Utilities	26,953	12,058	10,573	39.2%	1,485	12.3%
731	169	Small Equipment	989	331	295	29.8%	36	10.8%
<b>\$328,104</b>	<b>\$131,084</b>	<b>SUBTOTAL O&amp;M</b>	<b>\$348,595</b>	<b>\$141,245</b>	<b>\$131,805</b>	<b>37.8%</b>	<b>\$9,440</b>	<b>6.7%</b>
193,035	80,066	Debt Service	215,340	87,811	79,354	36.9%	8,457	9.6%
21,702	9,043	PILOT/ROW	22,034	9,181	9,181	41.7%	0	0.0%
26,999	0	Cash Financed Capital Improvements	28,556	0	0	0.0%	0	0.0%
<b>\$569,840</b>	<b>\$220,193</b>	<b>TOTAL OPERATING</b>	<b>\$614,523</b>	<b>\$238,237</b>	<b>\$220,340</b>	<b>35.9%</b>	<b>\$17,897</b>	<b>7.5%</b>
(17,588)	(6,239)	Capital Labor	(22,748)	(9,175)	(9,884)	43.4%	709	(7.7%)
<b>\$552,252</b>	<b>\$213,954</b>	<b>TOTAL NET OPERATING</b>	<b>\$591,775</b>	<b>\$229,062</b>	<b>\$210,456</b>	<b>35.6%</b>	<b>\$18,607</b>	<b>8.1%</b>



VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

Total operating expenditures for this period (including debt service and the Right-of-Way & PILOT fees) totaled \$220.3 million or 35.9 percent of the FY 2020 Board-approved budget of \$614.5 million. These numbers include estimated incurred but unpaid invoices and are subject to revision in subsequent months.

Areas of Underspending

- Personnel Services** – Underspending is primarily due to vacancies and lower than anticipated benefits costs. Of the 1226 positions authorized, 1094 were filled at the end of February with a vacancy rate of 11 percent. Overtime is at \$3.4 million or 42 percent of the annual overtime budget.
- Contractual Services** – Spending is in line with expectations at this time of the fiscal year and expected to increase as we progress further into the fiscal year.
- Water Purchases** – Reflect DC Water’s share of Washington Aqueduct expenditures.
- Supplies & Chemicals** – Underspending is due to lower than anticipated price of major chemicals and decreased usage due to normalized weather pattern.
- Utilities** – Underspending is primarily due to lower than budgeted electricity unit prices. A total of 15MW of the Authority’s electric load is locked at an average Western Hub price of \$29.81/MWh for the remainder of the fiscal year.
- Debt Service** – YTD underspending is due to the refunding of the 2013 Series A bonds of roughly \$2.4 - \$2.7 million, and lower projected debt service cost consistent with the FY 2021 adopted financial plan.

Fiscal Year-to-Date  
As of February 29, 2020

Capital Disbursements (\$'000's)

FY 2019		CATEGORY	FY 2020					
Total Annual	YTD February		Amended Budget	YTD Budget	YTD Actual	% of Budget	Variance \$	Variance % Fav(Unfav)
\$8,529	\$4,627	Non Process Facilities	\$36,002	\$8,641	\$4,858	13.5%	\$3,783	43.8%
53,127	22,099	Wastewater Treatment	66,620	37,905	16,467	24.7%	21,438	56.6%
221,752	95,609	Combined Sewer Overflow	151,427	77,989	65,812	43.5%	12,177	15.6%
2,210	1,027	Stormwater	8,571	3,266	2,464	28.8%	802	24.6%
36,224	17,194	Sanitary Sewer	43,646	20,062	9,257	21.2%	10,805	53.9%
45,310	21,795	Water	71,720	29,091	16,762	23.4%	12,329	42.4%
<b>\$367,152</b>	<b>\$162,352</b>	<b>SUBTOTAL CAPITAL PROJECTS</b>	<b>\$377,987</b>	<b>\$176,954</b>	<b>\$115,621</b>	<b>30.6%</b>	<b>\$61,334</b>	<b>34.7%</b>
21,367	9,023	Capital Equipment	31,703	17,669	8,478	26.7%	9,191	52.0%
10,847	588	Washington Aqueduct	15,515	4,505	3,996	25.8%	508	0.0%
<b>\$32,214</b>	<b>\$9,611</b>	<b>SUBTOTAL ADD'L CAPITAL PROGRAMS</b>	<b>\$47,218</b>	<b>\$22,174</b>	<b>\$12,474</b>	<b>26.4%</b>	<b>\$9,700</b>	<b>43.7%</b>
<b>\$399,366</b>	<b>\$171,963</b>	<b>TOTAL</b>	<b>\$425,205</b>	<b>\$199,129</b>	<b>\$128,095</b>	<b>30.1%</b>	<b>\$71,033</b>	<b>35.7%</b>



VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of February 2020, capital disbursements are \$128.1 million or 30.1 percent of the FY 2020 amended budget which is subject to revision as part of the FY 2021 budget process.

Capital Projects	Additional Capital Programs
<p>YTD underspending across various service areas with anticipated uptick in spending during the remainder of the fiscal year.</p> <p><u>Wastewater Service Area</u> – attributable to closeout delays on the Enhanced Clarification Facilities, BP Tunnel Dewatering Pumping Station, Div D-Boiling Overflow and Diversion projects.</p> <p><u>Combined Sewer Overflow Service Area</u> – primarily due to delay in contractor submittal of invoices for the Northeast Boundary Tunnel project.</p> <p><u>Sewer Service Area</u> – Creekbed Sewer Rehab 2 projects have not progressed as quickly as anticipated. Delay of the construction completion for Future Sewer System Upgrades.</p> <p><u>Water Service Area</u> – driven by closeout delays on the Small Diameter Water Main Rehab 11 and Small Diameter Water Main Rehab 12 projects</p>	<p><u>Capital Equipment</u> – Lower YTD disbursements are primarily attributable to delay in the procurement and delivery of Fleet equipment, the Enterprise Resource Planning (ERP) and the Automated Meter Infrastructure (AMI) projects. Spending is anticipated to increase and come within budget by the end of the fiscal year.</p> <p><u>Washington Aqueduct</u> – The second quarter payment of \$3.9 million was paid in February 2020.</p>

**Monthly Financial Report**

Fiscal Year-to-Date  
As of February 29, 2020

**Cash Investments (\$ in millions)**

**Cash Balances**

<b>Rate Stabilization Fund Balance</b>	<b>\$61.45</b>
<b>DC Insurance Reserve Balance</b>	<b>1.00</b>

<i>Operating Reserve Accounts</i>	
Renewal & Replacement Balance	35.00
O & M Reserve per Indenture	54.14
Undesignated Reserve Balance	36.36
<b>O &amp; M Reserve per Board Policy</b>	<b>125.50</b>
Excess Above O & M Reserve	39.50
<b>Management O &amp; M Reserve Target</b>	<b>165.00</b>
Project Billing Refunds	15.00
Excess Revenue	90.39
<b>Operating Reserve Accounts</b>	<b>270.39</b>

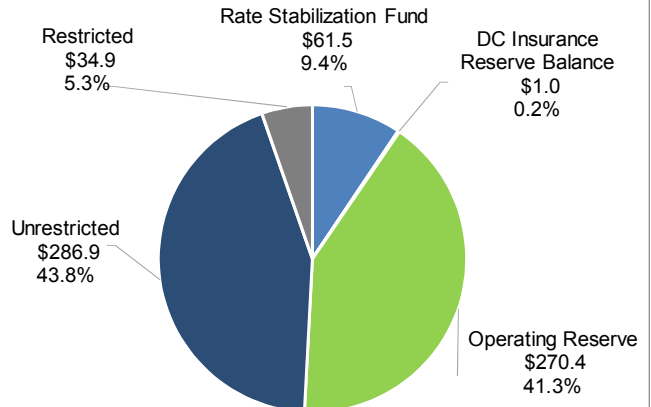
<b>Operating Cash Balance Including RSF</b>	<b>332.84</b>
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<i>Additional Reserve Accounts</i>	
<b>Unrestricted</b>	
Fed Fund - FY2020 CSO/Clean Rivers	8.00
Bond Fund - Construction 2016B	0.86
Bond Fund - Construction 2019A	102.48
Bond Fund - Construction 2019B	75.00
Bond Fund - Construction 2019C	100.00
Damages Against Deposits	0.50
<b>Unrestricted Total</b>	<b>286.85</b>

<b>Restricted</b>	
Debt Service Reserve - Series 1998	19.94
District Funds	2.84
DC Water - CAP2	5.76
DOEE - CAP3/Non-Profit	3.50
Lead Pipe Replacement (LPRAP)	1.80
Lead Service Line Replacement (ERW)	1.00
<b>Restricted Total</b>	<b>34.85</b>

<b>Total All Funds</b>	<b>\$654.53</b>
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**Breakdown of Cash Balances**



**Overall Portfolio Performance**

- The operating reserve balance was \$270.4 million as compared to the operating reserve level of \$165.0 million for FY 2020
- Average cash balance for the month of February was \$222.4 million; year end target is \$180 million
- Total investment portfolio was in compliance with the Authority's Investment Policy
- Operating funds interest income for February (on a cash basis) was \$395,409; YTD \$1,790,405
- A detailed investment performance report is attached



## Monthly Financial Report

Fiscal Year-to-Date  
As of February 29, 2020

## Cash Flow Summary (\$000's)

	Annual Budget Cash Basis	YTD Cash Budget	YTD Actual Cash Oct. 1, 2019 - Feb 29, 2020	Variance Favorable (Unfavorable)	
<b>OPERATING BUDGET</b>					
<b>Cash Provided</b>					
Retail	\$549,553	\$235,517	\$241,006	\$5,489	2%
Wholesale	82,539	41,270	41,009	(261)	0%
Other	61,317	27,046	30,013	2,967	11%
<b>Total Cash Provided</b>	<b>693,409</b>	<b>303,833</b>	<b>312,028</b>	<b>8,195</b>	<b>3%</b>
<b>Operating Cash Used</b>					
Personnel Services	147,932	59,815	60,066	(251)	0%
Contractual Services	81,886	33,323	37,499	(4,176)	-13%
Chemicals & Supplies	33,158	13,704	14,173	(469)	-3%
Utilities	26,953	12,058	9,624	2,434	20%
Water Purchases	34,929	12,840	13,275	(435)	-3%
Small Equipment	989	331	431	(100)	-30%
<b>Total Operating Cash Used</b>	<b>325,847</b>	<b>132,071</b>	<b>135,067</b>	<b>(2,996)</b>	<b>-2%</b>
Defeasance D.S./Cash Financed Capital Construction	28,556	11,898	0	11,898	100%
<b>Other Cash Used</b>					
Debt Service	215,340	87,811	79,354	8,457	10%
Payment In Lieu of Taxes/Right of Way	22,034	9,181	11,017	(1,836)	-20%
Total Other Cash Used	237,374	96,992	90,371	6,621	7%
<b>Total Cash Used</b>	<b>591,776</b>	<b>240,961</b>	<b>225,438</b>	<b>15,523</b>	<b>6%</b>
<b>Net Cash Provided (Used) by Operating Act.</b>	<b>101,633</b>	<b>42,347</b>	<b>86,590</b>	<b>44,243</b>	
<b>CAPITAL BUDGET</b>					
<b>Cash Provided</b>					
Debt Proceeds	183,845	76,602	92,122	15,520	20%
Cash Financed Capital Improvements	28,556	11,898		(11,898)	0%
System Availability Fee	5,775	2,406		(2,406)	-100%
EPA Grants	38,990	16,246	7,093	(9,153)	-56%
CSO Grants					0%
Interest Income	3,658	1,524	286	(1,238)	-81%
Wholesale Capital Contributions	67,321	28,050	26,076	(1,974)	-7%
<b>Total Cash Provided</b>	<b>328,145</b>	<b>136,727</b>	<b>125,577</b>	<b>(11,150)</b>	<b>-8%</b>
<b>Cash Used</b>					
DC Water Capital Program	409,673	194,623	124,099	70,524	36%
Washington Aqueduct Projects	15,532	4,505	3,996	509	0%
<b>Total Cash Used</b>	<b>425,205</b>	<b>199,128</b>	<b>128,095</b>	<b>71,033</b>	<b>36%</b>
<b>Net Cash/PAYGO Provided (Used) by Cap. Act.</b>	<b>(\$97,060)</b>	<b>(\$40,442)</b>	<b>(\$2,519)</b>	<b>\$37,923</b>	
<b>Beginning Balance, October 1 (Net of Rate Stab. Fund) Projected</b>					
Plus (Less) Operating Surplus	\$186,764		\$186,764		
Wholesale Customer Refunds from Prior Years	101,633	42,347	86,590		
DC Fleet Reimbursement	(3,448)	(1,437)	(800)		
Interest Eamed From Bond Reserve					
Transfer to Rate Stabilization Fund	570	237	8		
Transfer to CAP Fund					
Transfer from CAP Fund			231		
Transfer from SAF	(5,775)				
Prior Year Federal Billing Reconciliation	1,317	549	113		
Project Billing Refunds	(4,000)	(1,667)			
Cash Used for Capital	(97,060)	(40,442)	(2,519)		
<b>Balance Attributable to O&amp;M Reserve</b>	<b>\$180,000</b>		<b>\$270,388</b>		
<b>OTHER CASH RESERVES</b>					
<b>Rate Stabilization Fund</b>	<b>Current</b>				
<b>DC Insurance Reserve</b>	<b>Balance</b>				
<b>Unrestricted Reserves</b>	\$61,450				
<b>Restricted Reserves</b>	1,000				
	286,845				
	34,846				

APPENDIX

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## Monthly Financial Report

Fiscal Year-to-Date  
As of February 29, 2020

## Operating Revenues Detail

(\$ in millions)

Revenue Category	FY 2020 Budget	YTD Budget	Actual	Variance Favorable / (Unfavorable)		Actual % of Budget
Residential, Commercial, and Multi-family	\$399.1	\$166.3	\$169.8	\$3.5	2.1%	42.5%
Federal	71.9	35.9	36.4	0.4	1.2%	50.6%
District Government	17.6	7.3	7.6	0.3	3.6%	43.2%
DC Housing Authority	10.5	4.4	4.7	0.3	6.3%	44.3%
Customer Metering Fee	10.8	4.6	5.0	0.4	8.8%	46.0%
Water System Replacement Fee (WSRF)	39.7	17.0	17.7	0.6	3.8%	44.5%
Wholesale	82.5	41.3	41.0	(0.3)	-0.6%	49.7%
Right-of-Way Fee/PILOT	22.1	9.4	9.6	0.1	1.4%	43.2%
<b>Subtotal (before Other Revenues)</b>	<b>\$654.2</b>	<b>\$286.2</b>	<b>\$291.6</b>	<b>\$5.4</b>	<b>1.9%</b>	<b>44.6%</b>
Other Revenue without RSF						
IMA Indirect Cost Reimb. For Capital Projects	4.6	1.9	2.0	0.1	5.3%	43.5%
DC Fire Protection Fee	12.5	6.3	4.9	(1.4)	-22.2%	39.2%
Stormwater (MS4)	1.0	0.4	0.5	0.1	25.0%	50.0%
Interest	4.0	1.7	1.8	0.1	5.9%	45.0%
Developer Fees (Water & Sewer)	6.0	2.5	5.1	2.6	104.0%	85.0%
Transfer From Rates Stabilization	0.0	0.0	0.0	0.0	0.0%	0.0%
System Availability Fee (SAF)	5.8	2.4	1.7	(0.7)	-29.2%	29.3%
Others	5.9	2.5	4.5	2.0	80.0%	76.3%
<b>Subtotal</b>	<b>\$39.8</b>	<b>\$17.6</b>	<b>\$20.5</b>	<b>\$2.8</b>	<b>16.1%</b>	<b>51.4%</b>
Rate Stabilization Fund Transfer	\$0.0	\$0.0	\$0.0	\$0.0	0.0%	0.0%
<b>Other Revenue Subtotal</b>	<b>\$39.8</b>	<b>\$17.6</b>	<b>\$20.5</b>	<b>\$2.8</b>	<b>16.1%</b>	<b>51.4%</b>
<b>Grand Total</b>	<b>\$694.0</b>	<b>\$303.8</b>	<b>\$312.0</b>	<b>\$8.2</b>	<b>2.7%</b>	<b>45.0%</b>

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

Customer Category	Clean Rivers					Total
	Water	Sewer	IAC	Metering Fee	WSRF	
Residential	\$15,210	\$23,991	\$12,514	\$2,172	\$3,926	\$57,813
Commercial	27,340	30,824	14,678	1,470	6,766	81,078
Multi-family	15,686	24,126	5,395	684	3,031	48,922
Federal	11,412	12,972	11,973	393	2,886	39,636
District Govt	1,674	2,265	3,652	179	823	8,594
DC Housing Authority	1,661	2,461	541	57	242	4,963
<b>Total:</b>	<b>\$72,983</b>	<b>\$96,639</b>	<b>\$48,753</b>	<b>\$4,955</b>	<b>\$17,674</b>	<b>\$241,006</b>

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

**Clean Rivers IAC - Actual vs Budget**  
(\$ in 000's)

Customer Category	FY 2020 Budget	Year-To-Date Budget	Actual Received	Favorable / <Unfavorable>	Variance % of YTD Budget	Actual % of Budget
Residential	\$26,357	\$10,982	\$12,514	\$1,532	14%	47%
Commercial	28,804	12,002	14,678	2,676	22%	51%
Multi-family	11,193	4,664	5,395	731	16%	48%
Federal	23,947	11,974	11,973	(0)	0%	50%
District Govt	7,533	3,139	3,652	513	16%	48%
DC Housing Authority	1,289	537	541	4	1%	42%
<b>Total:</b>	<b>\$99,123</b>	<b>\$43,297</b>	<b>\$48,753</b>	<b>\$5,456</b>	<b>13%</b>	<b>49%</b>

## Monthly Financial Report

Fiscal Year-to-Date  
As of February 29, 2020

### Retail Accounts Receivable (Delinquent Accounts)

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

#### Greater Than 90 Days by Month

	\$ in millions	# of accounts
September 30, 2012	\$5.5	13,063
September 30, 2013	\$4.9	11,920
September 30, 2014	\$5.3	12,442
September 30, 2015	\$6.5	11,981
September 30, 2016	\$7.7	12,406
September 30, 2017	\$8.4	11,526
September 30, 2018	\$13.4	16,273
September 30, 2019	\$10.6	8,744
October 31, 2019	\$11.0	8,985
November 30, 2019	\$11.5	9,153
December 31, 2019	\$12.3	10,214
January 31, 2020	\$12.1	9,612
February 29, 2020	\$12.0	9,561

Notes: The increase in the accounts receivable over 90 days is due to the temporary suspension of collections procedures because of the new billing system VertexOne, which was implemented in December 2017.

#### Greater Than 90 Days by Customer

	Number of Accounts			Month of Feb (All Categories)				Total Delinquent				
	W & S	Impervious Only	Total No. of	Active		Inactive		January		February		
				No. of	Amount	No. of	Amount	No. of	Amount	No. of	Amount	%
a/c	a/c	a/c	a/c	(\$)	a/c	(\$)	a/c	(\$)	a/c	(\$)	%	
Commercial	9,064	2,364	11,428	957	\$3,800,656	26	\$114,376	1,006	\$4,091,662	983	\$3,915,032	33%
Multi-family	8,402	361	8,763	775	\$3,903,911	10	\$74,501	810	\$3,965,026	785	\$3,978,412	33%
Single-Family Residential	106,462	2,513	108,975	7,713	\$4,008,426	80	\$65,610	7,796	\$4,073,569	7,793	\$4,074,036	34%
<b>Total</b>	<b>123,928</b>	<b>5,238</b>	<b>129,166</b>	<b>9,445</b>	<b>\$11,712,992</b>	<b>116</b>	<b>\$254,486</b>	<b>9,612</b>	<b>\$12,130,258</b>	<b>9,561</b>	<b>\$11,967,479</b>	<b>100%</b>

Notes: Included in the above \$12.0M (or 9,561 accounts) of the DC Water over 90 days delinquent accounts, \$4,276,035.86 (or 1,512 accounts) represents Impervious only accounts over 90 days delinquent.

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

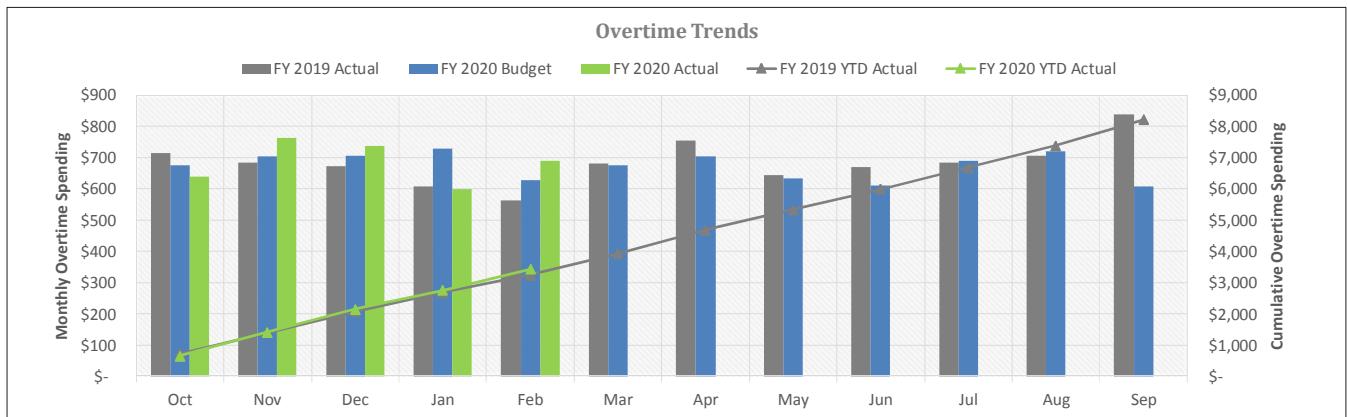
Monthly Financial Report

Fiscal Year-to-Date  
As of February 29, 2020

Overtime by Department

Department	FY 2020			
	Budget	Actual	YTD Actual % of Budget	% of Regular Pay
Office of the Board Secretary	\$9,000	\$2,394	26.6%	2.1%
General Manager	3,000	1,243	41.4%	0.1%
Legal Affairs	3,000	761	25.4%	0.1%
Office of Marketing and Communications*	1,000	2,155	215.5%	0.3%
Internal Audit	-	0	0.0%	0.0%
Information Technology	10,000	1,760	17.6%	0.1%
Procurement	30,000	10,100	33.7%	0.7%
Customer Service	302,000	155,984	51.7%	4.2%
Finance	40,000	16,666	41.7%	0.7%
Assistant General Manager - Administrative Services	1,000	0	0.0%	0.0%
Office of Emergency Management	-	0	0.0%	0.0%
Human Capital Management	5,000	130	2.6%	0.0%
Occupational Safety and Health	1,000	0	0.0%	0.0%
Facilities Management **	275,000	155,138	56.4%	10.7%
Department of Security	-	68	0.0%	0.2%
Wastewater Engineering	25,000	382	1.5%	0.1%
CIP Infrastructure Management	-	0	0.0%	0.0%
Distribution and Conveyance System	750,000	343,225	45.8%	11.3%
Engineering and Technical Services	938,000	566,404	60.4%	6.9%
Water Services	1,815,000	579,483	31.9%	11.1%
Clean Rivers	-	0	0.0%	0.0%
Sewer Services	1,318,000	488,597	37.1%	19.7%
Wastewater Treatment - Operations	1,845,000	799,965	43.4%	17.6%
Wastewater Treatment - Process Engineering	50,000	9,548	19.1%	0.6%
Maintenance Services	610,000	282,466	46.3%	8.4%
Permit Operations	50,000	9,696	19.4%	1.1%
Fleet Management***	3,000	3,089	103.0%	0.9%
<b>Total DC WATER</b>	<b>\$8,084,000</b>	<b>\$3,429,253</b>	<b>42.4%</b>	<b>7.4%</b>

\* Marketing & Communication - Includes overtime costs incurred in support of Blue Drop events at HQO  
 \*\* Facilities Management – Work within HQ, CMF, and Dalecarlia location required outside of standard business hours  
 \*\*\* Fleet Management - The change in contract requires more administration; limited resources



## Monthly Financial Report

Fiscal Year-to-Date  
As of February 29, 2020

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

Service Areas			Actual			Variance		
	AMENDED BUDGET	YTD BUDGET	Oct 2019 - Jan 2020	Feb 2020	YTD	ACTUAL % BUDGET	VARIANCE \$ Fav/(Unfav)	VARIANCE % Fav/(Unfav)
<b>NON PROCESS FACILITIES</b>								
Facility Land Use	\$36,002	\$8,641	\$4,719	\$139	\$4,858	13.5%	\$3,783	43.8%
<b>Subtotal</b>	<b>36,002</b>	<b>8,641</b>	<b>4,719</b>	<b>139</b>	<b>4,858</b>	<b>13.5%</b>	<b>3,783</b>	<b>43.8%</b>
<b>WASTEWATER TREATMENT</b>								
Liquids Processing	30,915	11,742	5,118	1,231	6,350	20.5%	5,392	45.9%
Plantwide	20,223	7,821	3,848	260	4,108	20.3%	3,713	47.5%
Solids Processing	10,511	5,150	2,141	476	2,617	24.9%	2,533	49.2%
Enhanced Nitrogen Removal Facilities	4,972	13,192	2,826	567	3,392	68.2%	9,800	74.3%
<b>Subtotal</b>	<b>66,620</b>	<b>37,905</b>	<b>13,934</b>	<b>2,534</b>	<b>16,467</b>	<b>24.7%</b>	<b>21,438</b>	<b>56.6%</b>
<b>COMBINED SEWER OVERFLOW</b>								
D.C. Clean Rivers	147,208	73,348	51,541	12,822	64,363	43.7%	8,985	12.2%
Program Management	1,241	656	179	-	179	14.4%	477	72.7%
Combined Sewer	2,978	3,985	1,210	61	1,271	42.7%	2,714	68.1%
<b>Subtotal</b>	<b>151,427</b>	<b>77,989</b>	<b>52,929</b>	<b>12,883</b>	<b>65,812</b>	<b>43.5%</b>	<b>12,177</b>	<b>15.6%</b>
<b>STORMWATER</b>								
Local Drainage	17	12	-	-	-	0.0%	12	100.0%
On-Going	511	580	771	-	771	150.8%	(191)	-33.0%
Pumping Facilities	7,877	2,445	1,637	56	1,693	21.5%	752	30.8%
DDOT	-	-	-	-	-	0.0%	-	0.0%
Research and Program Management	84	182	-	-	-	0.0%	182	100.0%
Trunk/Force Sewers	82	47	-	-	-	0.0%	47	100.0%
<b>Subtotal</b>	<b>8,571</b>	<b>3,266</b>	<b>2,408</b>	<b>56</b>	<b>2,464</b>	<b>28.8%</b>	<b>802</b>	<b>24.6%</b>
<b>SANITARY SEWER</b>								
Collection Sewers	2,476	3,345	572	12	583	23.6%	2,762	82.6%
On-Going	12,842	3,448	1,992	423	2,415	18.8%	1,033	30.0%
Pumping Facilities	1,619	1,054	49	31	81	5.0%	974	92.4%
Program Management	2,452	1,992	701	23	724	29.5%	1,268	63.7%
Interceptor/Trunk Force Sewers	24,257	10,223	5,317	138	5,455	22.5%	4,768	46.6%
<b>Subtotal</b>	<b>43,646</b>	<b>20,062</b>	<b>8,631</b>	<b>626</b>	<b>9,257</b>	<b>21.2%</b>	<b>10,805</b>	<b>53.9%</b>
<b>WATER</b>								
Distribution Systems	40,948	15,860	3,355	1,984	5,339	13.0%	10,521	66.3%
Lead Program	5,928	2,493	1,127	423	1,550	26.1%	943	37.8%
On-Going	10,238	3,986	6,336	1,030	7,366	72.0%	(3,380)	-84.8%
Pumping Facilities	2,513	960	93	-	93	3.7%	867	90.3%
DDOT	76	1,417	-	-	-	0.0%	1,417	100.0%
Storage Facilities	5,223	2,631	914	14	928	17.8%	1,704	64.7%
Program Management	6,795	1,744	1,282	205	1,487	21.9%	257	14.7%
<b>Subtotal</b>	<b>71,720</b>	<b>29,091</b>	<b>13,106</b>	<b>3,656</b>	<b>16,762</b>	<b>23.4%</b>	<b>12,329</b>	<b>42.4%</b>
<b>Capital Projects</b>	<b>377,987</b>	<b>176,954</b>	<b>95,727</b>	<b>19,894</b>	<b>115,621</b>	<b>30.6%</b>	<b>61,334</b>	<b>34.7%</b>
<b>CAPITAL EQUIPMENT</b>	<b>31,703</b>	<b>17,669</b>	<b>7,504</b>	<b>974</b>	<b>8,478</b>	<b>26.7%</b>	<b>9,191</b>	<b>52.0%</b>
<b>WASHINGTON AQUEDUCT</b>	<b>15,515</b>	<b>4,505</b>	<b>-</b>	<b>3,996</b>	<b>3,996</b>	<b>25.8%</b>	<b>509</b>	<b>0.0%</b>
<b>Additional Capital Programs</b>	<b>47,218</b>	<b>22,174</b>	<b>7,504</b>	<b>4,970</b>	<b>12,474</b>	<b>26.4%</b>	<b>9,700</b>	<b>43.7%</b>
<b>Total</b>	<b>\$425,205</b>	<b>\$199,129</b>	<b>\$103,231</b>	<b>\$24,865</b>	<b>\$128,095</b>	<b>30.1%</b>	<b>\$71,033</b>	<b>35.7%</b>

ATTACHMENT 2



# DC Water Finance & Budget Committee

## Investment Program Update

**Nelson L. Bush, Managing Director**

March 26, 2020

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PFM Asset  
Management LLC

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4350 N. Fairfax Drive  
Suite 580  
Arlington, VA 22203

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(703) 741-0175  
**pfm.com**



# Agenda

■ MARKET OUTLOOK &  
INTEREST RATES UPDATE

■ DC WATER'S PORTFOLIOS &  
PERFORMANCE

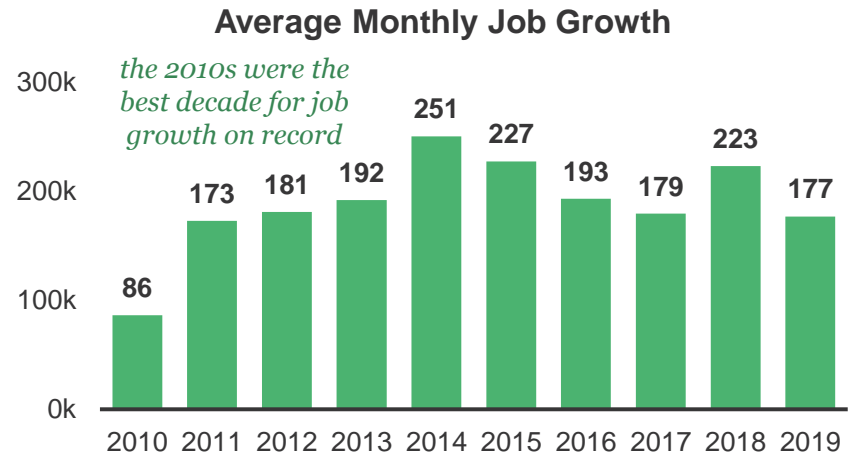
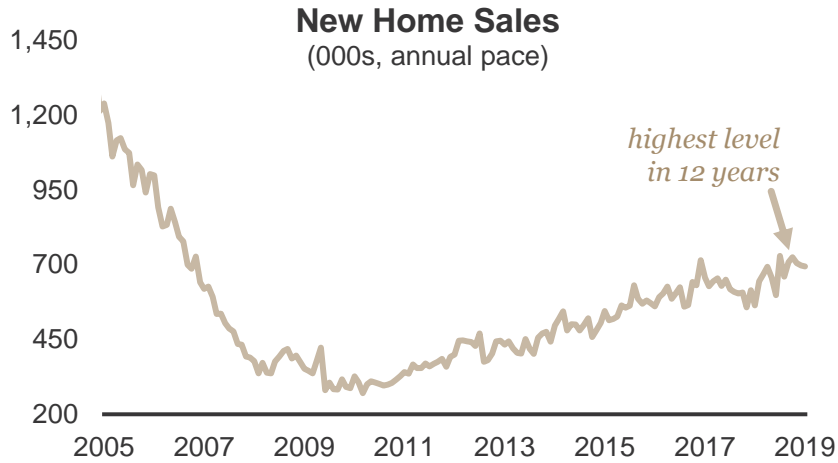
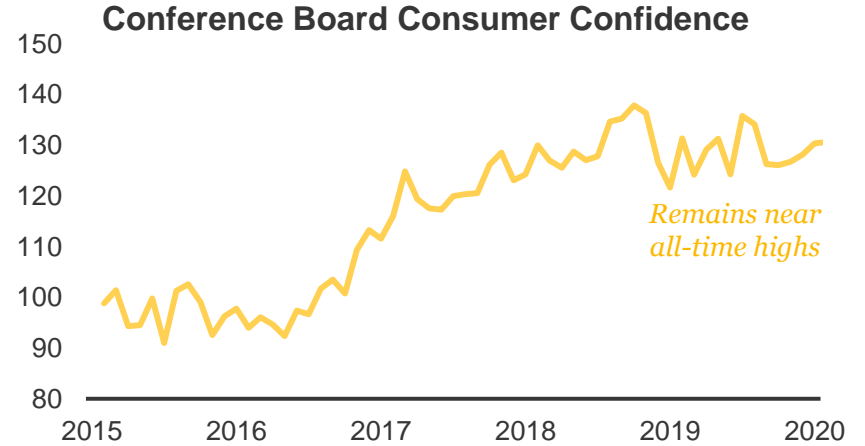
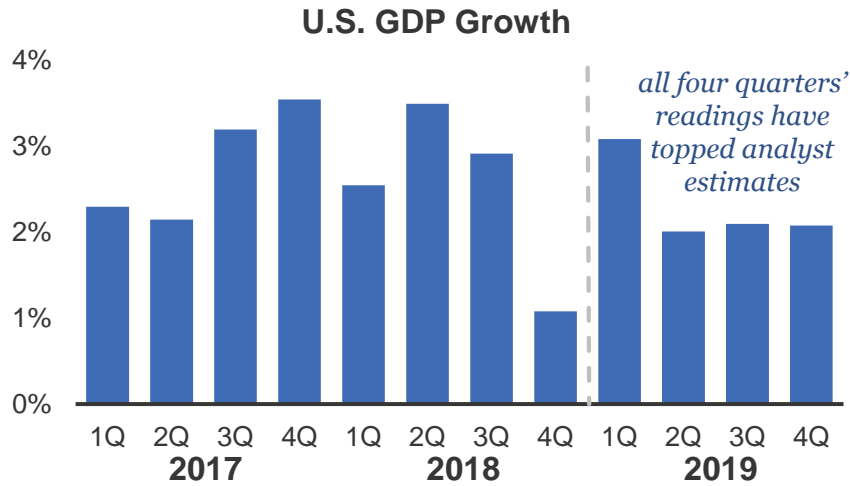




# Market Outlook & Interest Rates Update



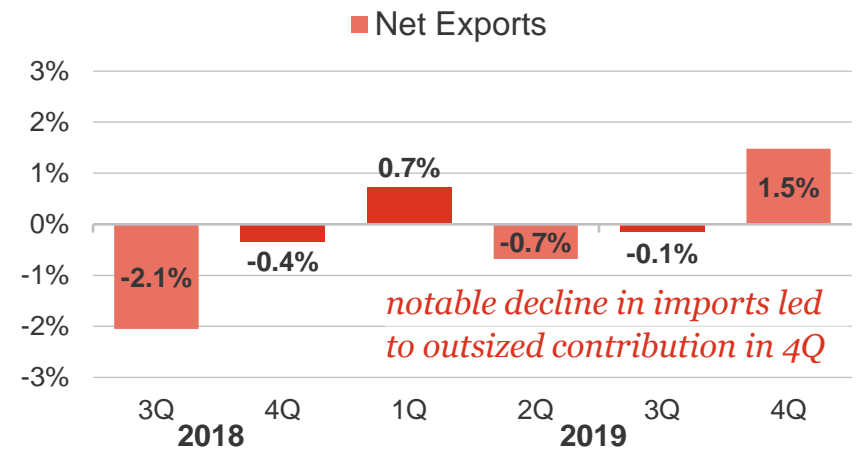
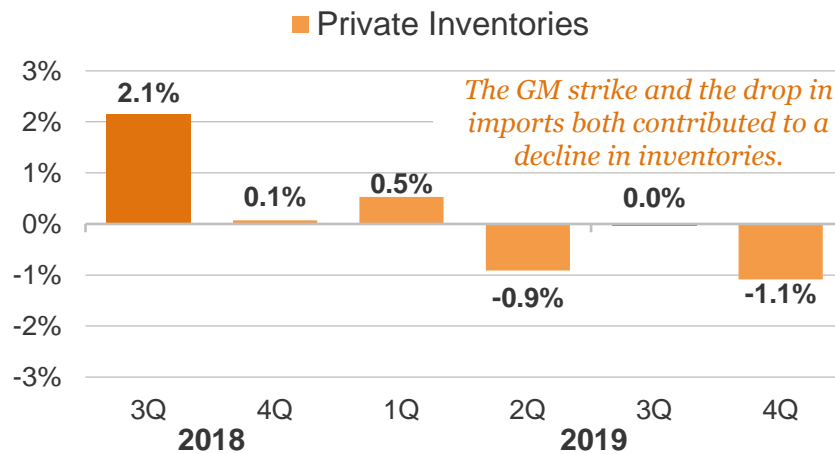
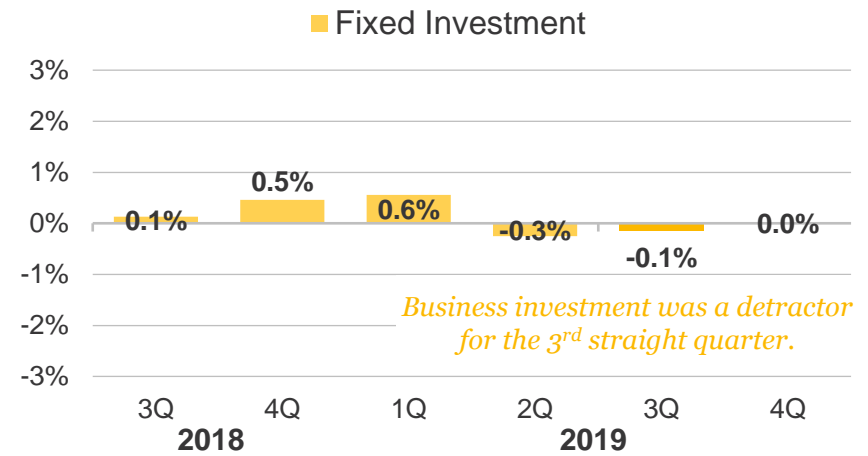
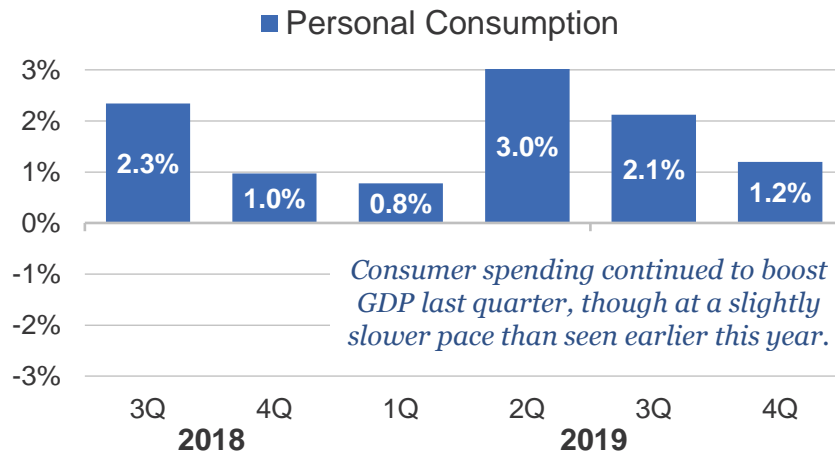
## Domestic Data Strong Prior to Coronavirus Outbreak



Source: Bloomberg, latest data available as of 2/29/2020.



## The Consumer Remains in the Driver Seat



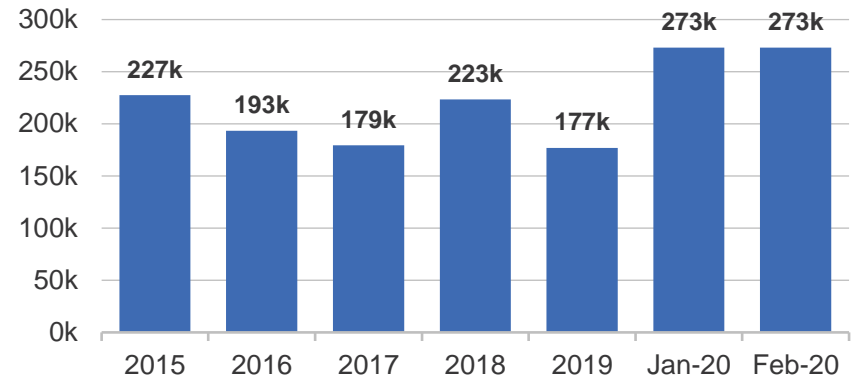
Source: Bureau of Economic Analysis



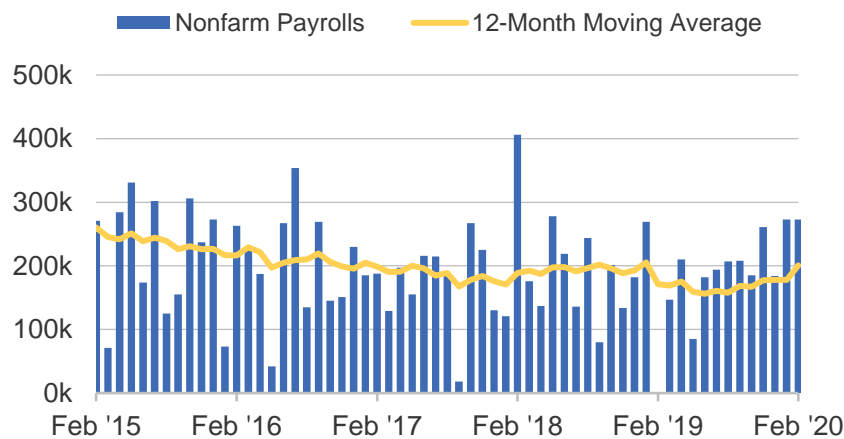
## U.S. Job Growth Continued in February

- ◆ The U.S. economy added 273,000 jobs, exceeding expectations of 175,000 for the month
  - The unemployment rate fell back to 3.5%, near a 50-year low.
  - Wage growth slightly declined to 3.0%.
- ◆ Labor participation remain relatively unchanged at 63.4%.

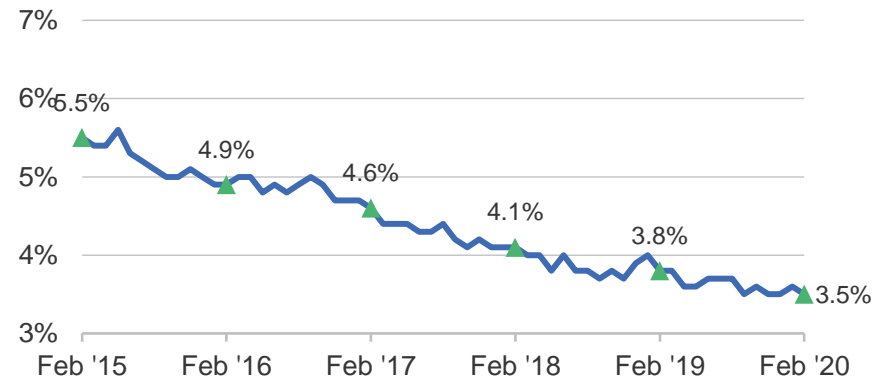
Average Monthly Job Growth



Monthly Change in Non-Farm Payrolls



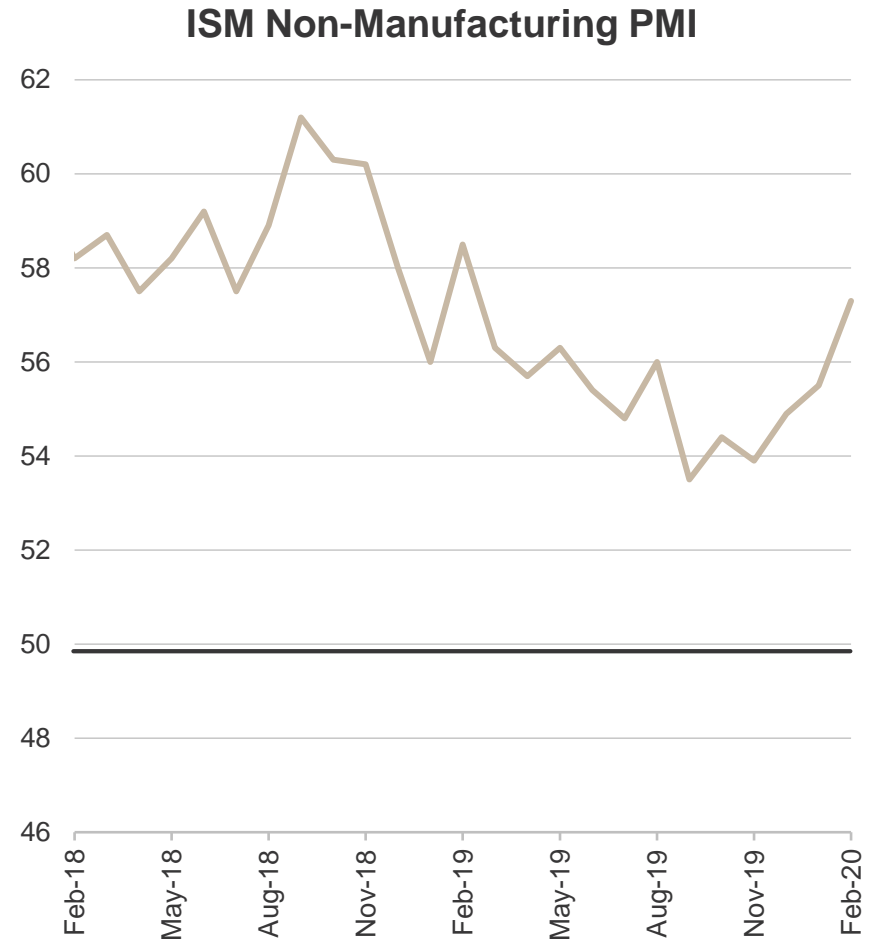
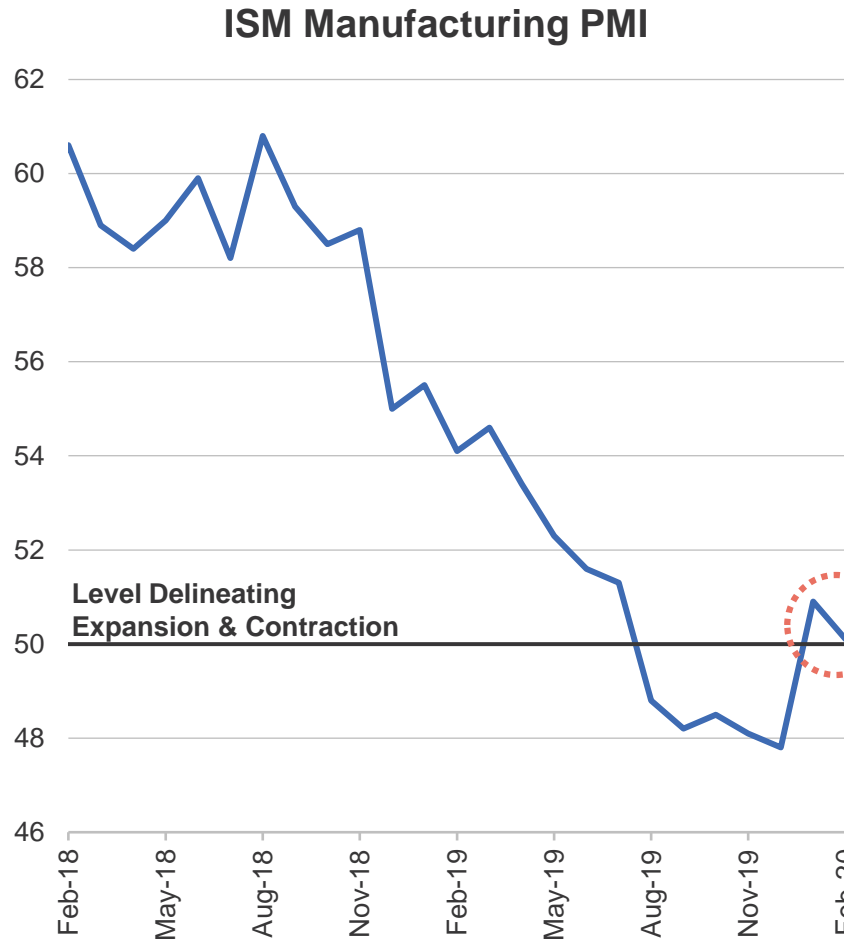
Unemployment Rate



Source: Bloomberg, as of February 2020.



## Manufacturing Sector Stagnant; Services Continues Rebound in February

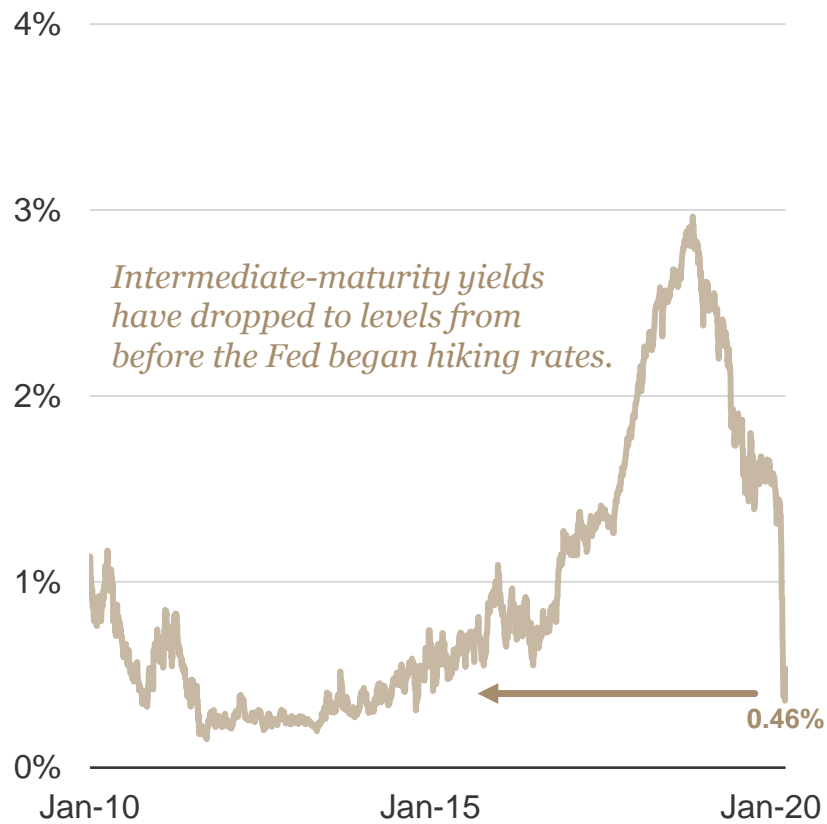


Source: Bloomberg, as of February 2020.



## After Briefly Stabilizing in Q4, Rates Plummet Due to Coronavirus Outbreak

### 2-Year Treasury Yield



### 10-Year Treasury Yield

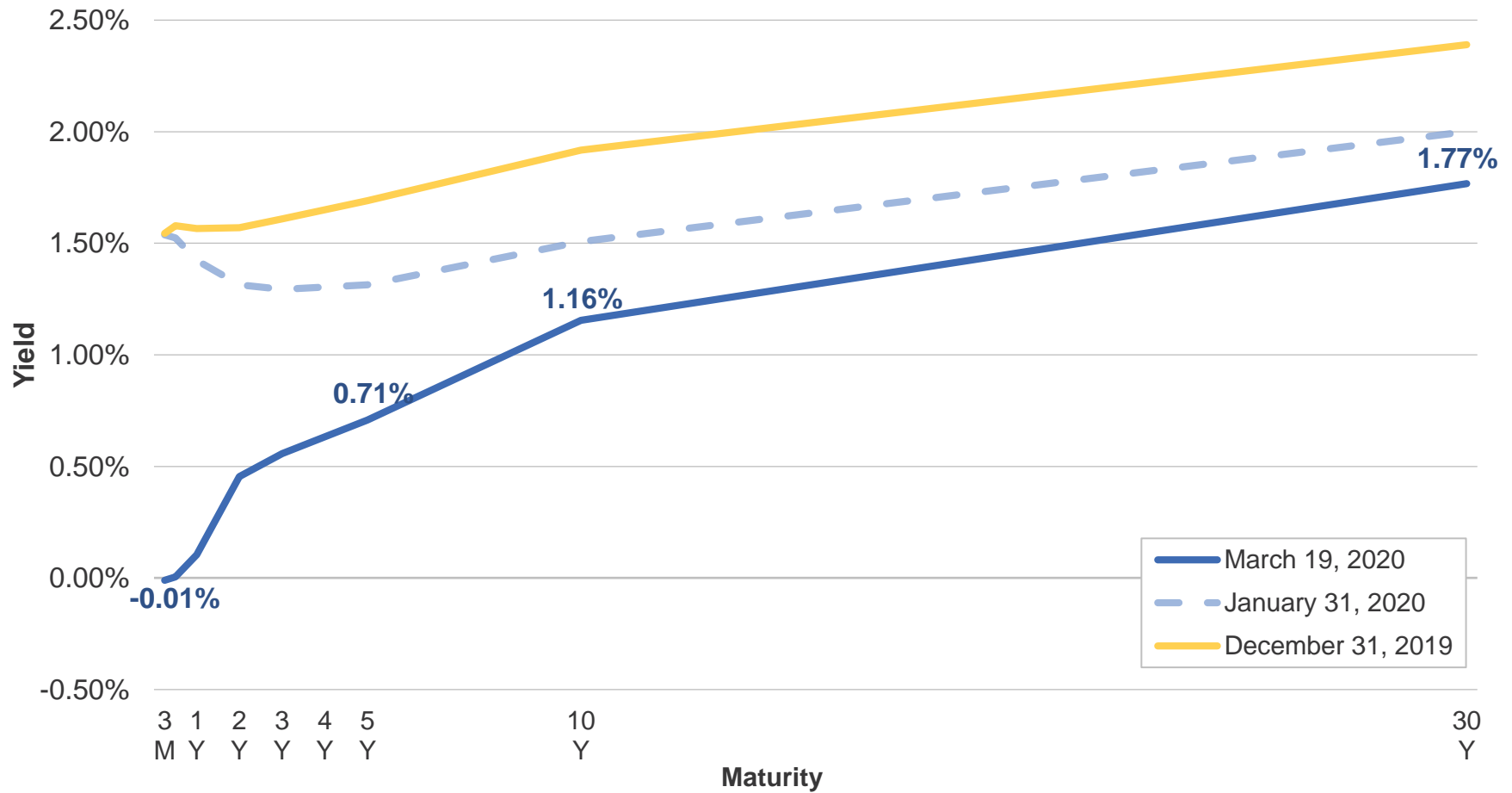


Source: Bloomberg, as of 3/19/2020.



## Yield Curve Falls Dramatically, Especially Short-Term Securities

### U.S. Treasury Yield Curve

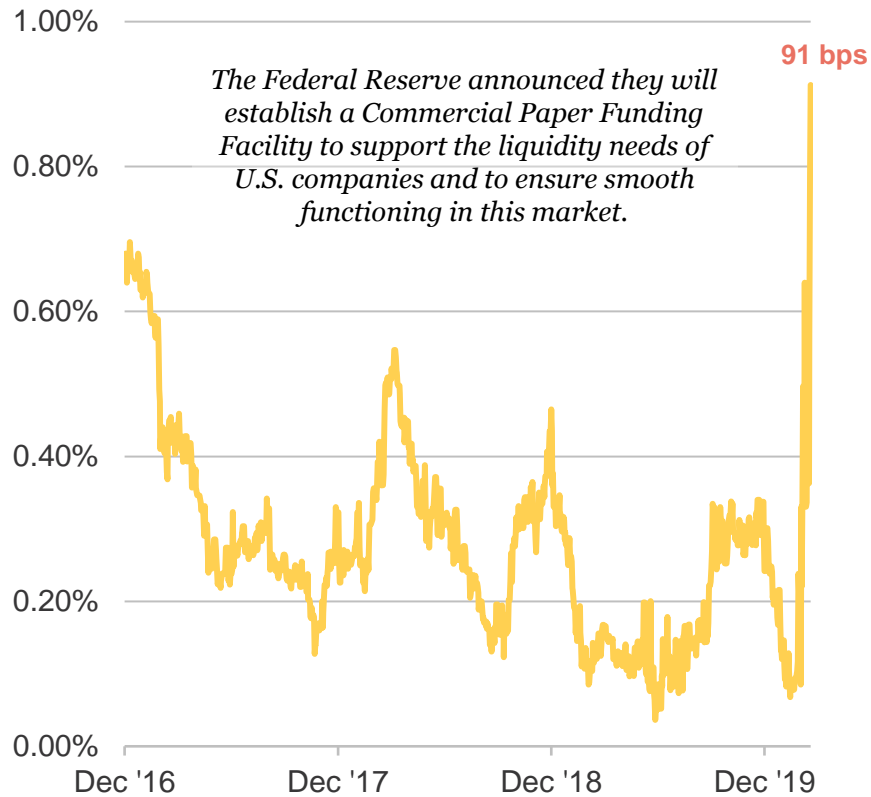


Source: Bloomberg, as of 3/19/2020.

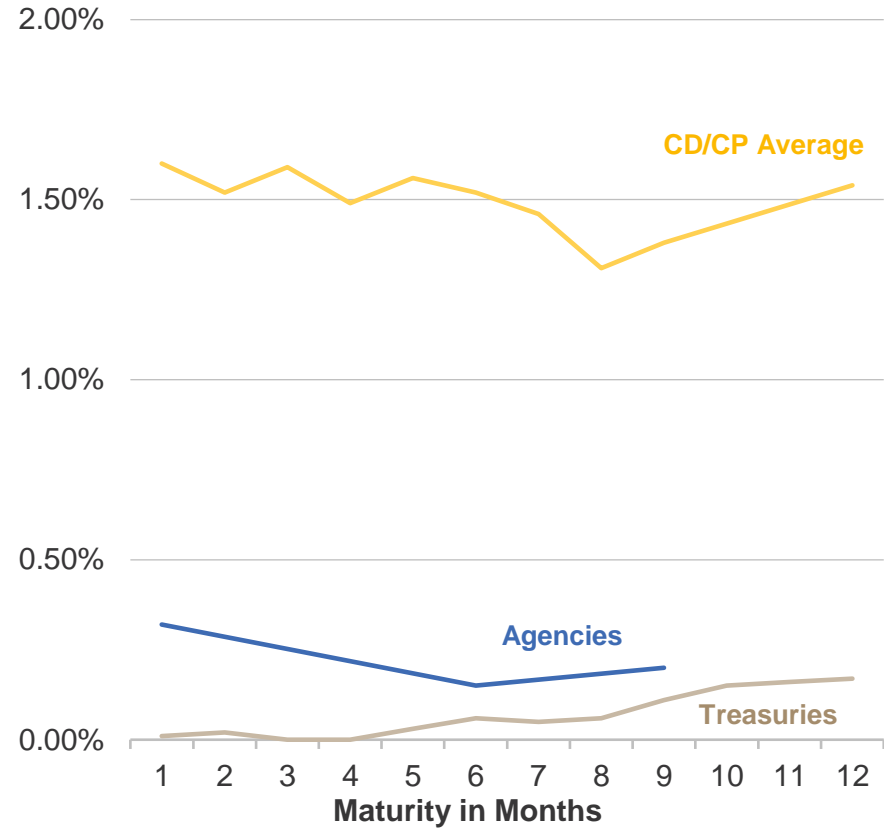


## Short-Term Credit Spreads Elevated and Volatile

**Yield Spread on  
6-month Commercial Paper over T-Bill**



**Money Market Yield Curves**



Sources: Bloomberg & PFM Trading Desk, as of 3/19/2020. 6-mo CP yield spread based on A1/P1 rated CP index (left). PFM Trading Desk, as of 3/19/2020 (right).

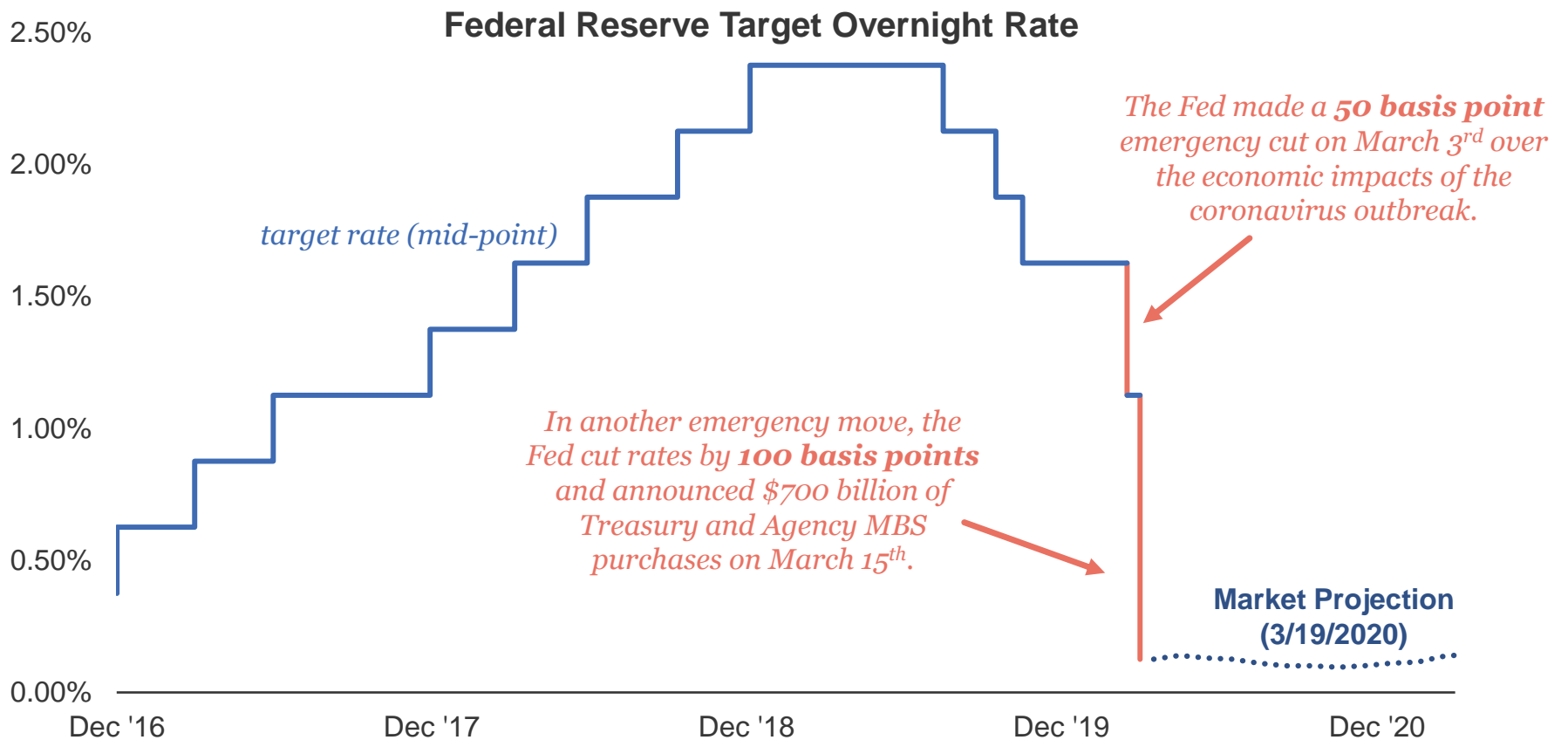




## Fed Delivers Two Emergency Rate Cuts in Two Weeks

*“A rate cut will not reduce the rate of infection. It won’t fix a broken supply chain... But we do believe that our action will provide a meaningful boost to the economy.”*

*– Fed Chair Jerome Powell; March 3, 2020*

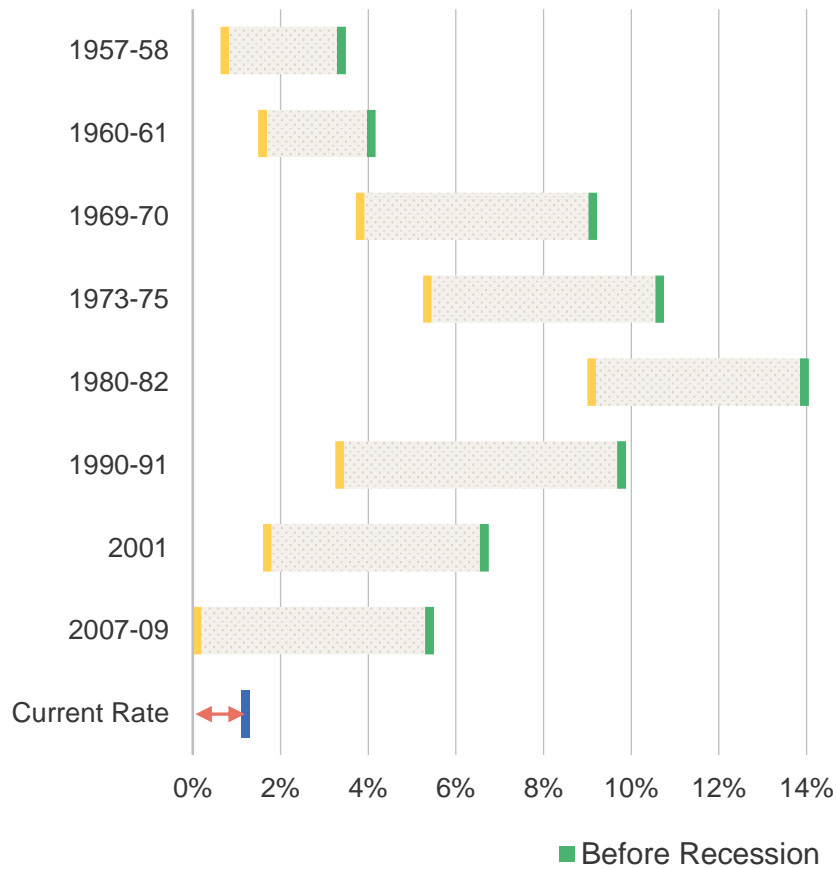


Source: Bloomberg. Market Projection as of 3/19/2020.

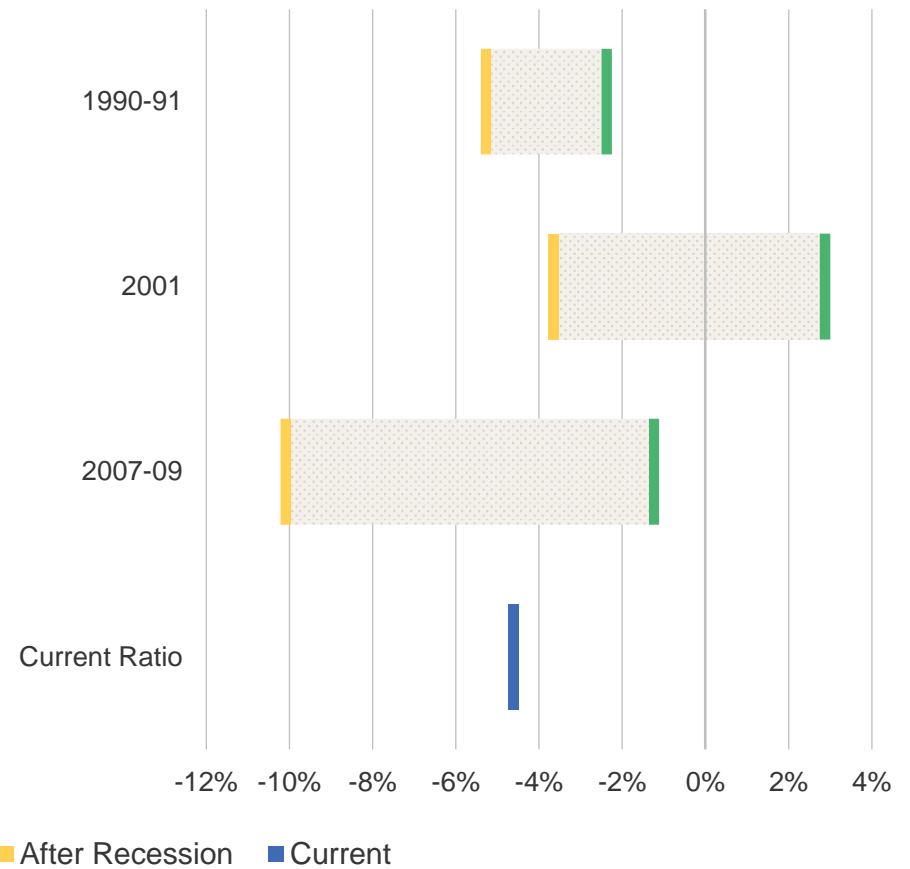


## Fed Faces Limited Monetary Policy Options

Effective Federal-Funds Rate by Recession



Deficit/Surplus as a Share of GDP



Source: Wall Street Journal and Federal Reserve Bank of St. Louis.



# DC Water's Portfolios & Performance



## DC Water's Portfolios—as of February 29, 2020

Portfolio	Balance <sup>1</sup> (millions)	Weighted Average Maturity (years)	Yield <sup>2</sup> (at cost)	Yield <sup>2</sup> (at market)
Operating Reserve Fund (Active) <sup>3</sup>	97.3	1.90	2.37%	1.14%
Operating Reserve Fund (Passive) <sup>4</sup>	173.7	0.07	0.84%	0.84%
Rate Stabilization Fund	61.5	1 day	1.65%	1.65%
Debt Service Reserve Fund	20.2	0.88	2.43%	1.28%
Commercial Paper	<0.1	1 day	1.03%	1.03%
2016B Construction Fund	0.9	1 day	1.45%	1.45%

1. Book value plus accrued interest
2. Yields represent weighted average portfolio yield
3. Active funds includes book value and money market fund balances of Operating Reserve Managed Portfolio
4. Passive funds includes Industrial Bank CDARS and TD Operating Bank Deposits



## DC Water's Portfolios—as of February 29, 2020 *(continued)*

Portfolio	Balance <sup>1</sup> (millions)	Weighted Average Maturity (years)	Yield <sup>2</sup> (at cost)	Yield <sup>2</sup> (at market)
2019A Construction Fund Portfolio <sup>3</sup> (Active)	97.9	0.26	1.57%	1.40%
2019A Construction Fund Cash <sup>4</sup> (Passive)	4.9	1 day	1.10%	1.10%
2019B Construction Fund Portfolio <sup>3</sup> (Active)	67.7	0.54	1.72%	1.38%
2019B Construction Fund Cash <sup>4</sup> (Passive)	7.6	1 day	1.10%	1.10%
2019C Construction Fund Portfolio <sup>3</sup> (Active)	89.8	0.68	1.71%	1.28%
2019C Construction Fund Cash <sup>4</sup> (Passive)	10.6	1 day	1.10%	1.10%

1. Book value plus accrued interest

2. Yields represent weighted average portfolio yield

3. Portfolio funds include book value balances of 2019A, 2019B, and 2019C Construction Fund Portfolios

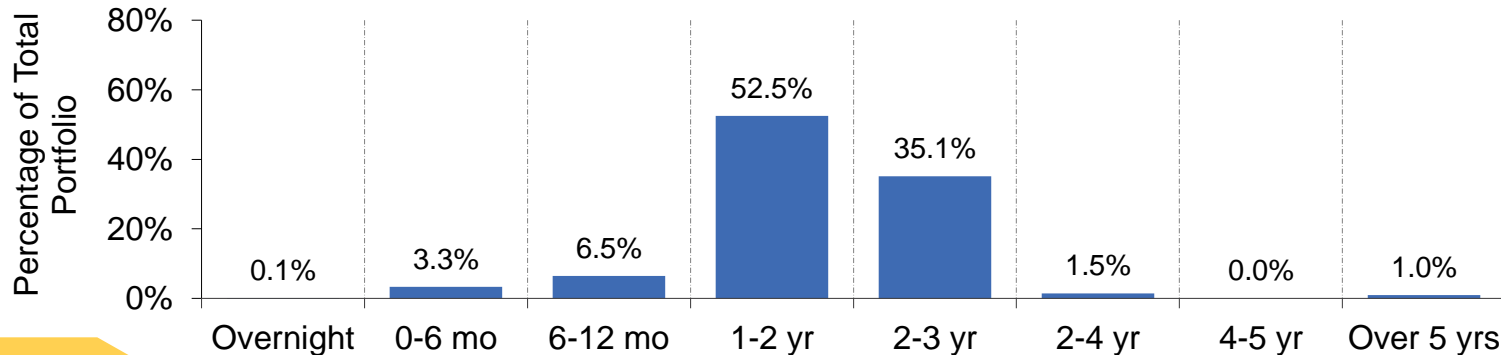
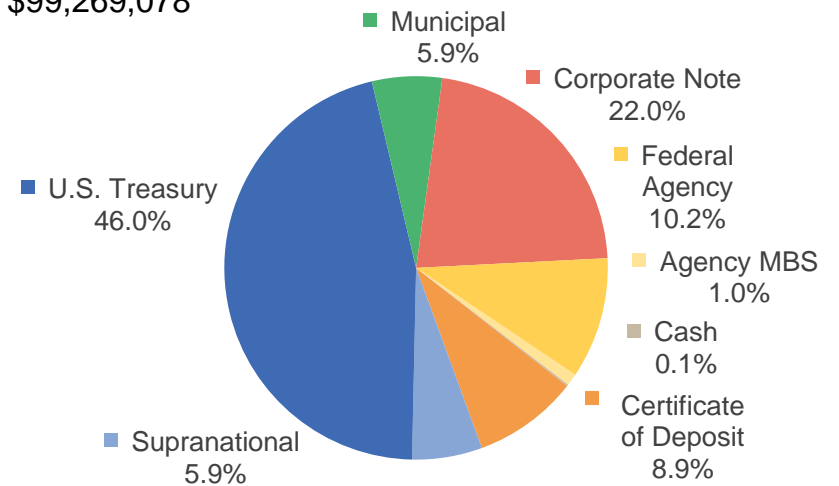
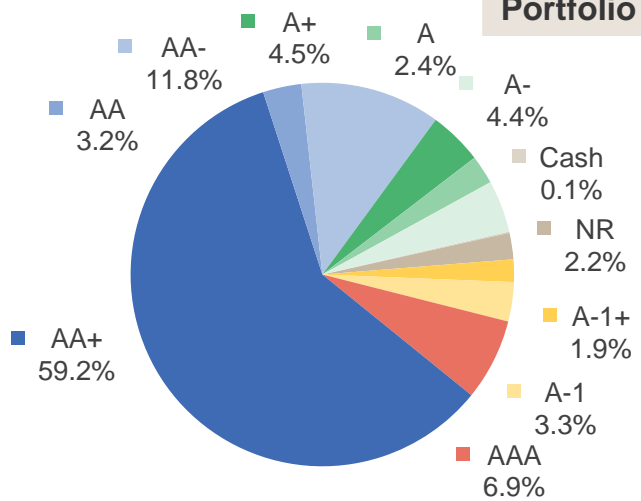
4. Cash includes money market fund balances.



# Operating Reserve Managed Portfolio

February 29, 2020

<b>Yield at Market</b>	1.14%
<b>Portfolio Duration</b>	1.79 years
<b>Portfolio Value*</b>	\$99,269,078



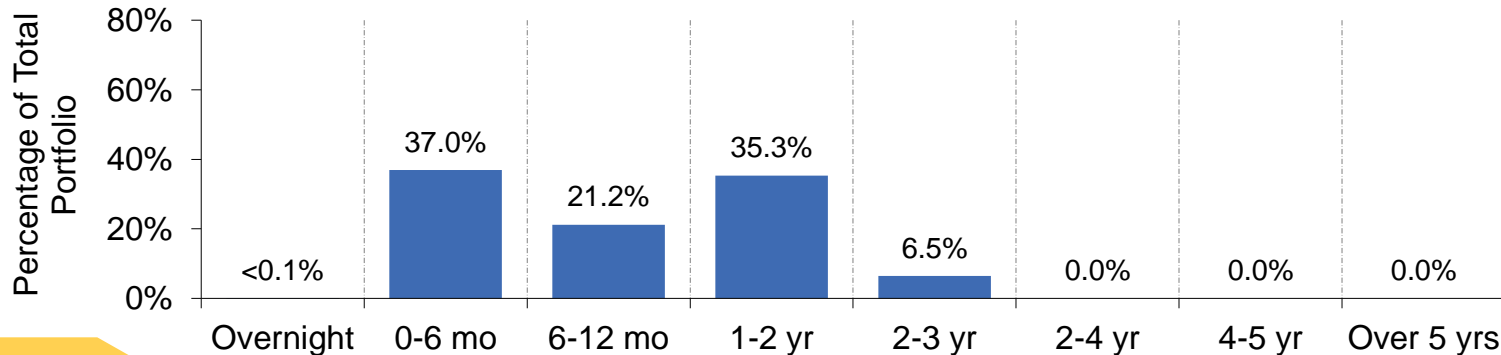
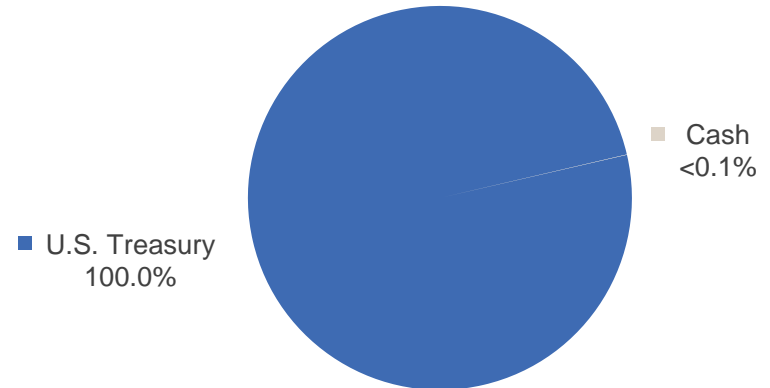
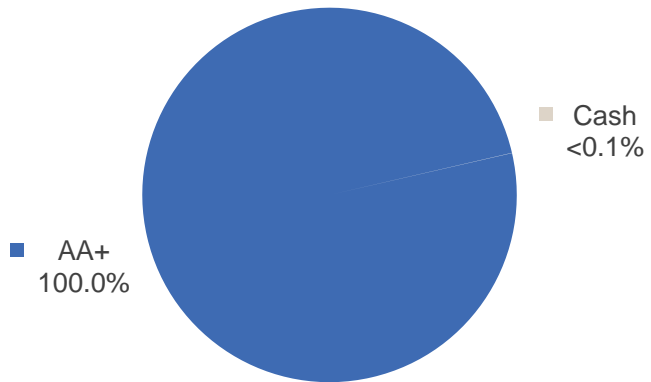
Operating Reserve Managed Portfolio as of February 29, 2020. Does not include Industrial Bank CDARS. Portfolio Value represents market value, accrued interest, and cash balance as of February 29, 2020.



# Debt Service Reserve Portfolio

February 29, 2020

Yield at Market	1.28%
Portfolio Duration	0.86 years
Portfolio Value*	\$20,426,636



Debt Service Reserve Portfolio as of February 29, 2020. Portfolio Value represents market value, accrued interest, and cash balance as of February 29, 2020.



## Historical Yields – as of February 29, 2020

	Trailing 1 Month	
	Periodic	Annualized
<b>Short Term Consolidated Composite</b>	<b>0.11%</b>	<b>1.40%</b>
ICE BoAML 3-Month Treasury Index (Book Value) <sup>1</sup>	0.11%	1.34%
<b>Core (1+Years) Consolidated Composite</b>	<b>0.19%</b>	<b>2.35%</b>
ICE BoAML 1-3 Year Treasury Index (Book Value) <sup>2</sup>	0.08%	0.95%

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

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





## Recent Purchases in a Declining Rate Environment

DESCRIPTION	PAR	MATURITY DATE	TRADE DATE	YTM
U.S. Treasury	\$3,175,000	10/15/2022	12/2/2019	1.63
New York State	\$450,000	2/15/2022	12/19/2019	1.94
Bank of Montreal	\$15,080,000	3/31/2020	12/19/2019	1.99
MUFG Bank	\$3,790,000	7/30/2020	12/19/2019	1.95
Natixis	\$3,790,000	7/30/2020	12/19/2019	1.97
Toyota	\$6,315,000	7/30/2020	12/19/2019	1.91
U.S. Treasury	\$3,300,000	9/30/2020	12/19/2019	1.63
U.S. Treasury	\$14,495,000	1/31/2020	12/19/2019	1.57
Honda	\$3,770,000	3/24/2020	12/19/2019	1.87
Credit Agricole	\$3,790,000	7/30/2020	12/19/2019	1.88
U.S. Treasury	\$18,480,000	4/30/2020	12/19/2019	1.56
U.S. Treasury	\$16,060,000	3/31/2020	12/19/2019	1.58
MUFG Bank	\$2,280,000	9/14/2020	12/19/2019	1.95
Natixis	\$5,320,000	9/14/2020	12/19/2019	1.97
Credit Agricole	\$5,320,000	9/11/2020	12/19/2019	1.89
Toyota	\$8,865,000	9/11/2020	12/19/2019	1.92
Natixis	\$3,040,000	9/14/2020	12/19/2019	1.95
U.S. Treasury	\$34,330,000	12/31/2020	12/19/2019	1.64
U.S. Treasury	\$1,445,000	1/31/2021	12/19/2019	1.66
U.S. Treasury	\$30,565,000	10/31/2020	12/19/2019	1.64
U.S. Treasury	\$14,750,000	6/30/2020	12/20/2019	1.59
U.S. Treasury	\$39,500,000	9/30/2020	12/20/2019	1.63
U.S. Treasury	\$2,650,000	1/31/2023	1/2/2020	1.61
BNP Paribas	\$3,780,000	6/30/2020	1/2/2020	1.86
JP Morgan	\$2,320,000	7/31/2020	1/2/2020	1.86
BNP Paribas	\$2,800,000	9/28/2020	1/2/2020	1.89

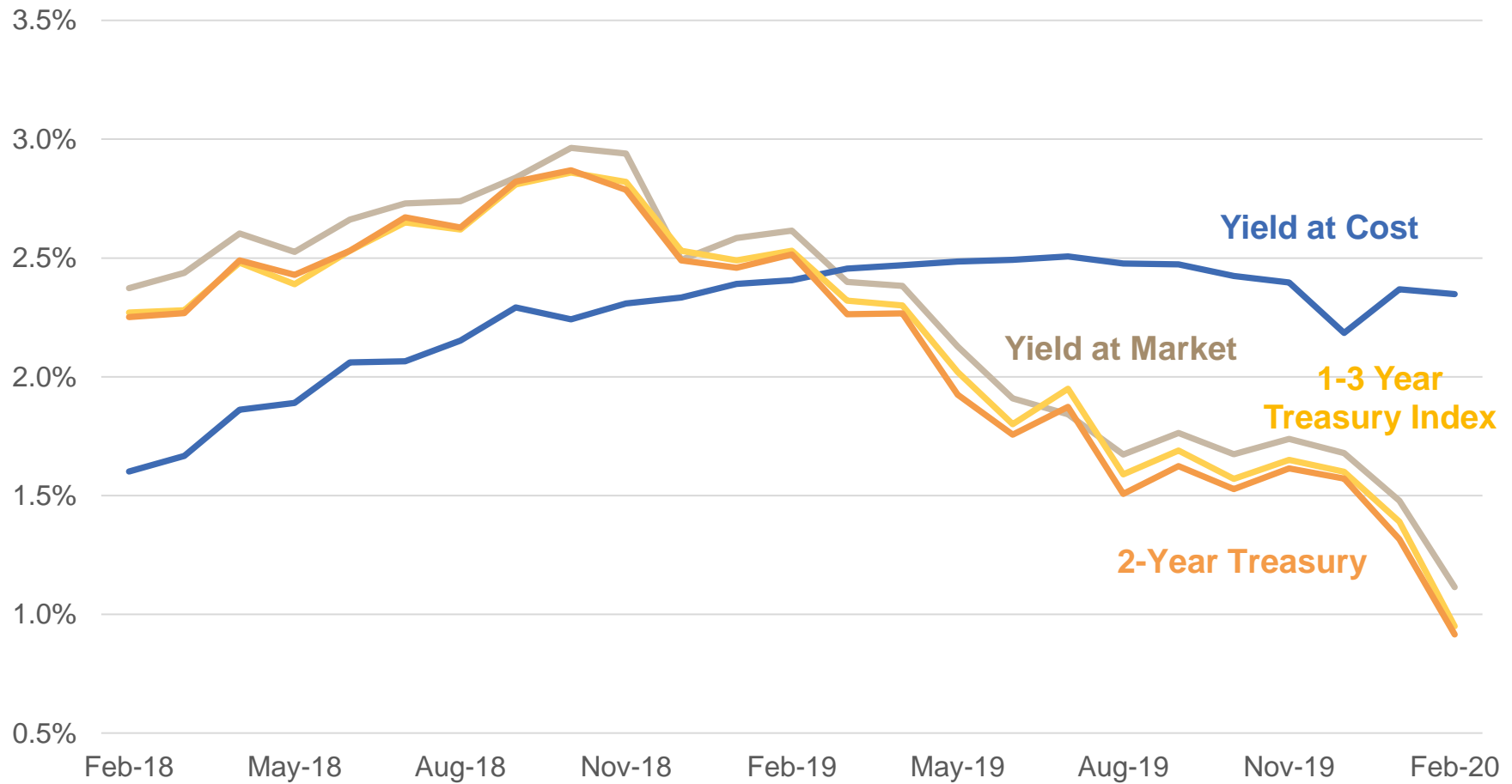


## Recent Purchases in a Declining Rate Environment

DESCRIPTION	PAR	MATURITY DATE	TRADE DATE	YTM
Cooperatieve Rabobank U.A.	\$3,800,000	8/31/2020	1/2/2020	1.84
U.S. Treasury	\$1,685,000	8/31/2020	1/2/2020	1.64
JP Morgan	\$3,800,000	9/28/2020	1/2/2020	1.87
U.S. Treasury	\$1,200,000	9/30/2020	1/2/2020	1.63
JP Morgan	\$4,000,000	8/31/2020	1/2/2020	1.86
U.S. Treasury	\$11,400,000	6/30/2020	1/3/2020	1.56
JP Morgan	\$3,400,000	9/30/2020	1/14/2020	1.83
Industrial Bank CDARS	\$5,346,191	1/14/2021	1/16/2020	2.02
Bank of New York Mellon	\$325,000	1/27/2023	1/21/2020	1.87
U.S. Treasury	\$9,985,000	3/31/2020	1/21/2020	1.53
U.S. Treasury	\$3,328,000	9/30/2020	1/21/2020	1.60
U.S. Treasury	\$3,745,000	6/30/2020	1/21/2020	1.58
U.S. Treasury	\$19,662,000	7/31/2020	1/21/2020	1.58
U.S. Treasury	\$1,975,000	1/15/2023	2/3/2020	1.33
Avondale School District, Michigan	\$460,000	5/1/2022	2/4/2020	1.60
Avondale School District, Michigan	\$470,000	5/1/2023	2/4/2020	1.65
Freddie Mac	\$490,636	5/1/2028	2/4/2020	1.85
MUFG Bank	\$925,000	2/25/2020	2/4/2020	1.62
Fannie Mae	\$483,554	1/25/2028	2/5/2020	1.86
Federal Home Loan Bank	\$1,325,000	2/17/2023	2/20/2020	1.44
Chevron	\$475,000	6/24/2023	2/25/2020	1.62



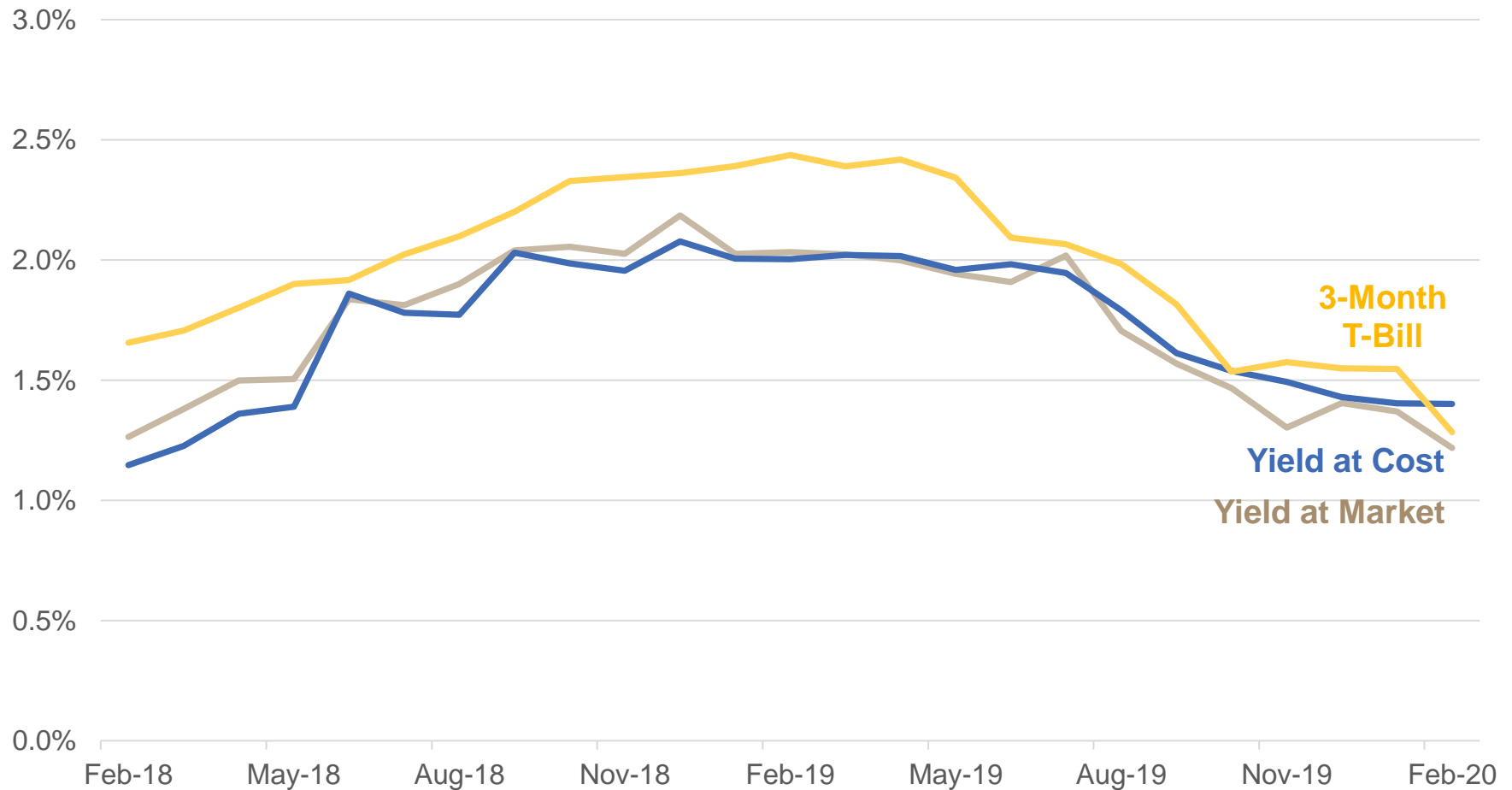
# Core Portfolio Yield Outperforms Index as Interest Rates Decline



Source: Bloomberg, as of February 29, 2020. Core Portfolio yield at cost and yield at market (annualized) versus ICE BofAML 1-3 Year Treasury Index and 2-Year Treasury from February 29, 2018 to February 29, 2020. The ICE of BofAML 1-3 Year Treasury Index yield at cost unadjusted to reflect market value fluctuations.



## Short Term Portfolio Yield Begins to Outperform Index as Interest Rates Decline



Source: Bloomberg, as of February 29, 2020. Short Term Portfolio yield at cost and yield at market (annualized) versus 3-Month Treasury Bill from February 29, 2018 to February 29, 2020.

# Questions?





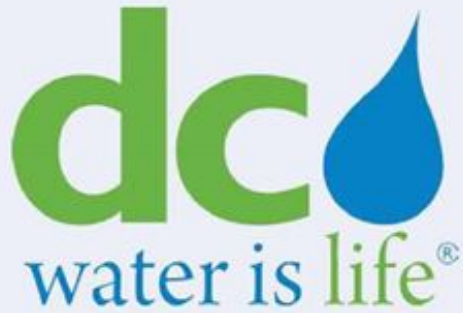
## Important Disclosures

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. Investment advisory services are provided by PFM Asset Management LLC which is registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. Financial advisory services are provided by PFM Financial Advisors LLC and Public Financial Management, Inc. Both are registered municipal advisors with the SEC and the Municipal Securities Rulemaking Board (MSRB) under the Dodd-Frank Act of 2010. Swap advisory services are provided by PFM Swap Advisors LLC which is registered as a municipal advisor with both the MSRB and SEC under the Dodd-Frank Act of 2010, and as a commodity trading advisor with the Commodity Futures Trading Commission. Additional applicable regulatory information is available upon request. Consulting services are provided through PFM Group Consulting LLC. Institutional purchasing card services are provided through PFM Financial Services LLC. PFM's financial modeling platform for strategic forecasting is provided through PFM Solutions LLC. For more information regarding PFM's services or entities, please visit [www.pfm.com](http://www.pfm.com).

The views expressed within this material constitute the perspective and judgment of PFM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue, and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

# Thank You





ATTACHMENT 3



# Finance & Budget Committee Update

## Replacement of Helaba Credit Facility Supporting Commercial Paper Program

March 26, 2020

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PFM Financial Advisors LLC

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4350 N. Fairfax Drive  
Suite 580  
Arlington, VA 22203

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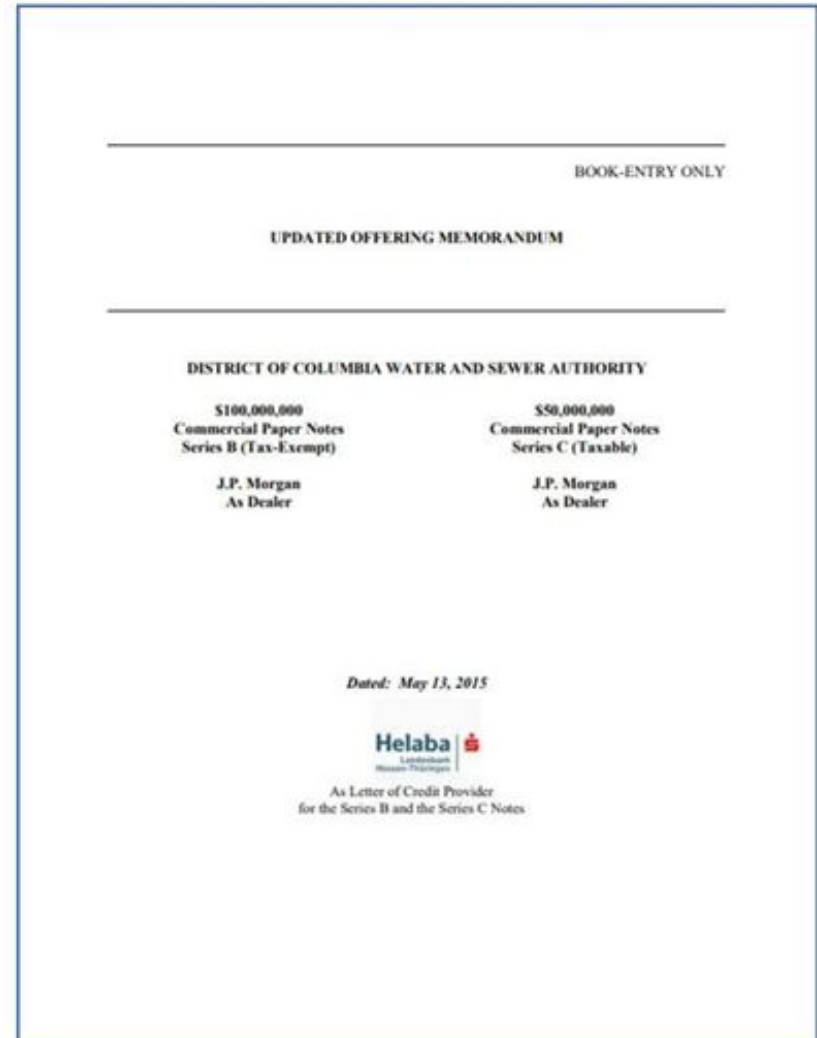
703.741.0175  
pfm.com





## Background

- DC Water maintains \$150 million Commercial Paper Program split into two series to provide short-term financing for taxable and tax-exempt projects
- Commercial Paper Program requires a bank-provided credit facility
- The credit facility provides liquidity and is used to pay investors upon maturity of issuance of Commercial Paper Notes
- Current facility with Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (“Helaba”) expires on May 15, 2020
- Helaba has determined to exit the business, so existing facility must be replaced and cannot be extended
- DC Water conducted a competitive procurement process to obtain replacement liquidity facility





## Procurement Will Result in Improved Pricing for DC Water

### • Fees

- TD has proposed a fee of 23 basis points (~\$360,000 per year) for a five year term
- Reduction of 3 basis points from prior facility
- When compared to recent credit facilities RFPs for similarly rated utilities, TD Bank has proposed a very competitive rate

### • Credit Quality of TD

- TD Bank is one of the higher rated banks providing these types of facilities
- Commercial Paper supported by TD Bank trades at very competitive levels compared to notes supported by other banks

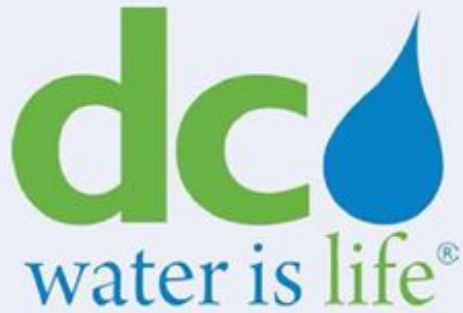
### • Legal terms

- TD has agreed to accept very similar terms as included in DC Water's existing negotiated agreement with Helaba



## Documentation and Road Ahead

- Board will be asked to approve the following documentation needed to effectuate agreement:
  - Letter of Credit and Reimbursement Agreement for each of Series B / Series C
  - Amendment to Dealer Agreement
  - Amendment to Supplemental Indenture of Trust
  - Form of Bank Notes
  - Updated Offering Memorandum
- Road Ahead
  - **Action item:** approval of the resolution
  - Short-term ratings assigned
  - Updated Offering Memorandum posted
  - DC Water and TD Bank effectuate substitution



ATTACHMENT 4



# Finance & Budget Committee Update

## Renewal of TD Bank Credit Facility Supporting 2014B-1 and 2014B-2 Bonds

March 26, 2020

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PFM Financial Advisors LLC

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4350 N. Fairfax Drive  
Suite 580  
Arlington, VA 22203

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703.741.0175  
pfm.com



## Background

- DC Water issued \$100 million in Variable Rate Demand Bonds (VRDBs) in 2014 (the Series 2014 B Bonds)
- VRDBs require a bank-provided credit facility
- Investors have an ability to tender their VRDBs each week when the variable SIFMA rate resets
- The credit facility provides liquidity and can be used to pay investors that tender their bonds in the event DC Water is unable to provide the necessary cash
- Investors require (and indenture mandates) that a credit facility secure the Series 2014 B Bonds
- Current facility with TD Bank expires on July 23, 2020

**NEW ISSUE - BOOK ENTRY ONLY**

	<b>LF SZ</b> Ratings: Standard & Poor's: AA A-1 Moody's: Aa1 VRDB-1 Fitch: AA- F1+ See "Ratings" herein.
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*In the opinion of Co Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2014B 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 2014B Bonds and the interest thereon are exempt from District taxation, except estate, inheritance and gift taxes. Interest on the Series 2014B 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.*

**\$100,000,000**

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**  
**Public Utility Subordinate Lien Multimodal Revenue Bonds**  
**Series 2014B**  
**(Weekly Rate Period)**

<b>\$50,000,000</b>	<b>\$50,000,000</b>
<b>Subseries 2014B-1</b>	<b>Subseries 2014B-2</b>

**Dated:** Date of Delivery **Date:** As shown on inside cover

The Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2014B (the "Series 2014B Bonds"), consisting of the Subseries 2014B-1 Bonds (the "Subseries 2014B-1 Bonds") and the Subseries 2014B-2 Bonds (the "Subseries 2014B-2 Bonds") are being issued by the District of Columbia Water and Sewer Authority (the "Authority," also commonly referred to as "DC Water") pursuant to a Master Indenture of Trust, dated as of April 3, 2008 (the "Master Indenture"), by and between the Authority and Wells Fargo Bank, N.A., as trustee (the "Trustee"), as amended and supplemented to the date of issuance of the Series 2014B Bonds (the "Indenture"). The proceeds of the Series 2014B Bonds will be used to pay (i) a portion of the costs of certain capital improvements to the System (as defined herein) and (ii) costs of issuing the Series 2014B Bonds. The Series 2014B Bonds will be secured by a pledge of Net Revenues that will be subordinate to the pledge of Net Revenues that secures any Outstanding Senior Debt and other Senior Debt the Authority may incur from time to time in the future, and on a parity with the pledge of Net Revenues that secures the Outstanding Subordinate Debt and other Subordinate Debt the Authority may incur from time to time in the future, without preference, priority or distinction of any Subordinate Debt over any other Subordinate Debt, all as further described and defined herein. See "SECURITY FOR THE SERIES 2014B BONDS."

Each Subseries of the Series 2014B Bonds will initially bear interest at a Weekly Rate, as described herein. Interest on the Series 2014B Bonds in the Weekly Rate will be calculated on the basis of a 360- or 365-day year for the number of days actually elapsed, payable on the first Business Day of each calendar month, commencing August 1, 2014. After the Initial Period, each Subseries will continue to bear interest at the specified Interest Period unless and until all of the Series 2014B Bonds of a Subseries are converted to a different Interest Period, as more fully described in this Official Statement. The applicable interest rate for the Initial Period shall be determined by Bank of America Merrill Lynch for the Subseries 2014B-1 Bonds (the "Subseries 2014B-1 Remarking Agent") and by Loop Capital Markets LLC, for the Subseries 2014B-2 Bonds (the "Subseries 2014B-2 Remarking Agent"), all as the manner described in this Official Statement.

The Series 2014B Bonds will be issued initially in denominations of \$100,000 or any \$5,000 integral multiple in excess thereof and in fully registered form in the name of CofA & Co., as nominee of The Depository Trust Company ("DTC") under the book entry only system maintained by DTC. So long as CofA & Co. is the registered owner of the Series 2014B Bonds, the principal of and premium, if any, and interest on the Series 2014B Bonds will be payable by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent submittal to beneficial owners of the Series 2014B Bonds, as more fully described herein. See Appendix E - "DTC BOOK-ENTRY ONLY SYSTEM."

The Series 2014B Bonds are subject to redemption prior to maturity, as more fully described herein.

Proceeds for the purchase of each Subseries upon optional or mandatory tender thereof will be available, subject to certain conditions, through a Liquidity Facility provided by TD Bank, N.A., the Liquidity Facility Provider named on the inside cover of this Official Statement. Upon the occurrence of certain events of default under the Liquidity Facility, the obligation of Liquidity Facility Provider to purchase tendered Series 2014B Bonds of the relevant Subseries will terminate or, in certain cases, be suspended, immediately, without any prior notice to holders of the Series 2014B Bonds. Upon the occurrence of certain other events of default under the applicable Liquidity Facility, the obligation of Liquidity Facility Provider to purchase tendered Series 2014B Bonds of the applicable Subseries may be terminated by the Liquidity Facility Provider as described in this Official Statement.

**1 Bank**

The Series 2014B Bonds shall be special, limited obligations of the Authority payable solely from the Net Revenues of the Authority. The Series 2014B Bonds shall be without recourse to the District of Columbia (the "District"). The Series 2014B Bonds shall not be general obligations of the District or of the Authority. The Series 2014B Bonds shall not be a pledge of or involve the faith and credit or the taxing power of the District, shall not constitute a debt of the District, the United States of America or any State, jurisdiction (as defined herein) or any agency or instrumentality of any State, jurisdiction, and neither the District, the United States, nor any State, jurisdiction nor any agency or instrumentality of any State, jurisdiction shall be liable thereon. The Series 2014B Bonds also shall not constitute the lending of the public credit for private undertakings as prohibited by the House Rule Act (as defined herein). The Authority has no taxing power.

The Series 2014B Bonds are offered when, and if issued by the Authority and received by the Underwriters. Certain legal matters with respect to the issuance of the Series 2014B Bonds are subject to the approval of Squire Patton Boggs (US) LLP, and Latham & Lathrop, LLC, Co-Bond Counsel to the Authority. Squire Patton Boggs (US) LLP and Latham & Lathrop, LLC, also serve as Co-Bondcounsel Counsel to the Authority in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the Authority by its General Counsel, and for the Underwriters by Conck, Livingston & Smith, LLP, and McQuinn & Associates, Co-Underwriters' Counsel. It is expected that the Series 2014B Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July 23, 2014.

**BofA Merrill Lynch** **Loop Capital Markets**

(Senior Manager and Remarking Agent for the Subseries 2014B-1 Bonds) (Senior Manager and Remarking Agent for the Subseries 2014B-2 Bonds)

This cover page, including the inside cover page, contains certain information for quick reference only. It is not a summary of this Official Statement. Prospective purchasers must read the entire Official Statement to obtain the information essential to the making of an informed investment decision.

Dated: July 17, 2014



## Benefits of Renewal vs. Replacement

### • Fees

- TD has proposed an updated fee of 23 basis points (~\$230,000 per year) for a five year term
- Reduction of 5 basis point from prior facility despite a longer commitment term of 5 years (versus 3 years)
- TD has proposed to match pricing on competitively bid LOC for commercial paper program, providing assurance to DC Water that this is a very competitive rate that is at or below the market
- When compared to recent credit facilities RFPs for similarly rated utilities, TD Bank has proposed a very competitive rate

### • Significant avoided costs compared to a replacement

- Legal fees associated with a replacement likely between \$100,000 - \$150,000, depending on complexity of negotiations and need to update and distribute a new disclosure document
- Required ratings fees in excess of \$20,000
- Other issuance costs of ~\$25,000



## Benefits of Renewal vs. Replacement

- ◆ Negotiations
  - Renewal requires an amendment
  - Replacement requires a full re-negotiation with the new bank with no assurance that the Representations and Warranties, Covenants, Events of Default and others critical provisions will be as favorable to DC Water as the TD Bank agreement.
- ◆ Staff time
  - The replacement process generally requires ~3 months of concerted effort and focus for selected members of the DC Water's staff
- ◆ Credit Quality of TD
  - TD Bank is one of the higher rated banks providing these types of facilities
  - VRDBs supported by TD Bank trade at very competitive levels compared to other VRDBs supported by other banks



## DC Water Options

- DC Water has 2 options as the credit facility approaches expiration:
  1. Renew the facility with TD Bank
    - Request a proposal (term sheet) from TD Bank
    - Requires an amendment to the current agreement
    - Finance & Budget and Board approval
  2. Replace the TD facility with a facility provided by another bank requiring:
    - RFP process (~30 days)
    - Evaluation of proposals (~15 days)
    - Negotiations with the new bank and their counsel (~30 days)
    - Updated ratings (short-term ratings)
    - Updated disclosure (official statement)
    - Finance & Budget and Board approval





## Recommendation and Road Ahead

- Renewal of the TD Facility (5 years for 23 basis points per year) is a prudent and timely option
  - Very competitive fee proposal matching lowest bid on Commercial Paper Program LOC
  - Avoids costly legal, disclosure and other fees associated with a replacement of the facility
  - Avoids renegotiation of “hard fought” provisions in the current Standby Bond Purchase Agreement
  - Focuses staff time
- Road Ahead
  - **Action item:** approval of the resolution
  - DC Water and TD Bank finalize negotiations for the amendment and extension
  - Extension executed (through July of 2025)

ATTACHMENT 5

Finance and  
Budget  
Committee  
ERP Updates Meeting

March 26, 2020



## Business Transformation Program 'Zeus' (ERP Oracle Cloud Implementation)



Business  
Transformation  
Program



## Purpose

- PROVIDE AN UPDATE ON THE ORACLE CLOUD ENTERPRISE RESOURCE PLANNING TOOL (ERP) IMPLEMENTATION



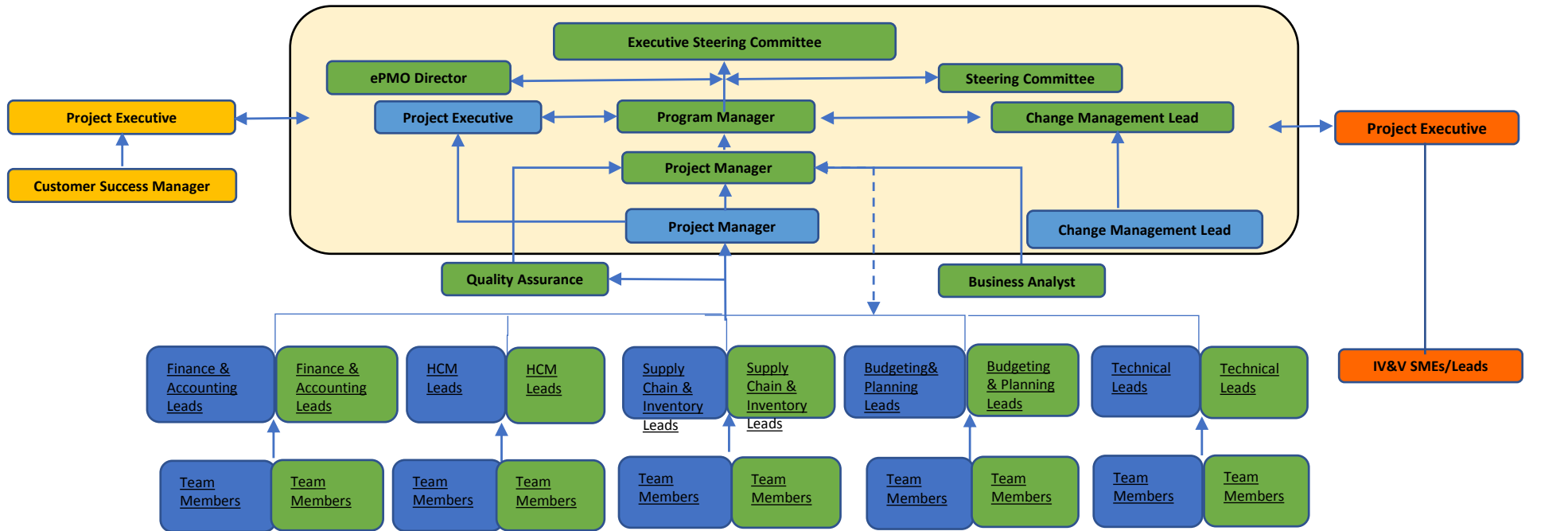
## Major Accomplishments

- ◆ ESTABLISHED PROGRAM UNDER THE DC WATER ENTERPRISE PROGRAM MANAGEMENT OFFICE (EPMO)
  - ◆ Developed appropriate and optimal Governance and Program Organization Structure
  - ◆ Formalized Program Change Management
  - ◆ Assigned Full-time Program and Project Managers
  - ◆ Maximized ownership and knowledge transfer by pairing resources (DC Water & AST )
  - ◆ Schedule and Cost Reductions gained from As-Is Process Documentation



# Major Accomplishments: ERP Program Org Chart

## Optimizing Governance and Knowledge Transfer



**Legend:**

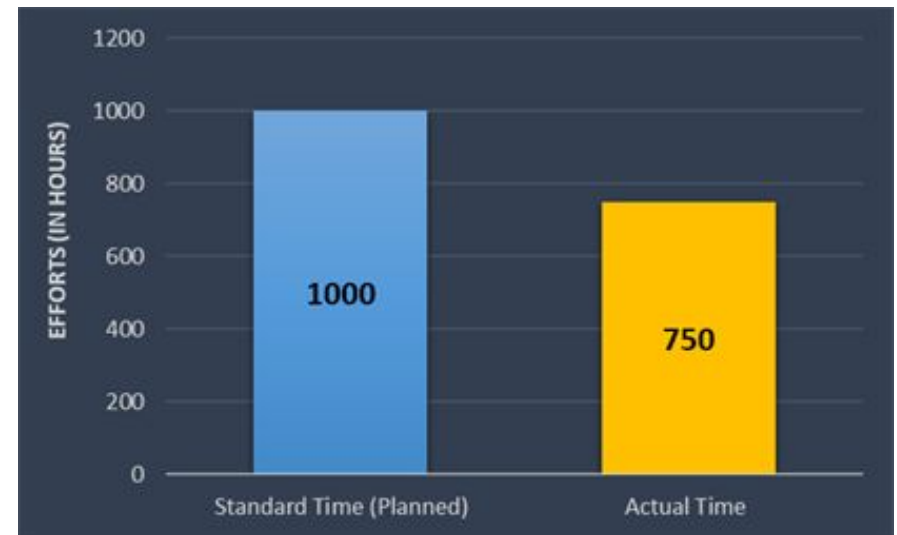
- DC Water
- AST
- Oracle
- Accenture



## Major Accomplishments: As-Is Documentation

### ◆ AS-IS PROCESS DOCUMENTATION

- ◆ Documented approx. 100 detailed business sub-processes across Finance, Procurement, and Human Capital Management (DC Water – Led)
- ◆ Reduced 250 DCW project resource hours
  - ◆ Standardized Templates
  - ◆ Effective Governance
- ◆ As-Is Process Documentation completed 3 months ahead of schedule (Phase II to Phase V)





## Major Accomplishments: Oracle Orientation Sessions - Phase One / Sprint I

### ◆ ORACLE ORIENTATION SESSIONS PHASE I COMPLETED:

- ◆ 15 Orientation Sessions Conducted to include:
  - ◆ 8 full-day sessions for Finance
  - ◆ 6 full-day sessions for Procurement
  - ◆ 1 full-day session for Projects and Grants
- ◆ 12 of 25 Business Processes Covered
- ◆ Over 55 DC Water Finance and Procurement Staff engaged
  - ◆ Gained Familiarity with the Oracle System
  - ◆ Facilitated Knowledge Transfer with Integrator
  - ◆ Fostered Ownership of the New Processes

#### Completed Business Processes

- **General Ledger**
- **Financial Reporting**
- **Accounts Payable**
- **Fixed Assets**
- **Cash Management**
- **Accounts Receivable**
- **Project Billing & Grants**
- **Purchasing**
- **Self Service Procurements**
- **Supplier Sourcing**
- **Inventory Management**
- **Human Capital Management (Basic)**



## ERP Program Scope

### ◆ MODULES IN SCOPE FOR ERP ORACLE CLOUD IMPLEMENTATION :

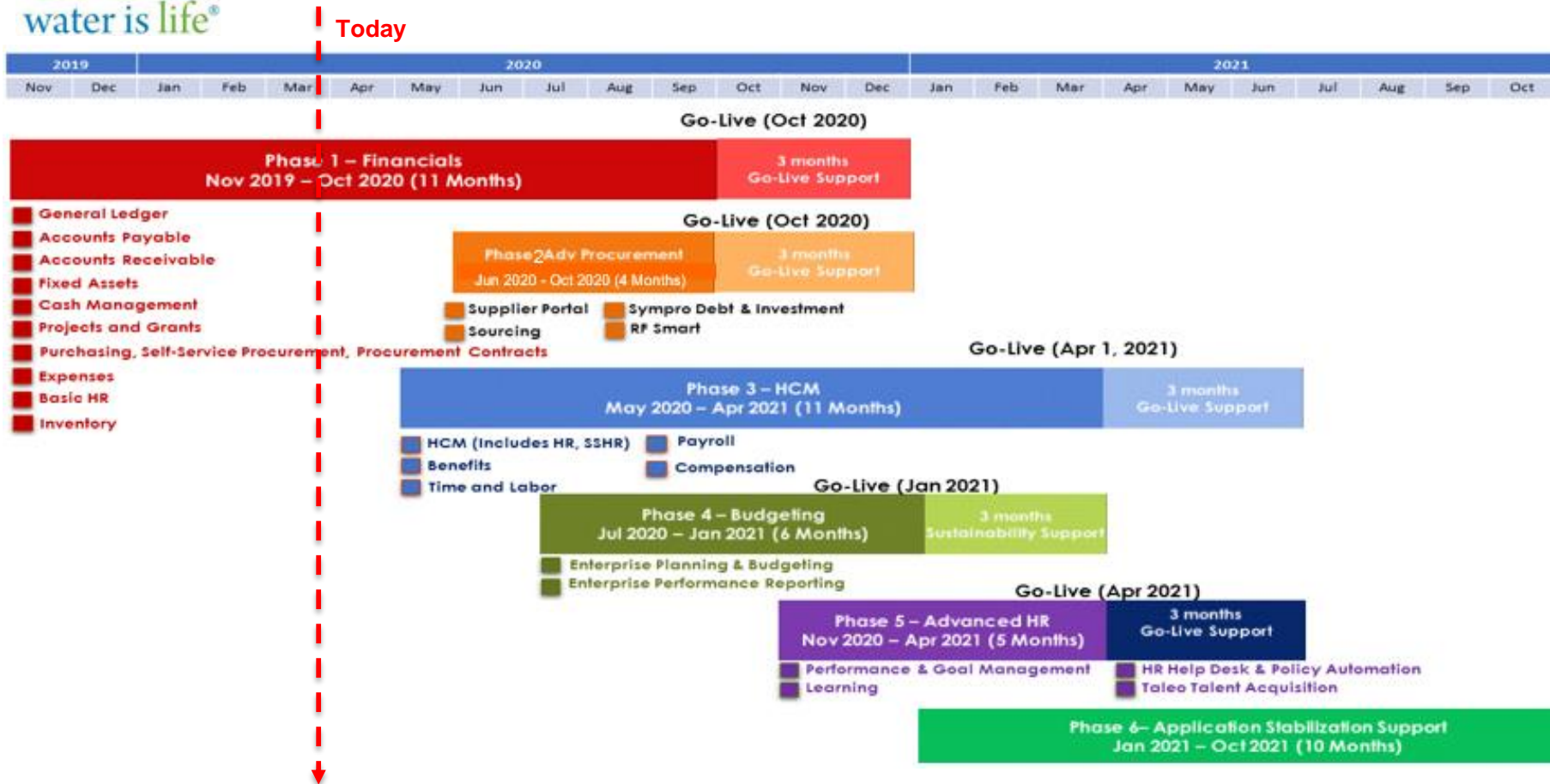
- ◆ Financials
- ◆ Procurement & Advance Procurement
- ◆ Human Resources ( Core HR/Benefits , Compensation, Learning, Recruitment)
- ◆ Time and Labor
- ◆ Payroll
- ◆ Budget

Note: 4000 Contingency hours allocated any potential Change Requests



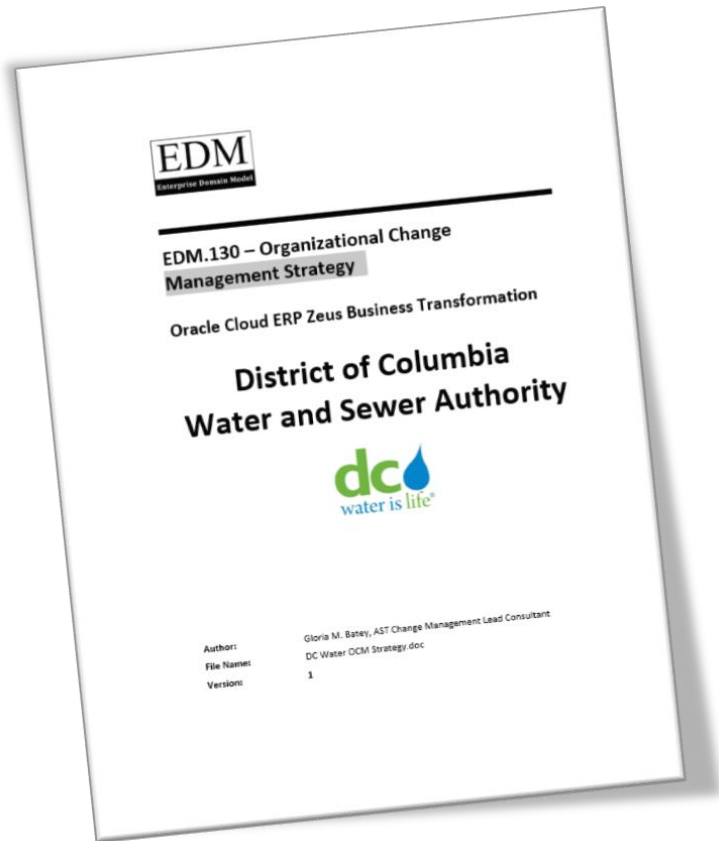


# ERP Program Schedule: 24 months





# Change Management Implementation Strategy



## Prosci /ADKAR Model

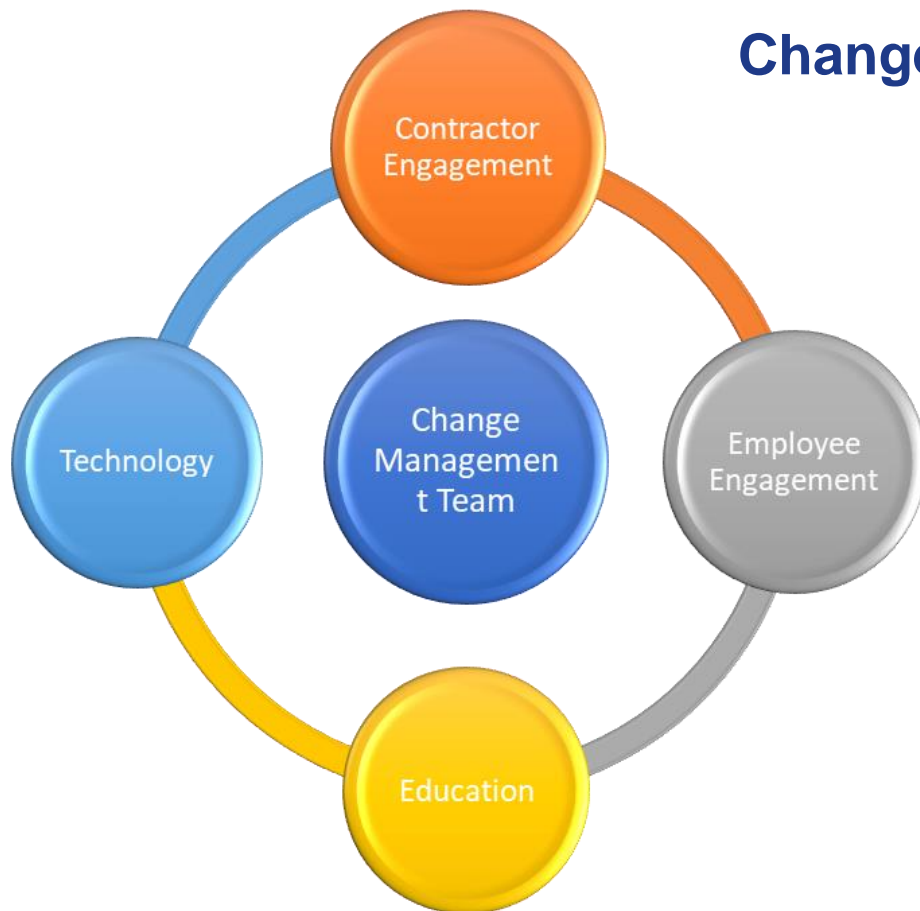
- Awareness **Prepare for Change**
- Desire
- Knowledge **Manage Change**
- Ability
- Ability **Reinforce Change**
- Reinforcement





# Change Management Implementation Strategy

## Change Management Team Workgroups

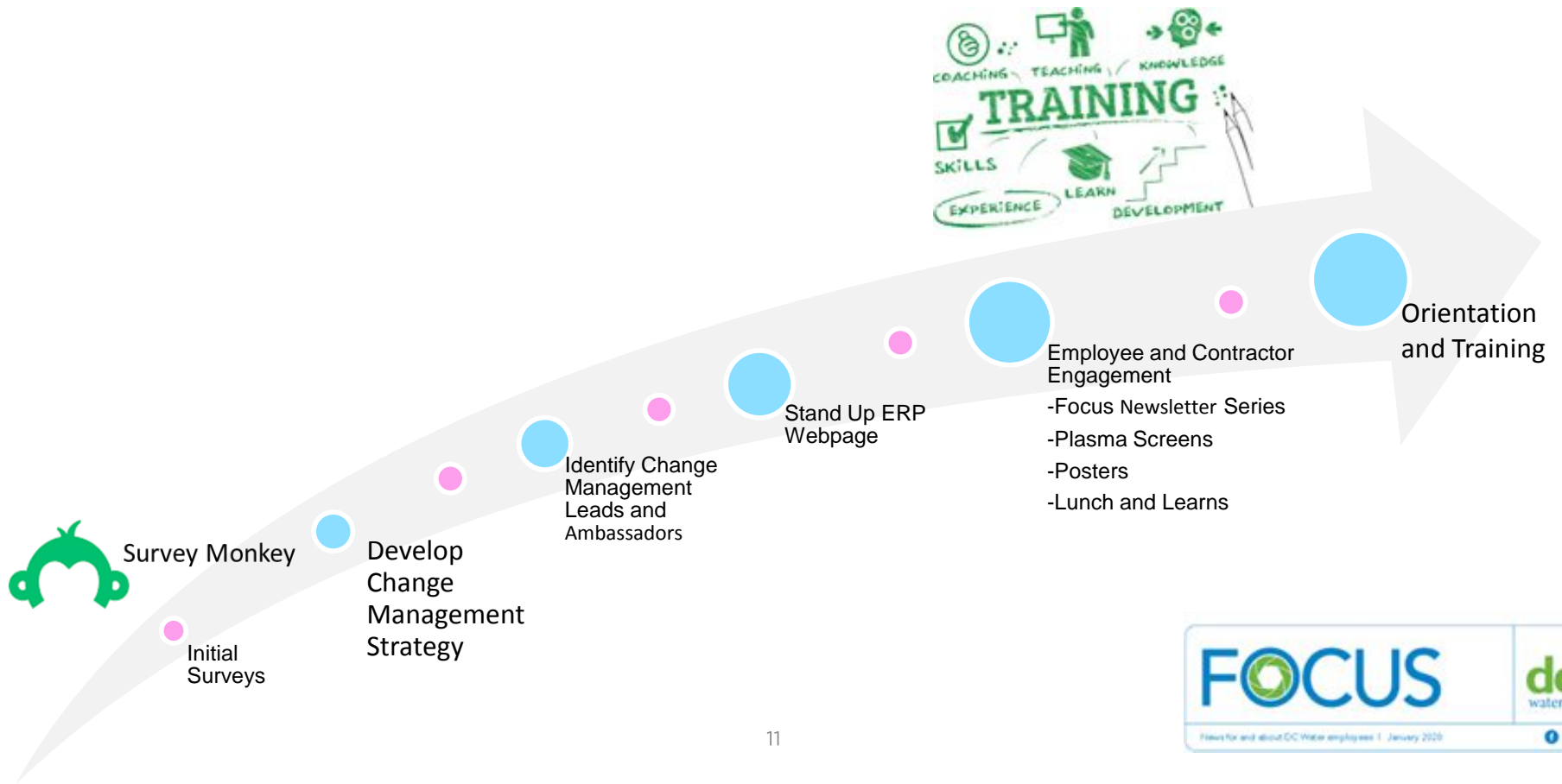


- **Shared Overall Vision:** The Change Management Workgroups work under a shared vision to ensure successful employee and contractor engagement with the ERP implementation.
- **Role Definition:** The roles of the Workgroups are designed to best leverage DC Water’s leaders and talent to address unique elements of the Change Management Plan. The roles allow some overlap, but not redundancy of effort.
- **Collaboration:** The ability to address all aspects of the Change Management Plan are divided amongst the Workgroups to ensure better efficiency and flexibility to address issues as they arise.

10



# Change Management Implementation Strategy





## Upcoming Milestones: (3 – 6) Months

### ❑ Phase 1 (Financials and Procurement)

- ❖ Sprint 2 Sessions
- ❖ Sprint 2 Configurations
- ❖ Data Conversion Programs Design and Development
- ❖ Interface Functional Design and Development
- ❖ Prel. System Configuration Document
- ❖ Test Strategy and Plan prepared and Test Scripts
- ❖ System Integration Testing (SIT)
- ❖ User Acceptance Testing (UAT)
- ❖ Data Conversions for SIT and UAT
- ❖ Organizational Change Management/Communication Plan Activities

### ❑ Phase 2 (Advanced Procurement)

- ❖ Project Team Onboarding and Logistics Setup
- ❖ Project Phase 2 Kick-Off
- ❖ Detailed Project Plan
- ❖ Discovery Workshop Sessions
- ❖ Sprint 1 Configurations and Sessions

### ❑ Phase 3 (HCM/Payroll)

- ❖ Project Team Onboarding and Logistics Setup
- ❖ Oracle Orientation Sessions (Phase 3)
- ❖ Project Phase 3 Kick-Off
- ❖ Detailed Project Plan
- ❖ Discovery Workshop Sessions
- ❖ Sprint 1 Configurations and Sessions

### ❑ Phase 4 (Budgeting)

- ❖ Project Team Onboarding and Logistics Setup
- ❖ Oracle Orientation Sessions (Phase 4)
- ❖ Project Phase 4 Kick-Off
- ❖ Detailed Project Plan
- ❖ Discovery Workshop Sessions
- ❖ Sprint 1 Configurations and Sessions

### ❑ HCM DataMart

- ❖ Project Team Onboarding and Logistics Setup
- ❖ Project 4 Kick-Off
- ❖ Detailed Project Plan
- ❖ Design and Development



## Potential Challenges

### ◆ STAFFING ISSUES

- ◆ PROGRAM LEADERSHIP TEAM IS CONSISTENTLY WORKING WITH AST AND DCW BUSINESS LEADERSHIP TO AVOID OR MITIGATE THE IMPACT OF ANY STAFFING ISSUES

### ◆ CORONAVIRUS (COVID-19 SPREAD) IMPACT

- ◆ WORKING WITH DCW MANAGERS/LEADERSHIP ON THE VARIOUS PLAN OPTIONS AND MITIGATE ANY MAJOR IMPACT TO THE PROGRAM TIMELINES AND BUDGET

### ◆ CULTURAL CHANGE

- ◆ MANAGING THIS CHANGE THROUGH EFFECTIVE COMMUNICATION AND OUTREACH PROGRAMS WITH THE HELP OF STRONG CHANGE MANAGEMENT STRATEGY VIA FOCUSED WORK GROUPS



## Appendix



## ERP Project Overview

### ❖ **Current ERP**

- Three separate systems: Financial (Lawson), Procurement (Zycus), HCM (Ceridian)
- Current ERP software (Lawson) has been discontinued since 2016, and is currently on extended support

### ❖ **Assessment and findings by KPMG on ERP system replacement**

KPMG (Dec 2015 – Jan 2016) assessed the financial systems and recommended a new ERP solution:

- Found existing Lawson environment not user friendly, suboptimal reporting and access to information,
- Lack of integration with Maximo, Primavera, CIS, Ceridian, requires validation and manual work-around activities
- Recommended a new ERP over Lawson upgrade;
- Key factors: similar organizations leveraging Oracle or SAP, current state of usability of the Lawson solution, drive to consolidate platforms and more functionality





## ERP Project Overview: Solution and Partners Selection

- ❖ Conducted a rigorous RFP Process for the selection of new software through a competitive solicitation process.

- ❖ Software Selected: **Oracle Cloud ERP**

The Oracle logo, consisting of the word 'ORACLE' in white, uppercase letters on a red rectangular background.

- ❖ System Integrator (SI) Selected: **AST Corporation**

The AST logo, featuring the letters 'AST' in a bold, black, sans-serif font with a red swoosh underline.

- ❖ Independent Validation and Verification (IV&V) Selected: **Accenture**

The Accenture logo, featuring the word 'accenture' in a bold, black, sans-serif font with a red chevron symbol above the 'u'.

- ❖ Other Software Products Selected

- Inventory Scanning Software: **RF-SMART** (Vendor: ICS)

The ICS logo, featuring the letters 'ICS' in a bold, black, sans-serif font with three horizontal lines to the left.

- Investment and Debt Management System Solution: **Sympro** (Vendor: Emphasys Software)

The Emphasys Software logo, featuring the word 'emphasys' in a bold, black, sans-serif font with a blue upward-pointing arrow above the 'a', followed by the word 'Software' in a smaller, blue, sans-serif font.

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## Benefits of Oracle Cloud ERP System

### ❖ **One Integrated System, One Data Source:**

- Financial, HCM, and Procurement on a single enterprise-wide system.
- Enable the flow of information into one central database, and help breakdown information silos
- Connected in real-time, Artificial Intelligence capable, informed decision-making.
- Seamless way of working, increasing productivity, efficiency, improved quality and reduced lead-time

### ❖ **Built-in industry best practices and procedures in the software**

### ❖ **Automated dashboard, reporting, workflow, e-signature, paperless**

### ❖ **Increased auditability & compliance**

### ❖ **Mobility: iOS and Android compatible**

### ❖ **Lower operating cost (compared to on-premise solution)**

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## Primary Project Roles with Names

### Executive Steering Committee

- Matthew T Brown (CFO & EVP - Finance and Procurement)
- Keith J. Lindsey (EVP - People and Talent)
- Thomas L. Kuczynski (VP- Information Technology)
- Dan Bae (VP – Procurement and Compliance)

### Program Leadership

#### DCW

- Manoj Kumar Sharma (Program Manager)
- Ramana Kanchetty (Project Manager)

#### AST

- Shaji Zechariah (Project Executive)
- Daryl Cockerham (Sales Account Rep)
- Wendy Bass (Project Manager)
- Ashok Kowdle (Solution Architect)

#### Oracle

- Sang Lee (Sales Account Rep- Application)
- Michelle Miller (Sales Account Rep- Application)
- Rafeem Akbari (Sales Account Rep- Technical)
- Arun Ramanathan (ISM, SaaS)
- Kevin Ortiz (CSM, PaaS)

#### Accenture

- Rowan Miranda (Project Executive)
- David Metnick (Client Lead)
- Matthew Burnham (Client Lead)

### Steering Committee

- Francis Cooper (Director- ePMO)
- Val Blinkoff (Manager, FAB)
- Genes Malasy (Acting Controller/AR/GL)
- Ivan Boykin (Director – Finance)
- Lola Oyeyemi (Director – Budget)
- Syed Khalil (Director – Rates and Revenue)
- Joel Grosser (Director – Procurement)
- Korey Gray (Director, Cultural Transformation)
- George Spears (Director – Labor Relations and Compliance)
- Hari Kurup (Director – Enterprise Applications)
- Nick Capolarello (Manager, HCM)
- Nana Kwame (Manager, IT PMO)

### Change Management Team

#### DCW

- Korey Gray (Enterprise CM Lead)
- Patricia Taylor-Lytle (Co-lead, CM)
- Genes Malasy (Finance)
- Makeda Weaver (HCM)
- Nicole Spriggs (HCM)
- Daniel Lamm (Procurement)

#### AST

- Gloria Baton (Change Management Lead)



## Primary Project Roles with Names

### Finance & Accounting

#### Lead(s)

DCW

- Val Blinkoff (Finance)
- Linley Mancilla (Finance)
- Hoa Truong (Accounting)
- Genes Malasy (Financial Reporting)
- Henok Getahun (Treasury/Account Receivable)

AST

- Balaji T (GL/CM/Overall Accounting Lead)
- Ashish Nagarkar (AP/Expense Lead)
- Pradeep Samantaray (P&G & Fixed Assets Lead)

#### Team Members:

DCW

- Tracey P, Denita N (Treasury/AR)
- John Madrid (Financials)
- Otis Pitt, Jacqueline LB (Accounts Payable)
- Pinak Banerji (Rates & Revenue)
- Tika Acharya, Yubraj G (Projects and Grants)
- Yagya Paudel (Accounting)
- Christine Vaughen (Financial Reporting)
- Ye Lui, Cathy Bo (Fixed Assets)

AST

- Subhankar Ghosh (Financials - Offshore)
- Rohit Bapat (Supply Chain - Offshore)

### HCM & Payroll

#### Lead(s)

DCW

- Nicholas Capolarello (HR)
- Chad Carter (Compensation)
- Cassandra Redd (Payroll/Time and Labor)
- Ronald Lewis (Benefits)
- George Spears (Labor Relations and Compliance)

AST

- Mick Griffin (HR/Comp and Benefits/Payroll/Time)

#### Team Members:

DCW

- Ronald P. White (Compensation)
- Kenya Zeigler (Benefits)
- Pamela Austin (Benefits)
- Marvin Jones (Payroll/Time and Labor)
- Robin Boseman (Payroll/Time and Labor)
- Wilfred Schouten Jr. (HR/SSHR/HR Helpdesk)
- Frederick Oldfield (HR Helpdesk/Policy Automation)
- Nicole Spriggs (Learn Management & development)
- Nicole Sprague (Recruitment & Talent Acquisition)
- Crystal Roberts (Labor Relations)
- Robin Hayes (Workers Compensation)
- Dianna Kenney (Unemployment)

AST

- TBD

### Supply Chain Management

#### Lead(s):

DCW

- Scott Perry (Material Management)
  - Daniel Lamm (Procurement Contracts/Sourcing)
- AST
- Ashok Kowdle (Solution Architect)
  - Pradeep Deshpande (Procurement)
  - Kiran Thanli (Inventory Management)

#### Team Members:

DCW

- Linley Mancilla (Finance)
- Paul Guttridge (Manager – Program Service)
- Theresa Bruton (Manager – Asset Mgmt)
- Nichol Bell Sowell (Supervisor – Asset Mgmt)
- Paul Laban (DETS Procurement)

AST

- Rohit Bapat (Supply Chain – Offshore)



## Primary Project Roles with Names

### Budgeting & Planning

Lead(s)

DCW

- Annie Fulton George (Capital Budget)
- Pade Zuokemefa (Operating Budget)

AST

- TBD (Budget and Planning)

### Team Member(s):

DCW

- Stacey Johnson (Operating Budget)
- Dionne Butcher-Wallace (Budget Book)

AST

- TBD (Budget)
- TBD (Hyperion Planning)

### IT/Systems

Lead(s):

DCW

- Eric Euell (IT Financials Lead)
- Rami Suliman (IT Maximo Lead)
- Dotun Olawunmi (IT Network Services)
- Linley Mancilla (Finance)

AST

- Raj Basti (Technical Architect)
- Biplab Ray (Conversions Lead)

### Team Member(s):

DCW

- Ruth Bai (Maximo Developer)
- Jigar Bhatt (Supervisor, Permit Operations)
- Lia Mulugeta (IT Reporting)
- Louis Desjardins (GIS/KONA SME)
- Mehrdad Azizi (Network Engineer)
- Srinivas Turlapaty (System Engineer)
- Kofi Anim (ERP Security)
- Dheeraja Raavi (Oracle DBA)
- Sohail Moinuddin (AMR Administrator)
- Dharanija Batchu (QA)
- Pradeep Kandukuri (QA)
- Nabina Basnet (Business Analyst/Testing)

AST

- Praveen Kondla (Technical Analyst)

### IV&V

Accenture

- Golam Samdani (Project Lead)

### Team Member(s):

- Fareed Masood (Financial Oracle Cloud SME)
- Kendall Jones (Change Management SME)
- Nadira Sellers (OCM SME)
- Ryan Blane (Project Lead)
- Kevin Mann (Oracle Cloud)
- Gary Wabb (Oracle Cloud)
- James Harris (Finance/Budgeting SME)
- Jill Strenzel Gibson (HCM Cloud SME)
- Pratish Menon (SCM, Budget Oracle Cloud SME)

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS CONTRACTOR FACT SHEET**

**ACTION REQUESTED**

**GOODS AND SERVICES CONTRACT MODIFICATION**

**Enterprise Resource Planning (ERP) Software  
(Joint Use)**

Approval to execute Option Year 1 through Option Year 9 for the subscription service of new ERP Software in the amount of **\$5,251,013.69**

**CONTRACTOR/SUB/VENDOR INFORMATION**

<b>PRIME:</b> Oracle America, Inc. 500 Oracle Parkway Redwood Shores, CA 94065	<b>SUBS:</b> N/A	<b>PARTICIPATION:</b> N/A
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**DESCRIPTION AND PURPOSE**

Original Contract Value: \$496,793.90  
 Base-Term of Contract: 05-15-2019 – 05-14-2020 (1-year Base Term)  
 No. of Option Years in Contract: 9  
**Option Period Value: \$5,251,013.69**  
**Option Period Dates: 05-15-2020 – 05-14-2029 (OY1 through OY9)**

**Purpose of the Contract:**

The purpose of this contract is to subscribe to the Oracle Cloud ERP software subscription service with one 1-year base term and 9 option years.

**Contract Scope:**

The Oracle Cloud ERP is a cloud-based SaaS (Software-as-a-Service) software subscription service that will completely replace our current on-premise financial, procurement, and HCM software. The software subscription will include all updates, patches, fixes, maintenance, support, and database during the term of the contract. Additionally, Oracle provides a PaaS (Platform-as-a-Service) for the Authority’s ERP.

**Supplier Selection:**

A Request for Proposal (RFP) was issued in September 2018 and 9 proposals with 4 different ERP solutions were received. 4 firms and 2 ERP solutions were down-selected for the negotiation rounds that included extensive product demonstrations and oral presentations. **Oracle Cloud ERP** was selected as the new ERP software as well as AST as the system integrator as a result of final negotiations and BAFO (best and final offer).

Oracle ERP implementation will be undertaken in six (6) phases with the Phase 1 for Financials anticipated to go-live in October 2020.

No LSBE participation

**PROCUREMENT INFORMATION**


<b>Contract Type:</b>	Goods / Services	<b>Award Based On:</b>	Best Value
<b>Commodity:</b>	Software	<b>Contract Number:</b>	18-PR-CFO-56
<b>Contractor Market:</b>	Open Market with Preference Points for LBE and LSBE participation		

**BUDGET INFORMATION**

<b>Funding:</b>	Operating	<b>Departments:</b>	Finance and Procurement
<b>Service Area:</b>	DC Water Wide	<b>Department Heads:</b>	Matt Brown

**ESTIMATED USER SHARE INFORMATION**

User	Share %	Dollar Amount
District of Columbia	84.61%	\$4,442,882.68
Washington Suburban Sanitary Commission	11.11%	\$583,387.62
Fairfax County	2.74%	\$143,877.78
Loudoun Water	1.33%	\$69,838.48
Other (PI)	0.21%	\$11,027.13
<b>TOTAL ESTIMATED DOLLAR AMOUNT</b>	<b>100.00%</b>	<b>\$5,251,013.69</b>

 3/10/2020  
 Dan Bae Date  
 VP of Procurement and Compliance

 3/11/2020  
 Matthew T. Brown Date  
 CFO and EVP of Finance and Procurement

\_\_\_\_\_  
 David L. Gadis Date  
 General Manager and CEO



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS CONTRACTOR FACT SHEET**

**ACTION REQUESTED**

**GOODS AND SERVICES OPTION YEARS  
INDEPENDENT RISK MANAGEMENT CONSULTING SERVICES  
(Joint Use)**

Request to exercise options years 2 through 4 for a total not-to-exceed amount of \$1,279,122.00 for Independent Risk Management Consulting Services. Each option year will be awarded annually based on the availability of the fund and performance.

**CONTRACTOR/SUB/VENDOR INFORMATION**

<b>PRIME:</b> Albert Risk Management Consulting Group 72 River Park Needham, MA 02494	<b>SUBS:</b> N/A	<b>PARTICIPATION:</b> N/A
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**DESCRIPTION AND PURPOSE**

Original Contract Value:	\$415,975.00
Original Contract Dates:	05-01-2018—04-30-2019
No. of Option Years in Contract:	4
Option Years 1 Value:	\$426,374.00
Option Years 1 Dates:	05-01-2019—04-30-2020
<b>Option Years 2-4 Value:</b>	<b>\$1,279,122.00</b>
<b>Option Years 2-4 Dates:</b>	<b>05-01-2020—05-15-2023</b>

**Purpose of the Contract:**

DC Water’s Office of the Chief Financial Officer (CFO) require the services of a competent and qualified firm to provide independent risk management consulting services. Services required include but are not limited to coverage assessments, rolling owner-controlled insurance program (ROCIP) project management, claims/risk analyses, insurance policy reviews and consultation on various issues of risk management. ROCIP management will cover current and forecasted construction planned to commence over the next ten (10) years, including renovation, reconstruction and expansion of the current Blue Plains Advanced Wastewater Treatment Plant and related facilities. DC Water’s construction program includes multi-phased projects involving updates, renovations and new construction, in addition to active City upgrades, repairs and replacements.

**Scope of the Contract:**

This contract will provide independent risk management consulting services. The options include continued professional consulting services.

**Spending Previous Year:**

Cumulative Contract Value:	05-01-2018 – 04-30-2020: \$842,349.00
Cumulative Contract Spending:	05-01-2018 – 03-09-2020: \$793,895.43

**Contractor’s Past Performance:**

According to the COTR, the Contractors’ quality of services; timeliness of responses; conformance to DC Water’s policies, procedures and contract terms; and invoicing all meet expectations.

**PROCUREMENT INFORMATION**

<b>Contract Type:</b>	Fixed Hourly Rate	<b>Award Based On:</b>	Highest Rated Offerors
<b>Commodity:</b>	Services	<b>Contract Numbers:</b>	18-PR-CFO-19
<b>Contractor Market:</b>	Open Market with Preference Points for LBE and LSBE Participation		

**BUDGET INFORMATION**

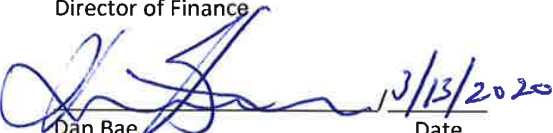
<b>Funding:</b>	Operating	<b>Department:</b>	Department of Finance
<b>Service Area:</b>	DC Water Wide	<b>Department Heads:</b>	Ivan Boykin

**ESTIMATED USER SHARE INFORMATION**

User - Operating	Share %	Dollar Amount
District of Columbia	84.61%	\$432,906.00
Washington Suburban Sanitary Commission	11.11%	\$56,844.00
Fairfax County	2.74%	\$14,019.00
Loudoun County	1.33%	\$6,805.00
Other (PI)	0.21%	\$1,074.00
<b>TOTAL ESTIMATED DOLLAR AMOUNT</b>	<b>100.00%</b>	<b>\$511,649.00</b>

User - Capital	Share %	Dollar Amount
District of Columbia	41.22%	\$316,352.00
Washington Suburban Sanitary Commission	45.84%	\$351,810.00
Fairfax County	8.38%	\$64,314.00
Loudoun County	3.73%	\$28,627.00
Other (PI)	0.83%	\$6,370.00
<b>TOTAL ESTIMATED DOLLAR AMOUNT</b>	<b>100.00%</b>	<b>\$767,473.00</b>

  
 Ivan Boykin Date  
 Director of Finance

  
 Dan Bae Date  
 VP of Procurement and Compliance

  
 Matthew T. Brown Date  
 CFO and EVP of Finance and Procurement

\_\_\_\_\_  
 David L. Gadis Date  
 CEO and General Manager

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS CONTRACTOR FACT SHEET**

**ACTION REQUESTED**

**GOODS AND SERVICES CONTRACT AWARD**

**LETTER OF CREDIT SUPPORTING DC WATER’S COMMERCIAL PAPER PROGRAM SERVICES  
(Non-Joint Use)**

Request to execute a contract for Irrevocable Direct Pay Letter of Credit (LOC) Supporting DC Water’s Commercial Paper Program Services in the amount of \$362,208.00 per year for the base period of five years, for a total of \$1,811,041.00.

**CONTRACTOR/SUB/VENDOR INFORMATION**

<b>PRIME:</b> TD Bank, N.A. 1919 Gallows Road Vienna, VA 11182	<b>SUBS:</b> N/A	<b>PARTICIPATION:</b> N/A
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**DESCRIPTION AND PURPOSE**

Base/Option Periods Contract Value: \$1,811,041.00  
 Base Contract Period: 5 Years  
 Anticipated Contract Start Date: 05-16-2020  
 Anticipated Base Period Completion Date: 05-15-2025

**Purpose of the Contract:**

Banking firm to provide irrevocable, direct-pay Letters of Credit (“LOCs”) to support DC Water’s Commercial Paper Program.

**Contract Scope:**

- To provide a direct pay letter of credit issued by the bank in support of DC Water’s Commercial Paper Program for a period of up to five (5) years.
- The proceeds from the sale of the Commercial Paper Notes will be used to finance costs incurred in connection with the construction of capital improvements to the wastewater collection, treatment and disposal system and the water system.

**Supplier Selection:**

Procurement advertised and issued a Request for Proposal for the services. Seven firms responded to the solicitation. The award recommendation is based on the overall highest rated offeror.

Firm	Firm
Bank of America, N.A.	TD Bank, N.A.
JP Morgan Chase Bank, N.A.	U.S. Bank, N.A.
Royal Bank of Canada	Wells Fargo Bank, National Association
Sumitomo Mitsui Banking Corporation	

No LBE/LSBE participation.

**PROCUREMENT INFORMATION**

<b>Contract Type:</b>	Fixed Basis Points	<b>Award Based On:</b>	Highest Rated Offeror
<b>Commodity:</b>	Commercial Paper Services	<b>Contract Number:</b>	20-PR-CFO-29
<b>Contractor Market:</b>	Open Market with Preference Points for LBE and LSBE Participation		


**BUDGET INFORMATION**


<b>Funding:</b>	Operating	<b>Department:</b>	Department of Finance
<b>Service Area:</b>	DC Water Wide	<b>Department Head:</b>	Ivan Boykin

**ESTIMATED USER SHARE INFORMATION**

User	Share %	Dollar Amount
District of Columbia	100%	\$1,811,041.00
<b>TOTAL ESTIMATED DOLLAR AMOUNT</b>	100%	<b>\$1,811,041.00</b>

 3/12/20  
 Ivan Boykin Date  
 Director of Finance

 3/12/2020  
 Dan Bae Date  
 VP of Procurement and Compliance

 3/12/2020  
 Matthew T. Brown Date  
 CFO and EVP of Finance and Procurement

\_\_\_\_\_/\_\_\_\_\_  
 David L. Gadis Date  
 CEO and General Manager

**DRAFT**  
**03-10-20**

Presented and Adopted: April 2, 2020

Subject: Authorizing and Approving the Execution and Delivery of Documents Relating to the Delivery of Substitute Letters of Credit associated with the Commercial Paper Notes

#20-\_\_\_\_\_  
RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The members of the Board of Directors (“Board”) of the District of Columbia Water and Sewer Authority (“Authority”), at the Board meeting held on [April 2], 2020, upon consideration of a joint use matter, decided by a vote of \_\_\_\_\_ (\_\_\_\_\_) in favor and \_\_\_\_\_ (\_\_\_\_\_) opposed, to authorize and approve the execution and delivery of documents relating to the delivery of Substitute Letters of Credit associated with the Authority’s Commercial Paper Notes.

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

**WHEREAS**, the Series A Notes, the Series B Notes and the Series C Notes were initially secured by separate letters of credit (collectively, the “2010 Letters of Credit”) issued by JPMorgan Chase Bank, National Association securing the Series A Notes and Series B Notes and U.S. Bank National Association securing the Series C Notes; and

**WHEREAS**, pursuant to Resolution #13-41, adopted by the Board on April 4, 2013, the Authority authorized the extension of the terms of the 2010 Letters of Credit and authorized the decrease of the authorized maximum aggregate principal amount of the Series A Notes from \$100,000,000 to \$75,000,000; and

**WHEREAS**, pursuant to Resolution #15-42, adopted by the Board on May 7, 2015, the Authority authorized (i) the decrease of the authorized maximum aggregate principal amount of the Series A Notes from \$75,000,000 to \$0; (ii) the increase of the authorized maximum aggregate principal amount of the Series B Notes from \$50,000,000 to \$100,000,000; (iii) the decrease of the authorized maximum aggregate principal amount of the Series C Notes from \$75,000,000 to \$50,000,000; and (iv) obtaining substitute Letters of Credit (collectively, the “2015 Substitute Letters of Credit”) from Landesbank

Hessen-Thüringen Girozentrale, acting through its New York branch, to secure the Series B Notes and Series C Notes, respectively.

**WHEREAS**, each of the 2015 Substitute Letters of Credit expires on May 15, 2020;

**WHEREAS**, the Authority now desires to obtain substitute Letters of Credit (each a “2020 Substitute Letter of Credit” and, together, the “2020 Substitute Letters of Credit”) from TD Bank, N.A (the “Bank”) to secure the Series B Notes and Series C Notes, respectively, which 2020 Substitute Letters of Credit will each expire on May [\_\_\_], 202\_\_\_; and

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

- (a) the Third Amendment to the Eleventh Supplemental Indenture of Trust, dated as of May 1, 2020 (the “Third Amendment to the Eleventh Supplemental Indenture”), between the Authority and the Trustee;
- (b) the Letter of Credit and Reimbursement Agreement (the “Series B Notes Reimbursement Agreement”) dated as of May 1, 2020, between the Authority and the Bank, pursuant to which the 2020 Substitute Letter of Credit relating to the Series B Notes will be issued;
- (c) the Letter of Credit and Reimbursement Agreement (the “Series C Notes Reimbursement Agreement” and, together with the Series B Notes Reimbursement Agreement, the “Reimbursement Agreements”) dated as of May 1, 2020, between the Authority and the Bank, pursuant to which the 2020 Substitute Letter of Credit relating to the Series C Notes will be issued;
- (d) the form of the Bank Note related to the Series B Notes (the “Series B Bank Note”) attached as an exhibit to the Series B Notes Reimbursement Agreement to bear interest at the Bank Rate or the Default Rate or as otherwise provided in the Series B Notes Reimbursement Agreement;
- (e) the form of the Bank Note related to the Series C Notes (the “Series C Bank Note” and, together with the Series B Bank Note, the “Bank Notes”) attached as an exhibit to the Series C Notes Reimbursement Agreement to bear interest at the Bank Rate or the Default Rate or as otherwise provided in the Series C Notes Reimbursement Agreement;
- (f) an Updated Offering Memorandum (the “Updated Offering Memorandum”); and
- (g) Second Amendment to Dealer Agreement relating to the Series B Notes and the Series C Notes (the “Second Amendment to J.P. Morgan Dealer Agreement”), dated as of May 1, 2020, between the Authority and J.P. Morgan Securities LLC, as dealer for the Series B Notes and the Series C Notes (the “Dealer”); and

**WHEREAS**, the Finance and Budget Committee met on [March 26], 2020, to review matters covered in this Resolution and has recommended approval of this Resolution by the Board.

**NOW, THEREFORE BE IT RESOLVED THAT:**

1. The Dealer is to distribute the Updated Offering Memorandum to potential purchasers of the Series B Notes and Series C Notes.
2. The Chairman of the Board (the "Chairman"), the CEO and General Manager, Chief Financial Officer and Executive Vice President, Finance and Procurement, Controller, Budget Director, Finance Director and Rates and Revenue Director of the Authority, including any of the foregoing who are in an interim, acting or similar capacity, provided that any official other than the Chairman shall be designated by the Chairman as his designee for the purpose of executing and delivering any document authorized hereunder, are individually authorized to execute the Third Amendment to the Eleventh Supplemental Indenture, the Reimbursement Agreements, the Bank Notes and the Second Amendment to J.P. Morgan Dealer Agreement, and the Secretary to the Board is authorized and directed to affix the Seal of the Authority on such documents as required and to attest to the same.
3. The Chief Financial Officer and Executive Vice President, Finance and Procurement, is hereby individually authorized to approve any changes, modifications or updates of the Updated Offering Memorandum from time to time.
4. The Third Amendment to the Eleventh Supplemental Indenture, the Reimbursement Agreements, the Bank Notes and the Second Amendment to J.P. Morgan Dealer Agreement shall be in substantially the forms submitted to the Board at this meeting, which hereby are approved, with such completions, omissions, insertions and changes necessary to reflect the note principal amount and other terms of the Series B Notes and Series C Notes, and as otherwise may be approved by the persons executing them, their execution to constitute conclusive evidence of their approval of any such completions, omissions, insertions and changes.
5. The CEO and General Manager, Chief Financial Officer and Executive Vice President, Finance and Procurement, Controller, Budget Director, Finance Director and Rates and Revenue Director of the Authority, are individually authorized to execute, deliver and file, from time to time, all other certificates and instruments, and any agreements, and any amendment or modification to existing agreements, with the provider of any credit facility or liquidity facility for the Series B Notes and Series C Notes., including, without limitation, the Bank, and to take all such further actions, from time to time, as they may consider necessary or desirable in connection with the issuance, sale and distribution of the Series B Notes and Series C Notes.
6. The appropriate officers and employees of the Authority will do all things necessary and proper to implement and carry out the orders and agreements set forth or approved in this Resolution for the proper fulfillment of the purposes thereof.

7. This Resolution shall serve as an amendment and supplement to Resolution #10-60, Resolution #13-41 and Resolution #15-42.

This Resolution is effective immediately.

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Secretary to the Board of Directors



**DRAFT**  
**03-10-20**

**THIRD AMENDMENT TO  
ELEVENTH SUPPLEMENTAL INDENTURE OF TRUST**

**THIS THIRD AMENDMENT TO ELEVENTH SUPPLEMENTAL INDENTURE OF TRUST** dated the \_\_\_ day of May, 2020, (the “**Third Amendment to Eleventh Supplemental Indenture**”), by and between the District of Columbia Water and Sewer Authority (the “**Authority**”), an independent authority of the District of Columbia, and Wells Fargo Bank, N.A., a national banking association, having a corporate trust office in Philadelphia, Pennsylvania, as trustee (in such capacity, together with any successor in such capacity, herein called the “**Trustee**”), amending the Eleventh Supplemental Indenture of Trust dated as of June 1, 2010, as previously amended by the First Amendment to Eleventh Supplemental Indenture, dated April 5, 2013, and the Second Amendment to Eleventh Supplemental Indenture, dated May 18, 2015 (collectively, the “**Eleventh Supplemental Indenture**”), by and between the Authority and the Trustee, provides:

**WHEREAS**, pursuant to the Eleventh Supplemental Indenture, the Authority is currently authorized to issue, and continue to issue, to finance Costs of the System, \$-0- aggregate principal amount of its Commercial Paper Notes, Series A (the “**Series A Notes**”), \$100,000,000 aggregate principal amount of its Commercial Paper Notes, Series B (the “**Series B Notes**”) and \$50,000,000 aggregate principal amount of its Commercial Paper Notes, Series C (the “**Series C Notes**,” and together with the Series A Notes and the Series B Notes, the “**Series A-B-C Notes**”) pursuant to the terms of a certain Issuing and Paying Agency Agreement, dated as of June 1, 2010, as amended, between the Authority and U.S. Bank National Association, as successor to Deutsche Bank Trust Company Americas, as issuing and paying agent thereunder,; and

**WHEREAS**, the Series B Notes are secured by an irrevocable direct pay letter of credit (the “**2015 Series B Letter of Credit**”) issued by Landesbank Hessen-Thüringen Girozentrale, New York Branch (“**Landesbank**”) pursuant to the terms of a certain Letter of Credit and Reimbursement Agreement dated as of May 1, 2015, between the Authority and Landesbank relating to the Series B Notes; and

**WHEREAS**, the Series C Notes are secured by an irrevocable direct pay letter of credit (the “**2015 Series C Letter of Credit**” and, together with the 2015 Series B Letter of Credit, the “**2015 Letters of Credit**”) issued by Landesbank pursuant to the terms of a certain Letter of Credit and Reimbursement Agreement dated as of May 1, 2015, between the Authority and Landesbank relating to the Series C Notes; and

**WHEREAS**, each of the 2015 Letters of Credit expires on May 15, 2020 and the Authority now desires to obtain substitute irrevocable direct pay letters of credit (each, a “**Substitute Letter of Credit**” and, together, the “**Substitute Letters of Credit**”) from TD Bank N.A. (the “**Bank**”), to secure the Series B Notes and the Series C Notes, respectively, which Substitute Letters of Credit will be issued by the Bank pursuant to a Letter of Credit and Reimbursement Agreement, dated as of May 1, 2020, between the Authority and the Bank, relating to the Series B Notes and a Letter of Credit and Reimbursement Agreement, dated as of May 1, 2020, between the Authority and the Bank, relating to the Series C Notes;

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

**ARTICLE I  
THIRD AMENDMENT TO ELEVENTH SUPPLEMENTAL INDENTURE**

**Section 101. Authorization of Amendments.**

This Third Amendment to Eleventh Supplemental Indenture is authorized and executed by the Authority and delivered to the Trustee pursuant to and in accordance with Articles III and X of the Master Indenture of Trust. All defined terms used herein and not defined herein shall have the meaning assigned to such defined terms in the Eleventh Supplemental Indenture.

**Section 102. Amendments.**

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

“**Bank**” shall mean the provider of the Letter of Credit, and shall mean, initially, TD Bank N.A., and its successors and assigns.

“**Letter of Credit**” shall mean, collectively, the Irrevocable Transferable Letter of Credit No. \_\_\_\_\_ in a Maximum Stated Amount of \$[102,958,204] securing the Series B Notes and the Irrevocable Transferable Letter of Credit No. \_\_\_\_\_ in a Maximum Stated Amount of \$[51,479,452] securing the Series C Notes, each issued by the Bank and dated May \_\_, 2020, as each may be amended or supplemented from time to time, and any substitute Letter or Letters of Credit.

“**Reimbursement Agreement**” shall mean, collectively, those certain Letter of Credit and Reimbursement Agreements, dated as of May 1, 2020, between the Authority and the Bank, relating to the Series B Notes and the Series C Notes, respectively.

**ARTICLE II  
MISCELLANEOUS**

**Section 201. Severability.**

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

**Section 202. Successors and Assigns.**

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

**Section 203. Applicable Law.**

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

**Section 204. Counterparts.**

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

**Section 205. Effect of Amendment.**

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

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**IN WITNESS WHEREOF**, the Authority and the Trustee have caused this Third Amendment to Eleventh Supplemental Indenture to be executed in their respective corporate names as of the date first above written.

**DISTRICT OF COLUMBIA WATER  
AND SEWER AUTHORITY**

By: \_\_\_\_\_  
Matthew T. Brown  
Chief Financial Officer and Executive Vice  
President, Finance and Procurement

**WELLS FARGO BANK, NATIONAL ASSOCIATION,  
AS TRUSTEE**

By: \_\_\_\_\_  
Its \_\_\_\_\_

**DRAFT**  
**03-10-20**

## **SECOND AMENDMENT TO DEALER AGREEMENT**

This Second Amendment to Dealer Agreement (this “**Agreement**”), dated as of May 1, 2020, is between the District of Columbia Water and Sewer Authority, an independent authority of the District of Columbia government (the “**Authority**”), and J.P. Morgan Securities Inc. (the “**Dealer**” or “**J.P. Morgan**”), and amends that certain Dealer Agreement between the Authority and the Dealer, dated as of June 1, 2010, as previously amended by the First Amendment to Dealer Agreement between the Authority and the Dealer, dated as of May 1, 2015 (collectively, the “**Original Agreement**”). In order to amend the Original Agreement and facilitate the sale of the Authority’s Commercial Paper Notes, Series B and C, the Authority and the Dealer agree as follows:

### **I. Authorization of Amendments.**

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

### **II. Amendments.**

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

#### **1. Definitions**

“**Bank**” shall mean TD Bank, N.A., as issuer of the Letter of Credit for the Authority’s Commercial Paper Notes, Series B and the Letter of Credit for the Authority’s Commercial Paper Notes, Series C, or any successor thereto, and any issuer or issuers of an alternate Letters of Credit with respect to the Notes.

“**Offering Memorandum**” means the Offering Memorandum relating to the Notes dated as of May 26, 2010, as such Offering Memorandum was supplemented on April 5, 2013, May 13, 2015 and May \_\_\_, 2020, respectively, and any amendment or supplement thereto.

“**Reimbursement Agreement**” means, together, each of the Letter of Credit and Reimbursement Agreements dated as of May 1, 2020, between the Authority and the Bank pursuant to which the Letter of Credit securing each respective series of the Notes has been issued, as amended or supplemented, and including any substitute thereof or replacement therefor.

**III. Miscellaneous.**

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

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

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

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

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

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

**DISTRICT OF COLUMBIA WATER  
AND SEWER AUTHORITY**

By: \_\_\_\_\_  
Matthew T. Brown  
Chief Financial Officer and Executive Vice  
President, Finance and Procurement

APPROVED AS TO FORM:

J.P. MORGAN SECURITIES INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**SPB DRAFT: 3/17/2020**

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BOOK-ENTRY ONLY

**UPDATED OFFERING MEMORANDUM**

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**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

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

**J.P. Morgan**  
**As Dealer**

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

**J.P. Morgan**  
**As Dealer**

*Dated: May \_\_, 2020*

**[TD LOGO]**

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



**SPB DRAFT: 3/17/2020**

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

This Offering Memorandum has been prepared by the District of Columbia Water and Sewer Authority (the “Authority”) and is provided in connection with the sale of the Notes referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Offering Memorandum has been obtained from the Authority, TD Bank, N.A. (the “Bank”) and other sources that are believed to be reliable. The CP Dealer, J.P. Morgan Securities LLC, has provided the following sentence for inclusion in this Offering Memorandum. The CP Dealer has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the CP Dealer does not guarantee the accuracy or completeness of such information.

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

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

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

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

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

**SPB DRAFT: 3/17/2020**

subject to change without notice after May \_\_, 2020, and future use of this Offering Memorandum shall not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum since May \_\_, 2020.

This Offering Memorandum has been prepared by the Authority and is provided in connection with the sale of the Notes referred to herein by the CP Dealer. Neither the information, nor any opinion expressed, constitutes a solicitation by the CP Dealer of the purchase or sale of any instruments. The information contained herein will not typically be distributed or updated upon each new sale of Notes, although the information will be distributed from time to time. Further, the information herein is not intended as substitution for the investors' own inquiry into the creditworthiness of the Authority, and, if applicable, another party providing credit or liquidity support for the Notes, and investors are encouraged to make such inquiry.

**UPDATED OFFERING MEMORANDUM  
RELATING TO**

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

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

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

**This Updated Offering Memorandum amends and restates that certain Offering Memorandum of the District of Columbia Water and Sewer Authority (the “Authority”) dated May 26, 2010 (the “Original Offering Memorandum”), as such Original Offering Memorandum has been amended and restated previously on the dates of April 5, 2013, May 13, 2015 and February 27, 2018, and related to the continual issuance of the Notes (as hereinafter defined). This update is being provided in connection with the anticipated issuance and delivery of the Authority’s Commercial Paper Notes, Series B (Tax-Exempt), in an aggregate principal amount not to exceed \$100,000,000 at any one time outstanding, and Commercial Paper Notes, Series C (Taxable), in an aggregate principal amount not to exceed \$50,000,000 at any one time outstanding, all as further described herein.**

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

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

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

The Authority is governed by a Board of Directors (the “Board”) that includes representatives from the District, Prince George’s and Montgomery Counties, Maryland, and Fairfax County, Virginia. Since its inception, the Authority has improved its financial performance and operations. Specifically, the Authority has developed and is implementing a ten-year, \$4.0 billion capital improvement program (the “CIP”) and has regularly raised its retail rates since 1996 to support this program. In accordance with Board policy, the Authority annually revises its comprehensive

ten-year financial plan which provides financing for the CIP, required regulatory improvements and operating and maintenance expenses, while meeting Board policy requirements for cash reserves and debt service coverage.

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

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

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

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

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

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

**Issuance of the Notes:** The Authority has issued and continues to issue its Commercial Paper Notes, Series B (Tax-Exempt) (the “Series B Notes”), in an aggregate principal amount not to exceed \$100,000,000 at any one time outstanding, and its Commercial Paper Notes, Series C (Taxable) (the “Series C Notes” and, together with the Series B Notes, the “Notes”) in an aggregate principal amount not to exceed \$50,000,000 at any one time outstanding. The Notes are issued pursuant to resolutions adopted by the Board on May 6, 2010, April 4, 2013, May 7, 2015 and April 2, 2020 (collectively, the “Resolution”), and an Issuing and Paying Agency Agreement dated as of June 1, 2010 (the “Issuing and Paying Agency Agreement”) between the Authority and U.S.

Bank National Association, as successor in interest to Deutsche Bank Trust Company Americas (the “Issuing and Paying Agent”).

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

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

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

**Dealer:** J.P. Morgan Securities LLC (the “CP Dealer”) will serve as commercial paper dealer for the offering of the Notes to qualifying investors, pursuant to the terms of the Commercial Paper Dealer Agreement between the Authority and the CP Dealer, dated as of June 1, 2010, as amended by the First Amendment to Dealer Agreement, dated May 18, 2015 and the Second Amendment to the Dealer Agreement, dated May \_\_, 2020 (collectively, the “Dealer Agreement”).

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

**Exemption:** The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended.

**Maturity Date:** 1 to 270 days.

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

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

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

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

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

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

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

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

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

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

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

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

**The Letters of Credit.** The Authority and TD Bank, N.A. (the “Bank”), have entered into a Letter of Credit and Reimbursement Agreement, dated as of May 1, 2020 relating to the Series B Notes, (the “Series B Reimbursement Agreement”), and the Authority and the Bank have entered into a Letter of Credit and Reimbursement Agreement, dated as of May 1, 2020 relating to the Series C Notes (the “Series C Reimbursement Agreement” and, together with the Series B Reimbursement Agreement, the “Reimbursement Agreements”). In order to ensure timely payment of the principal of and interest on the Notes, at the Authority’s request, the Bank has issued a Letter of Credit for the Series B Notes (“Series B Letter of Credit”), and a Letter of Credit for the Series C Notes (“Series C Letter of Credit” and, together with the Series B Letter of Credit, the “Letters of Credit”) to the Issuing and Paying Agent as beneficiary pursuant to, and upon the terms and conditions stated in, the Reimbursement Agreements. On or before the date of maturity of any Note, the Issuing and Paying Agent shall draw on the appropriate Letter of Credit an amount equal to the principal amount and interest due on the related Notes maturing on such date. Pursuant to the Issuing and Paying Agency Agreement, all amounts received from any drawing on the Letters of Credit are required to be deposited in the applicable subaccount of the Letter of Credit Account established thereunder and held in trust and set aside exclusively for the payment of the related Notes for which such drawing was made, and the Issuing and Paying Agent is required to apply such amounts to the payment of the principal of and interest on such Notes, upon presentation for payment. The Series B Letter of Credit has been issued in a stated principal amount of up to \$100,000,000, and the Series C Letter of Credit has been issued in a stated principal amount of up

to \$50,000,000, in each case with interest thereon at the Maximum Rate for the Maximum Term, each of which may be drawn upon by the Issuing and Paying Agent to pay the principal amount of and interest on the applicable series of maturing Notes. Unless further extended, the current expiration date of each Letter of Credit is May \_\_, 20\_\_.

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

Letter of Credit Substitution Date: May \_\_, 2020.

Current Letter of Credit Expiration Date: May \_\_, 202\_.

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

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

**The Bank:**

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

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



Since November 4, 2014, the Bank is subject to prudential supervision by the European Central Bank (ECB) under the Single Supervisory Mechanism (SSM), a uniform system for the supervision of banks and other credit institutions in the Eurozone (and in any other EU member states on a voluntary basis). Based on the SSM regulations the ECB requests national competent authorities to assist in the supervisory process. In the case of the Bank, especially the German Federal Financial Services Supervisory Authority and the Deutsche Bundesbank assist the ECB. State supervision of the Bank and the Association is exercised by the Thuringian Ministry of Finance and the Hessian Ministry for Economics. Executive bodies of the Bank are the Board of Owners, the Supervisory Board and the Board of Managing Directors.

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

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

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

For the year ending December 31, 2016, the Bank Group generated an IFRS group pre-tax profit of €549 million. At December 31, 2016, the Helaba Group had total assets of €165.2 billion (USD equivalent of \$174.1 billion\*), and a total capital ratio of 20.5%, up from 19.8% at year-end 2015. For the nine months ending September 30, 2017, the Bank Group generated an IFRS group pre-tax profit of €381 million. At September 30, 2017, the Bank Group had total assets of €163.1 billion (USD equivalent \$192.6 billion\*), and a total capital ratio of 21.9%, up from 20.5% for the same period last year.

*[Remainder of Page Intentionally Left Blank]*

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\* The exchange rate from the European Central Bank on December 30, 2016 was €1.00 = US\$1.0541 and on September 29, 2017 was €1.00 = US\$1.1806.

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

Moody's Investors Service	Short Term Deposit Rating	Long Term Issuer Rating	Counterparty Risk Assessment Rating
	P-1	A1	Aa3 (cr)

Fitch Ratings	Short Term Issuer Default Rating	Long Term Issuer Rating
	Fl+	A+

Standard & Poor's Rating Services	Short Term Issuer Credit Rating	Long Term Issuer Rating
	A-1	A

An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The Bank can give no assurance as to any future ratings action that the rating agencies may take.

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

Current published financial information and rating agency reports may also be obtained via the Bank's website: <https://www.helaba.com/com/helaba/investor-relations/ratings>

Requests should be directed to: Landesbank Hessen-Thüringen Girozentrale, *New York Branch, 420 Fifth Avenue, 24th Floor, New York, NY 10018, Tel: (212) 703-5200, Fax: (212) 703-5256, Attention: Real Estate Finance.*]

#### **Tax Status of Interest on the Notes:**

- **Series B Notes.** On June 2, 2010, the date of issuance of the Series B Notes, Squire Patton Boggs (US) LLP\* and [Leftwich LLC]†, Co-Bond Counsel (“Co-Bond Counsel”), delivered their opinions to the effect that as of that date, under then-existing law and assuming compliance with

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

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

certain covenants in the documents pertaining to the Series B Notes and certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Series B Notes was (a) excluded from gross income of Bondholders for federal income tax purposes under Section 103 of the Code, and (b) exempt from all District of Columbia taxation except estate, inheritance and gift taxes. That opinion speaks only as of its date.

On the Letter of Credit Substitution Date, Co-Bond Counsel delivered an opinion to the effect that the delivery of the Series B Letter of Credit (a) is authorized under the Issuing and Paying Agency Agreement, and (b) will not, in and of itself, adversely affect either the exclusion of interest on the Series B Notes from gross income of Holders for federal income tax purposes or the exemption of interest on the Series B Notes from treatment as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code. That opinion speaks only as of its date.

No opinion was or will be expressed by Co-Bond Counsel as to other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series B Notes, including, specifically, whether the interest on the Series B Notes is currently excluded from gross income for federal income tax purposes. Other than matters relating to the delivery of the Series B Letter of Credit reviewed by Co-Bond Counsel in regards to the substitution of the applicable Letter of Credit, Co-Bond Counsel has not been requested, nor has it undertaken to review any matters related to the validity, enforceability, or tax-exempt status of the Series B Notes or the interest thereon

- **Series C Notes.** On June 2, 2010, the date of issuance of the Series C Notes, Co-Bond Counsel delivered their opinions to the effect that as of that date, under then-existing law and assuming compliance with certain covenants in the documents pertaining to the Series C Notes, interest on the Series C Notes was exempt from all District of Columbia taxation except estate, inheritance and gift taxes. Co-Bond Counsel expressed no other opinion as to the tax consequences of the Series C Notes. That opinion speaks only as of its date.

On the Letter of Credit Substitution Date, Co-Bond Counsel delivered an opinion to the effect that the delivery of the Series C Letter of Credit is authorized under the Issuing and Paying Agency Agreement. Other than matters relating to the delivery of the Series C Letter of Credit reviewed by Co-Bond Counsel in regards to the substitution of the applicable Letter of Credit, Co-Bond Counsel has not been requested, nor has it undertaken to review any matters related to the validity, enforceability, or tax-exempt status of the Series C Notes or the interest thereon. That opinion speaks only as of its date.

**Legal and Other Matters.** Certain legal matters relating to the authorization and validity of the Notes were subject to the approving opinions of Co-Bond Counsel, each of which was furnished at the expense of the Authority upon the initial delivery of each Series of Notes (collectively, the “Bond Opinion”). The Bond Opinion was limited to matters relating to authorization and validity of the Notes, to the tax-exempt status of interest on the tax-exempt Notes as described in the section “Tax Status of Interest on the Notes” herein and to the exemption of the interest on the Taxable Notes from District taxation, except estate, inheritance and gift taxes. Co-Bond Counsel has not been engaged to investigate the financial resources of the Authority or its ability to provide for payment of the Notes, and the Bond Opinion makes no statement as to such matters or as to the

accuracy or completeness of this Offering Memorandum or any other information that may have been relied on by individuals in making the decision to purchase the Notes.

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

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

**Ratings of the Notes:**

**Series B Notes**

	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch, Inc.</u>
Short Term	P-1	A-1	F1+

**Series C Notes**

	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch, Inc.</u>
Short Term	P-1	A-1	F1+

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

**Miscellaneous.** No attempt is made herein to summarize the Resolution, the Issuing and Paying Agency Agreement, the Letters of Credit and agreements with respect thereto, the Bond Opinion, the financial condition or operations of the Authority, the terms and provisions of the Notes or other matters which may be material to a credit decision to purchase the Notes. Note purchasers are expected to conduct their own due diligence and analysis prior to making an investment decision. Copies of all relevant documents may be examined at the office of the Chief Financial Officer of the Authority during regular business hours. Copies of the Resolution, the Issuing and Paying Agency Agreement and Letters of Credit also are on file with the Issuing and Paying Agent for the Notes.

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

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

## APPENDIX A

### INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for such Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct

and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book entry system for the Notes is discontinued.

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name, and will be the responsibility of such Participant and not of DTC or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

NEITHER THE AUTHORITY NOR THE ISSUING AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE NOTES UNDER THE IMPLEMENTING RESOLUTION; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE NOTES; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF NOTES; OR (vi) ANY OTHER MATTER.

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**LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT**

between

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

and

**TD BANK, N.A.**

Relating to

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

Dated as of May 1, 2020

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EXHIBIT A            FORM OF BANK NOTE  
EXHIBIT B            FORM OF LETTER OF CREDIT

**LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT**

**THIS LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT** is executed and entered into as of May 1, 2020 by and between DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY and TD BANK, N.A. All capitalized terms used herein and not otherwise defined in connection with such use shall have the meanings set forth in Article I.

**RECITALS:**

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

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

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

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

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

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

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

**ARTICLE I**

**DEFINITIONS**

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

"*Affiliate*" means any other Person controlling or controlled by or under common control with the Authority. For purposes of this definition, "control," when used with respect to any specified Person,

means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

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

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

"*Bank*" means TD Bank, N.A., and any successor thereto.

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

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

"*Bank Rate*" for any day, a rate of interest per annum equal to (i) from the date such interest begins to accrue to and including the 90th day thereafter, the higher of (a) the Base Rate and (b) 3.50% and (ii) from the 91st day and thereafter, the higher of (a) the Base Rate plus 1.00% and (b) 5.00%; provided, however, from and after the earlier of (a) the date amounts are owed under the Bank Rate but only so long as not paid when due and (b) during the occurrence and continuance of an Event of Default, all amounts owed will be paid at the Default Rate and, provided further, that at no time will the Bank Rate be less than the applicable rate of interest on outstanding Notes. The Bank Rate is calculated on the basis of 365/366 days, as applicable, and the actual number of days elapsed.

"*Base Rate*" means the greater of (a) the Wall Street Journal prime rate of interest or (b) the Federal Funds Rate plus 2.00%.

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

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

"*Change in Law*" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"*Closing Date*" means May \_\_, 2020, the date on which this Reimbursement Agreement shall be executed and delivered by the Authority and the Bank.

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

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

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

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

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

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

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

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

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

"*Employee Benefit Plan*" means all of the following plans, to the extent the Authority has, or could reasonably be expected to have, any liability with respect to such plans: (a) all "employee benefit plans" (as defined in Section 3(3) of ERISA), and (b) any other employee benefit plan, program or arrangement that is or at any time has been maintained or sponsored by the Authority or to which the Authority has ever made, or been obligated to make, contributions or with respect to which the Authority has incurred any material liability or obligation, including without limitation the Authority's Section 401(a) defined contribution plan and the Authority's Section 457(b) deferred compensation plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

"*Indemnified Party*" has the meaning assigned in Section 7.04.

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

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

"*Letter of Credit*" means the Irrevocable Letter of Credit No. \_\_\_\_\_ issued by the Bank on the Date of Issuance, including such amendments, modifications and supplements permitted pursuant to its terms.

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

"*Loan*" has the meaning assigned in Section 2.03.

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



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

"*Moody's*" means Moody's Investors Service or any successor or assignee of the business of such company in the business of rating securities.

"*No- Issuance Notice*" has the meaning assigned in Section 6.02.

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

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

"*Patriot Act*" has the meaning specified in Section 9.12.

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

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

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

"*Prior Letter of Credit Bank*" means Landesbank Hessen-Thüringen Girozentrale, New York Branch, as issuer of the letter of credit to be replaced by the Letter of Credit.

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

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

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

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

"*Resolution*" means, collectively, the resolutions adopted by the Board of Directors of the Authority on May 6, 2010, April 14, 2013, April 30, 2015 and April 2, 2020.

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

"*Sanctions*" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of

Foreign Assets Control of the U.S. Department of the Treasury or by the U.S. Department of State, or (b) the United Nations Security Council, the European Union, any EU member state, or Her Majesty's Treasury of the United Kingdom.

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

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

"*Series C Reimbursement Agreement*" means the Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 by and between the Authority and the Bank providing for the issuance by the Bank of an irrevocable letter of credit in support of the Authority's Commercial Paper Notes, Series C, as amended, supplemented or modified from time to time.

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

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

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

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

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

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

## ARTICLE II

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

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

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

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

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

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

**Section 2.04. Default Rate.** The Authority agrees to pay to the Bank, interest on any and all amounts owed by the Authority under this Reimbursement Agreement from and after the earlier of (a) the occurrence of an Event of Default and (b) the date such amounts are due and payable but not paid until payment thereof in full, at a fluctuating interest rate per annum (computed on the basis of the actual number of days elapsed and a year of 365/366 days, as applicable) equal to the greater of (x) the Base Rate plus three percent (3.00%) and (y) seven percent (7.00%) (the "*Default Rate*").

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

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

**Section 2.07. Increased Costs; Reduced Return.**

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

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

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

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

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

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

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

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

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

(e) The Authority shall not be required to compensate the Bank pursuant to this

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

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

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

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

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

**Section 2.12. Bank Note.**

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

(b) The Bank shall record the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by or on behalf of the Authority with respect thereto, and prior to any transfer of the Bank Note shall endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of the Bank to make any such recordation or

endorsement shall not affect the obligations of the Authority hereunder or under the Bank Note. The Bank is hereby irrevocably authorized by the Authority to endorse the Bank Note and to attach to and make a part of the Bank Note a continuation of any such schedule as and when required.

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

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

(a) The Stated Amount may be permanently reduced from time to time or terminated by the Authority upon five Business Days' prior written notice of such reduction or termination given by the Authority to the Bank; provided, that (i) each such reduction shall be in an amount equal to the lesser of (A) \$1,000,000 or any integral multiple in excess thereof and (B) the Stated Amount, (ii) the Stated Amount of the Letter of Credit shall not be reduced below an amount equal to the sum of the outstanding amount of the Loan plus the principal amount of Notes outstanding plus interest on such principal amount of Notes computed at 12% per annum for a period of 270 days and (iii) the Authority first pays to the Bank all fees and expenses payable by the Authority to the Bank hereunder and under the Fee Letter, including any reduction or termination fee then due and payable.

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

**Section 2.15. Maximum Lawful Rate.**

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

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

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

### ARTICLE III

#### CONDITIONS PRECEDENT

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

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

such Disclosure Document (including any amendments or supplements prepared subsequent to its date) (a true copy of which, in each case, shall be furnished to the Bank prior to the distribution thereof) will not contain, any untrue statement of a material fact and such Disclosure Document does not omit, and will not omit, to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to information furnished in writing by the Bank expressly for inclusion therein.

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

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

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

**Section 4.12. Financial Statements.** As of the date hereof, the audited balance sheets of the Authority as of September 30, 2019 and the related statements of revenues, expenses and changes in retained earnings, and cash flows, of the Authority for the Authority's fiscal year then ended, and the accompanying footnotes thereon, dated September 30, 2019, of KPMG LLC, independent certified public accountants, copies of which have been delivered to the Bank, are complete and correct and fairly present the financial condition of the Authority as at such dates, for the periods covered by such statements, all in conformity with generally accepted accounting principles consistently applied. Since September 30, 2019, there has been no material adverse change in the condition (financial or otherwise), business or

operations of the Authority.

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

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

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

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

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

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

## ARTICLE V

### COVENANTS

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

**Section 5.01. Payment Obligations.** The Authority shall promptly pay or cause to be paid all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Reimbursement Agreement, including, without limitation, under Section 2.07, and the other Related Documents to which it is a party. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required

hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Authority.

**Section 5.02. Related Documents.**

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

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

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

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

(b) simultaneously with the delivery of each set of financial statements referred to in

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

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

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

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

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

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

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

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

(j) from time to time such additional information regarding the financial position, operations, business or prospects of the Authority and regarding the System as the Bank may reasonably request.

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

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

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

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

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

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

**Section 5.09. Maintenance of Franchises.** The Authority will maintain, or cause to be maintained, all licenses and franchises, required by the District of Columbia or any other Governmental

Authority for operation of the System and the sale of water to customers, the loss of which would have or, could reasonably be expected to result in, a material adverse effect regarding the financial position, operations, business or prospects of the Authority or the System.

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

**Section 5.11. Employment Benefit Plans.**

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

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

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

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

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

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

**Section 5.14. Provisions to Facilitate Payments.** Subject to Section 602 of the Master



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

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

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

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

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

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

**Section 5.20. Investment Guidelines.** The Authority will:

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

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

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

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

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

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

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

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

**Section 5.26. Rating Confirmation Before Defeasance.** Prior to effecting the defeasance of the Notes pursuant to the Issuing and Paying Agency Agreement, the Authority shall obtain written confirmation from each Rating Agency that such defeasance will not result in a withdrawal or reduction of such Rating Agency's rating of the Notes.

**Section 5.27. Reimbursement of Prior Letter of Credit Bank.** The proceeds of all Notes issued on the Closing Date will be applied first to any reimbursement obligations owing to the Prior Letter of Credit Bank. In the event such proceeds are not sufficient to pay such reimbursement obligations in full, so long as any such reimbursement obligations remain outstanding the Authority will use its best efforts to issue Notes and will apply all proceeds thereof to such reimbursement obligations until such reimbursement obligations have been paid in full.

## ARTICLE VI

### EVENTS OF DEFAULT

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

- (a) failure of the Authority to pay when due any amount due under this Reimbursement Agreement or under any of the Related Documents;
- (b) the Authority shall fail to observe or perform any covenant or agreement contained in Section 5.02(b), 5.12, 5.13 or 5.17;
- (c) failure of the Authority to observe or perform any of the covenants, conditions or provisions of this Reimbursement Agreement (other than as specified in (a) and (b) above) and to remedy such failure within 30 days after receipt by the Authority of written notice of such failure;
- (d) any representation or warranty made by the Authority herein, or in any certificate, financial or other statement furnished by the Authority pursuant to this Reimbursement Agreement, shall prove to have been untrue or incomplete in any material respect when made;
- (e) (i) default by the Authority in the payment of the principal of or interest on any of its bonds or (ii) default by the Authority in the payment of any Debt owed to the Bank or (iii) default by the Authority in the payment of the principal of or interest on any Debt in an aggregate amount in excess of \$10,000,000 as and when the same shall become due or (iv) default under

any mortgage, agreement or other instrument under or pursuant to which such Debt is incurred or issued and continuance of such default beyond the period of grace, if any, allowed with respect thereto which, in any such case, would give rise to the right of acceleration of any such bond or Debt;

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

(g) entry or filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$ 10,000,000 against the Authority or against any of its property and failure of the Authority to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process or failure to pay or satisfy such judgment within 60 days;

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

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

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

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

(l) the occurrence of any condition, event or series of events causing a change in the

business, properties, condition (financial or otherwise) or operations, present or prospective, of the Authority that would materially adversely affect (i) the ability of the Authority to perform its obligations under this Agreement or (ii) the validity or enforceability of this Agreement or the rights and remedies of the Bank hereunder; or

(m) the ratings assigned to any of the long-term, unenhanced debt obligations of the Authority by any two of S&P, Moody's and Fitch shall be (i) withdrawn or suspended for credit-related reasons or (ii) reduced below "BBB+", "Baa1" and "BBB+", respectively, or revoked.

**Section 6.02. Rights and Remedies.** Upon the occurrence and continuation of an Event of Default, the Bank, in its sole discretion, (a) may deliver to the Paying Agent a notice in the form of Annex H to the Letter of Credit in which case on the maturity date for the last Note to mature which was issued prior to the delivery of such a notice and upon the Bank's honoring Drawings under the Letter of Credit with respect to such Notes and the Paying Agent's delivery of a termination certificate in the form of Annex D to the Letter of Credit, the Letter of Credit shall terminate and be returned to the Bank, (b) may deliver to the Paying Agent a final drawing direction in the form of Annex I to the Letter of Credit in which case the Letter of Credit will terminate 10 days after the Paying Agent's receipt of such notice (a document delivered by the Bank pursuant to the foregoing clause (a) or (b) constituting a "No-Issuance Notice" as such term is used in the Issuing and Paying Agency Agreement), (c) may cure any default, event of default or event of nonperformance under this Reimbursement Agreement or under any of the Related Documents (in which event the Authority shall reimburse the Bank therefor pursuant to Section 2.10), (d) may, if permitted by the Master Indenture, declare the Bank Note and all obligations of the Authority hereunder to be immediately due and payable, or (e) may exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity. The rights and remedies of the Bank specified herein are for the sole and exclusive benefit, use and protection of the Bank, and the Bank is entitled, but shall have no duty or obligation to the Authority, the Paying Agent, the holders of the Notes or otherwise, (i) to exercise or to refrain from exercising any right or remedy reserved to the Bank hereunder, or (ii) to cause the Paying Agent or any other party to exercise or to refrain from exercising any right or remedy available to it under any of the Related Documents.

Upon its receipt of a final drawing direction pursuant to clause (b) of the foregoing paragraph, the Paying Agent shall forthwith deliver a copy thereof to each Rating Agency.

**ARTICLE VII**

**NATURE OF OBLIGATIONS; INDEMNIFICATION**

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

(a) any lack of validity or enforceability of the Letter of Credit or any of the Related Documents;

(b) any amendment or waiver of any provision of all or any of the Related Documents;

(c) the existence of any claim, setoff, defense or other rights which the Authority may have at any time against the Paying Agent, any beneficiary or any transferee of the Letter of

Credit (or any persons or entities for whom the Paying Agent, any such beneficiary or any such transferee may be acting), the Bank (other than the defense of payment to the Bank in accordance with the terms of this Reimbursement Agreement), any Participant or any other Person, whether in connection with this Reimbursement Agreement, the Related Documents or any transaction contemplated thereby or any unrelated transaction;

(d) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank under the Letter of Credit against presentation of a sight draft or certificate which does not comply with the terms of the Letter of Credit; and

(f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

**Section 7.02. Continuing Obligation.** This Reimbursement Agreement is a continuing obligation, shall survive the expiration of the Letter of Credit and shall (a) be binding upon the Authority, its successors and assigns, and (b) inure to the benefit of and be enforceable by the Bank and its successors, transferees and assigns; provided that the Authority may not assign all or any part of this Reimbursement Agreement without the prior written consent of the Bank.

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

**Section 7.04. Indemnification.** In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Authority agrees, to the extent permitted by law, to indemnify and hold harmless the Bank and each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that any Indemnified Party may incur (or which may be claimed against any Indemnified Party, by any person or entity whatsoever) that arises out of the transactions contemplated by this Reimbursement Agreement, the

Master Indenture, the Resolution or the Notes, including, without limitation, (a) the issuing, offering, sale, remarketing or resale of the Notes (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any offering memorandum or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in light of the circumstances under which it is or was made, not misleading or the failure to deliver any offering memorandum or any other offering circular or document to any offeree or purchaser of Notes), (b) the execution and delivery of, or payment or failure to pay under, this Reimbursement Agreement and (c) the use of the proceeds of the sale of the Notes; provided, however, that the Authority shall not be required to indemnify an Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Indemnified Party, (ii) the material inaccuracy of any information included in any offering memorandum or any offering circular or document related to the Notes and concerning the Bank or any Participant that was furnished in writing by the Bank or any such Participant expressly for inclusion therein or (iii) any failure by the Bank to honor a drawing under the Letter of Credit made in strict compliance with the terms of the Letter of Credit. If any proceeding shall be brought or threatened against any Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Authority in writing and the Authority shall assume the defense thereof, including the employment of counsel and the payment of all reasonable costs of litigation. Notwithstanding the preceding sentence, an Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the sole expense of such Indemnified Party unless (A) the employment of such counsel shall have been authorized in writing by the Authority or (B) the Authority, after due notice of the action, shall have unreasonably failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Authority. The Authority shall not be liable for any settlement of any such action effected without its express written consent. The parties hereto agree that the provisions of this Section shall survive the termination of this Reimbursement Agreement.

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

## ARTICLE VIII

### TRANSFER, REDUCTION OR EXTENSION OF LETTER OF CREDIT

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

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

**ARTICLE IX**

**MISCELLANEOUS**

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

**Section 9.02. Amendments and Waivers.** No waiver of any provision of this Reimbursement Agreement nor consent to any departure by the Authority from any such provision shall in any event be effective unless the same shall be in writing and signed by the Bank. No amendment of this Reimbursement Agreement shall be effective unless the same is in writing and signed by all of the parties hereto. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event any agreement contained in this Reimbursement Agreement should be breached by the Authority and thereafter waived by the Bank, such waiver shall be limited to the particular breach so waived for the specific period set out in such waiver and such waiver shall not constitute a waiver of such breach for any other period and shall not waive any other or similar breach hereunder.

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

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

If to the Authority  
addressed to it at: District of Columbia Water and Sewer Authority  
1385 Canal Street, S.E.  
Washington, D.C. 20003  
Attention: Chief Financial Officer  
Telephone: (202) 787-2000  
Facsimile: (202) 787-2333

or if to the Bank,  
addressed to it at: For Credit Matters and Notices:  
TD Bank, N.A.  
1919 Gallows Road, 2<sup>nd</sup> Floor



Vienna, Virginia 22182  
Attention: Christopher C. Arabia  
Telephone: (703) 663-4975  
Facsimile: (703) 663-4367

For Draws:  
TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, NJ 08054  
Attention: Darleen M. Strieffler  
Telephone: (856) 533-6562  
Facsimile: (856) 533-6562

or if to the Paying  
Agent, addressed  
to it at:

U.S. Bank Trust National Association  
100 Wall Street, 16<sup>th</sup> Floor  
New York, NY 10005  
Attention: Corporate Trust Administration  
Telephone: (212) 951-8512  
Facsimile: (212) 361-6153

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

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

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

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

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

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

(a) The Authority acknowledges and agrees that the Bank may participate portions of its obligations under the Letter of Credit and the obligations of the Authority under the Bank

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

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

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

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

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

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

[Remainder of page intentionally left blank]

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

DISTRICT OF COLUMBIA WATER AND  
SEWER AUTHORITY

By: \_\_\_\_\_  
Matthew T. Brown  
Chief Financial Officer and Executive Vice  
President, Finance and Procurement

[Signatures continued on following page]

[Signature Page to DC Water/TD Reimbursement Agreement – Series B]

S-1

TD BANK, N.A., as the Bank

By \_\_\_\_\_  
Name:  
Title:

Wire Instructions:

TD Bank, N.A.  
ABA#: \_\_\_\_\_  
Account: \_\_\_\_\_  
Acct # \_\_\_\_\_  
Ref: DC Water, Commercial Paper Notes, Series B

Acknowledged and Agreed, as to  
Second Paragraph of Section 6.02.

U.S. Bank Trust National Association,  
as Paying Agent

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to DC Water/TD Reimbursement Agreement – Series B]

**EXHIBIT A**

**FORM OF BANK NOTE**

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

\$102,958,204

May \_\_, 2020

For value received, DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY (the "Authority") promises to pay to the order of TD BANK, N.A. (the "Bank"), the lesser of (a) \$102,958,204 and (b) the unpaid principal amount due and owing to the Bank under that Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 (the "Reimbursement Agreement") by and between the Authority and the Bank relating to the Authority's Commercial Paper Notes, Series B. The Authority promises to pay interest on the unpaid principal amount of this Bank Note on the dates and at the rate or rates provided for in the Reimbursement Agreement. All such payments of principal and interest shall be made in lawful money of the United States in immediately available funds to the Bank as provided in the Reimbursement Agreement.

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

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

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

This Bank Note may be assigned to any Federal Reserve Bank as set forth in the Reimbursement Agreement.

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

IN WITNESS WHEREOF, the Authority has issued this Bank Note and caused the same to be signed by its Chief Financial Officer and Executive Vice President, Finance and Procurement and attested by its Secretary.

DISTRICT OF COLUMBIA WATER AND  
SEWER AUTHORITY

By: \_\_\_\_\_  
Matthew T. Brown  
Chief Financial Officer and Executive Vice  
President, Finance and Procurement

Attest:.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Secretary

**LOANS AND PAYMENTS OF PRINCIPAL**

<b>Date</b>	<b>Amount of Loan</b>	<b>Amount of Principal Repaid</b>	<b>Maturity Date</b>	<b>Notation Made By</b>
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**EXHIBIT B**  
**FORM OF LETTER OF CREDIT**



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**LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT**

between

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

and

**TD BANK, N.A.**

Relating to

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

Dated as of            May 1, 2020

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EXHIBIT A	FORM OF BANK NOTE
EXHIBIT B	FORM OF LETTER OF CREDIT

## LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

THIS LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT is executed and entered into as of ~~\_\_\_\_\_~~ May 1, 2020 by and between DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY and TD BANK, N.A. All capitalized terms used herein and not otherwise defined in connection with such use shall have the meanings set forth in Article I.

### RECITALS:

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

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

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

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

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

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

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

### ARTICLE I

#### DEFINITIONS

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

"*Affiliate*" means any other Person controlling or controlled by or under common control with the Authority. For purposes of this definition, "control," when used with respect to any specified Person,

means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

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

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

"*Bank*" means TD Bank, N.A., and any successor thereto.

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

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

"*Bank Rate*" for any day, a rate of interest per annum equal to (i) from the date such interest begins to accrue to and including the 90th day thereafter, the higher of (a) the Base Rate and (b) ~~3.543~~3.50% and (ii) from the 91st day and thereafter, the higher of (a) the Base Rate plus 1.00% and (b) 5.00%; provided, however, from and after the earlier of (a) the date amounts are owed under the Bank Rate but only so long as not paid when due and (b) during the occurrence and continuance of an Event of Default, all amounts owed will be paid at the Default Rate and, provided further, that at no time will the Bank Rate be less than the applicable rate of interest on outstanding Notes. The Bank Rate is calculated on the basis of 365/366 days, as applicable, and the actual number of days elapsed.

"*Base Rate*" means the greater of (a) the Wall Street Journal prime rate of interest or (b) the Federal Funds Rate plus 2.00%.

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

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

"*Change in Law*" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"*Closing Date*" means                      May   , 2020, the date on which this Reimbursement Agreement shall be executed and delivered by the Authority and the Bank.

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

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

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

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

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

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

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

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

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

"*Employee Benefit Plan*" means all of the following plans, to the extent the Authority has, or could reasonably be expected to have, any liability with respect to such plans: (a) all "employee benefit plans" (as defined in Section 3(3) of ERISA), and (b) any other employee benefit plan, program or arrangement that is or at any time has been maintained or sponsored by the Authority or to which the Authority has ever made, or been obligated to make, contributions or with respect to which the Authority has incurred any material liability or obligation, including without limitation the Authority's Section 401(a) defined contribution plan and the Authority's Section 457(b) deferred compensation plan.

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

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

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

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

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

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

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

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

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

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



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

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

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

"*Indemnified Party*" has the meaning assigned in Section 7.04.

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

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

"*Letter of Credit*" means the Irrevocable Letter of Credit No. \_\_\_\_\_ issued by the Bank on the Date of Issuance, including such amendments, modifications and supplements permitted pursuant to its terms.

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

"*Loan*" has the meaning assigned in Section 2.03.

"*Master Indenture*" means the Master Indenture of Trust dated as of April 1, 1998, as amended and supplemented including, in particular, by an Eleventh Supplemental Indenture of Trust dated as of

June 1, 2010, [as amended](#), each between the Authority and Wells Fargo Bank, National Association, as successor Trustee.

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

"*Moody's*" means Moody's Investors Service or any successor or assignee of the business of such company in the business of rating securities.

"*No- Issuance Notice*" has the meaning assigned in Section 6.02.

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

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

"*Patriot Act*" has the meaning specified in Section 9.12.

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

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

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

"*Prior Letter of Credit Bank*" means Landesbank Hessen-Thüringen Girozentrale, New York Branch, as issuer of the letter of credit to be replaced by the Letter of Credit.

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

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

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

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

"*Resolution*" means, collectively, the resolutions adopted by the Board of Directors of the Authority on May 6, 2010, April 14, 2013, April 30, 2015 and [April 2, 2020](#).

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

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

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

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

"*Series C Reimbursement Agreement*" means the Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 by and between the Authority and the Bank providing for the issuance by the Bank of an irrevocable letter of credit in support of the Authority's Commercial Paper Notes, Series C, as amended, supplemented or modified from time to time.

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

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

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

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

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

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

Agreement shall control.

## ARTICLE II

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

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

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

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

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

this Section and Section 2.04, shall be herein referred to as a "Loan." For the avoidance doubt, the foregoing provisions under which, subject to certain conditions, the Authority is not required to reimburse the Bank for a Principal Drawing on the date of such Drawing shall not be applicable to an Interest Drawing.

**Section 2.04. Default Rate.** The Authority agrees to pay to the Bank, interest on any and all amounts owed by the Authority under this Reimbursement Agreement from and after the earlier of (a) the occurrence of an Event of Default and (b) the date such amounts are due and payable but not paid until payment thereof in full, at a fluctuating interest rate per annum (computed on the basis of the actual number of days elapsed and a year of 365/366 days, as applicable) equal to the greater of (x) the Base Rate plus three percent (3.00%) and (y) seven percent (7.00%) (the "*Default Rate*").

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

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

**Section 2.07. Increased Costs; Reduced Return.**

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

and the result of any of the foregoing is to increase the cost to the Bank of agreeing to enter into (or participate in), entering into (or participating in), making any payment under or maintaining this Reimbursement Agreement or the Letter of Credit to reduce the amount of any payment (whether of principal, interest or otherwise) receivable by the Bank or to require the Bank to make any payment on or calculated by reference to the gross amount of any sum received by it, in each case by an amount which the Bank in its reasonable judgment deems material, then:

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

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

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

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

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

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

provisions of this Agreement, the Bank shall refund such excess amount to the Authority.

(e) The Authority shall not be required to compensate the Bank pursuant to this Section for any increased costs incurred or reductions suffered more than six months prior to the date that the Bank notifies the Authority of the Change in Law giving rise to such increased costs or reductions and of the Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof).

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

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

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

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

**Section 2.12. Bank Note.**

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

(b) The Bank shall record the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by or on behalf of the Authority with

respect thereto, and prior to any transfer of the Bank Note shall endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Authority hereunder or under the Bank Note. The Bank is hereby irrevocably authorized by the Authority to endorse the Bank Note and to attach to and make a part of the Bank Note a continuation of any such schedule as and when required.

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

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

(a) The Stated Amount may be permanently reduced from time to time or terminated by the Authority upon five Business Days' prior written notice of such reduction or termination given by the Authority to the Bank; provided, that (i) each such reduction shall be in an amount equal to the lesser of (A) \$1,000,000 or any integral multiple in excess thereof and (B) the Stated Amount, (ii) the Stated Amount of the Letter of Credit shall not be reduced below an amount equal to the sum of the outstanding amount of the Loan plus the principal amount of Notes outstanding plus interest on such principal amount of Notes computed at 12% per annum for a period of 270 days and (iii) the Authority first pays to the Bank all fees and expenses payable by the Authority to the Bank hereunder and under the Fee Letter, including any reduction or termination fee then due and payable.

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

**Section 2.15. Maximum Lawful Rate.**

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

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

(c) Notwithstanding the foregoing, to the extent permitted by applicable law, on the



date on which no principal amount hereunder remains unpaid, the Authority shall pay to the Bank a fee equal to any accrued and unpaid Excess Interest Amount.

### ARTICLE III

#### CONDITIONS PRECEDENT

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

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

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

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

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

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

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

- (a) the Issuing and Paying Agency Agreement;
- (b) the Dealer Agreements;
- (c) the Resolution;
- (d) the Master Indenture;
- (e) the Bank Note;

- (f) the Disclosure Document; and
- (g) the Fee Letter.

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

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

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

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

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

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

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

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES

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

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

obligations under, this Reimbursement Agreement and the Related Documents to which it is a party and to issue, execute and deliver the Notes and the Bank Note.

**Section 4.02. Power and Authority.** The Authority has the requisite power and authority to execute and deliver, and to perform its obligations under, this Reimbursement Agreement and the other Related Documents to which it is or will be a party and has taken all necessary action to authorize the execution, delivery and performance of this Reimbursement Agreement and the other Related Documents to which it is or will be a party.

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

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

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

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

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

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

or, so far as the Authority can now reasonably foresee, is likely to materially adversely affect the ability (financial or otherwise) of the Authority to perform its obligations hereunder or under the Related Documents. The Disclosure Document prepared with respect to the Notes and the transactions herein contemplated, true copies of which have heretofore been delivered to the Bank, does not contain, and such Disclosure Document (including any amendments or supplements prepared subsequent to its date) (a true copy of which, in each case, shall be furnished to the Bank prior to the distribution thereof) will not contain, any untrue statement of a material fact and such Disclosure Document does not omit, and will not omit, to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to information furnished in writing by the Bank expressly for inclusion therein.

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

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

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

**Section 4.12. Financial Statements.** As of the date hereof, the audited balance sheets of the Authority as of September 30, 2019 and the related statements of revenues, expenses and changes in retained earnings, and cash flows, of the Authority for the Authority's fiscal year then ended, and the

accompanying footnotes thereon, dated September 30, 2019, of ~~\_\_\_\_\_~~ KPMG LLC, independent certified public accountants, copies of which have been delivered to the Bank, are complete and correct and fairly present the financial condition of the Authority as at such dates, for the periods covered by such statements, all in conformity with generally accepted accounting principles consistently applied. Since September 30, 2019, there has been no material adverse change in the condition (financial or otherwise), business or operations of the Authority.

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

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

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

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

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

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

## ARTICLE V

### COVENANTS

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

**Section 5.01. Payment Obligations.** The Authority shall promptly pay or cause to be paid all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Reimbursement Agreement, including, without limitation, under Section 2.07, and the other Related Documents to which it is a party. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Authority.

**Section 5.02. Related Documents.**

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

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

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

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

financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

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

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

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

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

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

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

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

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

Authority to perform its obligations in connection herewith or therewith; and

(j) from time to time such additional information regarding the financial position, operations, business or prospects of the Authority and regarding the System as the Bank may reasonably request.

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

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

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

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

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

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



replaced with a Dealer reasonably satisfactory to the Bank. The Authority shall use all commercially reasonable efforts to have a Dealer and an Issuing and Paying Agent in place at all times while this Reimbursement Agreement is in effect or the Bank Note is outstanding.

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

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

**Section 5.11. Employment Benefit Plans.**

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

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

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

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

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

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

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

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

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

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

entity fails to assume, by written document in form and substance satisfactory to the Bank, all the obligations of the Authority under this Reimbursement Agreement or the benefits of any Related Document fail to extend to the performance by such resulting or surviving entity of the Authority's obligations under this Reimbursement Agreement.

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

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

**Section 5.20. Investment Guidelines.** The Authority will:

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

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

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

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

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

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

instance, the Authority may post cash collateral to support its obligations under the Hedge Agreement; provided further, however, that the aggregate notional amount of all such Hedge Agreements to which the Authority is a counterparty does not exceed ten percent (10%) of the aggregate Subordinate Debt of the Authority or such other amount as is approved in advance by the Bank.

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

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

**Section 5.26. Rating Confirmation Before Defeasance.** Prior to effecting the defeasance of the Notes pursuant to the Issuing and Paying Agency Agreement, the Authority shall obtain written confirmation from each Rating Agency that such defeasance will not result in a withdrawal or reduction of such Rating Agency's rating of the Notes.

**Section 5.27. Reimbursement of Prior Letter of Credit Bank.** The proceeds of all Notes issued on the Closing Date will be applied first to any reimbursement obligations owing to the Prior Letter of Credit Bank. In the event such proceeds are not sufficient to pay such reimbursement obligations in full, so long as any such reimbursement obligations remain outstanding the Authority will use its best efforts to issue Notes and will apply all proceeds thereof to such reimbursement obligations until such reimbursement obligations have been paid in full.

**ARTICLE VI**

**EVENTS OF DEFAULT**

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

- (a) failure of the Authority to pay when due any amount due under this Reimbursement Agreement or under any of the Related Documents;
- (b) the Authority shall fail to observe or perform any covenant or agreement contained in Section 5.02(b), 5.12, 5.13 or 5.17;
- (c) failure of the Authority to observe or perform any of the covenants, conditions or provisions of this Reimbursement Agreement (other than as specified in (a) and (b) above) and to remedy such failure within 30 days after receipt by the Authority of written notice of such failure;
- (d) any representation or warranty made by the Authority herein, or in any certificate, financial or other statement furnished by the Authority pursuant to this Reimbursement Agreement, shall prove to have been untrue or incomplete in any material

respect when made;

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

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

(g) entry or filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$ 10,000,000 against the Authority or against any of its property and failure of the Authority to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process or failure to pay or satisfy such judgment within 60 days;

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

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

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

(k) (i) this Reimbursement Agreement or any provision of Article II hereof or this Article VI or any other provision hereof or of any Related Document affecting the security for or the payment of the Notes or the Bank Note or (ii) any provision of any agreement, instrument or document evidencing any Debt of the Authority or pursuant to which any such Debt has been issued or incurred which relates to or affects any security provided to the holder thereof or the payment thereof or constitutes an event of default or similar provision thereunder shall at any time for any reason cease to be valid and binding on the Authority or shall be declared to be null

and void by any Governmental Authority having jurisdiction over the Authority in each case pursuant to a final judgment or order; or the Authority shall contest the validity or enforceability of any of the foregoing or repudiate its obligations hereunder or under the Bank Note; or

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

(m) the ratings assigned to any of the long-term, unenhanced debt obligations of the Authority by any two of S&P, Moody's and Fitch shall be (i) withdrawn or suspended for credit-related reasons or (ii) reduced below "BBB+", "Baa1" and "BBB+", respectively, or revoked.

**Section 6.02. Rights and Remedies.** Upon the occurrence and continuation of an Event of Default, the Bank, in its sole discretion, (a) may deliver to the Paying Agent a notice in the form of Annex H to the Letter of Credit in which case on the maturity date for the last Note to mature which was issued prior to the delivery of such a notice and upon the Bank's honoring Drawings under the Letter of Credit with respect to such Notes and the Paying Agent's delivery of a termination certificate in the form of Annex D to the Letter of Credit, the Letter of Credit shall terminate and be returned to the Bank, (b) may deliver to the Paying Agent a final drawing direction in the form of Annex I to the Letter of Credit in which case the Letter of Credit will terminate 10 days after the Paying Agent's receipt of such notice (a document delivered by the Bank pursuant to the foregoing clause (a) or (b) constituting a "No-Issuance Notice" as such term is used in the Issuing and Paying Agency Agreement), (c) may cure any default, event of default or event of nonperformance under this Reimbursement Agreement or under any of the Related Documents (in which event the Authority shall reimburse the Bank therefor pursuant to Section 2.10), (d) may, if permitted by the Master Indenture, declare the Bank Note and all obligations of the Authority hereunder to be immediately due and payable, or (e) may exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity. The rights and remedies of the Bank specified herein are for the sole and exclusive benefit, use and protection of the Bank, and the Bank is entitled, but shall have no duty or obligation to the Authority, the Paying Agent, the holders of the Notes or otherwise, (i) to exercise or to refrain from exercising any right or remedy reserved to the Bank hereunder, or (ii) to cause the Paying Agent or any other party to exercise or to refrain from exercising any right or remedy available to it under any of the Related Documents.

Upon its receipt of a final drawing direction pursuant to clause (b) of the foregoing paragraph, the Paying Agent shall forthwith deliver a copy thereof to each Rating Agency.

## ARTICLE VII

### NATURE OF OBLIGATIONS; INDEMNIFICATION

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

(a) any lack of validity or enforceability of the Letter of Credit or any of the Related Documents;

(b) any amendment or waiver of any provision of all or any of the Related Documents;

(c) the existence of any claim, setoff, defense or other rights which the Authority may have at any time against the Paying Agent, any beneficiary or any transferee of the Letter of Credit (or any persons or entities for whom the Paying Agent, any such beneficiary or any such transferee may be acting), the Bank (other than the defense of payment to the Bank in accordance with the terms of this Reimbursement Agreement), any Participant or any other Person, whether in connection with this Reimbursement Agreement, the Related Documents or any transaction contemplated thereby or any unrelated transaction;

(d) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank under the Letter of Credit against presentation of a sight draft or certificate which does not comply with the terms of the Letter of Credit; and

(f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

**Section 7.02. Continuing Obligation.** This Reimbursement Agreement is a continuing obligation, shall survive the expiration of the Letter of Credit and shall (a) be binding upon the Authority, its successors and assigns, and (b) inure to the benefit of and be enforceable by the Bank and its successors, transferees and assigns; provided that the Authority may not assign all or any part of this Reimbursement Agreement without the prior written consent of the Bank.

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

**Section 7.04. Indemnification.** In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Authority

agrees, to the extent permitted by law, to indemnify and hold harmless the Bank and each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that any Indemnified Party may incur (or which may be claimed against any Indemnified Party, by any person or entity whatsoever) that arises out of the transactions contemplated by this Reimbursement Agreement, the Master Indenture, the Resolution or the Notes, including, without limitation, (a) the issuing, offering, sale, remarketing or resale of the Notes (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any offering memorandum or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in light of the circumstances under which it is or was made, not misleading or the failure to deliver any offering memorandum or any other offering circular or document to any offeree or purchaser of Notes), (b) the execution and delivery of, or payment or failure to pay under, this Reimbursement Agreement and (c) the use of the proceeds of the sale of the Notes; provided, however, that the Authority shall not be required to indemnify an Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Indemnified Party, (ii) the material inaccuracy of any information included in any offering memorandum or any offering circular or document related to the Notes and concerning the Bank or any Participant that was furnished in writing by the Bank or any such Participant expressly for inclusion therein or (iii) any failure by the Bank to honor a drawing under the Letter of Credit made in strict compliance with the terms of the Letter of Credit. If any proceeding shall be brought or threatened against any Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Authority in writing and the Authority shall assume the defense thereof, including the employment of counsel and the payment of all reasonable costs of litigation. Notwithstanding the preceding sentence, an Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the sole expense of such Indemnified Party unless (A) the employment of such counsel shall have been authorized in writing by the Authority or (B) the Authority, after due notice of the action, shall have unreasonably failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Authority. The Authority shall not be liable for any settlement of any such action effected without its express written consent. The parties hereto agree that the provisions of this Section shall survive the termination of this Reimbursement Agreement.

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

## ARTICLE VIII

### TRANSFER, REDUCTION OR EXTENSION OF LETTER OF CREDIT

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

**Section 8.02. Extension.** The Expiration Date of the Letter of Credit may be extended by the



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

## ARTICLE IX

### MISCELLANEOUS

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

**Section 9.02. Amendments and Waivers.** No waiver of any provision of this Reimbursement Agreement nor consent to any departure by the Authority from any such provision shall in any event be effective unless the same shall be in writing and signed by the Bank. No amendment of this Reimbursement Agreement shall be effective unless the same is in writing and signed by all of the parties hereto. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event any agreement contained in this Reimbursement Agreement should be breached by the Authority and thereafter waived by the Bank, such waiver shall be limited to the particular breach so waived for the specific period set out in such waiver and such waiver shall not constitute a waiver of such breach for any other period and shall not waive any other or similar breach hereunder.

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

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

If to the Authority  
addressed to it at:

District of Columbia Water and Sewer Authority

~~5000 Overlook Avenue, S.W.~~ [1385 Canal Street, S.E.](#)

Washington, D.C. ~~20032~~ [20003](#)

Attention: Chief Financial Officer

Telephone: (202) 787-2000

Facsimile: (202) 787-2333

or if to the Bank,  
addressed to it at:

For Credit Matters and Notices:

TD Bank, N.A.

1919 Gallows Road, 2<sup>nd</sup> Floor

Vienna, Virginia 22182

Attention: Christopher C. Arabia

Telephone: (703) 663-4975

Facsimile: (703) 663-4367

For Draws:

TD Bank, N.A.

6000 Atrium Way

Mt. Laurel, NJ 08054

Attention: Darleen M. Strieffler

Telephone: (856) 533-6562

Facsimile: (856) 533-6562

or if to the Paying  
Agent, addressed  
to it at:

U.S. Bank Trust National Association

100 Wall Street, 16<sup>th</sup> Floor

New York, NY 10005

Attention: Corporate Trust Administration

Telephone: (212) 951-8512

Facsimile: (212) 361-6153

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

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

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

**Section 9.06. GOVERNING LAW.** THIS REIMBURSEMENT AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW

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

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

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

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

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

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

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

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

**Section 9.12. USA PATRIOT Act Notice.** The Bank hereby notifies the Authority that

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

[Remainder of page intentionally left blank]

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

DISTRICT OF COLUMBIA WATER AND  
SEWER AUTHORITY

By-

~~Name~~ \_\_\_\_\_

~~Title~~ \_\_\_\_\_

Matthew T. Brown  
Chief Financial Officer and Executive Vice  
President, Finance and Procurement

[Signatures continued on following page]

[Signature Page to DC Water/TD Reimbursement Agreement – Series B]

S- 1

~~128065741\_2~~

128065741\_3

TD BANK, N.A., as the Bank

By \_\_\_\_\_  
Name:  
Title:

Wire Instructions:

TD Bank, N.A.  
ABA#: \_\_\_\_\_  
Account: \_\_\_\_\_  
Acct # \_\_\_\_\_  
Ref: DC Water, Commercial Paper Notes, Series B

Acknowledged and Agreed, as to  
Second Paragraph of Section 6.02.

U.S. Bank Trust National Association,  
as Paying Agent

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to DC Water/TD Reimbursement Agreement – Series B]

S- 2

~~128065741\_2~~

128065741\_3

**EXHIBIT A**

**FORM OF BANK NOTE**

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

~~\$108,876,712.33~~

102,958,204

May \_\_, 2020

For value received, DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY (the "Authority") promises to pay to the order of TD BANK, N.A. (the "Bank"), the lesser of (a) ~~\$108,876,712.33~~102,958,204 and (b) the unpaid principal amount due and owing to the Bank under that Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 (the "Reimbursement Agreement") by and between the Authority and the Bank relating to the Authority's Commercial Paper Notes, Series B. The Authority promises to pay interest on the unpaid principal amount of this Bank Note on the dates and at the rate or rates provided for in the Reimbursement Agreement. All such payments of principal and interest shall be made in lawful money of the United States in immediately available funds to the Bank as provided in the Reimbursement Agreement.

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

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

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

This Bank Note may be assigned to any Federal Reserve Bank as set forth in the Reimbursement Agreement.

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

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| [128065741\\_3](#)

A- 2



IN WITNESS WHEREOF, the Authority has issued this Bank Note and caused the same to be signed by its Chief Financial Officer and Executive Vice President, Finance and Procurement and attested by its Secretary.

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

By: \_\_\_\_\_  
Matthew T. Brown  
Chief Financial Officer and Executive Vice  
President, Finance and Procurement

~~DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY~~

~~By \_\_\_\_\_~~  
~~Name \_\_\_\_\_~~  
~~Title \_\_\_\_\_~~

Attest:.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Secretary

**LOANS AND PAYMENTS OF PRINCIPAL**

<b>Date</b>	<b>Amount of Loan</b>	<b>Amount of Principal Repaid</b>	<b>Maturity Date</b>	<b>Notation Made By</b>
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A- 4

**EXHIBIT B**  
**FORM OF LETTER OF CREDIT**

Document comparison by Workshare 10.0 on Tuesday, March 17, 2020 5:53:26 PM

Input:	
Document 1 ID	iManage://DMSPROXY/Active/128065741/2
Description	#128065741v2<Active> - TD DCW 2020 Reimbursement Agreement (B)
Document 2 ID	iManage://DMSPROXY/Active/128065741/3
Description	#128065741v3<Active> - TD DCW 2020 Reimbursement Agreement (B)
Rendering set	Standard

Legend:	
<u>Insertion</u>	
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Style change	
Format change	
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Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	40
Deletions	26
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	66



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**LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT**

between

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

and

**TD BANK, N.A.**

Relating to

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

Dated as of May 1, 2020

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**LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT**

**THIS LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT** is executed and entered into as of May 1, 2020 by and between DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY and TD BANK, N.A. All capitalized terms used herein and not otherwise defined in connection with such use shall have the meanings set forth in Article I.

**RECITALS:**

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

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

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

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

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

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

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

**ARTICLE I**

**DEFINITIONS**

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

*"Affiliate"* means any other Person controlling or controlled by or under common control with the Authority. For purposes of this definition, "control," when used with respect to any specified Person,

means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

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

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

"*Bank*" means TD Bank, N.A., and any successor thereto.

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

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

"*Bank Rate*" for any day, a rate of interest per annum equal to (i) from the date such interest begins to accrue to and including the 90th day thereafter, the higher of (a) the Base Rate and (b) 3.50% and (ii) from the 91st day and thereafter, the higher of (a) the Base Rate plus 1.00% and (b) 5.00%; provided, however, from and after the earlier of (a) the date amounts are owed under the Bank Rate but only so long as not paid when due and (b) during the occurrence and continuance of an Event of Default, all amounts owed will be paid at the Default Rate and, provided further, that at no time will the Bank Rate be less than the applicable rate of interest on outstanding Notes. The Bank Rate is calculated on the basis of 365/366 days, as applicable, and the actual number of days elapsed.

"*Base Rate*" means the greater of (a) the Wall Street Journal prime rate of interest or (b) the Federal Funds Rate plus 2.00%.

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

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

"*Change in Law*" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"*Closing Date*" means May \_\_, 2020, the date on which this Reimbursement Agreement shall be executed and delivered by the Authority and the Bank.

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

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

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

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

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

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

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

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

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

"*Employee Benefit Plan*" means all of the following plans, to the extent the Authority has, or could reasonably be expected to have, any liability with respect to such plans: (a) all "employee benefit plans" (as defined in Section 3(3) of ERISA), and (b) any other employee benefit plan, program or arrangement that is or at any time has been maintained or sponsored by the Authority or to which the Authority has ever made, or been obligated to make, contributions or with respect to which the Authority has incurred any material liability or obligation, including without limitation the Authority's Section 401(a) defined contribution plan and the Authority's Section 457(b) deferred compensation plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

"*Indemnified Party*" has the meaning assigned in Section 7.04.

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

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

"*Letter of Credit*" means the Irrevocable Letter of Credit No. \_\_\_\_\_ issued by the Bank on the Date of Issuance, including such amendments, modifications and supplements permitted pursuant to its terms.

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

"*Loan*" has the meaning assigned in Section 2.03.

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

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

"*Moody's*" means Moody's Investors Service or any successor or assignee of the business of such company in the business of rating securities.

"*No- Issuance Notice*" has the meaning assigned in Section 6.02.

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

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

"*Patriot Act*" has the meaning specified in Section 9.12.

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

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

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

"*Prior Letter of Credit Bank*" means Landesbank Hessen-Thüringen Girozentrale, New York Branch, as issuer of the letter of credit to be replaced by the Letter of Credit.

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

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

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

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

"*Resolution*" means, collectively, the resolutions adopted by the Board of Directors of the Authority on May 6, 2010, April 14, 2013, April 30, 2015 and April 2, 2020.

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

"*Sanctions*" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of

Foreign Assets Control of the U.S. Department of the Treasury or by the U.S. Department of State, or (b) the United Nations Security Council, the European Union, any EU member state, or Her Majesty's Treasury of the United Kingdom.

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

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

"*Series B Reimbursement Agreement*" means the Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 by and between the Authority and the Bank providing for the issuance by the Bank of an irrevocable letter of credit in support of the Authority's Commercial Paper Notes, Series B, as amended, supplemented or modified from time to time.

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

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

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

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

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

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



## ARTICLE II

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

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

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

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

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

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

**Section 2.04. Default Rate.** The Authority agrees to pay to the Bank, interest on any and all amounts owed by the Authority under this Reimbursement Agreement from and after the earlier of (a) the occurrence of an Event of Default and (b) the date such amounts are due and payable but not paid until payment thereof in full, at a fluctuating interest rate per annum (computed on the basis of the actual number of days elapsed and a year of 365/366 days, as applicable) equal to the greater of (x) the Base Rate plus three percent (3.00%) and (y) seven percent (7.00%) (the "*Default Rate*").

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

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

**Section 2.07. Increased Costs; Reduced Return.**

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

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

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

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

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

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

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

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

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

(e) The Authority shall not be required to compensate the Bank pursuant to this

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

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

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

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

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

**Section 2.12. Bank Note.**

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

(b) The Bank shall record the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by or on behalf of the Authority with respect thereto, and prior to any transfer of the Bank Note shall endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of the Bank to make any such recordation or

endorsement shall not affect the obligations of the Authority hereunder or under the Bank Note. The Bank is hereby irrevocably authorized by the Authority to endorse the Bank Note and to attach to and make a part of the Bank Note a continuation of any such schedule as and when required.

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

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

(a) The Stated Amount may be permanently reduced from time to time or terminated by the Authority upon five Business Days' prior written notice of such reduction or termination given by the Authority to the Bank; provided, that (i) each such reduction shall be in an amount equal to the lesser of (A) \$1,000,000 or any integral multiple in excess thereof and (B) the Stated Amount, (ii) the Stated Amount of the Letter of Credit shall not be reduced below an amount equal to the sum of the outstanding amount of the Loan plus the principal amount of Notes outstanding plus interest on such principal amount of Notes computed at 12% per annum for a period of 270 days and (iii) the Authority first pays to the Bank all fees and expenses payable by the Authority to the Bank hereunder and under the Fee Letter, including any reduction or termination fee then due and payable.

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

**Section 2.15. Maximum Lawful Rate.**

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

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

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

### ARTICLE III

#### CONDITIONS PRECEDENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

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



such Disclosure Document (including any amendments or supplements prepared subsequent to its date) (a true copy of which, in each case, shall be furnished to the Bank prior to the distribution thereof) will not contain, any untrue statement of a material fact and such Disclosure Document does not omit, and will not omit, to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to information furnished in writing by the Bank expressly for inclusion therein.

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

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

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

**Section 4.12. Financial Statements.** As of the date hereof, the audited balance sheets of the Authority as of September 30, 2019 and the related statements of revenues, expenses and changes in retained earnings, and cash flows, of the Authority for the Authority's fiscal year then ended, and the accompanying footnotes thereon, dated September 30, 2019, of KPMG LLC, independent certified public accountants, copies of which have been delivered to the Bank, are complete and correct and fairly present the financial condition of the Authority as at such dates, for the periods covered by such statements, all in conformity with generally accepted accounting principles consistently applied. Since September 30, 2019, there has been no material adverse change in the condition (financial or otherwise), business or

operations of the Authority.

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

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

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

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

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

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

## ARTICLE V

### COVENANTS

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

**Section 5.01. Payment Obligations.** The Authority shall promptly pay or cause to be paid all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Reimbursement Agreement, including, without limitation, under Section 2.07, and the other Related Documents to which it is a party. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required

hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Authority.

**Section 5.02. Related Documents.**

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

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

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

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

(b) simultaneously with the delivery of each set of financial statements referred to in

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

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

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

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

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

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

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

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

(j) from time to time such additional information regarding the financial position, operations, business or prospects of the Authority and regarding the System as the Bank may reasonably request.

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

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

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

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

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

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

**Section 5.09. Maintenance of Franchises.** The Authority will maintain, or cause to be maintained, all licenses and franchises, required by the District of Columbia or any other Governmental

Authority for operation of the System and the sale of water to customers, the loss of which would have or, could reasonably be expected to result in, a material adverse effect regarding the financial position, operations, business or prospects of the Authority or the System.

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

**Section 5.11. Employment Benefit Plans.**

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

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

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

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

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

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

**Section 5.14. Provisions to Facilitate Payments.** Subject to Section 602 of the Master

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

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

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

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

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

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

**Section 5.20. Investment Guidelines.** The Authority will:

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

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

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

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

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

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



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

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

**Section 5.26. Rating Confirmation Before Defeasance.** Prior to effecting the defeasance of the Notes pursuant to the Issuing and Paying Agency Agreement, the Authority shall obtain written confirmation from each Rating Agency that such defeasance will not result in a withdrawal or reduction of such Rating Agency's rating of the Notes.

**Section 5.27. Reimbursement of Prior Letter of Credit Bank.** The proceeds of all Notes issued on the Closing Date will be applied first to any reimbursement obligations owing to the Prior Letter of Credit Bank. In the event such proceeds are not sufficient to pay such reimbursement obligations in full, so long as any such reimbursement obligations remain outstanding the Authority will use its best efforts to issue Notes and will apply all proceeds thereof to such reimbursement obligations until such reimbursement obligations have been paid in full.

## ARTICLE VI

### EVENTS OF DEFAULT

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

- (a) failure of the Authority to pay when due any amount due under this Reimbursement Agreement or under any of the Related Documents;
- (b) the Authority shall fail to observe or perform any covenant or agreement contained in Section 5.02(b), 5.12, 5.13 or 5.17;
- (c) failure of the Authority to observe or perform any of the covenants, conditions or provisions of this Reimbursement Agreement (other than as specified in (a) and (b) above) and to remedy such failure within 30 days after receipt by the Authority of written notice of such failure;
- (d) any representation or warranty made by the Authority herein, or in any certificate, financial or other statement furnished by the Authority pursuant to this Reimbursement Agreement, shall prove to have been untrue or incomplete in any material respect when made;
- (e) (i) default by the Authority in the payment of the principal of or interest on any of its bonds or (ii) default by the Authority in the payment of any Debt owed to the Bank or (iii) default by the Authority in the payment of the principal of or interest on any Debt in an aggregate amount in excess of \$10,000,000 as and when the same shall become due or (iv) default under

any mortgage, agreement or other instrument under or pursuant to which such Debt is incurred or issued and continuance of such default beyond the period of grace, if any, allowed with respect thereto which, in any such case, would give rise to the right of acceleration of any such bond or Debt;

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

(g) entry or filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$ 10,000,000 against the Authority or against any of its property and failure of the Authority to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process or failure to pay or satisfy such judgment within 60 days;

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

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

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

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

(l) the occurrence of any condition, event or series of events causing a change in the

business, properties, condition (financial or otherwise) or operations, present or prospective, of the Authority that would materially adversely affect (i) the ability of the Authority to perform its obligations under this Agreement or (ii) the validity or enforceability of this Agreement or the rights and remedies of the Bank hereunder; or

(m) the ratings assigned to any of the long-term, unenhanced debt obligations of the Authority by any two of S&P, Moody's and Fitch shall be (i) withdrawn or suspended for credit-related reasons or (ii) reduced below "BBB+", "Baa1" and "BBB+", respectively, or revoked.

**Section 6.02. Rights and Remedies.** Upon the occurrence and continuation of an Event of Default, the Bank, in its sole discretion, (a) may deliver to the Paying Agent a notice in the form of Annex H to the Letter of Credit in which case on the maturity date for the last Note to mature which was issued prior to the delivery of such a notice and upon the Bank's honoring Drawings under the Letter of Credit with respect to such Notes and the Paying Agent's delivery of a termination certificate in the form of Annex D to the Letter of Credit, the Letter of Credit shall terminate and be returned to the Bank, (b) may deliver to the Paying Agent a final drawing direction in the form of Annex I to the Letter of Credit in which case the Letter of Credit will terminate 10 days after the Paying Agent's receipt of such notice (a document delivered by the Bank pursuant to the foregoing clause (a) or (b) constituting a "No-Issuance Notice" as such term is used in the Issuing and Paying Agency Agreement), (c) may cure any default, event of default or event of nonperformance under this Reimbursement Agreement or under any of the Related Documents (in which event the Authority shall reimburse the Bank therefor pursuant to Section 2.10), (d) may, if permitted by the Master Indenture, declare the Bank Note and all obligations of the Authority hereunder to be immediately due and payable, or (e) may exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity. The rights and remedies of the Bank specified herein are for the sole and exclusive benefit, use and protection of the Bank, and the Bank is entitled, but shall have no duty or obligation to the Authority, the Paying Agent, the holders of the Notes or otherwise, (i) to exercise or to refrain from exercising any right or remedy reserved to the Bank hereunder, or (ii) to cause the Paying Agent or any other party to exercise or to refrain from exercising any right or remedy available to it under any of the Related Documents.

Upon its receipt of a final drawing direction pursuant to clause (b) of the foregoing paragraph, the Paying Agent shall forthwith deliver a copy thereof to each Rating Agency.

**ARTICLE VII**

**NATURE OF OBLIGATIONS; INDEMNIFICATION**

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

- (a) any lack of validity or enforceability of the Letter of Credit or any of the Related Documents;
- (b) any amendment or waiver of any provision of all or any of the Related Documents;
- (c) the existence of any claim, setoff, defense or other rights which the Authority may have at any time against the Paying Agent, any beneficiary or any transferee of the Letter of

Credit (or any persons or entities for whom the Paying Agent, any such beneficiary or any such transferee may be acting), the Bank (other than the defense of payment to the Bank in accordance with the terms of this Reimbursement Agreement), any Participant or any other Person, whether in connection with this Reimbursement Agreement, the Related Documents or any transaction contemplated thereby or any unrelated transaction;

(d) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank under the Letter of Credit against presentation of a sight draft or certificate which does not comply with the terms of the Letter of Credit; and

(f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

**Section 7.02. Continuing Obligation.** This Reimbursement Agreement is a continuing obligation, shall survive the expiration of the Letter of Credit and shall (a) be binding upon the Authority, its successors and assigns, and (b) inure to the benefit of and be enforceable by the Bank and its successors, transferees and assigns; provided that the Authority may not assign all or any part of this Reimbursement Agreement without the prior written consent of the Bank.

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

**Section 7.04. Indemnification.** In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Authority agrees, to the extent permitted by law, to indemnify and hold harmless the Bank and each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that any Indemnified Party may incur (or which may be claimed against any Indemnified Party, by any person or entity whatsoever) that arises out of the transactions contemplated by this Reimbursement Agreement, the

Master Indenture, the Resolution or the Notes, including, without limitation, (a) the issuing, offering, sale, remarketing or resale of the Notes (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any offering memorandum or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in light of the circumstances under which it is or was made, not misleading or the failure to deliver any offering memorandum or any other offering circular or document to any offeree or purchaser of Notes), (b) the execution and delivery of, or payment or failure to pay under, this Reimbursement Agreement and (c) the use of the proceeds of the sale of the Notes; provided, however, that the Authority shall not be required to indemnify an Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Indemnified Party, (ii) the material inaccuracy of any information included in any offering memorandum or any offering circular or document related to the Notes and concerning the Bank or any Participant that was furnished in writing by the Bank or any such Participant expressly for inclusion therein or (iii) any failure by the Bank to honor a drawing under the Letter of Credit made in strict compliance with the terms of the Letter of Credit. If any proceeding shall be brought or threatened against any Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Authority in writing and the Authority shall assume the defense thereof, including the employment of counsel and the payment of all reasonable costs of litigation. Notwithstanding the preceding sentence, an Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the sole expense of such Indemnified Party unless (A) the employment of such counsel shall have been authorized in writing by the Authority or (B) the Authority, after due notice of the action, shall have unreasonably failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Authority. The Authority shall not be liable for any settlement of any such action effected without its express written consent. The parties hereto agree that the provisions of this Section shall survive the termination of this Reimbursement Agreement.

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

**ARTICLE VIII**

**TRANSFER, REDUCTION OR EXTENSION OF LETTER OF CREDIT**

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

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

**ARTICLE IX**

**MISCELLANEOUS**

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

**Section 9.02. Amendments and Waivers.** No waiver of any provision of this Reimbursement Agreement nor consent to any departure by the Authority from any such provision shall in any event be effective unless the same shall be in writing and signed by the Bank. No amendment of this Reimbursement Agreement shall be effective unless the same is in writing and signed by all of the parties hereto. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event any agreement contained in this Reimbursement Agreement should be breached by the Authority and thereafter waived by the Bank, such waiver shall be limited to the particular breach so waived for the specific period set out in such waiver and such waiver shall not constitute a waiver of such breach for any other period and shall not waive any other or similar breach hereunder.

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

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

If to the Authority  
addressed to it at: District of Columbia Water and Sewer Authority  
1385 Canal Street, S.E.  
Washington, D.C. 20003  
Attention: Chief Financial Officer  
Telephone: (202) 787-2000  
Facsimile: (202) 787-2333

or if to the Bank,  
addressed to it at: For Credit Matters and Notices:  
TD Bank, N.A.  
1919 Gallows Road, 2<sup>nd</sup> Floor

Vienna, Virginia 22182  
Attention: Christopher C. Arabia  
Telephone: (703) 663-4975  
Facsimile: (703) 663-4367

For Draws:  
TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, NJ 08054  
Attention: Darleen M. Strieffler  
Telephone: (856) 533-6562  
Facsimile: (856) 533-6562

or if to the Paying  
Agent, addressed  
to it at:

U.S. Bank Trust National Association  
100 Wall Street, 16<sup>th</sup> Floor  
New York, NY 10005  
Attention: Corporate Trust Administration  
Telephone: (212) 951-8512  
Facsimile: (212) 361-6153

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

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

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

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

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

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

(a) The Authority acknowledges and agrees that the Bank may participate portions of its obligations under the Letter of Credit and the obligations of the Authority under the Bank

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

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

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

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

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

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

[Remainder of page intentionally left blank]



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

DISTRICT OF COLUMBIA WATER AND  
SEWER AUTHORITY

By: \_\_\_\_\_  
Matthew T. Brown  
Chief Financial Officer and Executive Vice  
President, Finance and Procurement

[Signatures continued on following page]

[Signature Page to DC Water/TD Reimbursement Agreement – Series C]

S-1

TD BANK, N.A., as the Bank

By \_\_\_\_\_  
Name:  
Title:

Wire Instructions:

TD Bank, N.A.  
ABA#: \_\_\_\_\_  
Account: \_\_\_\_\_  
Acct # \_\_\_\_\_  
Ref: DC Water, Commercial Paper Notes, Series C

Acknowledged and Agreed, as to  
Second Paragraph of Section 6.02.

U.S. Bank Trust National Association,  
as Paying Agent

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to DC Water/TD Reimbursement Agreement – Series C]

**EXHIBIT A**

**FORM OF BANK NOTE**

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

\$51,479,452

May \_\_, 2020

For value received, DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY (the "Authority") promises to pay to the order of TD BANK, N.A. (the "Bank"), the lesser of (a) \$51,479,452 and (b) the unpaid principal amount due and owing to the Bank under that Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 (the "Reimbursement Agreement") by and between the Authority and the Bank relating to the Authority's Commercial Paper Notes, Series C. The Authority promises to pay interest on the unpaid principal amount of this Bank Note on the dates and at the rate or rates provided for in the Reimbursement Agreement. All such payments of principal and interest shall be made in lawful money of the United States in immediately available funds to the Bank as provided in the Reimbursement Agreement.

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

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

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

This Bank Note may be assigned to any Federal Reserve Bank as set forth in the Reimbursement Agreement.

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

IN WITNESS WHEREOF, the Authority has issued this Bank Note and caused the same to be signed by its Chief Financial Officer and Executive Vice President, Finance and Procurement and attested by its Secretary.

DISTRICT OF COLUMBIA WATER AND  
SEWER AUTHORITY

By: \_\_\_\_\_  
Matthew T. Brown  
Chief Financial Officer and Executive Vice  
President, Finance and Procurement

Attest:.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Secretary

**LOANS AND PAYMENTS OF PRINCIPAL**

<b>Date</b>	<b>Amount of Loan</b>	<b>Amount of Principal Repaid</b>	<b>Maturity Date</b>	<b>Notation Made By</b>
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**EXHIBIT B**  
**FORM OF LETTER OF CREDIT**

**IRREVOCABLE TRANSFERABLE LETTER OF CREDIT**

**TD BANK, N.A.  
6000 ATRIUM WAY  
MT. LAUREL, NJ 08054**

May \_\_, 2020  
\$102,958,204  
TD Bank, N.A.  
Letter of Credit  
No. \_\_\_\_\_

U.S. Bank Trust National Association,  
as Paying Agent  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Administration

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series B

Attention: Ladies and Gentlemen:

At the request and for the account of the District of Columbia Water and Sewer Authority (the “*Authority*”), pursuant to the Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 (as amended or supplemented from time to time pursuant to its terms, the “*Reimbursement Agreement*”) between the Authority and TD Bank, N.A. (the “*Bank*”), we hereby establish in favor of U.S. Bank Trust National Association, as Issuing and Paying Agent (the “*Paying Agent*”) under the Issuing and Paying Agency Agreement dated as of June 1, 2010, as amended (as may be further amended or supplemented from time to time in accordance with its terms, the “*Issuing and Paying Agency Agreement*”) between the Authority and the Paying Agent, for the holders of the Authority’s above-referenced notes (the “*Notes*”), this irrevocable transferable letter of credit (the “*Letter of Credit*”) whereby we authorize you to draw on us from time to time from and after May \_\_, 2020 and on or prior to the Letter of Credit Termination Date referred to herein a maximum aggregate amount not exceeding One Hundred Two Million Nine Hundred Fifty-Eight Thousand Two Hundred Four Dollars (\$102,958,204) (the “*Stated Amount*”) to pay principal of and accrued interest on the Notes upon the maturity thereof in accordance with the terms hereof (such \$102,958,204 having been calculated to be equal to \$100,000,000 (the “*Principal Component*”), which is the maximum principal amount of the Notes that may be outstanding at any one time, plus \$2,958,204 (the “*Interest Component*”) which is 270 days’ interest on such maximum principal amount at the rate of 12% per annum based on a year of 365 days), in accordance with the following terms and conditions.

1. **Expiration.** This Letter of Credit shall automatically expire at the close of business on the date (the “*Letter of Credit Termination Date*”) that is the earliest to occur of:

(a) May \_\_, 202\_ ; provided that, if the Bank provides the Paying Agent with a written notice in the form of Annex G hereto that the term of this Letter of Credit shall be extended, the term of this Letter of Credit shall be extended to the date provided in such notice;

Letter of Credit No: \_\_\_\_\_

Page 1

(b) the Bank's receipt of an appropriately completed termination certificate in the form of Annex D or Annex E hereto, together with this Letter of Credit; and

(c) the date that is ten (10) days after the Paying Agent's receipt from the Bank of a written final drawing direction in the form of Annex I hereto.

In the event such expiration date shall not be a Business Day (as hereinafter defined), then this Letter of Credit shall expire on the next succeeding Business Day.

2. **Available Amount.** The amount available to be drawn hereunder from time to time the "Available Amount") will be reduced and reinstated as provided in paragraphs 3 and 4. The Bank hereby irrevocably authorizes the Paying Agent to draw on this Letter of Credit, in accordance with the terms and conditions hereof, in an aggregate amount not to exceed the Available Amount for the payment of principal of and interest on the Notes at maturity. In connection with the maturity of any Notes secured by this Letter of Credit the Paying Agent may submit a Drawing (as defined in paragraph 6 hereof) to the Bank as provided in Section 7 hereof in an amount equal to the lesser of (i) the Available Amount or (ii) the amount of principal and interest due on the Notes maturing on the date for which a Drawing has been requested.

The Bank shall remit the amount of the Drawing as directed by the Paying Agent as provided in paragraph 8(b) hereof.

3. **Reductions in the Available Amount.** The Available Amount shall be automatically reduced from time to time as follows:

(a) Upon the Bank honoring of a demand for payment hereunder, the Available Amount shall be reduced by an amount equal to the amount of such demand for payment.

(b) Upon the Bank's receipt of an appropriately completed certificate in the form of Annex C hereto, the Available Amount, the Principal Component and the Interest Component shall be reduced as specified in such certificate, provided that no reduction under this clause (b) shall duplicate any reduction under (a) above.

Upon a reduction referred to in clause (b), the Bank may require the Paying Agent to return this Letter of Credit and to accept in substitution hereof a substitute Letter of Credit with a Stated Amount reflecting such reduction, but otherwise identical in form and substance to this Letter of Credit.

4. **Automatic Reinstatement.** Reductions under paragraph 3(a) by reason of a Drawing hereunder pursuant to a properly completed certificate in the form of Annex A hereto shall be reinstated automatically to the extent the Bank receives reimbursement for the amounts so drawn. Any such automatic reinstatement shall be in an amount equal to the amount of such reimbursement. Amounts reduced hereunder upon any receipt of a properly completed certificate in the form of Annex C hereto or as described in paragraph 3(b) shall not be subject to reinstatement.

5. **Documents To Be Presented.** Funds under this Letter of Credit are available to you, against an appropriately completed certificate purported to be signed by the Paying Agent in the form of Annex A hereto (each a "Maturity Drawing") or Annex B hereto (the "Final Drawing") (Maturity Drawings and the Final Drawing are herein collectively referred to as "Drawings").

Letter of Credit No: \_\_\_\_\_



**6. Method and Notice of Presentment.**

(a) Each Drawing referenced in paragraph 5 may be delivered to the Bank in person, by mail, by an express delivery service or by telephone receipt confirmed by telecopy, at such number or numbers as the Banks shall notify you from time to time in writing. A demand for payment shall be presented during our business hours on a Business Day prior to the expiration hereof at the office of:

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telephone: (856) 533-6562  
Facsimile: (856) 533-6545  
Reference: Letter of Credit No. \_\_\_\_\_

or at such other address as the Bank may notify the Paying Agent in writing from time to time. As used herein, "Business Day" means any day (i) on which banks in the District of Columbia and New York, New York are not authorized or required by law to remain closed and (ii) on which the New York Stock Exchange is not closed.

(b) Prior to the delivery of any demand for payment, the Paying Agent shall give the Bank telephonic notice of your intention to deliver such demand for payment, stating the method of presentment and the amount of such demand for payment; provided, however, that your failure to give such telephonic notice shall not affect the obligation of the Bank to honor a demand for payment which is otherwise made in strict conformity with the terms hereof. The telephonic notice required hereunder shall be given to the Bank, Attention: Darlene M. Strieffler, at (856) 533-6562, or such other person or persons as the Bank shall notify the Paying Agent in writing from time to time. Such telephonic notice may be waived at our sole discretion.

**7. Time and Method for Payment.**

(a) If a Drawing is presented on a Business Day in strict conformity with the terms and conditions hereof and received by the Bank prior to 12:30 p.m. on such Business Day, payment shall be made to the Paying Agent not later than 2:30 p.m. on the such Business Day or such later date as the Paying Agent may specify in such Drawing. If such Drawing is received by the Bank after 12:30 p.m. on such Business Day, such Drawing shall be deemed to have been received on the next Business Day. All times referenced herein are as of New York, New York time.

(b) Unless otherwise agreed or otherwise indicated in the certificate of Drawing, payment under this Letter of Credit shall be made by Fedwire in immediately available funds to U.S. Bank Trust National Association, ABA# 091 000 022, A/C# 1731 0185 1827, A/C Name: U.S. Bank Trust, Attn.: Rosalyn Callender, REF: DC Water. For the purposes of determining compliance with the times for payment specified in (a) above, payment shall be deemed to have been made by the Bank when it has delivered appropriate wire transfer instructions with respect to such payment to an appropriate Federal Reserve Bank.

(c) All payments made by the Bank under this Letter of Credit shall be made with its own funds.

Letter of Credit No: \_\_\_\_\_

8. **Transferability.** This Letter of Credit is transferable to any transferee who has succeeded you as Paying Agent under the Issuing and Paying Agency Agreement and may be successively transferred. Any transfer request must be effected by presenting to us the attached form of Annex F signed by the transferor and the transferee together with the original Letter of Credit and payment of a transfer fee in the amount of \$2,500. Upon our endorsement of such transfer, the transferee instead of the transferor shall, without necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor’s place; provided that, in such case, any certificates of the Paying Agent to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer of the transferee.

9. **GOVERNING LAW AND CUSTOMS.** TO THE EXTENT NOT INCONSISTENT WITH THE EXPRESS PROVISIONS HEREOF, THIS LETTER OF CREDIT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE TERMS OF THE INTERNATIONAL STANDBY PRACTICES, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 (THE “ISP98”). AS TO MATTERS NOT GOVERNED BY THE ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING WITHOUT LIMITATION THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK.

10. **Irrevocability.** This Letter of Credit shall be irrevocable.

11. **No Negotiation.** A demand for payment under this Letter of Credit shall be presented directly to the Bank and shall not be negotiated to or by any third party.

12. **Excluded Notes.** No Drawing may be made under this Letter of Credit with respect to any Note issued after your receipt from the Bank of a notice in the form of Annex H hereto or a direction in the form of Annex I hereto, in each case instructing you to cease authentication and delivery of Notes (each an “Excluded Note”). If received by the Paying Agent by 9:30 a.m. (New York time) on a Business Day, such a notice shall be effective on the same Business Day; otherwise, it shall be effective on the next Business Day.

13. **Address for Communications.** Communications with respect to this Letter of Credit shall be in writing addressed to the Bank at the address referenced below, specifically referring thereon to this Letter of Credit and its Letter of Credit Number:

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telephone: (856) 533-6562  
Facsimile: (856) 533-6545  
Reference: Letter of Credit No. \_\_\_\_\_

14. **Complete Agreement.** This Letter of Credit, including Annexes A through H hereto, sets forth in full the terms of our undertaking. Reference in this Letter of Credit to other documents or instruments is for identification purposes only and such reference shall not modify or affect the terms hereof or cause such documents or instruments to be deemed incorporated herein.

Letter of Credit No: \_\_\_\_\_

The Bank hereby agrees with the Paying Agent to honor the Paying Agent's demand for payment presented in strict compliance with the terms and conditions of this Letter of Credit.

All payments made by us hereunder shall be made from our funds and not with the funds of any other person.

This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified.

Letter of Credit No: \_\_\_\_\_  
Page 5

Very truly yours,

TD BANK, N.A.

By: \_\_\_\_\_

Name:

Title:

Letter of Credit No: \_\_\_\_\_  
Page 6

ANNEX A  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
NO. \_\_\_\_\_

**CERTIFICATE FOR MATURITY DRAWING**

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telecopy No.: (856) 533-6545

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series B

The undersigned, a duly authorized officer of U.S. Bank Trust National Association (the “*Paying Agent*”), hereby certifies to TD Bank, N.A. (the “*Bank*”), with reference to the above-referenced Irrevocable Transferable Letter of Credit (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Banks in favor of the Paying Agent, that:

- (1) The Paying Agent is the Issuing and Paying Agent under the Issuing and Paying Agency Agreement and is making this demand for payment of the maturity amount of the Notes in accordance with the Issuing and Paying Agency Agreement, which principal is payable on \_\_\_\_\_ (the “*Payment Date*”).
- (2) The maturity amount of the Notes that are payable on the Payment Date equals \$\_\_\_\_\_ of which \$\_\_\_\_\_ constitutes principal and \$\_\_\_\_\_ constitutes interest.
- (3) Demand is hereby made under the Letter of Credit for \$\_\_\_\_\_, which amount does not exceed the lesser of the sum of the amounts specified in 2 above and the Available Amount.
- (4) The amount demanded hereunder does not include any amount payable with respect to an Excluded Note.
- (5) The proceeds hereof shall be deposited in the Letter of Credit Account of the Paying Agent (as defined in the Issuing and Paying Agency Agreement) and shall be applied solely to the payment of the Notes in accordance with Section 5.02 of the Issuing and Paying Agency Agreement.
- (6) (a) Payment of this demand for payment is requested on or before 2:30 p.m., on the later of (i) the Payment Date (or if the Payment Date is not a Business Day, the next succeeding Business Day) or (ii) the Business Day on which this Drawing is received or deemed to have been received by the Bank, in accordance with paragraph 7(a) of the Letter of Credit.
- (b) Payment of this demand for payment shall be made in accordance with the payment instructions provided in paragraph 7(b) of the Letter of Credit.

Letter of Credit No: \_\_\_\_\_  
Annex A Page 1

ANNEX A  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
NO. \_\_\_\_\_

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of  
the \_\_ day of \_\_\_\_\_, 20\_\_.

U.S. Bank Trust National Association  
as Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex A Page 2

ANNEX B  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**CERTIFICATE FOR FINAL DRAWING**

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telecopy No.: (856) 533-6545

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series B

The undersigned, a duly authorized officer of U.S. Bank Trust National Association (the "*Paying Agent*"), hereby certifies to TD Bank, N.A. (the "*Bank*"), with reference to the above-referenced Irrevocable Transferable Letter of Credit (the "*Letter of Credit*"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Paying Agent, that:

(1) The Paying Agent is the Issuing and Paying Agent under the Issuing and Paying Agency Agreement and is making this demand for payment of the maturity amount of the Notes in accordance with the Issuing and Paying Agency Agreement. Payment of this demand for payment shall be made on \_\_\_\_\_ (the "*Payment Date*").

(2) (a) The Paying Agent is in receipt of the written final drawing direction from the Bank described in paragraph 1(c) of the Letter of Credit.

(b) The maturity amount of the Notes outstanding on the date hereof equals \$\_\_\_\_\_ of which \$\_\_\_\_\_ constitutes principal and \$\_\_\_\_\_ constitutes interest.

(3) Demand is hereby made under the Letter of Credit for \$\_\_\_\_\_, which amount does not exceed the lesser of the sum of the amounts specified in 2(b) above and the Available Amount.

(4) The amount demanded hereunder does not include any amount payable with respect to an Excluded Note.

(5) The proceeds hereof shall be deposited in the Letter of Credit Account of the Paying Agent (as defined in the Issuing and Paying Agency Agreement) and shall be applied solely to the payment of the Notes in accordance with Section 5.02 of the Issuing and Paying Agency Agreement.

(6) (a) Payment of this demand for payment is requested on or before 2:30 p.m., on the later of (i) the Payment Date (or if the Payment Date is not a Business Day, the next succeeding Business Day) or (ii) the Business Day on which this Drawing is received or

Letter of Credit No: \_\_\_\_\_  
Annex B Page 1

ANNEX B  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
NO. \_\_\_\_\_

deemed to have been received by the Bank in accordance with paragraph 7(a) of the Letter of Credit.

(b) Payment of this demand for payment shall be made in accordance with the payment instructions provided in paragraph 7(b) of the Letter of Credit.

(7) The Letter of Credit shall be returned to the Bank upon our receipt of payment of this demand for payment and no additional amounts shall be drawn under the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

U.S BANK TRUST NATIONAL  
ASSOCIATION  
as Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex B Page 2



ANNEX C  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**CERTIFICATE REGARDING REDUCTION OF STATED AMOUNT**

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telecopy No.: (856) 533-6545

District of Columbia Water and Sewer and Authority  
Commercial Paper Notes, Series B

The undersigned, a duly authorized officer of U.S. Bank Trust National Association (the “*Paying Agent*”), hereby certifies to TD Bank, N.A. (the “*Bank*”), with reference to the above-referenced Irrevocable Transferable Letter of Credit (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Paying Agent, that:

(1) The Authority has instructed the Paying Agent to reduce the Stated Amount of the Letter of Credit.

(2) The Principal Component shall be reduced by an amount equal to \$\_\_\_\_\_ and the Interest Component shall be reduced by \$\_\_\_\_\_ which is 270 days’ interest at 12% per annum (based on a year of 365 days) on the amount of the reduction in the Principal Component.

(3) Pursuant to paragraph 3 of the Letter of Credit, the Stated Amount shall be automatically reduced by \$\_\_\_\_\_, such reduction to be allocated so that the Principal Component and the Interest Component of the Stated Amount shall be reduced by the amounts stated in paragraph (2) upon receipt by the Paying Agent of this Certificate. Giving effect to such reduction, the Stated Amount will not be reduced below an amount equal to the sum of unreimbursed Drawings plus the principal amount of Notes outstanding, plus 270 days’ interest thereon at 12% per annum (based on a year of 365 days).

This certificate should be attached to the Letter of Credit and made a part thereof.

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of the \_\_ day of \_\_\_\_\_, 20\_\_.

U.S. BANK TRUST NATIONAL ASSOCIATION  
as Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex C Page 1

ANNEX D  
To  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**TERMINATION CERTIFICATE**

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telecopy No.: (856) 533-6545

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series B

The undersigned, a duly authorized officer of U.S. Bank Trust National Association (the "*Paying Agent*"), hereby certifies to TD Bank, N.A. (the "*Bank*"), with reference to the above-referenced Irrevocable Transferable Letter of Credit (the "*Letter of Credit*"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Paying Agent, that all outstanding Notes, other than Excluded Notes, have been paid in full in accordance with the Issuing and Paying Agency Agreement.

The Letter of Credit is attached hereto and being surrendered to you for cancellation effective \_\_\_\_\_.

Letter of Credit No: \_\_\_\_\_  
Annex D Page 1

ANNEX D  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of  
the \_\_ day of \_\_\_\_\_, 20\_\_.

U.S. BANK TRUST NATIONAL  
ASSOCIATION  
as Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex D Page 2

ANNEX E  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**TERMINATION CERTIFICATE-SUBSTITUTE LETTER OF CREDIT**

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telecopy No.: (856) 533-6545

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series B

The undersigned, a duly authorized officer of U.S Bank Trust National Association (the “*Paying Agent*”), hereby certifies to TD Bank, N.A. (the “*Bank*”), with reference to the above-referenced Irrevocable Transferable Letter of Credit (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Paying Agent, that the conditions precedent to the acceptance of a substitute letter of credit as provided in Section 3.13 of the Issuing and Paying Agency Agreement have been satisfied.

The Letter of Credit is attached hereto and being surrendered to the Bank herewith for cancellation.

Letter of Credit No: \_\_\_\_\_  
Annex E Page 1

ANNEX E  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of  
the \_\_ day of \_\_\_\_\_ 20\_\_.

U.S. BANK TRUST NATIONAL  
ASSOCIATION,  
as Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex E Page 2

ANNEX F  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**REQUEST FOR TRANSFER**

U.S. Bank Trust National Association  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attn: Corporate Trust Administration

Date: \_\_\_\_\_

Re: TD Bank, N.A., Irrevocable Transferable Letter of Credit No. \_\_\_\_\_ dated May \_\_\_\_, 2020

We, the undersigned "Transferor", hereby irrevocably transfer all of our rights to draw under the above referenced Letter of Credit ("Credit") in its entirety to:

NAME OF TRANSFEREE \_\_\_\_\_  
(Print Name and complete address of the Transferee) "Transferee"  
ADDRESS OF TRANSFEREE \_\_\_\_\_  
CITY, STATE/COUNTRY ZIP \_\_\_\_\_

In accordance with ISP 98, Rule 6, regarding transfer of drawing rights, all rights of the undersigned Transferor in such Credit are transferred to the Transferee, who shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the undersigned Transferor.

The original Credit, including amendments to this date, is attached and the undersigned Transferor requests that you endorse an acknowledgment of this transfer on the reverse thereof. The undersigned Transferor requests that you notify the Transferee of this Credit in such form and manner as you deem appropriate, and the terms and conditions of the Credit as transferred. The undersigned Transferor acknowledges that you incur no obligation hereunder and that the transfer shall not be effective until you have expressly consented to effect the transfer by notice to the Transferee.

If you agree to these instructions, please advise the Transferee of the terms and conditions of this transferred Credit and these instructions.

Transferor represents and warrants to Transferring Bank that (i) our execution, delivery, and performance of this request to Transfer (a) are within our powers (b) have been duly authorized (c) constitute our legal, valid, binding and enforceable obligation (d) do not contravene any charter provision, by-law, resolution, contract, or other undertaking binding on or affecting us or any of our properties (e) do not require any notice, filing or other action to, with, or by any governmental authority (f) the enclosed Credit is original and complete, (g) there is no outstanding demand or request for payment or transfer under the Credit affecting the rights to be transferred, (h) the Transferee's name and address are correct and complete and the Transferee's use of the Credit as transferred and the transactions underlying the Credit and the requested Transfer do not violate any applicable United States or other law, rule or regulation.

The Effective Date shall be the date hereafter on which Transferring Bank effects the requested transfer by acknowledging this request and giving notice thereof to Transferee.

WE WAIVE ANY RIGHT TO TRIAL BY JURY THAT WE MAY HAVE IN ANY ACTION OR PROCEEDING RELATING TO OR ARISING OUT OF THIS TRANSFER.

This Request is made subject to ISP98 and is subject to and shall be governed by Article 5 of the Uniform Commercial Code of the State of New York, without regard to principles of conflict of laws.

(Signature Page Follows)

Letter of Credit No: \_\_\_\_\_  
Annex F Page 1

ANNEX F  
TO  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

Sincerely yours,

\_\_\_\_\_  
(Print Name of Transferor)  
\_\_\_\_\_  
(Transferor's Authorized Signature)  
\_\_\_\_\_  
(Print Authorized Signers Name and Title)  
\_\_\_\_\_  
(Telephone Number/Fax Number)

**SIGNATURE GUARANTEED**

Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement. We attest that the individual, company or entity has been identified by us in compliance with USA PATRIOT Act procedures of our bank.

\_\_\_\_\_  
(Print Name of Bank)  
\_\_\_\_\_  
(Address of Bank)  
\_\_\_\_\_  
(City, State, Zip Code)  
\_\_\_\_\_  
(Print Name and Title of Authorized Signer)  
\_\_\_\_\_  
(Authorized Signature)  
\_\_\_\_\_  
(Telephone Number)  
\_\_\_\_\_  
(Date)

Acknowledged:

\_\_\_\_\_  
(Print Name of Transferee)  
\_\_\_\_\_  
(Transferee's Authorized Signature)  
\_\_\_\_\_  
(Print Authorized Signers Name and Title)  
\_\_\_\_\_  
(Telephone Number/Fax Number)

**SIGNATURE GUARANTEED**

Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement. We attest that the individual, company or entity has been identified by us in compliance with USA PATRIOT Act procedures of our bank.

\_\_\_\_\_  
(Print Name of Bank)  
\_\_\_\_\_  
(Address of Bank)  
\_\_\_\_\_  
(City, State, Zip Code)  
\_\_\_\_\_  
(Print Name and Title of Authorized Signer)  
\_\_\_\_\_  
(Authorized Signature)  
\_\_\_\_\_  
(Telephone Number)  
\_\_\_\_\_  
(Date)

Letter of Credit No: \_\_\_\_\_  
Annex F Page 2

ANNEX G  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**NOTICE OF EXTENSION**

\_\_\_\_\_, 20\_\_

U.S. Bank Trust National Association,  
as Paying Agent  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Administration

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series B

The undersigned, the duly authorized officers of TD Bank, N.A. (the “Bank”), hereby advises the Paying Agent, with reference to the above-referenced Irrevocable Transferable Letter of Credit (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Paying Agent, that:

- (1) At the request and for the account of District of Columbia Water and Sewer Authority, the Bank hereby extends the date referenced in paragraph l(a) of the Letter of Credit (as such date may have been extended previously from time to time) to \_\_\_\_\_.
- (2) Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Letter of Credit remain unchanged and in full force and effect.
- (3) This Notice of Extension is an integral part of the Letter of Credit.
- (4) This Notice of Extension may be signed in any number of counterpart copies, but all such copies shall constitute one and the same instrument.

Letter of Credit No: \_\_\_\_\_  
Annex G Page 1



ANNEX G  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Extension  
as of the \_\_ day of \_\_\_\_\_, 20\_\_.

TD BANK, N.A.

By: \_\_\_\_\_  
Name  
Title:

Letter of Credit No: \_\_\_\_\_  
Annex G Page 2

ANNEX H  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**FORM OF NO-ISSUANCE INSTRUCTIONS**

[DATE]

U.S. Bank Trust National Association  
as Paying Agent  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Administration

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series B

Ladies and Gentlemen:

The undersigned, in its capacity as the issuer of an irrevocable transferable letter of credit (the “*Letter of Credit*”) pursuant to the Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 (the “*Reimbursement Agreement*”) between District of Columbia Water and Sewer Authority (the “*Authority*”) and the undersigned, hereby (a) notifies the Paying Agent for the above-referenced Commercial Paper Notes (the “*Notes*”) that [a Default, as defined in the Reimbursement Agreement, has occurred] [the representations and warranties of the Authority contained in the Reimbursement Agreement are not true and correct on and as of the date hereof] and (b) instructs the Paying Agent to cease authentication and delivery of Notes. Unless this notice is subsequently rescinded by the undersigned in writing, all Notes issued on or after the date the Paying Agent receives this notice (the date of such receipt being determined for this purpose as provided in paragraph 12 of the Letter of Credit) shall be “Excluded Notes” as defined in the Letter of Credit. On the maturity date for the last maturing Note issued prior to the Paying Agent’s receipt of this notice and upon payment of all amounts drawn under the Letter of Credit with respect to such Notes, the Letter of Credit shall be returned to the undersigned for cancellation together with an appropriately completed termination certificate in the form of Annex D to the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed these No-Issuance Instructions as of this \_\_\_ day of \_\_\_\_\_, 20\_\_.

TD BANK, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex H Page 1

ANNEX I  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**FORM OF FINAL DRAWING DIRECTION**

[DATE]

U.S. Bank Trust National Association  
as Paying Agent  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Administration

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series B

Ladies and Gentlemen:

The undersigned, in its capacity as the issuer of an irrevocable transferable letter of credit (the “*Letter of Credit*”) pursuant to the Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 (the “*Reimbursement Agreement*”) between District of Columbia Water and Sewer Authority (the “*Authority*”) and the undersigned, hereby (a) notifies the Paying Agent for the above-referenced Commercial Paper Notes (the “*Notes*”) that an Event of Default, as defined in the Reimbursement Agreement, has occurred, (b) instructs the Paying Agent to cease authentication and delivery of Notes and (c) directs the Paying Agent, by submitting to the undersigned a properly completed certificate in the form of Annex B to the Letter of Credit, to immediately draw under the Letter of Credit an amount equal to the principal amount of the outstanding Notes plus interest thereon to their respective maturity dates. All Notes issued on or after the date the Paying Agent receives this notice (the date of such receipt being determined for this purpose as provided in paragraph 12 of the Letter of Credit) shall be “Excluded Notes” as defined in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed this Final Drawing Direction as of this \_\_\_ day of \_\_\_\_\_, 20\_\_.

TD BANK, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex I Page 1

May \_\_\_\_, 2020

District of Columbia Water and Sewer Authority  
Washington, D.C.

U.S. Bank Trust National Association, as Paying Agent  
New York, New York

J.P. Morgan Securities LLC, as Dealer  
New York, New York

Moody's Investor Service, Inc.  
New York, New York

Fitch Ratings  
New York, New York

S&P Global Ratings  
New York, New York

Not Exceeding \$100,000,000  
District of Columbia Water and Sewer Authority  
Commercial Paper Notes  
Series B (the "**Notes**")

Ladies and Gentlemen:

We have acted as special counsel to TD Bank, N.A., a national banking association (the "**Bank**"), in connection with its issuance of its Irrevocable Transferable Letter of Credit (the "**Letter of Credit**") of even date herewith, in the original stated amount of \$102,958,204, in favor of U.S. Bank Trust National Association, as paying agent (the "**Paying Agent**"), under the Master Indenture of Trust dated as of April 1, 1998, as amended and supplemented including, in particular, by an Eleventh Supplemental Indenture of Trust dated as of June 1, 2010, as amended, each between the Authority and Wells Fargo Bank, National Association, as successor trustee. The Bank is issuing the Letter of Credit for the account of the District of Columbia Water and Sewer Authority (the "Authority") pursuant to the provisions of the Letter of Credit and Reimbursement Agreement dated as of the date hereof (the "**Reimbursement Agreement**") between the Authority and the Bank. Capitalized terms used herein but not defined herein have the respective meanings given to them in the Reimbursement Agreement.

In rendering the opinions expressed herein, we have examined and relied upon the originals, copies or specimens, certified or otherwise identified to our satisfaction, of the Letter of Credit and the Reimbursement Agreement and such certificates, corporate and public records, agreements and instruments and other documents, including, among other things, the documents delivered on the date hereof, as we have deemed appropriate as a basis for such opinions. In such examination, we have assumed the genuineness of all signatures (other than those of the Bank), the authenticity of all documents, agreements and instruments submitted to us as originals, the conformity to original documents, agreements and instruments of all documents, agreements and instruments submitted to us as copies or specimens, the authenticity of the originals of such documents, agreements and instruments submitted to us as copies or specimens and the accuracy of the matters set forth in the documents, agreements and instruments we reviewed. We have also assumed (other than with respect to the Bank) that all documents, agreements and instruments have been duly authorized, executed and delivered by all parties thereto, that all such parties had the power and legal right to execute and deliver all such documents, agreements and instruments and that such documents, agreements and instruments are valid, binding and enforceable obligations of such parties. We have also assumed that drawings on the Bank under the Letter of Credit and the accompanying certificates will not be forged or fraudulent. As to any facts material to such opinions that were not known to us, we have relied upon statements and certifications of officers and other representatives of the Bank and of public officials, which we have not independently verified. Except as expressly set forth herein, we have not undertaken any independent investigation (including, without limitation, conducting any review, search or investigation of any public files, records or dockets) to determine the existence or absence of the facts that are material to our opinions and no inference as to our knowledge concerning such facts should be drawn from our reliance on the representations of the Bank and others in connection with the preparation and delivery of this letter.

We express no opinion concerning the laws of any jurisdiction other than the federal laws of the United States of America and the laws of the District of Columbia.

Based upon and subject to the foregoing, we are of the opinion, as of the date hereof, that:

1. The Bank is a national banking association duly organized and validly existing under the laws of the United States of America and has full power and authority to issue, execute and deliver the Letter of Credit and to perform its obligations thereunder.
2. The Letter of Credit has been duly authorized, executed and delivered by the Bank.
3. The Letter of Credit constitutes a legal, valid and binding agreement of the Bank, enforceable against the Bank in accordance with its terms, except that the enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, liquidation, moratorium, receivership or other laws relating to or affecting creditors' rights and remedies generally, as the same may be applied in the event of any of the foregoing affecting the Bank and by general principles of equity (regardless of whether enforcement is sought in a proceeding

at law or in equity). In that connection, we express no opinion as to whether a court, in the exercise of its equitable powers, may temporarily restrain or enjoin payment of a drawing under the Letter of Credit.

In addition, in connection with the issuance of the Letter of Credit, we have assisted in the preparation of certain information pertaining to the Letter of Credit and the Reimbursement Agreement contained in the Reoffering Circular dated May \_\_\_, 2020 relating to the Notes (the “**Reoffering Circular**”) under the heading “THE CREDIT FACILITY AND REIMBURSEMENT AGREEMENT”. The statements contained under such heading of the Reoffering Circular, insofar as such statements purport to summarize certain provisions of the Letter of Credit or the Reimbursement Agreement, present a fair and accurate summary of such provisions for the purpose of use in the Reoffering Circular. We have not verified or passed upon, nor do we assume any responsibility for, the accuracy, completeness or fairness of any other statements contained in the Reoffering Circular.

We have not made any investigation concerning the financial condition or operations of the Authority or the Bank and we express no opinion as to the accuracy or completeness of any information relating thereto that may have been relied upon by, or otherwise affected, the holders or beneficial owners of the Notes in making the decision to purchase the Notes.

This opinion letter may be relied upon by you and your counsel solely in connection with the transactions described herein. This opinion letter is not to be relied upon, used, circulated, quoted or otherwise referred to by any other person or entity or for any other purpose without our prior written consent. Opinions numbered 1 through 3 above are limited to the Letter of Credit and are not intended to address any subsequent modifications, increases or extensions thereof or supplements thereto. In addition, we disclaim any obligation to update this opinion letter for changes in fact or law, or otherwise.

Very truly yours,

**IRREVOCABLE TRANSFERABLE LETTER OF CREDIT**

**TD BANK, N.A.  
6000 ATRIUM WAY  
MT. LAUREL, NJ 08054**

May \_\_, 2020  
\$51,479,452  
TD Bank, N.A.  
Letter of Credit  
No. \_\_\_\_\_

U.S. Bank Trust National Association,  
as Paying Agent  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Administration

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series C

Attention: Ladies and Gentlemen:

At the request and for the account of the District of Columbia Water and Sewer Authority (the “*Authority*”), pursuant to the Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 (as amended or supplemented from time to time pursuant to its terms, the “*Reimbursement Agreement*”) between the Authority and TD Bank, N.A. (the “*Bank*”), we hereby establish in favor of U.S. Bank Trust National Association, as Issuing and Paying Agent (the “*Paying Agent*”) under the Issuing and Paying Agency Agreement dated as of June 1, 2010, as amended (as may be further amended or supplemented from time to time in accordance with its terms, the “*Issuing and Paying Agency Agreement*”) between the Authority and the Paying Agent, for the holders of the Authority’s above-referenced notes (the “*Notes*”), this irrevocable transferable letter of credit (the “*Letter of Credit*”) whereby we authorize you to draw on us from time to time from and after May \_\_, 2020 and on or prior to the Letter of Credit Termination Date referred to herein a maximum aggregate amount not exceeding One Hundred Two Million Nine Hundred Fifty-Eight Thousand Two Hundred Four Dollars (\$51,479,452) (the “*Stated Amount*”) to pay principal of and accrued interest on the Notes upon the maturity thereof in accordance with the terms hereof (such \$51,479,452 having been calculated to be equal to \$50,000,000 (the “*Principal Component*”), which is the maximum principal amount of the Notes that may be outstanding at any one time, plus \$1,479,452 (the “*Interest Component*”) which is 270 days’ interest on such maximum principal amount at the rate of 12% per annum based on a year of 365 days), in accordance with the following terms and conditions.

1. **Expiration.** This Letter of Credit shall automatically expire at the close of business on the date (the “*Letter of Credit Termination Date*”) that is the earliest to occur of:

(a) May \_\_, 202\_ ; provided that, if the Bank provides the Paying Agent with a written notice in the form of Annex G hereto that the term of this Letter of Credit shall be extended, the term of this Letter of Credit shall be extended to the date provided in such notice;

Letter of Credit No: \_\_\_\_\_

(b) the Bank's receipt of an appropriately completed termination certificate in the form of Annex D or Annex E hereto, together with this Letter of Credit; and

(c) the date that is ten (10) days after the Paying Agent's receipt from the Bank of a written final drawing direction in the form of Annex I hereto.

In the event such expiration date shall not be a Business Day (as hereinafter defined), then this Letter of Credit shall expire on the next succeeding Business Day.

2. **Available Amount.** The amount available to be drawn hereunder from time to time the "Available Amount") will be reduced and reinstated as provided in paragraphs 3 and 4. The Bank hereby irrevocably authorizes the Paying Agent to draw on this Letter of Credit, in accordance with the terms and conditions hereof, in an aggregate amount not to exceed the Available Amount for the payment of principal of and interest on the Notes at maturity. In connection with the maturity of any Notes secured by this Letter of Credit the Paying Agent may submit a Drawing (as defined in paragraph 6 hereof) to the Bank as provided in Section 7 hereof in an amount equal to the lesser of (i) the Available Amount or (ii) the amount of principal and interest due on the Notes maturing on the date for which a Drawing has been requested.

The Bank shall remit the amount of the Drawing as directed by the Paying Agent as provided in paragraph 8(b) hereof.

3. **Reductions in the Available Amount.** The Available Amount shall be automatically reduced from time to time as follows:

(a) Upon the Bank honoring of a demand for payment hereunder, the Available Amount shall be reduced by an amount equal to the amount of such demand for payment.

(b) Upon the Bank's receipt of an appropriately completed certificate in the form of Annex C hereto, the Available Amount, the Principal Component and the Interest Component shall be reduced as specified in such certificate, provided that no reduction under this clause (b) shall duplicate any reduction under (a) above.

Upon a reduction referred to in clause (b), the Bank may require the Paying Agent to return this Letter of Credit and to accept in substitution hereof a substitute Letter of Credit with a Stated Amount reflecting such reduction, but otherwise identical in form and substance to this Letter of Credit.

4. **Automatic Reinstatement.** Reductions under paragraph 3(a) by reason of a Drawing hereunder pursuant to a properly completed certificate in the form of Annex A hereto shall be reinstated automatically to the extent the Bank receives reimbursement for the amounts so drawn. Any such automatic reinstatement shall be in an amount equal to the amount of such reimbursement. Amounts reduced hereunder upon any receipt of a properly completed certificate in the form of Annex C hereto or as described in paragraph 3(b) shall not be subject to reinstatement.

5. **Documents To Be Presented.** Funds under this Letter of Credit are available to you, against an appropriately completed certificate purported to be signed by the Paying Agent in the form of Annex A hereto (each a "Maturity Drawing") or Annex B hereto (the "Final Drawing") (Maturity Drawings and the Final Drawing are herein collectively referred to as "Drawings").

Letter of Credit No: \_\_\_\_\_

Page 2



6. **Method and Notice of Presentment.**

(a) Each Drawing referenced in paragraph 5 may be delivered to the Bank in person, by mail, by an express delivery service or by telephone receipt confirmed by telecopy, at such number or numbers as the Banks shall notify you from time to time in writing. A demand for payment shall be presented during our business hours on a Business Day prior to the expiration hereof at the office of:

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telephone: (856) 533-6562  
Facsimile: (856) 533-6545  
Reference: Letter of Credit No. \_\_\_\_\_

or at such other address as the Bank may notify the Paying Agent in writing from time to time. As used herein, "Business Day" means any day (i) on which banks in the District of Columbia and New York, New York are not authorized or required by law to remain closed and (ii) on which the New York Stock Exchange is not closed.

(b) Prior to the delivery of any demand for payment, the Paying Agent shall give the Bank telephonic notice of your intention to deliver such demand for payment, stating the method of presentment and the amount of such demand for payment; provided, however, that your failure to give such telephonic notice shall not affect the obligation of the Bank to honor a demand for payment which is otherwise made in strict conformity with the terms hereof. The telephonic notice required hereunder shall be given to the Bank, Attention: Darlene M. Strieffler, at (856) 533-6562, or such other person or persons as the Bank shall notify the Paying Agent in writing from time to time. Such telephonic notice may be waived at our sole discretion.

7. **Time and Method for Payment.**

(a) If a Drawing is presented on a Business Day in strict conformity with the terms and conditions hereof and received by the Bank prior to 12:30 p.m. on such Business Day, payment shall be made to the Paying Agent not later than 2:30 p.m. on the such Business Day or such later date as the Paying Agent may specify in such Drawing. If such Drawing is received by the Bank after 12:30 p.m. on such Business Day, such Drawing shall be deemed to have been received on the next Business Day. All times referenced herein are as of New York, New York time.

(b) Unless otherwise agreed or otherwise indicated in the certificate of Drawing, payment under this Letter of Credit shall be made by Fedwire in immediately available funds to U.S. Bank Trust National Association, ABA# 091 000 022, A/C# 1731 0185 1827, A/C Name: U.S. Bank Trust, Attn.: Rosalyn Callender, REF: DC Water. For the purposes of determining compliance with the times for payment specified in (a) above, payment shall be deemed to have been made by the Bank when it has delivered appropriate wire transfer instructions with respect to such payment to an appropriate Federal Reserve Bank.

(c) All payments made by the Bank under this Letter of Credit shall be made with its own funds.

Letter of Credit No: \_\_\_\_\_

8. **Transferability.** This Letter of Credit is transferable to any transferee who has succeeded you as Paying Agent under the Issuing and Paying Agency Agreement and may be successively transferred. Any transfer request must be effected by presenting to us the attached form of Annex F signed by the transferor and the transferee together with the original Letter of Credit and payment of a transfer fee in the amount of \$2,500. Upon our endorsement of such transfer, the transferee instead of the transferor shall, without necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor’s place; provided that, in such case, any certificates of the Paying Agent to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer of the transferee.

9. **GOVERNING LAW AND CUSTOMS.** TO THE EXTENT NOT INCONSISTENT WITH THE EXPRESS PROVISIONS HEREOF, THIS LETTER OF CREDIT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE TERMS OF THE INTERNATIONAL STANDBY PRACTICES, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 (THE “ISP98”). AS TO MATTERS NOT GOVERNED BY THE ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING WITHOUT LIMITATION THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF NEW YORK.

10. **Irrevocability.** This Letter of Credit shall be irrevocable.

11. **No Negotiation.** A demand for payment under this Letter of Credit shall be presented directly to the Bank and shall not be negotiated to or by any third party.

12. **Excluded Notes.** No Drawing may be made under this Letter of Credit with respect to any Note issued after your receipt from the Bank of a notice in the form of Annex H hereto or a direction in the form of Annex I hereto, in each case instructing you to cease authentication and delivery of Notes (each an “Excluded Note”). If received by the Paying Agent by 9:30 a.m. (New York time) on a Business Day, such a notice shall be effective on the same Business Day; otherwise, it shall be effective on the next Business Day.

13. **Address for Communications.** Communications with respect to this Letter of Credit shall be in writing addressed to the Bank at the address referenced below, specifically referring thereon to this Letter of Credit and its Letter of Credit Number:

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telephone: (856) 533-6562  
Facsimile: (856) 533-6545  
Reference: Letter of Credit No. \_\_\_\_\_

14. **Complete Agreement.** This Letter of Credit, including Annexes A through H hereto, sets forth in full the terms of our undertaking. Reference in this Letter of Credit to other documents or instruments is for identification purposes only and such reference shall not modify or affect the terms hereof or cause such documents or instruments to be deemed incorporated herein.

Letter of Credit No: \_\_\_\_\_

The Bank hereby agrees with the Paying Agent to honor the Paying Agent's demand for payment presented in strict compliance with the terms and conditions of this Letter of Credit.

All payments made by us hereunder shall be made from our funds and not with the funds of any other person.

This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified.

Letter of Credit No: \_\_\_\_\_  
Page 5

Very truly yours,

TD BANK, N.A.

By: \_\_\_\_\_

Name:

Title:

Letter of Credit No: \_\_\_\_\_  
Page 6

ANNEX A  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
NO. \_\_\_\_\_

**CERTIFICATE FOR MATURITY DRAWING**

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telecopy No.: (856) 533-6545

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series C

The undersigned, a duly authorized officer of U.S. Bank Trust National Association (the “*Paying Agent*”), hereby certifies to TD Bank, N.A. (the “*Bank*”), with reference to the above-referenced Irrevocable Transferable Letter of Credit (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Banks in favor of the Paying Agent, that:

(1) The Paying Agent is the Issuing and Paying Agent under the Issuing and Paying Agency Agreement and is making this demand for payment of the maturity amount of the Notes in accordance with the Issuing and Paying Agency Agreement, which principal is payable on \_\_\_\_\_ (the “*Payment Date*”).

(2) The maturity amount of the Notes that are payable on the Payment Date equals \$\_\_\_\_\_ of which \$\_\_\_\_\_ constitutes principal and \$\_\_\_\_\_ constitutes interest.

(3) Demand is hereby made under the Letter of Credit for \$\_\_\_\_\_, which amount does not exceed the lesser of the sum of the amounts specified in 2 above and the Available Amount.

(4) The amount demanded hereunder does not include any amount payable with respect to an Excluded Note.

(5) The proceeds hereof shall be deposited in the Letter of Credit Account of the Paying Agent (as defined in the Issuing and Paying Agency Agreement) and shall be applied solely to the payment of the Notes in accordance with Section 5.02 of the Issuing and Paying Agency Agreement.

(6) (a) Payment of this demand for payment is requested on or before 2:30 p.m., on the later of (i) the Payment Date (or if the Payment Date is not a Business Day, the next succeeding Business Day) or (ii) the Business Day on which this Drawing is received or deemed to have been received by the Bank, in accordance with paragraph 7(a) of the Letter of Credit.

(b) Payment of this demand for payment shall be made in accordance with the payment instructions provided in paragraph 7(b) of the Letter of Credit.

Letter of Credit No: \_\_\_\_\_  
Annex A Page 1

ANNEX A  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
NO. \_\_\_\_\_

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of  
the \_\_ day of \_\_\_\_\_, 20\_\_.

U.S. Bank Trust National Association  
as Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex A Page 2

ANNEX B  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**CERTIFICATE FOR FINAL DRAWING**

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telecopy No.: (856) 533-6545

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series C

The undersigned, a duly authorized officer of U.S. Bank Trust National Association (the “*Paying Agent*”), hereby certifies to TD Bank, N.A. (the “*Bank*”), with reference to the above-referenced Irrevocable Transferable Letter of Credit (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Paying Agent, that:

- (1) The Paying Agent is the Issuing and Paying Agent under the Issuing and Paying Agency Agreement and is making this demand for payment of the maturity amount of the Notes in accordance with the Issuing and Paying Agency Agreement. Payment of this demand for payment shall be made on \_\_\_\_\_ (the “*Payment Date*”).
- (2) (a) The Paying Agent is in receipt of the written final drawing direction from the Bank described in paragraph 1(c) of the Letter of Credit.
- (b) The maturity amount of the Notes outstanding on the date hereof equals \$\_\_\_\_\_ of which \$\_\_\_\_\_ constitutes principal and \$\_\_\_\_\_ constitutes interest.
- (3) Demand is hereby made under the Letter of Credit for \$\_\_\_\_\_, which amount does not exceed the lesser of the sum of the amounts specified in 2(b) above and the Available Amount.
- (4) The amount demanded hereunder does not include any amount payable with respect to an Excluded Note.
- (5) The proceeds hereof shall be deposited in the Letter of Credit Account of the Paying Agent (as defined in the Issuing and Paying Agency Agreement) and shall be applied solely to the payment of the Notes in accordance with Section 5.02 of the Issuing and Paying Agency Agreement.
- (6) (a) Payment of this demand for payment is requested on or before 2:30 p.m., on the later of (i) the Payment Date (or if the Payment Date is not a Business Day, the next succeeding Business Day) or (ii) the Business Day on which this Drawing is received or

Letter of Credit No: \_\_\_\_\_  
Annex B Page 1

ANNEX B  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
NO. \_\_\_\_\_

deemed to have been received by the Bank in accordance with paragraph 7(a) of the Letter of Credit.

(b) Payment of this demand for payment shall be made in accordance with the payment instructions provided in paragraph 7(b) of the Letter of Credit.

(7) The Letter of Credit shall be returned to the Bank upon our receipt of payment of this demand for payment and no additional amounts shall be drawn under the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

U.S BANK TRUST NATIONAL  
ASSOCIATION  
as Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex B Page 2



ANNEX C  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**CERTIFICATE REGARDING REDUCTION OF STATED AMOUNT**

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telecopy No.: (856) 533-6545

District of Columbia Water and Sewer and Authority  
Commercial Paper Notes, Series C

The undersigned, a duly authorized officer of U.S. Bank Trust National Association (the “*Paying Agent*”), hereby certifies to TD Bank, N.A. (the “*Bank*”), with reference to the above-referenced Irrevocable Transferable Letter of Credit (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Paying Agent, that:

(1) The Authority has instructed the Paying Agent to reduce the Stated Amount of the Letter of Credit.

(2) The Principal Component shall be reduced by an amount equal to \$\_\_\_\_\_ and the Interest Component shall be reduced by \$\_\_\_\_\_ which is 270 days’ interest at 12% per annum (based on a year of 365 days) on the amount of the reduction in the Principal Component.

(3) Pursuant to paragraph 3 of the Letter of Credit, the Stated Amount shall be automatically reduced by \$\_\_\_\_\_, such reduction to be allocated so that the Principal Component and the Interest Component of the Stated Amount shall be reduced by the amounts stated in paragraph (2) upon receipt by the Paying Agent of this Certificate. Giving effect to such reduction, the Stated Amount will not be reduced below an amount equal to the sum of unreimbursed Drawings plus the principal amount of Notes outstanding, plus 270 days’ interest thereon at 12% per annum (based on a year of 365 days).

This certificate should be attached to the Letter of Credit and made a part thereof.

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of the \_\_ day of \_\_\_\_\_, 20\_\_.

U.S. BANK TRUST NATIONAL ASSOCIATION  
as Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex C Page 1

ANNEX D  
To  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**TERMINATION CERTIFICATE**

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telecopy No.: (856) 533-6545

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series C

The undersigned, a duly authorized officer of U.S. Bank Trust National Association (the "*Paying Agent*"), hereby certifies to TD Bank, N.A. (the "*Bank*"), with reference to the above-referenced Irrevocable Transferable Letter of Credit (the "*Letter of Credit*"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Paying Agent, that all outstanding Notes, other than Excluded Notes, have been paid in full in accordance with the Issuing and Paying Agency Agreement.

The Letter of Credit is attached hereto and being surrendered to you for cancellation effective \_\_\_\_\_.

Letter of Credit No: \_\_\_\_\_  
Annex D Page 1

ANNEX D  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of  
the \_\_ day of \_\_\_\_\_, 20\_\_.

U.S. BANK TRUST NATIONAL  
ASSOCIATION  
as Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex D Page 2

ANNEX E  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**TERMINATION CERTIFICATE-SUBSTITUTE LETTER OF CREDIT**

TD Bank, N.A.  
6000 Atrium Way  
Mt. Laurel, New Jersey 08054  
Attention: Darlene M. Strieffler  
Telecopy No.: (856) 533-6545

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series C

The undersigned, a duly authorized officer of U.S Bank Trust National Association (the “*Paying Agent*”), hereby certifies to TD Bank, N.A. (the “*Bank*”), with reference to the above-referenced Irrevocable Transferable Letter of Credit (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Paying Agent, that the conditions precedent to the acceptance of a substitute letter of credit as provided in Section 3.13 of the Issuing and Paying Agency Agreement have been satisfied.

The Letter of Credit is attached hereto and being surrendered to the Bank herewith for cancellation.

Letter of Credit No: \_\_\_\_\_  
Annex E Page 1

ANNEX E  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of  
the \_\_ day of \_\_\_\_\_ 20\_\_.

U.S. BANK TRUST NATIONAL  
ASSOCIATION,  
as Paying Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex E Page 2

ANNEX F  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**REQUEST FOR TRANSFER**

U.S. Bank Trust National Association  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attn: Corporate Trust Administration

Date: \_\_\_\_\_

Re: TD Bank, N.A., Irrevocable Transferable Letter of Credit No. \_\_\_\_\_ dated May \_\_\_\_, 2020

We, the undersigned "Transferor", hereby irrevocably transfer all of our rights to draw under the above referenced Letter of Credit ("Credit") in its entirety to:

NAME OF TRANSFEREE \_\_\_\_\_  
(Print Name and complete address of the Transferee) "Transferee"  
ADDRESS OF TRANSFEREE \_\_\_\_\_  
CITY, STATE/COUNTRY ZIP \_\_\_\_\_

In accordance with ISP 98, Rule 6, regarding transfer of drawing rights, all rights of the undersigned Transferor in such Credit are transferred to the Transferee, who shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the undersigned Transferor.

The original Credit, including amendments to this date, is attached and the undersigned Transferor requests that you endorse an acknowledgment of this transfer on the reverse thereof. The undersigned Transferor requests that you notify the Transferee of this Credit in such form and manner as you deem appropriate, and the terms and conditions of the Credit as transferred. The undersigned Transferor acknowledges that you incur no obligation hereunder and that the transfer shall not be effective until you have expressly consented to effect the transfer by notice to the Transferee.

If you agree to these instructions, please advise the Transferee of the terms and conditions of this transferred Credit and these instructions.

Transferor represents and warrants to Transferring Bank that (i) our execution, delivery, and performance of this request to Transfer (a) are within our powers (b) have been duly authorized (c) constitute our legal, valid, binding and enforceable obligation (d) do not contravene any charter provision, by-law, resolution, contract, or other undertaking binding on or affecting us or any of our properties (e) do not require any notice, filing or other action to, with, or by any governmental authority (f) the enclosed Credit is original and complete, (g) there is no outstanding demand or request for payment or transfer under the Credit affecting the rights to be transferred, (h) the Transferee's name and address are correct and complete and the Transferee's use of the Credit as transferred and the transactions underlying the Credit and the requested Transfer do not violate any applicable United States or other law, rule or regulation.

The Effective Date shall be the date hereafter on which Transferring Bank effects the requested transfer by acknowledging this request and giving notice thereof to Transferee.

WE WAIVE ANY RIGHT TO TRIAL BY JURY THAT WE MAY HAVE IN ANY ACTION OR PROCEEDING RELATING TO OR ARISING OUT OF THIS TRANSFER.

This Request is made subject to ISP98 and is subject to and shall be governed by Article 5 of the Uniform Commercial Code of the State of New York, without regard to principles of conflict of laws.

(Signature Page Follows)

Letter of Credit No: \_\_\_\_\_  
Annex F Page 1

ANNEX F  
TO  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

Sincerely yours,

\_\_\_\_\_  
(Print Name of Transferor)  
\_\_\_\_\_  
(Transferor's Authorized Signature)  
\_\_\_\_\_  
(Print Authorized Signers Name and Title)  
\_\_\_\_\_  
(Telephone Number/Fax Number)

SIGNATURE GUARANTEED  
Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement. We attest that the individual, company or entity has been identified by us in compliance with USA PATRIOT Act procedures of our bank.

\_\_\_\_\_  
(Print Name of Bank)  
\_\_\_\_\_  
(Address of Bank)  
\_\_\_\_\_  
(City, State, Zip Code)  
\_\_\_\_\_  
(Print Name and Title of Authorized Signer)  
\_\_\_\_\_  
(Authorized Signature)  
\_\_\_\_\_  
(Telephone Number)  
\_\_\_\_\_  
(Date)

Acknowledged:

\_\_\_\_\_  
(Print Name of Transferee)  
\_\_\_\_\_  
(Transferee's Authorized Signature)  
\_\_\_\_\_  
(Print Authorized Signers Name and Title)  
\_\_\_\_\_  
(Telephone Number/Fax Number)

SIGNATURE GUARANTEED  
Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement. We attest that the individual, company or entity has been identified by us in compliance with USA PATRIOT Act procedures of our bank.

\_\_\_\_\_  
(Print Name of Bank)  
\_\_\_\_\_  
(Address of Bank)  
\_\_\_\_\_  
(City, State, Zip Code)  
\_\_\_\_\_  
(Print Name and Title of Authorized Signer)  
\_\_\_\_\_  
(Authorized Signature)  
\_\_\_\_\_  
(Telephone Number)  
\_\_\_\_\_  
(Date)

Letter of Credit No: \_\_\_\_\_  
Annex F Page 2

ANNEX G  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**NOTICE OF EXTENSION**

\_\_\_\_\_, 20\_\_

U.S. Bank Trust National Association,  
as Paying Agent  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Administration

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series C

The undersigned, the duly authorized officers of TD Bank, N.A. (the “Bank”), hereby advises the Paying Agent, with reference to the above-referenced Irrevocable Transferable Letter of Credit (the “*Letter of Credit*”; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Paying Agent, that:

- (1) At the request and for the account of District of Columbia Water and Sewer Authority, the Bank hereby extends the date referenced in paragraph l(a) of the Letter of Credit (as such date may have been extended previously from time to time) to \_\_\_\_\_.
- (2) Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Letter of Credit remain unchanged and in full force and effect.
- (3) This Notice of Extension is an integral part of the Letter of Credit.
- (4) This Notice of Extension may be signed in any number of counterpart copies, but all such copies shall constitute one and the same instrument.

Letter of Credit No: \_\_\_\_\_  
Annex G Page 1



ANNEX G  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Extension  
as of the \_\_ day of \_\_\_\_\_, 20\_\_.

TD BANK, N.A.

By: \_\_\_\_\_  
Name  
Title:

Letter of Credit No: \_\_\_\_\_  
Annex G Page 2

ANNEX H  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**FORM OF NO-ISSUANCE INSTRUCTIONS**

[DATE]

U.S. Bank Trust National Association  
as Paying Agent  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Administration

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series C

Ladies and Gentlemen:

The undersigned, in its capacity as the issuer of an irrevocable transferable letter of credit (the “*Letter of Credit*”) pursuant to the Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 (the “*Reimbursement Agreement*”) between District of Columbia Water and Sewer Authority (the “*Authority*”) and the undersigned, hereby (a) notifies the Paying Agent for the above-referenced Commercial Paper Notes (the “*Notes*”) that [a Default, as defined in the Reimbursement Agreement, has occurred] [the representations and warranties of the Authority contained in the Reimbursement Agreement are not true and correct on and as of the date hereof] and (b) instructs the Paying Agent to cease authentication and delivery of Notes. Unless this notice is subsequently rescinded by the undersigned in writing, all Notes issued on or after the date the Paying Agent receives this notice (the date of such receipt being determined for this purpose as provided in paragraph 12 of the Letter of Credit) shall be “Excluded Notes” as defined in the Letter of Credit. On the maturity date for the last maturing Note issued prior to the Paying Agent’s receipt of this notice and upon payment of all amounts drawn under the Letter of Credit with respect to such Notes, the Letter of Credit shall be returned to the undersigned for cancellation together with an appropriately completed termination certificate in the form of Annex D to the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed these No-Issuance Instructions as of this \_\_\_ day of \_\_\_\_\_, 20\_\_.

TD BANK, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex H Page 1

ANNEX I  
TO  
TD BANK, N.A.  
LETTER OF CREDIT  
No. \_\_\_\_\_

**FORM OF FINAL DRAWING DIRECTION**

[DATE]

U.S. Bank Trust National Association  
as Paying Agent  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attention: Corporate Trust Administration

District of Columbia Water and Sewer Authority  
Commercial Paper Notes, Series C

Ladies and Gentlemen:

The undersigned, in its capacity as the issuer of an irrevocable transferable letter of credit (the “*Letter of Credit*”) pursuant to the Letter of Credit and Reimbursement Agreement dated as of May 1, 2020 (the “*Reimbursement Agreement*”) between District of Columbia Water and Sewer Authority (the “*Authority*”) and the undersigned, hereby (a) notifies the Paying Agent for the above-referenced Commercial Paper Notes (the “*Notes*”) that an Event of Default, as defined in the Reimbursement Agreement, has occurred, (b) instructs the Paying Agent to cease authentication and delivery of Notes and (c) directs the Paying Agent, by submitting to the undersigned a properly completed certificate in the form of Annex B to the Letter of Credit, to immediately draw under the Letter of Credit an amount equal to the principal amount of the outstanding Notes plus interest thereon to their respective maturity dates. All Notes issued on or after the date the Paying Agent receives this notice (the date of such receipt being determined for this purpose as provided in paragraph 12 of the Letter of Credit) shall be “Excluded Notes” as defined in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed this Final Drawing Direction as of this \_\_\_ day of \_\_\_\_\_, 20\_\_.

TD BANK, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Letter of Credit No: \_\_\_\_\_  
Annex I Page 1

May \_\_\_\_, 2020

District of Columbia Water and Sewer Authority  
Washington, D.C.

U.S. Bank Trust National Association, as Paying Agent  
New York, New York

J.P. Morgan Securities LLC, as Dealer  
New York, New York

Moody's Investor Service, Inc.  
New York, New York

Fitch Ratings  
New York, New York

S&P Global Ratings  
New York, New York

Not Exceeding \$50,000,000  
District of Columbia Water and Sewer Authority  
Commercial Paper Notes  
Series C (the "**Notes**")

Ladies and Gentlemen:

We have acted as special counsel to TD Bank, N.A., a national banking association (the "**Bank**"), in connection with its issuance of its Irrevocable Transferable Letter of Credit (the "**Letter of Credit**") of even date herewith, in the original stated amount of \$51,479,452, in favor of U.S. Bank Trust National Association, as paying agent (the "**Paying Agent**"), under the Master Indenture of Trust dated as of April 1, 1998, as amended and supplemented including, in particular, by an Eleventh Supplemental Indenture of Trust dated as of June 1, 2010, as amended, each between the Authority and Wells Fargo Bank, National Association, as successor trustee. The Bank is issuing the Letter of Credit for the account of the District of Columbia Water and Sewer Authority (the "Authority") pursuant to the provisions of the Letter of Credit and Reimbursement Agreement dated as of the date hereof (the "**Reimbursement Agreement**") between the Authority and the Bank. Capitalized terms used herein but not defined herein have the respective meanings given to them in the Reimbursement Agreement.

In rendering the opinions expressed herein, we have examined and relied upon the originals, copies or specimens, certified or otherwise identified to our satisfaction, of the Letter of Credit and the Reimbursement Agreement and such certificates, corporate and public records, agreements and instruments and other documents, including, among other things, the documents delivered on the date hereof, as we have deemed appropriate as a basis for such opinions. In such examination, we have assumed the genuineness of all signatures (other than those of the Bank), the authenticity of all documents, agreements and instruments submitted to us as originals, the conformity to original documents, agreements and instruments of all documents, agreements and instruments submitted to us as copies or specimens, the authenticity of the originals of such documents, agreements and instruments submitted to us as copies or specimens and the accuracy of the matters set forth in the documents, agreements and instruments we reviewed. We have also assumed (other than with respect to the Bank) that all documents, agreements and instruments have been duly authorized, executed and delivered by all parties thereto, that all such parties had the power and legal right to execute and deliver all such documents, agreements and instruments and that such documents, agreements and instruments are valid, binding and enforceable obligations of such parties. We have also assumed that drawings on the Bank under the Letter of Credit and the accompanying certificates will not be forged or fraudulent. As to any facts material to such opinions that were not known to us, we have relied upon statements and certifications of officers and other representatives of the Bank and of public officials, which we have not independently verified. Except as expressly set forth herein, we have not undertaken any independent investigation (including, without limitation, conducting any review, search or investigation of any public files, records or dockets) to determine the existence or absence of the facts that are material to our opinions and no inference as to our knowledge concerning such facts should be drawn from our reliance on the representations of the Bank and others in connection with the preparation and delivery of this letter.

We express no opinion concerning the laws of any jurisdiction other than the federal laws of the United States of America and the laws of the District of Columbia.

Based upon and subject to the foregoing, we are of the opinion, as of the date hereof, that:

1. The Bank is a national banking association duly organized and validly existing under the laws of the United States of America and has full power and authority to issue, execute and deliver the Letter of Credit and to perform its obligations thereunder.
2. The Letter of Credit has been duly authorized, executed and delivered by the Bank.
3. The Letter of Credit constitutes a legal, valid and binding agreement of the Bank, enforceable against the Bank in accordance with its terms, except that the enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, liquidation, moratorium, receivership or other laws relating to or affecting creditors' rights and remedies generally, as the same may be applied in the event of any of the foregoing affecting the Bank and by general principles of equity (regardless of whether enforcement is sought in a proceeding

at law or in equity). In that connection, we express no opinion as to whether a court, in the exercise of its equitable powers, may temporarily restrain or enjoin payment of a drawing under the Letter of Credit.

In addition, in connection with the issuance of the Letter of Credit, we have assisted in the preparation of certain information pertaining to the Letter of Credit and the Reimbursement Agreement contained in the Reoffering Circular dated May \_\_\_, 2020 relating to the Notes (the “**Reoffering Circular**”) under the heading “THE CREDIT FACILITY AND REIMBURSEMENT AGREEMENT”. The statements contained under such heading of the Reoffering Circular, insofar as such statements purport to summarize certain provisions of the Letter of Credit or the Reimbursement Agreement, present a fair and accurate summary of such provisions for the purpose of use in the Reoffering Circular. We have not verified or passed upon, nor do we assume any responsibility for, the accuracy, completeness or fairness of any other statements contained in the Reoffering Circular.

We have not made any investigation concerning the financial condition or operations of the Authority or the Bank and we express no opinion as to the accuracy or completeness of any information relating thereto that may have been relied upon by, or otherwise affected, the holders or beneficial owners of the Notes in making the decision to purchase the Notes.

This opinion letter may be relied upon by you and your counsel solely in connection with the transactions described herein. This opinion letter is not to be relied upon, used, circulated, quoted or otherwise referred to by any other person or entity or for any other purpose without our prior written consent. Opinions numbered 1 through 3 above are limited to the Letter of Credit and are not intended to address any subsequent modifications, increases or extensions thereof or supplements thereto. In addition, we disclaim any obligation to update this opinion letter for changes in fact or law, or otherwise.

Very truly yours,

**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS CONTRACTOR FACT SHEET**

**ACTION REQUESTED**

**GOODS AND SERVICES RENEWAL  
BANK CREDIT FACILITY SUPPORTING 2014B-1 AND 2014B-2 BONDS  
(Non-Joint Use)**

Request to renew the Bank Credit Facility Supporting 2014B-1 and 2014B-2 Bonds in the amount of \$232,571.00 per year for the base period of five years, for a total of \$1,172,855.00 (includes \$10,000 legal fees in first year).

**CONTRACTOR/SUB/VENDOR INFORMATION**

<b>PRIME:</b> TD Bank, N.A. 1919 Gallows Road Vienna, VA 11182	<b>SUBS:</b> N/A	<b>PARTICIPATION:</b> N/A
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**DESCRIPTION AND PURPOSE**

<b>Base Value:</b>	\$879,726.00
<b>Base Period:</b>	July 24, 2014 – July 23, 2017
<b>Previous Renewal Value:</b>	\$840,000.00
<b>Previous Renewal Period:</b>	July 24, 2017 – July 23, 2020
<b>Current Renewal Value:</b>	<b>\$1,172,855.00</b>
<b>Current Renewal Period:</b>	<b>July 24, 2020 – July 23, 2025</b>

**Purpose of the Contract:**

Banking firm is required to secure DC Water’s Variable Rate Demand Bonds (VRDB) issued in 2014.

**Contract Scope:**

- VRDBs require a bank provided credit facility.
- The credit facility provides liquidity and can be used to pay investors that tender their bonds in the event DC Water is unable to provide the necessary cash.
- Investors require (and indenture mandates) that a credit facility secure the Series 2014B bonds.

No LBE/LSBE participation.

**PROCUREMENT INFORMATION**


<b>Contract Type:</b>	Fixed Basis Points	<b>Award Based On:</b>	Highest Rated Offeror
<b>Commodity:</b>	Bank Credit Facility	<b>Contract Number:</b>	N/A
<b>Contractor Market:</b>	Open Market with Preference Points for LBE and LSBE Participation		


**BUDGET INFORMATION**

<b>Funding:</b>	Operating	<b>Department:</b>	Department of Finance
<b>Service Area:</b>	DC Water Wide	<b>Department Head:</b>	Ivan Boykin

**ESTIMATED USER SHARE INFORMATION**

User	Share %	Dollar Amount
District of Columbia	100%	\$1,172,855.00
<b>TOTAL ESTIMATED DOLLAR AMOUNT</b>	100%	<b>\$1,172,855.00</b>

 / 3/19/2020  
 Ivan Boykin Date  
 Director of Finance

 / 3/19/2020  
 Dan Bae Date  
 VP of Procurement and Compliance

 / 3/19/2020  
 Matthew T. Brown Date  
 CFO and EVP of Finance and Procurement

\_\_\_\_\_/\_\_\_\_\_  
 David L. Gadis Date  
 CEO and General Manager



**Presented and Adopted:** \_\_\_\_\_, 2020

**Subject: Approving the Extension of the Credit Facility for the Series 2014B Subordinate Bonds**

**#20-\_\_**  
**RESOLUTION**  
**OF THE**  
**BOARD OF DIRECTORS**  
**OF THE**  
**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

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

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

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

**WHEREAS**, the Authority has heretofore issued its Public Utility Subordinate Lien Multimodal Revenue Bonds, Series 2014B (the “Series 2014B Subordinate Bonds”) which are secured by, *inter alia*, the Standby Bond Purchase Agreement (as defined below); and

**WHEREAS**, the Standby Purchase Agreement currently expires on July 23, 2020 and the Authority now intends to extend the maturity of such Standby Bond Purchase Agreement (the “Extension”); and

**WHEREAS**, there has been presented at this meeting a proposed Preliminary Term Sheet stating the business and legal parameters of the Extension, all as attached hereto as Exhibit A to this Resolution (the “Term Sheet”); and

**WHEREAS**, the Finance and Budget Committee met on March 26, 2020, to review the Extension and has recommended approval of this Resolution by the Board.

**NOW, THEREFORE, BE IT RESOLVED**, that:

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

“Authorized Officials” means the Chairman and Vice Chairman of the Board and the CEO and General Manager, Chief Financial Officer and Executive Vice President, Finance and Procurement, Controller, Budget Director, Finance Director and Rates and Revenue Director of the Authority, including any of the foregoing who are in an interim, acting or similar capacity, provided that any official other than the Chairman shall be designated by the Chairman as his designee for the purpose of executing and delivering any document authorized hereunder.

“Financial Advisor” means Public Financial Management, Inc.

“Sixteenth Supplemental Indenture” means the Sixteenth Supplemental Indenture of Trust by and between the Authority and the Trustee, dated as of the same date as and relating to the Series 2014B Subordinate Bonds.

“Standby Bond Purchase Agreement” means collectively, the Standby Bond Purchase Agreements, by and between the Authority and TD Bank, N.A., each dated July 23, 2014, entered into for the Series 2014B Subordinate Bonds under the Sixteenth Supplemental Indenture, each as amended or supplemented.

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

Section 2. Credit Facility Amendment and Extension. In order to formalize the Extension, the Authorized Officials are, and each of them is, authorized in connection with the Extension, to execute, acknowledge and deliver in the name of and on behalf of the Authority, an amendment to the Standby Bond Purchase Agreement, with substantially the same terms as are described in the Term Sheet.

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

No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Board or officer, employee or agent of the Authority in his or her individual capacity, and neither the members of the Board nor any officer of the Authority executing the amendment to the Standby Bond Purchase Agreement shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution thereof. No member of the Board or officer, employee,

agent or advisor of the Authority shall incur any personal liability with respect to any other action taken by him pursuant to this Resolution or the Indenture or any other document authorized by this Resolution, provided such member, officer, employee, agent or advisor acts in good faith.

Section 3. Official Statement: Continuing Disclosure. The Authorized Officials are each hereby further authorized to supplement and amend the Official Statement that in the judgment of an Authorized Official, is necessary and appropriate in order to make the Official Statement not materially misleading, and to comply with applicable securities laws or otherwise to enable the Authority to fulfill its obligations regarding the Official Statement under its existing Continuing Disclosure Agreements.

Section 4. General. The appropriate officers and employees of the Authority will do all things necessary and proper to implement and carry out the orders and agreements set forth or approved in this Resolution for the proper fulfillment of the purposes thereof.

Section 5. Effective Date. This Resolution shall take effect immediately.

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Secretary to the Board of Directors



**TD Bank, N.A.**  
1919 Gallows Road  
Second Floor  
Vienna, VA 22182

March 17, 2020

Mr. Ivan Boykin  
Director of Finance  
District of Columbia Water and Sewer Authority  
1385 Canal Street SE  
Washington, DC 20003

Mr. Eric Brown  
Senior Management Consultant  
Public Financial Management  
4350 N. Fairfax Drive  
Suite 580  
Arlington, VA 22203

Dear Mr. Boykin and Mr. Brown:

Further to our discussions we are pleased to provide you with our preliminary proposal to extend our existing credit facilities (the "Credit Facilities") that are described on the attached preliminary term sheet to District of Columbia Water and Sewer Authority ("DC Water"). The proposed Credit Facilities consist of a five (5) year extension of our existing of up to \$101,117,808 standby note purchase agreements.

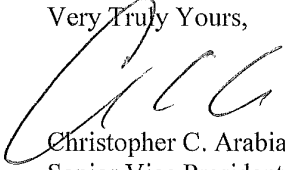
Please be advised that this letter and the preliminary term sheet constitutes a statement of suggested terms for discussion with respect to the extension contemplated and do not contain all matters upon which agreement must be reached in order for the extension contemplated hereby to be consummated and, therefore, do not represent a binding commitment with respect to the transaction. A binding commitment with respect to the Credit Facilities will result only after satisfactory final due diligence, approval and upon execution and delivery by all of the parties of a definitive agreement relating to the Credit Facilities, subject to the conditions contained therein.

We shall not be responsible or liable to DC Water or any other person for consequential damages which may be alleged as a result of this letter, the preliminary term sheet or any transaction contemplated hereby. This letter is delivered to DC Water on the condition that its existence and its contents will not be disclosed by DC Water without our prior written approval except (i) as may be required to be disclosed in any legal proceeding or as may be required by law and (ii) on a confidential and "need to know" basis, to your directors, officers, employees, advisors and agents.

If the proposal outlined in the attached preliminary term sheet reflects arrangements that substantially meet your needs and you would like TD Bank, N.A. to proceed with due diligence, underwriting and approval process, please return a signed copy of this letter before the close of business on March 27, 2020. Please do not hesitate to contact Christopher C. Arabia at (703) 663-4975 with any questions or comments that you may have.

We appreciate the opportunity to consider providing for the financing needs of DC Water and are excited about the prospect of expanding our mutually rewarding relationship.

Very Truly Yours,



Christopher C. Arabia  
Senior Vice President  
TD Bank, N.A.

Accepted and Agreed to this \_\_\_\_ day of \_\_\_\_\_, 2020  
DC Water

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_



## PRELIMINARY TERM SHEET

<b>Borrower:</b>	District of Columbia Water and Sewer Authority ("DC Water")						
<b>Facility Providers:</b>	TD Bank, NA ("Lender" or "Bank")						
<b>Facility &amp; Amount:</b>	<p>Extension of up to \$101,117,808 Standby Note Purchase Agreement ("SNPA") including principal plus interest reserve as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Par Value of Bonds:</td> <td style="text-align: right;">\$100,000,000</td> </tr> <tr> <td>+ Required Interest Reserve*:</td> <td style="text-align: right;">\$ 1,117,808</td> </tr> <tr> <td><b>Total Facility:</b></td> <td style="text-align: right;"><b>\$101,117,808</b></td> </tr> </table> <p>*Includes 34 days of interest at 12%</p> <p>The amount may be adjusted based on DC Water's needs</p>	Par Value of Bonds:	\$100,000,000	+ Required Interest Reserve*:	\$ 1,117,808	<b>Total Facility:</b>	<b>\$101,117,808</b>
Par Value of Bonds:	\$100,000,000						
+ Required Interest Reserve*:	\$ 1,117,808						
<b>Total Facility:</b>	<b>\$101,117,808</b>						
<b>Purpose:</b>	To provide liquidity support for DC Water's 2014 Variable Rate Demand Bond Issuance.						
<b>Closing Date:</b>	No later than July 3, 2020.						
<b>Maturity Date:</b>	Five years from the date of closing.						
<b>Term Out Provision:</b>	Same as existing SNPA.						
<b>Agent Fee:</b>	None.						
<b>Facility Fee:</b>	<p><u>Standby Note Purchase Agreement</u></p> <p>23 basis points annually for the 5 year Facility, payable quarterly, in advance.</p> <p>The rate would increase for each notch of rating decline below A1 or A+ by 5 bps per notch.</p> <p>In the event that the rating agencies then rating the Bonds have conflicting or "split" ratings, the lowest rating shall be used to determine the Annual Fee. Each such pricing change will become effective on the date such rating downgrade is announced by the applicable rating agency.</p> <p>If an Event of Default occurs and is continuing, the Annual Fee payable by the Borrower shall automatically and without notice to the Borrower increase by an additional one hundred basis points (1.00%) per annum, commencing on the date such Event of Default occurs. The increased Annual Fee shall be payable until such Event of Default is cured, the Bank waives said Event of Default in writing or the Facility otherwise terminates.</p>						
<b>Maintenance of Ratings:</b>	The Borrower shall maintain public ratings on the underlying long-term debt rating of not less than Baa1/BBB+ from two of the three national recognized bond rating agencies (Moody's, S&P and Fitch) during the term of the Facility. The cancellation, withdrawal or suspension of the underlying long-term debt rating by any rating agency shall constitute an Event of Default under the Facility.						
<b>Termination Fee:</b>	If the Facility is terminated within the Initial Committed Term (three or five years as described above), except as a result of a two (2) level downgrade of the current short-term ratings of the Lender by either Standard & Poor's, or Moody's, the Issuer will be required to pay all amounts due to such date plus an						



## PRELIMINARY TERM SHEET

	<p>amount equal to the Facility Fee that would have been payable through the minimum period as outlined in the table below. After passing the minimum period, the Facility may be terminated by the Issuer without any Termination Fee.</p> <table border="1"> <thead> <tr> <th>Initial Committed Term</th> <th>Minimum Period</th> </tr> </thead> <tbody> <tr> <td>Five years</td> <td>30 months</td> </tr> </tbody> </table>	Initial Committed Term	Minimum Period	Five years	30 months
Initial Committed Term	Minimum Period				
Five years	30 months				
<b>Legal Fees:</b>	To be covered by the Borrower.				
<b>Other Costs:</b>	Same as existing SNPA.				
<b>Interest Rate:</b>	Same as existing SNPA.				
<b>Clawback Amounts:</b>	Same as existing SNPA.				
<b>Default Rate:</b>	Same as existing SNPA.				
<b>Mandatory Prepayments:</b>	Same as existing SNPA.				
<b>Voluntary Prepayments/ Commitment Reductions:</b>	Same as existing SNPA.				
<b>Collateral:</b>	Same as existing SNPA.				
<b>Representations and Warranties:</b>	Same as existing SNPA.				
<b>General Covenants:</b>	Same as existing SNPA.				
<b>Financial Covenants:</b>	As defined in the Indenture.				
<b>Reporting Requirements:</b>	Same as existing SNPA.				
<b>Other Requirements:</b>	The Lender reserves the right to sell down portions of the Facility Amount.				
<b>Events of Default:</b>	Same as existing SNPA.				
<b>Material Adverse Change:</b>	This proposal may be withdrawn, in the sole discretion of the Bank, upon the occurrence of a material adverse change in the financial, operational, or legal condition of the Issuer.				
<b>Key Representations and Warranties:</b>	<p>Same as existing SNPA, plus the following with respect to the Amendment to SNPA:</p> <ol style="list-style-type: none"> <li>1) Organization; Authorization; Legal, Valid and Binding Obligations</li> <li>2) No Conflict; Consents and Approvals;</li> <li>3) No Litigation; No Defaults</li> <li>4) Financial Statements</li> </ol>				



**PRELIMINARY TERM SHEET**

<p><b>Conditions:</b></p>	<ol style="list-style-type: none"> <li>1) Subject to Bank counsel review and acceptance of the Amendment to SNPA and other documentation which shall be satisfactory to the Bank in its sole discretion.</li> <li>2) Agreement as to all final terms and conditions of the Amendment to SNPA and the related documents and Bank's satisfactory review thereof</li> <li>3) Absence of any material change in the financial condition, operations or prospects of the Borrower, or in any law, rule or regulation (or their interpretation or administration), that, in each case, may adversely affect the consummation of the transaction, to be determined in the Bank's sole discretion</li> </ol>																
<p><b>Legal Representation:</b></p>	<p>Michael Graff                  McGuire Woods LLP                  1750 Tysons Blvd.                  Suite 1800                  McLean, VA 22102                  703.712.5110 (phone)                  703.712.5191 (fax)                  mgraфф@mcguirewoods.com</p> <p>Estimated legal fees: \$ 5,000                  Cap on legal fees: \$10,000</p>																
<p><b>TD Bank, NA</b></p>	<p><u>Bank Ratings:</u></p> <table border="0" style="width: 100%;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Moody's</u></th> <th style="text-align: center;"><u>S&amp;P</u></th> <th style="text-align: center;"><u>Fitch</u></th> </tr> </thead> <tbody> <tr> <td>Long Term</td> <td style="text-align: center;">A1</td> <td style="text-align: center;">AA-</td> <td style="text-align: center;">AA-</td> </tr> <tr> <td>Short Term</td> <td style="text-align: center;">P1</td> <td style="text-align: center;">A1+</td> <td style="text-align: center;">F1+</td> </tr> <tr> <td>Outlook</td> <td style="text-align: center;">Stable</td> <td style="text-align: center;">Stable</td> <td style="text-align: center;">Stable</td> </tr> </tbody> </table> <p><u>Contact:</u></p> <p>Christopher C. Arabia                  Senior Vice President                  1919 Gallows Road                  Second Floor                  Vienna, VA 22182                  703.663.4975 (O)                  703.663.4367 (F)                  christopher.arabia@td.com</p>		<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>	Long Term	A1	AA-	AA-	Short Term	P1	A1+	F1+	Outlook	Stable	Stable	Stable
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>														
Long Term	A1	AA-	AA-														
Short Term	P1	A1+	F1+														
Outlook	Stable	Stable	Stable														
<p><b>Disclaimer:</b></p>	<p><i>THIS PRELIMINARY TERM SHEET IS FOR DISCUSSION PURPOSES ONLY AND IS NOT A COMMITMENT TO LEND FROM THE LENDERS, NOR DOES IT SUMMARIZE ALL OF THE CONDITIONS, COVENANTS, REPRESENTATIONS, WARRANTIES, EVENTS OF DEFAULT OR OTHER PROVISIONS THAT MAY BE CONTAINED IN DOCUMENTS REQUIRED TO CONSUMMATE THIS FINANCING. IT INCLUDES A DESCRIPTION OF SOLELY THE PRINCIPAL TERMS AND, IF ACCEPTED BY YOU AND APPROVED BY US, IS INTENDED AS A FRAMEWORK FOR ANY DOCUMENTATION THEREOF AND AS A BASIS FOR FURTHER DISCUSSION OF THE TERMS. DELIVERY OF ANY FINAL TERM SHEET IS SUBJECT TO COMPLETION BY THE LENDERS OF THE NECESSARY UNDERWRITING, DUE DILIGENCE AND APPLICABLE CREDIT APPROVAL. THE BORROWER AGREES THAT THIS TERM SHEET IS FOR ITS CONFIDENTIAL USE ONLY AND WILL NOT BE DISCLOSED, WITHOUT PRIOR WRITTEN CONSENT, TO ANY PERSON OTHER THAN ITS ACCOUNTANTS, ATTORNEYS AND OTHER ADVISORS OR PURSUANT TO THE TERMS OF A MANDATE LETTER.</i></p>																





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

**Thursday, April 23, 2020; 11:00 a.m.  
DC Water Headquarters  
1385 Canal Street, SE, DC  
AGENDA**

<b>Call to Order</b>	Chairperson
<b>March 2020 Financial Report</b>	Chief Financial Officer
<b>Agenda for May Committee Meeting</b>	Chairperson
<b>Adjournment</b>	Chairperson

\*Detailed agenda can be found on DC Water's website at [www.dewater.com/about/board\\_agendas.cfm](http://www.dewater.com/about/board_agendas.cfm)