



**Finance and Capital Committee**

**Action Item III-D**

**November 1, 2018**

**2018 General Revenue Bond Resolution  
and Bond Issue**

Washington Metropolitan Area Transit Authority

## Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:  
202032

Resolution:  
☒ Yes ☐ No

### TITLE:

2018 Bond Issue

### PRESENTATION SUMMARY:

Seeking Board approval of the 2018 Supplemental Bond Resolution to issue Series 2018 Gross Revenue Bonds not to exceed \$262.7 million to support Fiscal Year 2019 capital projects.

### PURPOSE:

Staff requests approval of the 2018 Supplemental Bond Resolution to the 2003 Gross Revenue Bond Resolution authorizing the issuance of Series 2018 Bonds, which restructures the offering last presented to the Board to respond to rating agencies' reaction. The offering does not impact the capital budget.

### DESCRIPTION:

#### Key Highlights:

2018 Supplemental Bond Resolution authorizes the issuance of the Series 2018 bonds. The Series 2018 Bonds will have a maximum all-in true interest cost of up to 6 percent, and a 25-year maturity schedule.

Initially approved by the Board Committee on September 13, 2018, the offering has been restructured to accomplish the same objectives but respond to rating agency comments.

DBE (disadvantaged business enterprises) firms in the underwriting group will have a 30 percent participation goal.

The bonds will provide funding for priority capital investment projects; thereby aligning funding to asset life-cycle and providing near-term funding relief to jurisdictions.

#### Background and History:

#### 2018 SUPPLEMENTAL BOND RESOLUTION

On September 25, 2003 the Board adopted the Gross Revenue Bond Resolution (2003-53). This resolution established a structure whereby WMATA Gross Revenues are pledged as collateral for bond issuances. This Resolution defines collateral for all bonds issued from 2003 through 2017.

In 2018, the District of Columbia, the State of Maryland and the Commonwealth of Virginia each approved legislation providing dedicated funding for capital improvements and permits use of the funds for future debt issuances.

The 2018 Supplemental Bond Resolution seeks to preserve the Dedicated Revenues for future debt issues by amending the 2003 Gross Revenue Bond Resolution for bonds issued post-November 2018 to expressly exclude Dedicated Revenues from the definition of the pledged Trust Estate (2018 bond collateral).

The Finance Committee approved a General Revenues Bond Resolution for the \$262.7 million Series 2018 bonds on September 13. However, in response to rating agencies feedback to the initial bond structure approach the resolution was withdrawn from further Board consideration. An alternative bond structure is being proposed and the bonds are expected to receive a more favorable credit rating.

### **2018 SERIES BONDS**

Debt issuance for capital projects is provided for under the WMATA Compact. Pursuant to Section 4(b)(2) of the Capital Funding Agreement (CFA), all or any portion of the Capital Improvement Plan (CIP) may be funded through short-term or long-term debt financing. Long-term debt better aligns project costs with the useful life of the projects in the capital program.

Similar to other transit agencies, Metro periodically addresses its capital budget cash flow needs through the issuance of bonds.

On March 22, 2018 the Board of Directors approved Resolution 2018-08 authorizing the use of debt in the principal amount of \$384 million, exclusive of issuance cost, as a source of funding for the FY2019 CIP.

Jurisdictions were notified on May 30, 2018 of Metro's plan to issue debt and giving them to option to prepay their share of the planned debt as required by the CFA. The Virginia jurisdictions opted out of the bond issue having elected to replace their share of jurisdictional debt with Virginia dedicated funds in the total amount of \$121.3 million.

Therefore, the resulting amount of 2018 Series bonds to issue for FY2019 CIP funding is \$262.7 million.

### **Discussion:**

Metro's FY2019 CIP included debt in the amount of \$384 million as a source to fund planned capital investment. The bonds will be issued in a principal amount not to exceed \$262.7 million which reflects a reduction due to certain jurisdictions' decision to directly contribute their shares rather than participate in the bond issuance.

The Series 2018 bond issuance will be conditioned on the following parameters:

Par Amount (Not to exceed, excluding Issuance Cost)	\$262.7 million
Cost of Issuance (Estimate)	\$2 million
All-in True Interest Cost (Estimate not to Exceed)	6%
Opt-Out Notice Sent to Jurisdictions	30-May-2018
S&P Bond Rating	TBD
Fitch Bond Rating	TBD

#### **FUNDING IMPACT:**

This item does not change the funding total for the FY2019 Capital program – it codifies the amount to be funded with bond debt or prepaid by each jurisdiction.	
Project Manager:	Craig Gross
Project Department/Office:	CFO/TRES

#### **TIMELINE:**

<b>Previous Actions</b>	March 2018: The adopted FY2019 CIP identified bond financing as a funding source for capital expenditures
<b>Anticipated actions after presentation</b>	November 2018: Approval of bond documents and distribution of official statement  December 2018: Price and Close transaction

#### **RECOMMENDATION:**

Recommend the Board approve the 2018 Supplemental Bond Resolution authorizing the issuance of Series 2018 Bonds not to exceed \$262.7 million of principal, exclusive of issuance cost, with a 6 percent all-in true interest cap and 25 years final maturity, to support FY2019 capital program requirements.

# Bond Issuance to Support Capital Program

Finance and Capital Committee

November 1, 2018



# Purpose

- Seek Board approval of 2018 Project Supplemental Bond Resolution to amend the 2003 Gross Revenue Bond Resolution and to authorize issuance of the Series 2018 Bonds to support FY2019 capital projects

# Recent Actions

- Finance Committee approved a General Revenues Bond Resolution for the \$262.7 million bond issue on September 27
- Less favorable credit outlook due to bond structure led staff to seek temporary delay in Board consideration and to explore alternative bond structures
- New bond structure expected to receive more favorable credit rating



# 2018 Project Supplemental Bond Resolution

- Amends 2003 Gross Revenue Bond Resolution to provide for a credit structure in parity with current outstanding bonds
- Changes the definition of Trust Estate to exclude Future Dedicated Revenues (including Dedicated Funding) from the Trust Estate pledged as security for bond repayment
- Authorizes issuance of the 2018 Series Bonds under the amended 2003 Gross Revenue Bond Resolution



# Recommendation



- Approve 2018 Project Supplemental Bond Resolution amending the 2003 Gross Revenue Bond Resolution and authorizing issuance of the 2018 Series bonds under the amended 2003 Gross Revenue Bond Resolution

# Next Steps

- Obtain Bond Rating
- Board Approval
- Investor Meetings
- Issue Offering Statement
- Issue Bonds

# Appendices



# Background for Debt

- Board provided initial approval for debt as a fund source for some capital projects on March 22, 2018
- Per the Capital Funding Agreement:
  - Jurisdictions may use debt to fund all or part of their FY2019 capital contributions
  - Participating jurisdictions that opt to use debt will fund the debt service cost for the Series 2018 bonds



# Jurisdictional Capital Contributions

- FY2019 Capital Program includes \$384 million of debt allocated to jurisdictions based on their respective capital program contributions
- In May 2018, jurisdictions were provided opportunity to opt out and to provide their share of the planned debt in cash
- Proposed \$262.7 million bond size reflects jurisdictional Opt-outs

# Jurisdictional Shares of Debt

\$ in mil

<b>Jurisdiction</b>	<b>Contribution</b>	<b>Opt-In</b>	<b>Opt-Out</b>	<b>Percent</b>
<b>District of Columbia</b>	<b>\$151.70</b>	<b>\$151.70</b>		<b>39.5%</b>
Montgomery County	\$56.70	\$56.70		
Prince George's County	\$54.30	\$54.30		
<b>State of Maryland</b>	<b>\$111.00</b>	<b>\$111.00</b>		<b>28.9%</b>
City of Alexandria	\$26.00		\$26.00	
Arlington County	\$35.00		\$35.00	
City of Fairfax	\$1.50		\$1.50	
Fairfax County	\$57.80		\$57.80	
City of Falls Church	\$1.00		\$1.00	
<b>Commonwealth of Virginia</b>	<b>\$121.30</b>		<b>\$121.30</b>	<b>31.6%</b>
<b>Total</b>	<b>\$384.00</b>	<b>\$262.70</b>	<b>\$121.30</b>	<b>100.0%</b>



# Use of Debt

- Examples of projects that may be funded with debt include:

Project	FY19 Budget
7000 Series Railcar Acquisition	\$304M
Radio/Wireless Infrastructure and Track Rehabilitation	\$192M
Rebuild Station Platforms	\$117M
Rail Station and Bus Facility Upgrades	\$112M
New Buses & Paratransit Vans	\$110M
New Escalators & Elevator Rehabilitation	\$ 58M

# Debt Profile

- Increased debt reflects proposed FY2019 capital investment
- New debt profile aligns with longer-term asset values

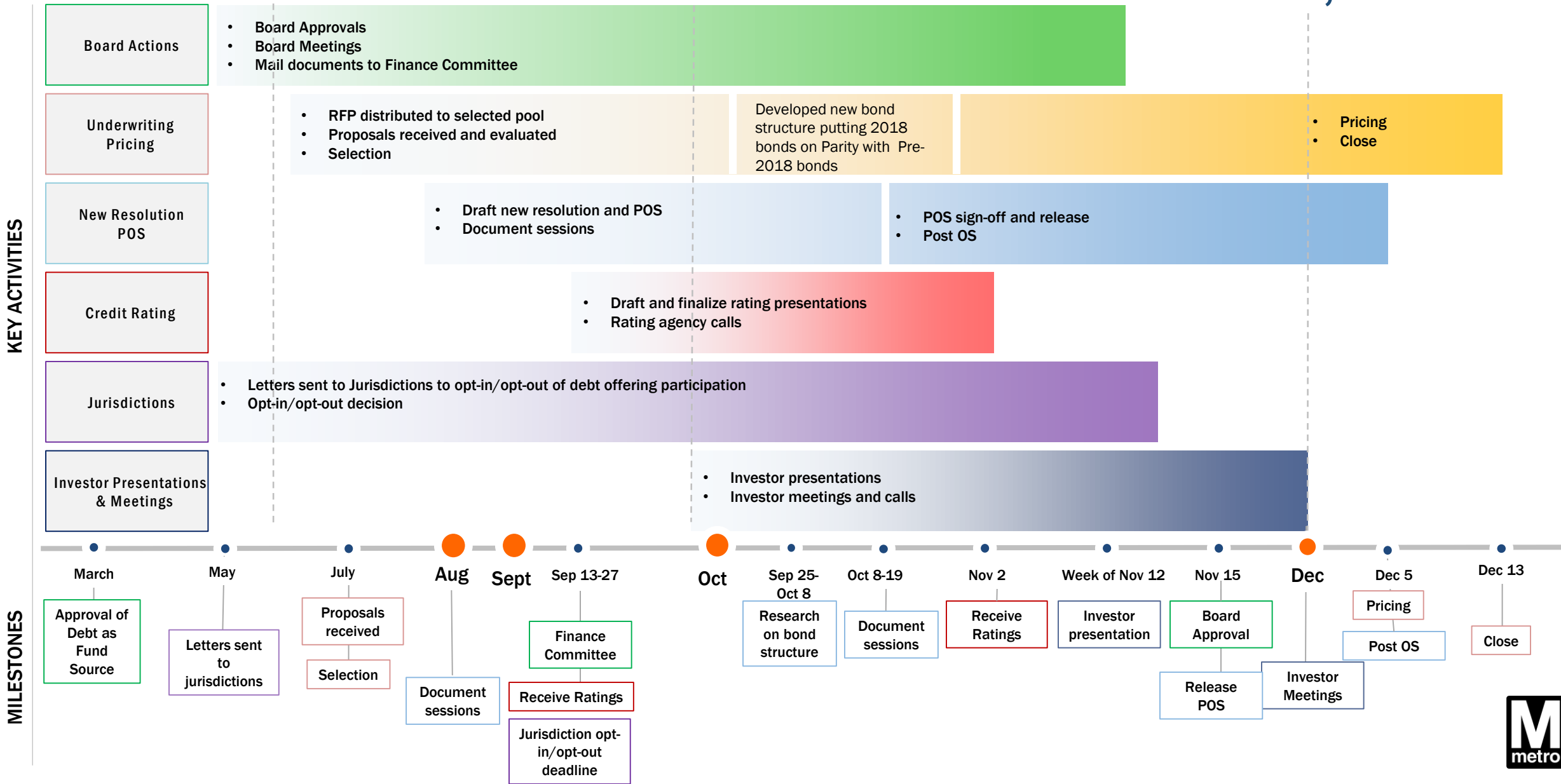
\$ in mill	Current Debt Profile	Proposed Debt Profile
<b>2018 Series</b>	\$0.0	\$262.7
<b>2017 Series B</b>	\$496.5	\$496.5
<b>2009 Series B</b>	\$55.0	\$55.0
<b>2009 Series A/2017 A1</b>	\$158.0	\$158.0
<b>Total</b>	<b>\$709.5</b>	<b>\$972.2</b>

*Note: Metro has \$350 million in lines of credit, none of which is currently utilized*

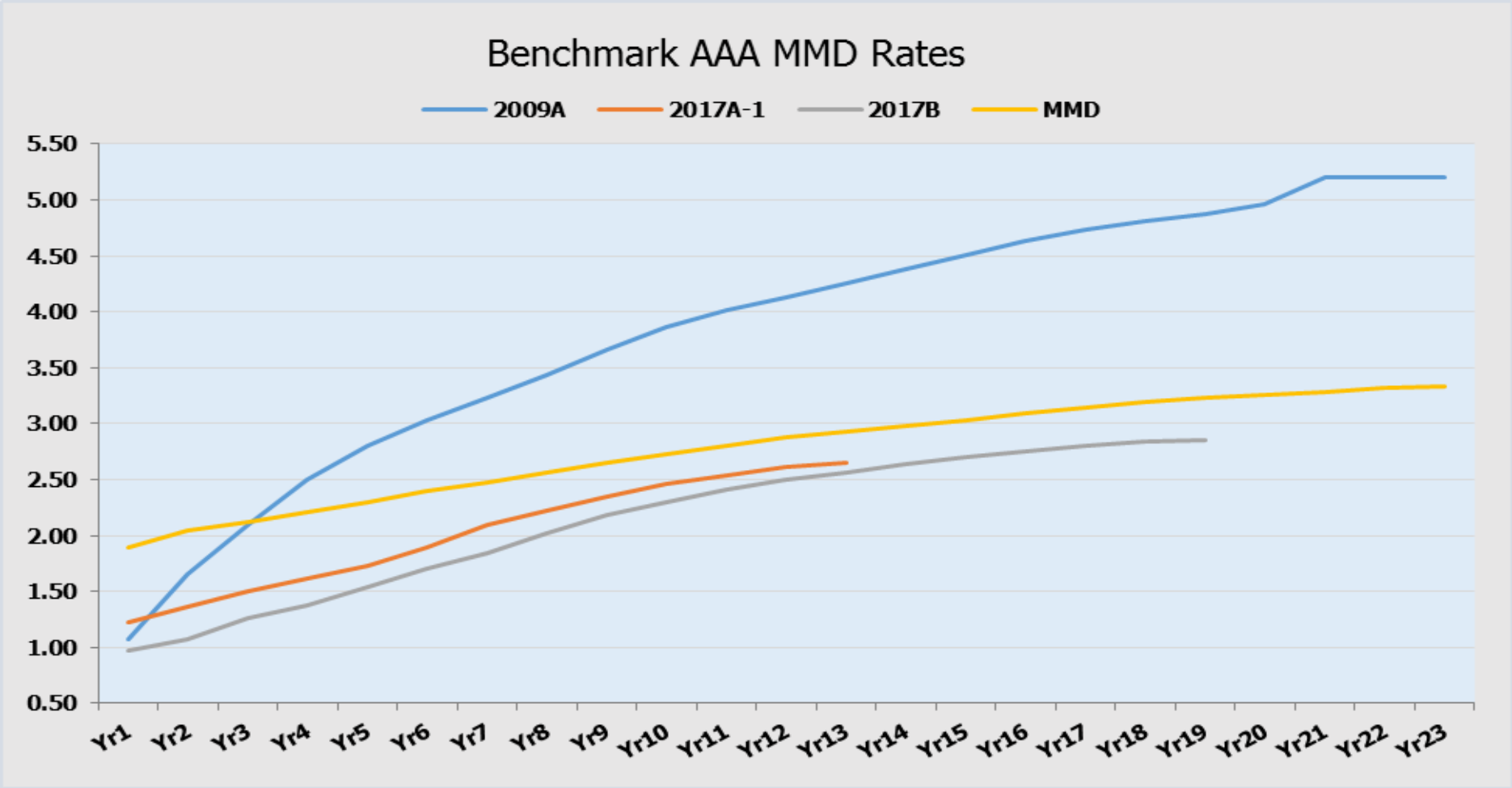
# Series 2018 Proposed Terms

Maturity	25 Years
Principal Amount (Not to Exceed)	\$262.7 M
MMD Rate (estimate)	3.35%
Spread off MMD (estimate)	0.30%
Cost of Issuance (estimate)	0.60%
All-in True Interest Cost (estimate)	4.25%

# Series 2018A Schedule: March – December, 2018



Tax-exempt fixed rate bonds are priced as a spread to AAA Municipal Market Data Index (MMD)



---

**WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

**2018-\_\_**

**2018 SUPPLEMENTAL BOND RESOLUTION**

**Supplementing and Amending**

**Gross Revenue Bond Resolution 2003-53**

**Adopted September 23, 2003**

**Adopted November 15, 2018**

---



## **TABLE OF CONTENTS**

### **ARTICLE I DEFINITIONS AND STATUTORY AUTHORITY**

SECTION 1.01 Supplemental Resolution .....	1
SECTION 1.02 Definitions. ....	1
SECTION 1.03 Authority for this Supplemental Resolution .....	1

### **ARTICLE II AUTHORIZATION OF SERIES 2018 BONDS**

SECTION 2.01 Authorized Principal Amount, Designation, Purpose and Series .....	1
SECTION 2.02 Dates, Maturities, Principal Amounts and Interest .....	2
SECTION 2.03 Interest Payments .....	2
SECTION 2.04 Denominations, Numbers and Letters .....	2
SECTION 2.05 Places of Payment and Paying Agent .....	2
SECTION 2.06 Sinking Fund Redemptions .....	3
SECTION 2.07 Redemption Terms .....	3
SECTION 2.08 Delegation to an Authorized Officer .....	3
SECTION 2.09 Sale of Series 2018 Bonds .....	5
SECTION 2.10 Forms of Series 2018 Bonds and Trustee's Authentication Certificate .....	6

### **ARTICLE III DISPOSITION OF SERIES 2018 BOND PROCEEDS**

SECTION 3.01 Disposition of Series 2018 Bond Proceeds .....	6
---	---

### **ARTICLE IV TAX COVENANTS AND DEFEASANCE**

SECTION 4.01 Tax Covenants Relating to the Series 2018 Bonds .....	7
SECTION 4.02 Defeasance .....	7

### **ARTICLE V NOTICES**

SECTION 5.01 Notices .....	8
----------------------------	---

### **ARTICLE VI AMENDMENTS TO RESOLUTION**

SECTION 6.01 Amendments to Article I of the Resolution .....	9
SECTION 6.02 Amendment to Subsection 3 of Section 203 of the Resolution .....	11
SECTION 6.03 Amendment to Section 501 of the Resolution .....	12
SECTION 6.04 Amendment to Section 504 of the Resolution .....	12
SECTION 6.05 Amendment to Section 610 of the Resolution .....	13
SECTION 6.06 Effectiveness of Amendments to the Resolution .....	14

### **ARTICLE VII AMENDMENT TO RESOLUTION NO. 2018-08**

SECTION 7.01 Amendment to Resolution No. 2018-08 .....	14
--	----

**ARTICLE VIII MISCELLANEOUS**

**SECTION 8.01 Parking Facilities Not Part of Transit System ..... 14**

**Exhibit A – Form of Series 2018 Bond**

**Exhibit B – Form of Bond Purchase Agreement**

**Exhibit C – Form of Preliminary Official Statement**

**Exhibit D – Attachment G (Revised): FY2019 Federal Formula Match, System Performance &  
Long Term Debt Strategy Funding**

PROPOSED

## **2018 SUPPLEMENTAL BOND RESOLUTION**

### **Supplementing and Amending**

#### **Gross Revenue Bond Resolution 2003-53**

**Adopted September 23, 2003**

**BE IT RESOLVED** by the Board of Directors (the "Board") of **WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY** (the "Authority"), as follows:

### **ARTICLE I**

#### **DEFINITIONS AND STATUTORY AUTHORITY**

**SECTION 1.01 Supplemental Resolution.** This 2018 Supplemental Bond Resolution (the "Supplemental Resolution") is supplemental to, amends, and is adopted in accordance with Article II, Article IX and Article X of, Resolution 2003-53 of the Authority adopted on September 23, 2003, entitled "Gross Revenue Bond Resolution" (the "Resolution").

#### **SECTION 1.02 Definitions.**

1. All capitalized terms which are used but not otherwise defined in this Supplemental Resolution shall have the same meanings, respectively, as such terms are given by Section 101 of the Resolution.

2. In this Supplemental Resolution:

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"Series 2018 Bonds" shall mean the Gross Revenue Transit Bonds, Series 2018, authorized by Article II of this Supplemental Resolution.

**SECTION 1.03 Authority for this Supplemental Resolution.** This Supplemental Resolution is adopted pursuant to the provisions of the Compact and the Resolution.

### **ARTICLE II**

#### **AUTHORIZATION OF SERIES 2018 BONDS**

**SECTION 2.01 Authorized Principal Amount, Designation, Purpose and Series.** Pursuant to the provisions of the Resolution, and in order to finance Capital Costs, Obligations entitled to the benefit, protection and security of the provisions of the Resolution are hereby

authorized to be issued in an aggregate principal amount not exceeding the principal amount necessary so that, after giving effect to any original issue discount, and exclusive of any premium and underwriters' discount from the principal amounts, the amounts to be deposited in the Proceeds Account established pursuant to Section 3.01 of this Supplemental Resolution (exclusive of the amount so deposited therein determined in any Certificate of Determination as estimated to be necessary to fund a debt service reserve fund, to pay capitalized interest or to pay any Costs of Issuance of the Series 2018 Bonds payable from such Proceeds Account) shall not exceed \$262,700,000.

Such Obligations authorized by this Supplemental Resolution shall be designated as, and shall be distinguished from the Obligations of all other Series by the title, "Gross Revenue Transit Bonds, Series 2018" pursuant to and subject to the terms, conditions and limitations established in the Resolution and this Supplemental Resolution. Notwithstanding any other provision hereof, to the extent provided in one or more Certificates of Determination, such Series 2018 Bonds may be issued in one or more Series or subseries, on the same or on different dates, with such further or different designations as set forth in such Certificates of Determination. The Series 2018 Bonds shall be issued as Tax-Exempt Obligations.

**SECTION 2.02 Dates, Maturities, Principal Amounts and Interest.** The Series 2018 Bonds, except as otherwise provided in the Resolution, shall be dated the date or dates determined in the related Certificate of Determination and shall bear interest from such date or dates. The Series 2018 Bonds shall mature on the date or dates and in the year or years and principal amount or amounts, and shall bear interest at the rate or rates per annum, or in the manner determined in the related Certificate of Determination.

**SECTION 2.03 Interest Payments.** The Series 2018 Bonds shall bear interest from their date or dates and be payable on such date or dates as may be determined pursuant to the related Certificate of Determination. Except as otherwise provided in the related Certificate of Determination, interest on the Series 2018 Bonds shall be computed on the basis of twelve 30-day months and a 360-day year.

**SECTION 2.04 Denominations, Numbers and Letters.** Unless otherwise provided in the related Certificate of Determination, the Series 2018 Bonds shall be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof. The Series 2018 Bonds shall be lettered as provided in the related Certificate of Determination, and shall be numbered from one consecutively upwards.

**SECTION 2.05 Places of Payment and Paying Agent.** Except as otherwise provided in the related Certificate of Determination, principal and Redemption Price of the Series 2018 Bonds shall be payable to the registered owner of each Series 2018 Bond when due upon presentation of such Series 2018 Bond at the principal corporate trust office of The Bank of New York Mellon, as Trustee. Except as otherwise provided in the related Certificate of Determination, interest on the registered Series 2018 Bonds will be paid by check or draft mailed on the interest payment date by The Bank of New York Mellon, as Paying Agent, to the registered owner at the owner's address as it appears on the registration books or, at the option of any Owner of at least one million dollars (\$1,000,000) in principal amount of the Series 2018 Bonds, by wire transfer in immediately available funds on each interest payment date to such Owner thereof upon written notice from such



Owner to the Trustee, at such address as the Trustee may from time to time notify such Owner, containing the wire transfer address (which shall be in the continental United States) to which such Owner wishes to have such wire directed, if such written notice is received not less than twenty (20) calendar days prior to the related interest payment date (such notice may refer to multiple interest payments).

**SECTION 2.06 Sinking Fund Redemptions.** The Series 2018 Bonds, if any, determined in the related Certificate of Determination shall be subject to redemption in part, by lot, on each date in the year or years determined in the Certificate of Determination at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on each such date the principal amount of such Series 2018 Bonds.

**SECTION 2.07 Redemption Terms.** The Series 2018 Bonds may be subject to redemption prior to maturity, at the option of the Authority, upon notice as provided in Article IV of the Resolution, at any time as a whole or in part (and by lot within a maturity if less than all of a maturity is to be redeemed), from maturities designated by the Authority on and after the date and in the years and at the Redemption Prices (expressed as a percentage of principal amount) determined in the related Certificate of Determination, plus accrued interest up to but not including the redemption date.

**SECTION 2.08 Delegation to an Authorized Officer.** There is hereby delegated to each Authorized Officer, subject to the limitations contained in this Supplemental Resolution, the following powers with respect to the Series 2018 Bonds:

(a) to determine the principal amount of the Series 2018 Bonds, and any original issue discount or premium with respect to any of the Series 2018 Bonds, to be issued to accomplish the purposes authorized by Section 2.01 of this Supplemental Resolution which principal amount, exclusive of any premium, shall not exceed the principal amount permitted by Section 2.01 of this Supplemental Resolution;

(b) to determine the maturity date and principal amount of each maturity of the Series 2018 Bonds and the amount and due date of each Sinking Fund Installment if any; provided, however, that the Series 2018 Bonds shall not mature later than July 1, 2043;

(c) to determine the date or dates which the Series 2018 Bonds shall be dated and the interest rate or rates of the Series 2018 Bonds or the manner of determining such interest rate or rates; provided, however, that the all-in true interest cost with respect to the Series 2018 Bonds (as determined by an Authorized Officer of the Authority which determination shall be conclusive) shall not exceed six percent (6.00%) per annum;

(d) if applicable, to determine the purchase price for the Series 2018 Bonds to be paid by the Underwriters referred to in the Bond Purchase Agreement described in Section 2.09 of this Supplemental Resolution, which price may include such original issue discount and original issue premium as shall be determined in the related Certificate of Determination;

(e) to take all actions required for the Series 2018 Bonds to be eligible under the rules and regulations of The Depository Trust Company ("DTC") for investment and trading as uncertificated securities, to execute and deliver a standard form of letter of representation with DTC and, notwithstanding any provisions to the contrary contained in this Supplemental Resolution, to include in the related Certificate of Determination such terms and provisions as may be appropriate or necessary to provide for uncertificated securities in lieu of Series 2018 Bonds issuable in fully registered form;

(f) to determine the Redemption Price or Redemption Prices, if any, and the redemption terms, if any, for the Series 2018 Bonds; provided, however, that if the Series 2018 Bonds are to be redeemable at the election of the Authority, the Redemption Price shall not be greater than one hundred three percent (103%) of the principal amount of the Series 2018 Bonds to be redeemed, plus accrued interest thereon up to but not including the date of redemption;

(g) to determine the advisability, as compared to an unenhanced transaction, of obtaining a policy of bond insurance or a surety bond as a Credit Facility, to select a provider thereof and to determine and accept the terms and provisions and price thereof, to determine such other matters related thereto as in the opinion of the Authorized Officer executing the related Certificate of Determination shall be considered necessary or appropriate and to effect such determinations by entering into any reasonable contractual arrangements required by such Credit Facility provider; provided, however, that such Authorized Officer estimates, based upon the advice of the Authority's financial advisor, PFM Financial Advisors LLC, that the interest savings on the Series 2018 Bonds to be realized by purchasing such Credit Facility shall be greater than the premium paid for the purchase of such Credit Facility;

(h) to determine whether to fund, either with cash or a Credit Facility, a 2018 Bonds Debt Service Reserve Fund hereinafter established to secure the Series 2018 Bonds, and to size the requirement therefor consistent with current federal tax rules relating to Tax-Exempt Obligations and to authorize a Credit Facility to fund any such requirement or to substitute cash therefor, all in accordance with the provisions of the Resolution and upon the recommendation of the Authority's financial advisor, PFM Financial Advisors LLC, that funding such debt service reserve fund will enhance the marketability of the Series 2018 Bonds;

(i) to make such changes in or from the form of this Supplemental Resolution as may be necessary or desirable in order to cure any ambiguities, inconsistencies or other defects; and

(j) to determine such other matters specified in or permitted by (i) Sections 202 and 203 of the Resolution, as applicable, or (ii) this Supplemental Resolution.

2. Any Authorized Officer is hereby authorized to proceed with the offering and sale of the Series 2018 Bonds when that Authorized Officer deems such offering and sale advisable and to pay any Costs of Issuance associated with such offering and sale from the proceeds of the Series 2018 Bonds.



3. Any Authorized Officer shall execute one or more Certificates of Determination evidencing the determinations made pursuant to subsection 1 of this Section 2.08 and any such Certificate of Determination shall be conclusive evidence of the determinations of such Authorized Officer, as stated therein. Any Certificate of Determination shall be delivered to the Trustee prior to the authentication and delivery of the Series 2018 Bonds by the Trustee. Determinations set forth in the Certificate of Determination shall have the same effect as if set forth in this Supplemental Resolution.

**SECTION 2.09 Sale of Series 2018 Bonds.** Each Authorized Officer is hereby authorized to sell and award the Series 2018 Bonds to the underwriters (the "Underwriters") then approved by the Authority and referred to in the Bond Purchase Agreement (the "Bond Purchase Agreement"), which Bond Purchase Agreement shall be substantially in the form attached hereto as Exhibit B, with such revisions to reflect the terms and provisions of the Series 2018 Bonds as may be approved by the Authorized Officer executing the Bond Purchase Agreement, and with such other changes, omissions, insertions and revisions as such Authorized Officer shall deem advisable. Each Authorized Officer is hereby authorized to agree to the selection of the representative of the Underwriters as referred to in the Bond Purchase Agreement and to execute and deliver the Bond Purchase Agreement for and on behalf and in the name of the Authority with such changes, omissions, insertions and revisions as may be approved by the Authorized Officer executing the Bond Purchase Agreement, said execution being conclusive evidence of such approval and concurrence in the selection of the representative of the Underwriters.

Each Authorized Officer is hereby authorized to make public and to authorize the use and distribution by said Underwriters or other appropriate parties of a preliminary official statement (the "Preliminary Official Statement") in connection with the public offering of the Series 2018 Bonds, in substantially the form attached hereto as Exhibit C, with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Authority authorizes any of said officers to deliver a certification to the effect that such Preliminary Official Statement, together with such other documents, if any, described in such certificate, was deemed final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, as applicable.

Each Authorized Officer is hereby authorized to make public and to authorize distribution of a final Official Statement in substantially the form of the Preliminary Official Statement, but reflecting the provisions of the Certificate of Determination, together with such changes, omissions, insertions and revisions as such Authorized Officer shall deem advisable, to sign such Official Statement and to deliver such Official Statement to the purchasers of the Series 2018 Bonds, such execution being conclusive evidence of the approval of such changes, omissions, insertions and revisions.

Each Authorized Officer is hereby authorized to execute and deliver for and on behalf and in the name of the Authority, to the extent determined by such Authorized Officer to be necessary or convenient, a Continuing Disclosure Agreement, substantially in the form attached as Exhibit D to the Form of Preliminary Official Statement, with such changes, omissions, insertions and revisions as such Authorized Officer shall deem advisable (the "Continuing Disclosure Agreement"), said execution being conclusive evidence of the approval of such changes, omissions, insertions and revisions.

The proceeds of the good faith deposit, if any, received by the Authority from the Underwriters under the terms of the Bond Purchase Agreement may be invested by the Authority pending application of the proceeds of such good faith deposit for the purposes provided in Section 2.01 of this Supplemental Resolution at the time of the issuance and delivery of such Series 2018 Bonds.

Each Authorized Officer is hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts necessary or proper, including the indemnification of the Underwriters and other service providers as provided for in such documents and instruments for carrying out the Bond Purchase Agreement, the Continuing Disclosure Agreement, the terms of any Credit Facility, and the issuance, sale and delivery of the Series 2018 Bonds and for implementing the terms of the Series 2018 Bonds, and in accordance with the requirements of the Code, and the transactions contemplated hereby or thereby, including ongoing payments for debt service, Trustee and other applicable fees and services.

When reference is made in this Supplemental Resolution to the authorization of an Authorized Officer to do any act, such act may be accomplished by any of such officers individually.

**SECTION 2.10 Forms of Series 2018 Bonds and Trustee's Authentication Certificate.** Subject to the provisions of the Resolution, the form of registered Series 2018 Bonds and the Trustee's certificate of authentication, shall be substantially in the form attached hereto as Exhibit A including, if necessary, any changes to comply with the requirements of DTC or the provisions of this Supplemental Resolution or any Certificate of Determination.

### **ARTICLE III**

#### **DISPOSITION OF SERIES 2018 BOND PROCEEDS**

##### **SECTION 3.01 Disposition of Series 2018 Bond Proceeds.**

1. The proceeds of the sale of the Series 2018 Bonds, other than accrued interest, if any, shall be deposited, simultaneously with the issuance and delivery of the Series 2018 Bonds, at one time or from time to time in one or more Series or subseries, in each case in amounts as determined in any Certificate of Determination as follows:

(a) in the Proceeds Account which is hereby established in the Proceeds Fund to be applied to the payment of all or any part of the Capital Costs;

(b) to fund, either with cash or the purchase of a Credit Facility, as provided in such Certificate of Determination, a 2018 Bonds Debt Service Reserve Fund in the amount, if any, required pursuant to such Certificate of Determination; and

(c) the balance of such proceeds, exclusive of accrued interest, shall be deposited in the Costs of Issuance Account and applied to the payment of Costs of Issuance.

Unless otherwise provided in a Certificate of Determination, the accrued interest, if any, and any capitalized interest, received on the sale of the Series 2018 Bonds shall be deposited in the Debt Service Fund.

2. To the extent provided for in the related Certificate of Determination, there shall be established the "2018 Bonds Debt Service Reserve Fund" which shall be held and administered by the Trustee. No cash or Credit Facility shall be deposited therein except and to the extent provided in the related Certificate of Determination. In addition, in accordance with the provisions of Section 504 of the Resolution, the Authority will be obligated to build up or replenish such Fund at the times, in the manner and in the amounts provided in such Certificate of Determination. Amounts, if any, on deposit therein shall be applied by the Trustee for the benefit of the Owners of the Series 2018 Bonds and the provider, if any, of such Credit Facility, all to the extent and in the manner provided in such Certificate of Determination.

## **ARTICLE IV**

### **TAX COVENANTS AND DEFEASANCE**

**SECTION 4.01 Tax Covenants Relating to the Series 2018 Bonds.** The Authority covenants that, in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2018 Bonds issued as Tax-Exempt Obligations, the Authority will satisfy, or take such actions as are necessary to cause to be satisfied, each provision of the Code necessary to maintain such exclusion. In furtherance of this covenant, the Authority agrees to comply with such written instructions as may be provided by Bond Counsel. In furtherance of the covenant contained in the preceding sentence, the Authority agrees to continually comply with the provisions of any "Arbitrage and Use of Proceeds Certificate" executed by the Authority in connection with the execution and delivery of any Series 2018 Bonds issued as Tax-Exempt Obligations, as amended from time to time.

Notwithstanding any other provision of the Resolution to the contrary, upon the Authority's failure to observe, or refusal to comply with, the above covenant (a) the Owners of the Series 2018 Bonds, or the Trustee acting on their behalf, shall be entitled to the rights and remedies provided to Owners or the Trustee under Section 702 of the Resolution, and (b) neither the Owners of the Obligations of any Series or holders of any Parity Debt (other than the Series 2017B Bonds or the Trustee acting on their behalf), nor the Trustee acting on their behalf, shall be entitled to exercise any right or remedy provided to the Owners, the Parity Debt holders or the Trustee under the Resolution based upon the Authority's failure to observe, or refusal to comply with, the above covenant.

The provisions of the foregoing covenants set forth in this Section, shall not apply to any Series 2018 Bonds, including any subseries thereof, which the Authority determines pursuant to the applicable Certificate of Determination to issue as Taxable Obligations.

**SECTION 4.02 Defeasance.** In the event the Authority shall seek, prior to the maturity or redemption date thereof, to pay or cause to be paid, within the meaning and with the effect expressed in the Resolution, all or less than all Outstanding Series 2018 Bonds issued as Tax-Exempt Obligations and the provisions of Section 4.01 hereof shall then be of any force or effect,



then, notwithstanding the provisions of Article XI of the Resolution, the Series 2018 Bonds issued as Tax-Exempt Obligations which the Authority then seeks to pay or cause to be paid shall not be deemed to have been paid within the meaning and with the effect expressed in Section 1101 of the Resolution unless (i) the Authority has confirmed in writing that the Owners of the Series 2018 Bonds issued as Tax-Exempt Obligations which the Authority then seeks to pay or cause to be paid will continue, after such action, to have the benefit of a covenant to the effect of the covenant of the Authority contained in Section 4.01 hereof or (ii) there shall have been delivered to the Trustee an Opinion of Bond Counsel to the effect that non-compliance thereafter with the applicable provisions of the Code will not affect the then current treatment of interest on the Series 2018 Bonds issued as Tax-Exempt Obligations in determining gross income for Federal income tax purposes.

## **ARTICLE V**

### **NOTICES**

**SECTION 5.01 Notices.** Unless otherwise specified in the Resolution, any notice required or permitted to be given under or in connection with the Resolution shall be in writing and shall be mailed by first-class mail, registered or certified, return receipt requested, or express mail, postage prepaid, or sent by Electronic Means confirmed by mailing (by first-class mail, registered or certified, return receipt requested, or express mail, postage prepaid) written confirmation at substantially the same time as such delivery by Electronic Means, or personally delivered to an officer of the receiving party. All such communications shall be mailed, sent or delivered to the addresses or numbers set forth below, or as to each party at such other address or numbers as shall be designated by such party in a written notice to the other parties:

The Authority: Washington Metropolitan Area Transit Authority  
600 Fifth Street NW  
Washington, DC 20001  
Attention: Craig Gross, Treasurer  
Telephone: (202) 962-2882  
Facsimile: (202) 962-2801  
Email: csgross@wmata.com

The Trustee: The Bank of New York Mellon  
BNY Mellon Global Corporate Trust – Public Finance  
385 Rifle Camp Road, 3rd Floor  
Woodland Park, NJ 07424  
Attention: Rosemary Melendez, Vice President  
Telephone: (973) 247-4740  
Facsimile: (973) 357-7840  
Email: rosemary.melendez@bnymellon.com

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to the Resolution and related financing documents and delivered using Electronic Means; provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing those of its Authorized Officers with the authority to

provide such Instructions (“Authorized Funds Transfers Officers”) and containing specimen signatures of such designated Authorized Officers, which incumbency certificate shall be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only such Authorized Officers designated hereunder transmit such Instructions to the Trustee and that the Authority and all such Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

## **ARTICLE VI**

### **AMENDMENTS TO RESOLUTION**

#### **SECTION 6.01 Amendments to Article I of the Resolution.**

1. The following definitions in Article I of the Resolution are hereby amended and restated as follows:

“**Authorized Officer** shall mean (i) the Chairman and the Vice Chairman, (ii) the General Manager and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Comptroller, the Treasurer, the Board Corporate Secretary and any Assistant Board Corporate Secretary of the Authority, or successor positions regardless of title performing the same or similar functions and (iii) any other Person authorized by the Authority pursuant to a duly adopted resolution of the Authority to perform the act or sign the document in question.”

“**Trust Estate** shall mean:

(i) with respect to Pre-2018 Obligations, collectively, but subject to the terms and provisions of Section 501, all right, title and interest of the Authority in:

- (a) all Gross Revenues;
- (b) the proceeds of the sale of the Obligations;

(c) all Funds, Accounts and Subaccounts established by the Resolution (other than funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations; *provided however*, that such funds, accounts and subaccounts are specifically excepted from the Trust Estate by the Supplemental Resolution authorizing such Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments and proceeds, if any, thereof; and

(d) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times, and to hold and apply the same, subject to the terms hereof; and

(ii) with respect to Obligations, Parity Debt, Subordinated Indebtedness and Subordinated Contract Obligations issued by the Authority on or after November 15, 2018, collectively, but subject to the terms and provisions of Section 501, all right, title and interest of the Authority in:

(a) all Gross Revenues, except for any Future Dedicated Revenues and income received from the investment of any Future Dedicated Revenues;

(b) the proceeds of the sale of the Obligations;

(c) all Funds, Accounts and Subaccounts established by the Resolution (other than (i) the Future Dedicated Revenues Account, and (ii) any funds, and any accounts and subaccounts in such funds, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations; *provided however*, that such funds, accounts and subaccounts are specifically excepted from the Trust Estate by the Supplemental Resolution authorizing such Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments and proceeds, if any, thereof; and

(d) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is hereby authorized to receive



any and all such property at any and all times, and to hold and apply the same, subject to the terms hereof.”

2. The following definitions are hereby added to Article I of the Resolution:

“**Dedicated Revenues** shall mean the amounts received by the Authority under the following legislative enactments: (i) from the District of Columbia under D.C. Act 22-434 § 6002 or any successor statute, as the same may be amended from time to time in the future; (ii) from the State of Maryland under Md. Transportation Code Ann. § 10-205(g) or any successor statute, as the same may be amended from time to time; and (iii) from the Commonwealth of Virginia under the Va. Code §33.2-3401.B or any successor statute, as the same may be amended from time to time. Dedicated Revenues shall also include funds paid by any of the District of Columbia, the State of Maryland, the Commonwealth of Virginia or any other Participating Jurisdiction in-lieu of such amounts.”

“**Future Dedicated Revenues** shall mean and include (a) the Dedicated Revenues and (b) any revenues, taxes, charges, assessments or other funding sources to be paid to the Authority by any of the Commonwealth of Virginia, the State of Maryland, the District of Columbia or any Political Subdivision under any legislative enactment taking effect on or after November 15, 2018.”

“**Future Dedicated Revenues Account** shall mean the Future Dedicated Revenues Account established in Section 504.”

“**Gross Revenues Account** shall mean the Gross Revenues Account established in Section 504.”

“**Pre-2018 Obligations** shall mean the \$496,500,000 Gross Revenue Transit Bonds, Series 2017B, of the Authority at any time outstanding under the Resolution, the \$197,370,000 Gross Revenue Transit Refunding Bonds, Series 2017A, of the Authority at any time outstanding under the Resolution, the \$242,675,000 Gross Revenue Transit Bonds, Series 2009A, of the Authority at any time outstanding under the Resolution, the \$55,000,000 Gross Revenue Transit Bonds, Series 2009B, of the Authority at any time outstanding under the Resolution, and any other Obligations, Parity Debt, Subordinated Indebtedness, Subordinated Contract Obligations or other indebtedness issued and secured under the Resolution prior to November 15, 2018.”

**SECTION 6.02 Amendment to Subsection 3 of Section 203 of the Resolution.**  
Subsection 3 of Section 203 of the Resolution is hereby amended and restated as follows:

“3. The Obligations of each such Series shall be authenticated and delivered by the Trustee upon receipt by the Trustee of a certificate of an Authorized Officer certifying, based on the Authority’s records, that Gross Revenues for any twelve (12) consecutive months out of the last eighteen (18) months immediately preceding the incurrence or issuance of such Obligations, adjusted so as to reflect what would have been in effect for such twelve (12) month period with any fare increase at least thirty (30) days prior to the date of incurrence or issuance of such Obligations, shall at least equal 400% of the Average Annual Aggregate Debt Service (with respect to all Obligations and Parity Debt, including the Obligations being incurred or issued) for the period commencing with the Fiscal Year next following the incurrence or issuance of such

Obligations and ending with the Fiscal Year which includes the latest maturity or payment date of any Outstanding Obligations; provided that for purposes of computing such coverage ratio for any Series of Obligations issued under the Resolution on or after November 15, 2018, the computation of Gross Revenues shall exclude any Future Dedicated Revenues received by the Authority.”

**SECTION 6.03 Amendment to Section 501 of the Resolution.** Subsections 1 and 2 of Section 501 of the Resolution are hereby amended and restated as follows:

1. There are hereby pledged for the payment of the principal and Redemption Price of, and interest on, and Sinking Fund Installments for, the Obligations and, on a parity basis, Parity Debt, in accordance with their terms and the provisions of the Resolution, all right, title and interest of the Authority in and to the Trust Estate, subject only to (i) the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution and (ii) the provisions of subsection 4 of Section 506 hereof. For the avoidance of doubt, based on the definition of Trust Estate: (A) with respect to the Pre-2018 Obligations, Trust Estate includes Future Dedicated Revenues and investment income thereon; and (B) with respect to any Obligations, Parity Debt, Subordinated Indebtedness and Subordinated Contract Obligations issued by the Authority on or after November 15, 2018, Trust Estate does not include any Future Dedicated Revenues nor any investment income earned thereon.

2. The pledge created by subsection 1 of this Section 501 shall in all respects secure on a *pari passu* basis all of the Obligations and Parity Debt and, except as expressly so provided, nothing contained in the Resolution shall be deemed to confer on the Owners of any Obligations or Parity Debt any rights in the Trust Estate superior or inferior to the Owners of any other Obligations or Parity Debt. Notwithstanding the previous sentence, for the avoidance of doubt, the portion of the Trust Estate comprised of any Future Dedicated Revenues and investment income thereon is not pledged for the payment of the principal and Redemption Price of, and interest on, and Sinking Fund Installments for, or as part of the Trust Estate securing, any Obligations, Parity Debt, Subordinated Indebtedness and Subordinated Contract Obligations issued on or after November 15, 2018.”

**SECTION 6.04 Amendment to Section 504 of the Resolution.** Section 504 of the Resolution is hereby amended and restated as follows:

**“Section 504. Revenue Fund, Gross Revenues and Application Thereof.**

1. The Authority shall establish within the Revenue Fund a Gross Revenues Account and a Future Dedicated Revenues Account. The Gross Revenues Account shall be funded and applied pursuant to subsection 2 below, and the Future Dedicated Revenues Account shall be funded and applied pursuant to subsection 3 below.

2. The Authority shall deposit into the Gross Revenues Account of the Revenue Fund all Gross Revenues, other than any Future Dedicated Revenues, as soon as practicable after the receipt thereof. The Authority shall apply all amounts in the Gross Revenues Account of the Revenue Fund in the amounts and in the order of priority as follows:

(a) payment to the Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Accrued Debt Service; provided that, for the purposes of computing

the amount to be deposited in said Fund, there shall be excluded the amount, if any, set aside in any account within the Debt Service Fund or the Proceeds Fund from the proceeds of Obligations or Parity Debt for the payment of interest on Obligations or Parity Debt to the last day of the then current Quarter;

(b) transfer to another Person in accordance with any related Supplemental Resolution in the case of any Obligations or Parity Debt, all amounts required by such Supplemental Resolution to build up or replenish any debt service reserve fund established under any Supplemental Resolution for such Obligations or Parity Debt;

(c) transfer to another Person in accordance with any Supplemental Resolution or other authorizing document creating Subordinated Indebtedness or Subordinated Contract Obligations for payment of, or accrual for payment of, principal of and interest on any Subordinated Indebtedness or for payment of amounts due under any Subordinated Contract Obligation;

(d) transfer to the Authority for deposit in the Proceeds Fund as directed in writing by an Authorized Officer of the Authority; and

(e) transfer to such accounts held by the Authority as an Authorized Officer shall specify in writing to the Trustee.

Amounts paid out from any Fund or Account for an authorized purpose (excluding transfers to any other pledged Fund or Account) or transferred pursuant to clause (e) of this subsection 2 shall be free and clear of the lien and pledge created by the Resolution.

3. (a) The Authority shall deposit into the Future Dedicated Revenues Account of the Revenue Fund all Future Dedicated Revenues as soon as practicable after the receipt thereof. Subject to the provisions of subsection 3(b) of this Section 504, the Authority may at any time and from time to time transfer any and all amounts in the Future Dedicated Revenues Account to any lawful purpose and amounts so transferred shall be free and clear of the lien and pledge created by the Resolution unless transferred to a Fund or Account pledged under the Resolution.

(b) Whenever the amount of Gross Revenues paid or transferred out of the Gross Revenues Account in respect of Pre-2018 Obligations only, as required under subsections 2(a), 2(b) and 2(c) of this Section 504, is less than the amount which should have been so transferred, then an amount equal to such deficiency shall be held in the Future Dedicated Revenues Account and applied in a timely manner to the payment when due of such Pre-2018 Obligations. Should such deficiency be made up from other sources, or such Pre-2018 Obligations be otherwise paid, then the amount so held in the Future Dedicated Revenues Account may be applied as provided in subsection 3(a) of this Section 504.”

**SECTION 6.05 Amendment to Section 610 of the Resolution.** Section 610 of the Resolution is hereby amended by deleting subsection 2 thereof in its entirety.

**SECTION 6.06 Effectiveness of Amendments to the Resolution.**

1. The amendments and restatements made to the Resolution in Sections 6.01, 6.02, 6.03 and 6.04 of this Article VI shall take effect following (a) the adoption of this



Supplemental Resolution, (b) the filing with the Trustee of a copy of this Supplemental Resolution certified by an Authorized Officer as provided in Section 901 of the Resolution, (c) consent of the underwriters of the Series 2018 Bonds to such amendments and restatements as provided in Section 1002 of the Resolution and (d) the disclosure of such amendments and restatements as provided in Section 1002 of the Resolution.

2. The amendments and restatements made to the Resolution in Section 6.05 of this Article VI shall take effect at such time as no Pre-2018 Obligations shall remain Outstanding under the Resolution.

## **ARTICLE VII**

### **AMENDMENT TO RESOLUTION NO. 2018-08**

**SECTION 7.01 Amendment to Resolution No. 2018-08.** The Authority hereby amends Resolution No. 2018-08 by replacing Attachment G thereto with the document attached hereto as Exhibit D and entitled "Attachment G (Revised): FY2019 Federal Formula Match, System Performance & Long Term Debt Strategy Funding".

## **ARTICLE VIII**

### **MISCELLANEOUS**

**SECTION 8.01 Parking Facilities Not Part of Transit System.** Subject to the provisions of the Resolution and the Compact, the Authority hereby declares and notifies the Trustee that all parking facilities under the control, ownership or management of the Authority, whether or not now or hereafter subject to Lease Obligations, so long as no Obligations are outstanding, the proceeds of which in whole or in part financed such parking facilities, shall constitute Parking Facilities and shall not be part of the Transit System and Revenues derived therefrom shall not constitute Gross Revenues.

In order to timely close on the Series 2018 Bonds, this Supplemental Resolution shall be effective immediately.

Reviewed for form and legal sufficiency,

  
\_\_\_\_\_  
Patricia Y. Lee  
General Counsel

WMATA File Structure No.:  
4.1.0 Bonds

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated October \_\_, 2018, is executed and delivered by the Washington Metropolitan Area Transit Authority (the “Authority”) in connection with the issuance and sale of the Authority’s \$262,700,000\* General Revenues Transit Bonds, Series 2018 (the “Bonds”), issued pursuant to the Resolution (as defined in the Official Statement). Capitalized terms used in this Agreement which are not otherwise defined in the Official Statement or the Resolution shall have the respective meanings specified above or in Article IV hereof.

### ARTICLE I

#### The Undertaking

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

Section 1.2. Annual Financial Information. (a) Commencing with the Fiscal Year ending June 30, 2018, the Authority shall provide to the MSRB no later than December 31, 2018, and no later than each succeeding December 31 thereafter, Annual Financial Information with respect to each Fiscal Year of the Authority.

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

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

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

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

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

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

---

\*-Preliminary, subject to change.

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

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

## ARTICLE II

### Operating Rules

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

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

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

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

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

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

Section 2.6. Fiscal Year. (a) The Authority's current Fiscal Year begins July 1 and ends on June 30, and the Authority shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its Fiscal Year.

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



## ARTICLE III

### Effective Date, Termination, Amendment and Enforcement

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

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

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

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

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

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

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

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Authority in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the

former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

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

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

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

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

## **ARTICLE IV**

### **Definitions**

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

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

(a) Audited Financial Statements, if available, or Unaudited Financial Statements for the immediately preceding Fiscal Year; and

(b) to the extent such information is not contained in the Audited Financial Statements, the financial information and operating data with respect to the Authority, substantially similar to the type set forth in Tables [1, 4-7, and 9-12] in the Official Statement.

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

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

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

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

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

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

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

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;

- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

With regard to the reportable event described in subsection (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(7) “Official Statement” means the Official Statement dated October \_\_, 2018, of the Authority relating to the Bonds.

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

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

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

**WASHINGTON METROPOLITAN AREA  
TRANSIT AUTHORITY**

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

## BOND PURCHASE AGREEMENT

\$[ ]

**WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**  
**Gross Revenue Transit Bonds**  
**Series 2018**

December [ ], 2018

Washington Metropolitan Area Transit Authority  
600 Fifth Street, N.W.  
Washington, DC 20001

Ladies and Gentlemen:

Citigroup Global Markets Inc., as representative of the underwriters (the “Representative”) on behalf of itself and Bank of America Merrill Lynch, Ramirez & Co., Blaylock Van, LLC, Estrada Hinojosa & Co., PNC Capital Markets LLC, Wells Fargo Securities, and The Williams Capital Group, L.P. (collectively, the “Underwriters”), offers to enter into this Bond Purchase Agreement (this “Purchase Agreement”) with the Washington Metropolitan Area Transit Authority (the “Authority”), whereby the Underwriters will purchase and the Authority will sell the Bonds (as defined and described below). The Underwriters are making this offer subject to the acceptance by the Authority at or before 5:00 P.M., New York, New York Time, on the date hereof. If the Authority accepts this Purchase Agreement, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall bind both the Authority and the Underwriters. The Underwriters may withdraw this Purchase Agreement upon written notice delivered by the Representative, on behalf of the Underwriters to the Authority at any time before the Authority accepts this Purchase Agreement. All capitalized terms used herein and not defined shall have the meanings given to them in the Gross Revenue Bond Resolution, adopted by the Authority's Board of Directors on September 25, 2003 (the “Bond Resolution”), as supplemented by the 2018 Supplemental Bond Resolution, adopted by the Authority's Board of Directors on November 15, 2018 (the “2018 Supplemental Resolution”, and together with the Bond Resolution, the “Resolution”), or in the Official Statement identified below.

**1. Purchase and Sale.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriters hereby agree to purchase from the Authority, and the Authority hereby agrees to sell and deliver to the Underwriters, all (but not less than all) of the following bonds: Gross Revenue Transit Bonds, Series 2018, in the original principal amount of \$[ ] (the “Bonds”). The purchase price for the Bonds is \$[ ] (consisting of the par amount of the Bonds, plus premium of \$[ ] and less Underwriter's discount of \$[ ]).

The Authority acknowledges and agrees that: (i) the primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm's length commercial transaction between the Authority and the Underwriters and the Underwriters have financial and other interests that differ from those of the Authority; (ii) the Underwriters are acting solely as principals and are not acting as municipal advisors, financial advisors or fiduciaries to the Authority and have not assumed any advisory or fiduciary responsibility to the Authority with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the Authority on other matters); (iii) the only obligations the Underwriters have to the Authority with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement; and (iv) the Authority has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

**2. Description and Purpose of the Bonds.** The Bonds shall be dated the date of delivery. The Bonds are to be issued and sold by the Authority pursuant to and in accordance with the provisions of the Washington Metropolitan Area Transit Authority Compact (the "Compact") and the Resolution. The Bonds will constitute special obligations of the Authority secured solely by the Trust Estate pledged therefor by the Resolution. The pledge of the Trust Estate for the Bonds shall be on parity with the outstanding Series 2009A Bonds, the Series 2009B Bonds, the Series 2016A Bonds and the Series 2017A Bonds, which will all remain outstanding following the delivery of the Bonds, except that only the Pre-2018 Obligations will be secured by and payable from Future Dedicated Revenues.

The proceeds of the Bonds will be used, together with certain other funds, (i) to finance Capital Costs, (ii) pay capitalized interest on the Bonds, and (iii) pay certain costs of issuing the Bonds, including the Underwriters' discount. The Bonds will mature on the dates and in the amounts and will bear interest and will be subject to redemption prior to maturity as set forth on Schedule 1 hereto, and payable as provided in the Resolution.

**3. Establishment of Issue Price.**

(a) The Representative, on behalf of the Underwriters agrees to assist the Authority in establishing the "issue price" of the Bonds and shall execute and deliver to the Authority prior to the Closing Date a certificate acceptable to Bond Counsel (as defined herein) setting forth the reasonably expected Initial Public Offering Prices (as hereinafter defined), or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit F, with such modifications as may be appropriate or necessary in the reasonable judgment of the Representative, the Authority or Bond Counsel.

(b) Except as otherwise set forth in Schedule I attached hereto, the Authority will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Representative shall report to the Authority the price or prices at which the Underwriters have sold to the public each maturity of the Bonds. The Representative confirms that the Underwriters



have offered each maturity of the Bonds to the public on or before November [\_\_\_\_], 2018 (the “Sale Date”), at the initial public offering price or prices (the “Initial Public Offering Prices”) set forth in Schedule I hereto. Schedule I also sets forth, as of the Sale Date, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Authority and the Representative, on behalf of the Underwriters, agree that (i) the Representative will retain all unsold Bonds of each maturity for which the 10% test has not been satisfied and not allocate any such Bonds to any other Underwriter and (ii) the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the Sale Date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Representative will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the Initial Public Offering Price for such maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the Sale Date; or
  - (2) the date on which the Underwriters have first sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Public Offering Price for such maturity (the “10% test”).
- (c) The Representative will advise promptly the Authority when the Underwriters have first sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Public Offering Price if that occurs prior to the close of the fifth (5<sup>th</sup>) business day after the Sale Date.
- (d) The Authority acknowledges that, in making the representation set forth above, the Underwriters will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Authority further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.
- (e) The Representative confirms that:
- (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which any Underwriter is a party) relating to the sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating

each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to

(A)(i) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriters that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (ii) comply with the hold-the-offering-price rule, in each case if and for so long as directed by the Underwriters and in the related pricing wires;

(B) to promptly notify the Representative of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public; and

(C) to acknowledge that, unless otherwise advised by the Underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by the Underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, in each case if and for so long as directed by such underwriter and as set forth in the related pricing wires.

(f) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Section. Further, for purposes of this Section:

(i) "public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an underwriter or a related party;

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the

partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

- (iv) “sale date” means the date of execution of this Purchase Agreement by all parties.

**4. Delivery of the Official Statement and Other Documents.**

A. The Authority has delivered or caused to be delivered to the Underwriters copies of the Preliminary Official Statement dated November [\_\_\_], 2018, which, together with the cover page and appendices thereto, is herein referred to as the “Preliminary Official Statement.” It is acknowledged by the Authority that the Underwriters may deliver the Preliminary Official Statement and a final Official Statement (as hereinafter defined) electronically over the internet and in printed paper form. For purposes of this Purchase Agreement, the printed paper form of the Preliminary Official Statement and the Official Statement are deemed controlling. The Authority deems the Preliminary Official Statement final as of its date and as of the date hereof for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for any information which is permitted to be omitted therefrom in accordance with paragraph (b)(1) thereof.

B. Within seven (7) business days from the date hereof, and in any event not later than two (2) business days before the Closing Date, the Authority shall deliver to the Underwriters a final Official Statement relating to the Bonds dated the date hereof (such Official Statement, including the cover page, and all appendices attached thereto, together with all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements and statements incorporated by reference therein or attached thereto, as have been approved by the Authority, Bond Counsel, Disclosure Counsel and the Representative, is referred to herein as the “Official Statement”) and such additional conformed copies thereof as the Representative may reasonably request in sufficient quantities to comply with Rule 15c2-12, rules of the Municipal Securities Rulemaking Board (“MSRB”) and to meet potential customer requests for copies of the Official Statement. The Underwriters agree to file a copy of the Official Statement, including any amendments or supplements thereto prepared by the Authority, with the MSRB on its Electronic Municipal Markets Access (“EMMA”) system. The Authority shall execute the Official Statement by an authorized officer of the Authority. The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the Authority shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Representative. The Underwriters hereby agree to cooperate and assist in the preparation of the Official Statement. The Authority hereby agrees to deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission (“SEC”). The Authority hereby ratifies, confirms and approves the use and distribution by the Underwriters before the date hereof of the Preliminary Official Statement and hereby authorizes the Underwriters to use the Official Statement and the Resolution in connection with the public offering and sale of the Bonds.

C. In order to assist the Underwriters in complying with Rule 15c2-12, the Authority will undertake, pursuant to the Continuing Disclosure Agreement, to provide annual

financial information and notices of the occurrence of specified events, in the form attached as an appendix to the Preliminary Official Statement and the Official Statement.

**5. Representations.** The Authority represents to and agrees with the Underwriters that:

(a) The Authority is, and will be at the date of the Closing, a body corporate and politic, existing pursuant to the Compact and the Capital Transportation Act, with the powers and authority, among others, set forth in the Compact and the Capital Transportation Act, having full power and authority to carry out and consummate all transactions contemplated by this Purchase Agreement, the Official Statement the Continuing Disclosure Agreement and the Resolution.

(b) On September 25, 2003 and November 15, 2018, the Authority duly adopted the Bond Resolution and the 2018 Supplemental Resolution, respectively, in accordance with the requirements of all applicable laws and the procedural rules of the Authority, authorizing the execution, delivery and performance of the action required in connection with the issuance of the Bonds, this Purchase Agreement, the Preliminary Official Statement, the Official Statement and the Continuing Disclosure Agreement, and that the Bond Resolution and the 2018 Supplemental Resolution are in full force and effect.

(c) The execution and delivery of the Bonds, this Purchase Agreement, the Continuing Disclosure Agreement and the Official Statement, and compliance with the provisions herein and therein, under the circumstances contemplated hereby, will not conflict with or constitute on the part of the Authority, a breach of or default under the Capital Transportation Act or the Compact, any material agreement or other instrument to which the Authority is a party or by which the Authority is bound or any existing law, administrative regulation, court order or consent decree to which the Authority is subject.

(d) All consents, approvals and permits that are required for the due authorization by the Authority of its obligations under this Purchase Agreement, the Continuing Disclosure Agreement, the Official Statement and the Resolution have been obtained, and when delivered to and paid for by the Underwriters at the Closing in accordance with the provisions of this Purchase Agreement, the Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and binding special obligations of the Authority in conformity with, and entitled to the benefit and security of, the Resolution, enforceable against the Authority in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights to the extent applicable and by the exercise of judicial discretion in appropriate cases.

(e) The Resolution creates in favor of the Bonds a pledge and lien on the rights of the Authority in and to the Trust Estate on a parity with the lien thereon of any existing or future debt issued under the Resolution, except that only the Pre-2018 Obligations will be secured by and payable from Future Dedicated Revenues. The Authority is prohibited from creating a pledge of or lien on the Trust Estate that is superior to the pledge that secures the Bonds.

(f) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, public board, governmental agency or body pending,

or, to the Authority's knowledge, threatened against or affecting the Authority or the Participating Jurisdictions, wherein an unfavorable decision, ruling or finding would (1) adversely affect the applicable transactions contemplated by the Bonds, this Purchase Agreement, the Official Statement or the Resolution, (2) restrain or enjoin the issuance or delivery of the Bonds, or in any way contest or affect the validity of the Bonds, the Capital Transportation Act, the Compact, this Purchase Agreement, or the Resolution, (3) restrain or enjoin the pledge or application of any moneys or security provided for the payment of the Bonds, including the payment of the obligations of the Participating Jurisdictions under the Compact or the Capital Funding Agreement, (4) adversely affect the existence or powers of the Authority insofar as they relate to the authorization, sale and issuance of the Bonds or such pledge or application of moneys and security, or any applicable agreement or instrument to which the Authority is a party and which is used or is contemplated for use in the consummation of the applicable transactions contemplated by the Bonds, this Purchase Agreement, the Resolution, the Continuing Disclosure Agreement or the Official Statement, (5) otherwise adversely affect the Bonds, this Purchase Agreement, the Resolution, the Continuing Disclosure Agreement or the Official Statement or any agreement or instrument to which the Authority is or is expected to be a party and which is used or contemplated for use in the consummation of the applicable transactions contemplated by any of the foregoing, or (6) adversely affect the business of the Authority.

(g) The Authority's audited financial statements for the fiscal year ended June 30, 2017, contained in the Preliminary Official Statement and the Official Statement present fairly the financial position of the Authority as of the date indicated and the results of operations of the Authority for the periods specified, and such financial statements have been prepared in conformity with generally accepted accounting principles consistently applied in all material respects for the periods involved and the Authority is authorized to include such financial statements in the Preliminary Official Statement and the Official Statement. There has been no material adverse change in the financial position or results of operations of the Authority from those set forth in such financial statements.

(h) Except as disclosed in the Official Statement, the Resolution and this Purchase Agreement are, and at the Closing will be, in full force and effect in accordance with their terms and, as of the Closing, will not have been amended, modified or supplemented in any material respect by the Authority, and to the extent the Authority can control any other parties thereto, by any other parties thereto.

(i) The Authority is not in default in the payment of principal or interest on any bond, note or other general or limited obligation for borrowed money nor is it in default under any agreement or instrument under which any obligation for borrowed money has been issued, and no event of which the Authority has notice or knowledge has occurred under the provisions of any such instrument or agreement which, with or without the lapse of time or the giving of notice, or both, constitutes or would constitute a default thereunder.

(j) Any certificate or copy of any certificate signed by any official of the Authority and delivered to the Underwriters pursuant hereto or in connection herewith shall be deemed a representation by the Authority to the Underwriters as to the truth of the statements made therein.



(k) This Purchase Agreement, the Continuing Disclosure Agreement and the Resolution are legal, valid and binding obligations of the Authority in accordance with their terms, except as enforceability may be limited by bankruptcy, involuntary, reorganization, moratorium and other similar laws affecting creditors' rights and have been executed and delivered, or will be executed and delivered on or before the Closing Date, by each respective signatory and are currently in full force and effect or, as of the Closing Date, will be in full force and effect.

(l) Between the date hereof and the time of the Closing, the Authority shall not, without the prior written consent of the Representative, offer or issue in any material amount any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, except in the course of normal business operations of the Authority, except for such borrowings as may be described in or contemplated by the Official Statement.

(m) Except for information which is permitted to be omitted pursuant to Rule 15c2-12(b)(1), the Preliminary Official Statement, as of its date and as of the date hereof was and is true and correct in all material respects and did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(n) The Official Statement is, as of its date and at all times after the date of the Official Statement, up to and including the Closing Date will be, true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(o) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended) at all times subsequent thereto up to and including the time of the Closing, the Official Statement as so supplemented or amended will be true and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(p) If between the date hereof and the time of Closing, any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority shall notify the Representative thereof, and if, in the opinion of the Representative, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority shall promptly (and in any event before the Closing) prepare and furnish (at the expense of the Authority) a reasonable number of copies of an amendment of or supplement to the Official Statement in form and substance satisfactory to the Representative.

(q) Except as disclosed in the Official Statement, during the last five years, the Authority has not failed to materially comply with any previous undertaking relating to continuing disclosure of information pursuant to Rule 15c2-12.

All representations, warranties and agreements of the Authority shall remain operative and in full force and effect (unless expressly waived in writing by the Underwriters), regardless of any investigations made by any Underwriter or on the Underwriters' behalf, and shall survive the delivery of the Bonds.

**6. Closing.** At 10:00 A.M., Eastern Time, on December [\_\_\_\_], 2018, or at such other time or date as the Representative and the Authority may mutually agree upon as the date and time of the Closing (the "Closing Date"), the Authority will deliver or cause to be delivered to the Underwriters, at the offices of Butler Snow LLP, Washington, D.C. ("Bond Counsel"), or at such other place as the Representative and the Authority may mutually agree upon, the Bonds, through the facilities of The Depository Trust Company, New York, New York ("DTC"), duly executed and authenticated, and the other documents specified in Section 7. At the Closing, (a) upon satisfaction of the conditions herein specified, the Underwriters shall accept the delivery of the Bonds, and pay the purchase price therefor in immediately available federal funds payable to the order of the Trustee for the account of the Authority and (b) the Authority shall deliver or cause to be delivered the Bonds to the Underwriters through the facilities of DTC in definitive or temporary form, duly executed by the Authority and in the authorized denominations as specified by the Representative at the Closing and the Authority shall deliver the other documents hereinafter mentioned. The Bonds shall be made available to the Underwriters at least one (1) business day before the Closing Date for purposes of inspection.

**7. Conditions Precedent.** The Underwriters have entered into this Purchase Agreement in reliance upon the representations and agreements of the Authority contained herein and the performance by the Authority of its obligations hereunder, both as of the date hereof and as of the Closing Date.

(a) The Underwriters' obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(i) The representations of the Authority contained herein shall be true, complete and correct in all material respects on the date of acceptance hereof and on and as of the Closing Date.

(ii) At the time of the Closing, the Resolution, the Official Statement, the Continuing Disclosure Agreement and this Purchase Agreement shall be in full force and effect, and the Resolution, this Purchase Agreement and the Continuing Disclosure Agreement, together with the Official Statement, shall not have been amended, modified or supplemented in any material respect except as described in the Official Statement or as may have been agreed to in writing by the Underwriters, and the Authority shall have duly adopted and published and there shall be in full force and effect such further resolutions as shall be necessary in connection with the transactions contemplated hereby and thereby.

(iii) The Authority shall perform or have performed all of its obligations required or specified in the Resolution, the Official Statement, this Purchase Agreement and the Continuing Disclosure Agreement to be performed at or prior to Closing.

(iv) Evidence satisfactory to the Underwriters to the effect that the Bonds have received a rating of ["AA-"] from Standard & Poor's ("S&P"), and a rating of ["AA-"] from or Fitch Ratings ("Fitch") (collectively, the "Rating Letters"), which ratings remain in effect on the date of Closing.

(v) No event shall have occurred, or information become known, which, in the Underwriters' reasonable opinion, renders untrue in any material respect any statement or information contained in the Official Statement or causes the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and which have not been amended as provided in this Purchase Agreement to correct such misstatement or disclose such omission.

(vi) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change, in the condition, financial or otherwise, of the Authority or the Participating Jurisdictions, from that set forth in the Official Statement that in the reasonable judgment of the Underwriters, is material and adverse and that makes it, in the reasonable judgment of the Underwriters, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement.

(vii) At or prior to the Closing, the Representative shall receive the following documents (in each case with only such changes as the Representative shall approve):

(1) (A) the approving opinion of Bond Counsel dated the date of the Closing, substantially in the form of Appendix E to the Official Statement, addressed to the Underwriters directly or by a reliance letter; (B) the supplemental opinion of Bond Counsel dated the date of the Closing, substantially in the form of or covering the matters set forth in Exhibit A hereto, and (C) the opinion of Butler Snow LLP, as disclosure counsel, dated the date of closing, substantially in the form of or covering the matters set forth in Exhibit D hereto;

(2) the opinion of Patricia Y. Lee, General Counsel to the Authority, dated the date of the Closing, substantially in the form of Exhibit B hereto;

(3) the opinion of counsel to the Underwriters, dated the date of the Closing, substantially in the form of Exhibit C hereto;

(4) a certificate, dated the date of Closing, duly executed by appropriate officers of the Authority, satisfactory to the Underwriters and in form and substance satisfactory to counsel to the Underwriters, to the effect that, (i) the representations, warranties and agreements of the Authority herein are true and correct as of the date of the Closing; and (ii) except as disclosed in the Official Statement, no legal proceedings are pending or, to the Authority's knowledge, threatened: (A) contesting or affecting the validity or authority for the issuance of the Bonds or seeking to restrain or enjoin the issuance or delivery of the Bonds,

(B) contesting or affecting the Trust Estate under the Resolution, (C) contesting or affecting the validity of the Resolution or this Purchase Agreement, (D) contesting the completeness or accuracy of the Official Statement; (E) contesting the power of the officials of the Authority or their authority with respect to the Resolution, the Bonds, the Official Statement or this Purchase Agreement, or (F) in any way contesting the statutory powers of the Authority;

(5) (A) a certificate of Mr. Wiedefeld, certifying that he has reviewed the Official Statement in its entirety and that the Official Statement, as of its date and as of the date of the Closing, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; (B) a certificate of Mr. Anosike, certifying that he has reviewed the Official Statement in its entirety and that the Official Statement, as of its date and as of the date of the Closing, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (C) a certificate of Mr. Lavin, certifying that he has reviewed the sections in the Official Statement captioned "ONGOING FINANCIAL AND OPERATIONAL CONCERNS – Safety Concerns and Related Actions," and such sections are fair and accurate summaries of the matters set forth therein and, to his knowledge, reference all current material directives, letters, and reports of the FTA, the GAO and the NTSB regarding the safety and operation of the Transit System.

(6) executed or certified copies of the specimen Bonds, the Certificate(s) of Determination, the Resolution, the Continuing Disclosure Agreement and the Official Statement;

(7) an Arbitrage and Use of Proceeds Certificate, dated the date of Closing, signed by an appropriate officer of the Authority in form and substance satisfactory to Underwriters' Counsel and Bond Counsel;

(8) a certificate, dated the date of Closing, executed by appropriate officers of Public Financial Management, Inc., the Financial Advisor to the Authority, in form and substance satisfactory to Underwriters' Counsel;

(9) a certificate of an appropriate officer of the Trustee as to the due acceptance of its appointment as the Trustee under the Resolution, and the due authentication and delivery of the Bonds by the Trustee;

(10) a copy of the Blue Sky Survey with respect to the Bonds;

(11) the Rating Letters;

(12) certificates required under the Resolution in connection with the issuance of the Bonds; and

(13) such additional legal opinions, certificates, proceedings, instruments and other documents, as may be reasonably required by the Underwriters, or as Bond Counsel or counsel to the Underwriters may reasonably request, to evidence compliance by the Authority with legal requirements, the truth and accuracy, as of the date of the Closing, of all representations herein contained, the exemption of amounts received (whether characterized as interest or discount) by holders of the Bonds from federal and state income taxation, and the due performance or satisfaction by the Authority at or prior to such date of all agreements then to be performed and all conditions then to be satisfied as contemplated under this Purchase Agreement.

**8. Termination.** (a) If the Authority shall be unable to satisfy the conditions of the Underwriters' obligations contained in this Purchase Agreement or if the Underwriters' obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement may be cancelled by the Representative at, or at any time before, the time of the Closing. Notice of such cancellation shall be given by the Representative to the Authority in writing, or by telephone confirmed in writing. The performance by the Authority of any and all conditions contained in this Purchase Agreement for the benefit of the Underwriters may be waived by the Representative.

(b) The Underwriters shall also have the right, before the time of Closing, to cancel their obligations to purchase the Bonds, by written notice by the Representative to the Authority, if between the date hereof and the time of Closing any of the following events shall occur in the sole and reasonable judgment of the Representative:

(i) an event shall occur which makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Official Statement or which is not reflected in the Official Statement but should be reflected therein in order to make the statements contained therein in the light of the circumstances under which they were made not misleading in any material respect and, in either such event, (a) the Authority refuses to permit the Official Statement to be supplemented to supply such statement or information in a manner satisfactory to the Underwriter or (b) the effect of the Official Statement as so supplemented is, in the judgment of the Underwriter, to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(ii) legislation shall be introduced in, enacted by, reported out of committee, or recommended for passage by the District of Columbia, Commonwealth of Virginia, State of Maryland, either House of the Congress, or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation is proposed for consideration by either such committee by any member thereof or presented as an option for consideration by either such committee



by the staff or such committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or a bill to amend the Code (which, if enacted, would be effective as of a date prior to the Closing) shall be filed in either House, or a decision by a court of competent jurisdiction shall be rendered, or a regulation or filing shall be issued or proposed by or on behalf of the Department of the Treasury or the Internal Revenue Service of the United States, or other agency of the federal government, or a release or official statement shall be issued by the President, the Department of the Treasury or the Internal Revenue Service of the United States, in any such case with respect to or affecting (directly or indirectly) the federal or state taxation of interest received on obligations of the general character of the Bonds which, in the judgment of the Underwriter, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(iii) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering, sale or distribution of obligations of the general character of the Bonds (including any related underlying obligations) is in violation or would be in violation of any provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended or the Trust Indenture Act of 1939, as amended; or

(iv) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the SEC, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended (the "Securities Act"), or that the Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(v) there shall have occurred (1) any outbreak or escalation of hostilities, declaration by the United States of a national or international emergency or war; or (2) any other calamity or crisis in the financial markets of the United States, which, in the judgment of the Underwriter, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(vi) there shall have occurred a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order

of the SEC or any other governmental agency having jurisdiction or any national securities exchange shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, or to the Bonds or similar obligations; or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers which, in the judgment of the Underwriter, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(vii) a general banking moratorium shall have been declared by federal or New York or the District of Columbia, Commonwealth of Virginia or State of Maryland authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred which, in the judgment of the Underwriter, materially adversely affects the market price or the marketability for the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(viii) Any change in or particularly affecting the Authority, the Compact and the Capital Transportation Act, the Bonds and the Resolution as the foregoing matters are described in the Official Statement, which in the professional judgment of the Representative materially impairs the investment quality of the Bonds; or

(ix) Any litigation shall be instituted or be pending at the time of the Closing to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and approving the Compact and the Capital Transportation Act, the Resolution, or the existence or powers of the Authority with respect to its obligations thereunder; or

(x) A downgrading or suspension of any rating (without regard to credit enhancement) by S&P or Fitch of any debt securities issued by the Authority, or (y) there shall have been any official statement as to a possible downgrading (such as being placed on “credit watch” or “negative outlook” or any similar qualification) of any rating by S&P or Fitch of any debt securities issued by the Authority, including the Bonds.

**9. Indemnification.** (a) The Authority shall indemnify and hold harmless, to the extent permitted by law, the Underwriters and their respective directors, officers, employees and agents and each person who controls any Underwriter within the meaning of Section 15 of the 1933 Act (any such person being therein sometimes called an “Underwriter Indemnatee”), against any and all losses, claims, damages or liabilities, joint or several, (i) to which any such Underwriter Indemnatee may become subject, under any statute or regulation at law or in equity or otherwise, insofar as such losses claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement of a material fact set forth in the Preliminary Official Statement or the Official Statement or any amendment or supplement to either, or arise out of or are based upon the omission to state therein a material fact which is necessary in order to make the statements made therein, in the light of the circumstances in which they were made, not misleading, except such indemnification shall not extend to the extent that any such loss, claim, damages or

liability arises out of or is based upon any such untrue statement or omission made in the Preliminary Official statement, or any amendment thereof or supplement thereto, to statements in the Preliminary Official Statement or the Official Statement under the caption “UNDERWRITING,” and (ii) to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Authority (which consent shall not be unreasonably withheld); and will reimburse any legal or other expenses reasonably incurred by any such Underwriter Indemnitee in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement shall not be construed as a limitation on any other liability which the Authority may otherwise have to any Underwriter Indemnitee.

(b) The Underwriters shall indemnify and hold harmless, to the extent permitted by law, the Authority and its directors, officers, members, employees and agents and each person who controls the Authority within the meaning of Section 15 of the 1933 Act (any such person being therein sometimes called an “Authority Indemnitee”), against any and all losses, claims, damages or liabilities, joint or several, to which such Authority Indemnitee may become subject under any statute or at law or in equity or otherwise, and shall promptly reimburse any such Authority Indemnitee for any reasonable legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, but only to the extent that such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement of a material fact contained in, or the omission to state therein a material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading, in the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereof, under the caption “UNDERWRITING.” This indemnity agreement shall not be construed as a limitation on any other liability which the Underwriters may otherwise have to any Authority Indemnitee. The liability of any Underwriter obligations under this Section 9 shall not exceed the amount of its pro rata compensation under this Purchase Agreement.

(c) For purposes of subsection (a) or (b) above, an “Indemnified Party” means an Underwriter Indemnitee or an Authority Indemnitee as the context dictates and an “Indemnifying Party” means the Authority or an Underwriter who is under the obligation to indemnify an Indemnified Party under this Section 9. An Indemnified Party shall, promptly after the receipt of notice of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against an Indemnifying Party, notify the Indemnifying Party in writing of the commencement thereof, but the omission to notify the Indemnifying Party of any such action shall not relieve the Indemnifying Party from any liability that it may have to such Indemnified Party otherwise than under the indemnity agreement contained herein. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party may, or if so requested by such Indemnified Party shall, participate therein or assume the defense thereof, with counsel satisfactory to such Indemnified Party, and after notice from the Indemnifying Party to such Indemnified Party of an election so to assume the defense thereof, the Indemnifying Party will not be liable to such Indemnified Party under this paragraph for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation. If the Indemnifying Party shall not have employed counsel to

manage the defense of any such action or if the Indemnified Party shall have reasonably concluded that there may be defenses available to it or them that are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of such Indemnified Party), such Indemnified Party shall have the right to retain legal counsel of its own choosing and the reasonable legal and other expenses incurred by such Indemnified Party shall be borne by the Indemnifying Party.

An Indemnifying Party shall not be liable for any settlement of any such action effected without its consent by any Indemnified Party, which consent shall not be unreasonably withheld, but if settled with the consent of the Indemnifying Party or if there be a final judgment for the plaintiff in any such action against the Indemnifying Party or any Indemnified Party, with or without the consent of the Indemnifying Party, the Indemnifying Party agrees to indemnify and hold harmless such Indemnified Party to the extent provided herein.

(d) If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an Indemnified Party under subsection (a) or (b) above, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of the losses, claims, damages, liabilities or expenses referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Authority on the one hand and the Underwriters on the other from the offering of the Bonds or (ii) if the allocation provided by clause (i) above is not permitted by applicable law in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Authority on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses as well as any other relevant equitable considerations. The relative benefits received by the Authority on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Authority bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Authority or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an Indemnified Party as a result of the losses, claims, damages, liabilities or expenses referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any action or claim which is the subject to this subsection (d). Notwithstanding the provisions of this subsection (d), each Underwriter shall not have any obligation under this subsection (d) to contribute an amount in excess of the amount of its pro rata compensation under this Purchase Agreement. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

**10. Amendments to Official Statement.** During the period commencing on the Closing Date and ending twenty-five (25) days from the end of the underwriting period, the Authority shall

advise the Representative if any event relating to or affecting the Official Statement shall occur as a result of which it may be necessary or appropriate to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser or “potential customer” (as defined for purposes of Rule 15c2-12). If any such event occurs and in the reasonable judgment of the Representative or the Authority, an amendment or supplement to the Official Statement is appropriate, the Authority shall, at its expense, forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters) that will amend or supplement the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser or “potential customer,” not misleading.

**11. Expenses.** All expenses and costs of the Authority incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriters, including the costs of printing or reproduction of the Bonds, the Resolution and the Official Statement in reasonable quantities, fees of consultants, fees of rating agencies, advertising expenses, fees and expenses of the Trustee and its counsel and fees and expenses of counsel to the Authority and Bond Counsel, shall be paid by the Authority from the proceeds of the Bonds or other revenues of the Authority. The Authority shall be solely responsible for and shall pay for any expenses incurred by the Underwriters on behalf of the Authority’s employees and representatives which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, and lodging of employees and representatives. The Underwriters shall pay, from the expense component of the underwriters discount, where applicable, only the cost of all advertising expenses in connection with the public offering of the Bonds and all other expenses incurred by it in connection with the public offering and distribution of the Bonds, including the fees of DTC and fees relating to obtaining a CUSIP number assignment for the Bonds; the fees and disbursements of counsel to the underwriters, including such fees and disbursements incident to the qualification of the Bonds for sale under the Blue Sky securities law of various jurisdictions and the preparation of any Blue Sky memoranda; the fees of Digital Assurance Certification L.L.C. for a continuing disclosure compliance review; and expenses incurred by the Underwriters that are incidental to the implementing of this Purchase Agreement, including without limitation, meals, transportation and lodging. The Authority shall be under no obligation to pay any expenses incident to the performance by the Underwriters of their obligations hereunder except as set forth herein.

**12. Use of Documents.** The Authority hereby authorizes the Underwriters to use, in connection with the public offering and sale of the Bonds, this Purchase Agreement, the Preliminary Official Statement, the Official Statement and the Resolution, and the information contained herein and therein.

**13. Qualification of Securities.** The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and to provide for the continuance of such qualification;



*provided, however, that the Authority will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.*

**14. Notices.** Any notice or other communication to be given to the Authority under this Purchase Agreement may be given by delivering the same in writing to Washington Metropolitan Area Transit Authority 600 Fifth Street, N.W. Washington, DC 20001, Attention: Dennis Anosike, Chief Financial Officer, and any such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to Citigroup Global Markets Inc., 3455 Peachtree Street, Suite 620, Atlanta, Georgia 30326, Attention: Guy T. Logan, Fax: (404) 443-4703.

**15. Benefit.** This Purchase Agreement is made solely for the benefit of the Authority and the Underwriters (including their successors or assigns) and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. Except as otherwise expressly provided herein, all of the agreements and representations of the Authority contained in this Purchase Agreement and in any certificates delivered pursuant hereto shall remain operative and in full force and effect regardless of: (i) any investigation made by or on behalf of the Underwriters; (ii) delivery of and payment for the Bonds hereunder; or (iii) any termination of this Purchase Agreement, other than pursuant to Section 8.

**16. Governing Law.** The rights and obligations of the parties to this Agreement shall be governed by, construed and enforced in accordance with the laws of the District of Columbia and in courts located within the District of Columbia. This Purchase Agreement may not be assigned by the Authority or the Underwriters.

**17. Counterparts.** This Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original hereof.

**18. Entire Agreement.** This Purchase Agreement embodies the entire agreement and understanding between the parties relating to the subject matter hereof and supersedes all prior agreements and understandings related to such subject matter, and it is agreed that there are no terms, understandings, representations or warranties, express or implied, other than those set forth herein.

[Signature page to follow]

PROPOSED

Very truly yours,

**CITIGROUP GLOBAL MARKETS INC.  
BANK OF AMERICA MERRILL LYNCH  
RAMIREZ & CO.  
BLAYLOCK VAN, LLC.  
ESTRADA HINOJOSA & CO.  
PNC CAPITAL MARKETS LLC  
WELLS FARGO SECURITIES  
THE WILLIAMS CAPITAL GROUP, L.P.**

By: **CITIGROUP GLOBAL MARKETS INC.**, as  
Representative of the Underwriters

By: \_\_\_\_\_  
Guy Logan  
Managing Director

Approved and Agreed to: \_\_\_\_\_, 2018

**WASHINGTON METROPOLITAN AREA  
TRANSIT AUTHORITY**

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

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

Approved for Legal Sufficiency

\_\_\_\_\_  
Office of General Counsel

PROPOSED

**SCHEDULE I**

### Principal Amounts, Interest Rates and Prices

Series 2018[illegible]



**EXHIBIT A**

**FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL**

[to be provided by Butler Snow]

PROPOSED

## EXHIBIT B

### FORM OF AUTHORITY'S GENERAL COUNSEL OPINION

December [\_\_\_], 2018

Washington Metropolitan Area Transit  
Authority  
600 Fifth Street, NW  
Washington, DC 20001

Butler Snow LLP  
601 13th Street, NW, Suite 900  
Washington, DC 20005

Citigroup Global Markets Inc.  
3455 Peachtree Street, Suite 620  
Atlanta, Georgia 30326

The Bank of New York Mellon  
385 Rifle Camp Road, 3<sup>rd</sup> Fl.  
Woodland Park, NJ 07424

\$[\_\_\_]

**WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**  
**Gross Revenue Transit Bonds**  
**Series 2018**

Ladies and Gentlemen:

This opinion is rendered in connection with the issuance, sale and delivery by the Washington Metropolitan Area Transit Authority (the "Authority") of its \$[\_\_\_] Gross Revenue Transit Bonds, Series 2018 (the "Bonds").

Capitalized terms used in this opinion and not otherwise defined in this opinion shall have the meanings assigned to those terms in the Resolution, as defined below.

I have examined such statutes, including, but not limited to, the Capital Transportation Act and the Compact, and the Resolution, court decisions and legal proceedings and such certified proceedings of the Authority, certifications of officials of the Authority and such other documents, records, certificates, letters, instruments and papers as I deemed necessary to render this opinion. In addition, I have examined originals of the following documents as executed:

1. The Bonds.
2. The Gross Revenue Bond Resolution, adopted by the Authority on September 25, 2003 (the "Bond Resolution"), the 2018 Supplemental Resolution, adopted by the Authority on November 15, 2018 (the "Supplemental Resolution"), and other resolutions adopted by the Authority in connection with this transaction (together with the Bond Resolution and the Supplemental Resolution, collectively, the "Resolution").

3. A Preliminary Official Statement dated November [ ], 2018 (the “Preliminary Official Statement”) and a final Official Statement dated November [ ], 2018 (the Preliminary Official Statement and the final Official Statement are, collectively, the “Official Statement”), relating to the Bonds.

4. The Bond Purchase Agreement dated November [ ], 2018 (the “Purchase Agreement”), between the Authority and the Underwriters, relating to the Bonds.

5. The Continuing Disclosure Agreement by the Authority dated as of December [ ], 2018 (the “Continuing Disclosure Agreement”).

6. Those other documents, records, certificates, letters and instruments as I deemed relevant and necessary in order to render the opinions set forth below, including separate certificates regarding the final Official Statement executed by Mr. Wiedefeld, General Manager and Chief Executive Officer; by Mr. Anosike, Chief Financial Officer; and by Mr. Lavin, Chief Safety Officer.

Based on the foregoing, I am of the opinion, as of this date, and under existing law, that:

1. The Authority is a duly organized and validly existing interstate compact agency and instrumentality of the District of Columbia (the “District”), the State of Maryland (the “State”), and the Commonwealth of Virginia (the “Commonwealth”), created with the consent of the United States Congress in Public Law 89-774, as amended.

2. The Authority has the power, authority and legal right under the Compact and the laws applicable to the Authority to (i) adopt the Resolution, (ii) execute, issue, sell and deliver the Bonds in order to finance the costs related to the financing described in the Purchase Agreement, (iii) enter into the transactions to be effected by the Resolution, the Purchase Agreement and the Continuing Disclosure Agreement (collectively, the “Authority Documents”) and the Bonds, (iv) secure the Bonds as provided in the Resolution, (v) appoint The Bank of New York Mellon, as Trustee under the Resolution, and (vi) enter into, execute and deliver, incur the obligations provided for it in, and perform and observe the terms and provisions of the obligations imposed on it by, and covenants given by it in, the Authority Documents.

3. Pursuant to the Compact, the Board of Directors for the Authority (the “Board”) duly and properly adopted each of the Bond Resolution and the 2018 Supplemental Resolution on September 25, 2003 and November 15, 2018, respectively, in accordance with all applicable legal requirements, conditions and proceedings. The Resolution is in full force and effect and has not been modified or amended in any manner, or rescinded, repealed, revoked or superseded.

4. The Bonds have been duly authorized, executed and delivered by the Authority, constitute legal, valid and binding special and limited obligations of the Authority, enforceable upon the Authority in accordance with their terms, and are secured by and entitled to the benefits of the Resolution.

5. The Authority Documents have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by other parties thereto, constitute legal, valid and binding obligations of the Authority, enforceable upon the Authority in accordance with their terms.

6. The rights of the Bondholders and the enforceability of the Bonds, the Resolution and the other Authority Documents may be subject to (i) bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights, in effect on or after the date of this opinion, to the extent constitutionally applicable, and (ii) the exercise of judicial discretion.

7. To the best of my knowledge, after due investigation, the Authority has not committed or failed to perform any act which, if committed or not performed, as the case may be, adversely affects (i) its organization, existence or boundaries or (ii) its power, authority or right to (a) issue or sell the Bonds, (b) enter into the transactions to be effected by the Authority Documents, (c) enter into, execute and deliver the Authority Documents, (d) incur and perform its obligations under the Bonds and the Authority Documents, or (e) provide security for the Bonds in accordance with the terms of the Resolution.

8. All actions on the part of the Authority legally required (i) for the (a) enactment of the Resolution, (b) issuance, execution and sale of, and performance of the Authority's obligations under the Bonds, (c) execution and delivery of, and performance of the Authority's obligations under, the Authority Documents, and (d) distribution and use of the Preliminary Official Statement and the Official Statement, and (ii) to implement the Resolution and to carry out the transactions required to be carried out by the Authority as provided in the Authority Documents have been duly, properly and effectively taken or obtained, whether required by the Compact, the Resolution or otherwise, and all such actions comply fully with all laws, acts, rules and regulations applicable to the Authority. All actions and proceedings authorizing the issuance and sale of the Bonds, approving the Authority Documents and authorizing the execution and delivery of the Authority Documents on behalf of the Authority are in full force and effect and have not been amended, modified, revoked, repealed, rescinded or superseded. No further approval, authorization, consent, order, filing or registration with, or withholding of objection on the part of, any governmental department or agency or regulatory body, federal or District or the electorate, is legally required in connection with (w) the authorization, execution, issuance and sale of, performance by the Authority of its obligations under, or compliance by the Authority with the terms and conditions of, the Bonds, (x) the authorization, execution and delivery of, performance by the Authority of its obligations under, or compliance by the Authority with the terms and conditions of, the Authority Documents, (y) carrying out the transactions contemplated in the Resolution and the other Authority Documents in the manner and under the terms and conditions provided in the Authority Documents, or (z) the distribution and use of the Preliminary Official Statement and the Official Statement.

9. No litigation, at law or in equity, action, suit, inquiry, hearing, investigation, controversy or proceeding of any kind or nature is pending before or by any judicial or administrative court, public board, tribunal, agency or body or, to the best of my knowledge (after due investigation, including conversations with the senior executives and the financial

management team of the Authority), threatened against or affecting the Authority which (i) in any way or in any manner questions, contests or challenges (a) the enactment, validity or enforceability of the Compact, (b) the creation, organization, existence or boundaries of the Authority, (c) the enactment, validity or enforceability of the Resolution, (d) the authority or ability of the Authority to issue debt, (e) the validity of indebtedness incurred pursuant to the Compact, (f) any authority or proceeding related to the authorization, execution, issuance, sale and delivery of any of the Authority Documents to which the Authority is a party, (g) the Authority's power, authority or right to (A) execute, issue, sell and deliver the Bonds in book-entry form or (B) execute and deliver, and perform and observe its obligations under, the Authority Documents, (h) the validity or enforceability of the Bonds or any of the other Authority Documents, (i) the transactions of the Authority under the Authority Documents or (j) the entitlement of any of the officials of the Authority to their respective offices, (ii) seeks to restrain or enjoin the execution, issuance, sale or delivery of, or payment for, the Bonds in book-entry form or any other bonds of the Authority, the execution or delivery of the Bonds, the execution or delivery' of any of the Authority Documents or the performance by the Authority of its obligations under the Authority Documents or (iii) may adversely affect the transactions described in the Authority Documents. No authority or proceedings encompassed by the foregoing has been repealed, revoked, rescinded, amended or superseded, and all are in full force and effect.

10. Neither the enactment of the Resolution nor the execution, issuance, sale and delivery of the Bonds nor the Authority's execution and delivery of the Authority Documents nor the performance by the Authority of its obligations under the Authority Documents nor the distribution or use of the Official Statement (i) contravenes any applicable District, State or Commonwealth or federal law, regulation, resolution or any constitutional or statutory provision, including, but not limited to, the Compact (ii) violates any order, rule, injunction, determination, award, judgment, decree or writ of any court to which the Authority is bound, or (iii) conflicts with or constitutes a breach of, is a default under, or results in a violation of, any note, mortgage, deed of trust or other evidence of indebtedness, or any agreement, contract, indenture, document or other instrument, to which the Authority is a party or by which it is bound or to which its property is subject.

11. Based upon my participation in the preparation of the Preliminary Official Statement and the Official Statement as General Counsel for the Authority, and after due investigation, which included my review and approval of the certificates regarding the Official stated executed by Messrs. Wiedefeld, Anosike and Lavin, (except for any information and discussions contained in the statements related to DTC, Cede & Co., the operation of the book-entry system, and Appendix B and Appendix C, and the other financial and statistical data included therein, as to all of which I express no opinion), as of the date hereof nothing has come to my attention which causes me to believe that the Preliminary Official Statement as of its date, the final Official Statement as of its date and as of the date hereof contained or contain any untrue statement of a material fact or omitted or omit to state a material fact necessary to make the statements



therein, in light of the circumstances under which they were made, not misleading.

Yours truly,

Patricia Y. Lee  
General Counsel

PROPOSED

**EXHIBIT C**  
**FORM OF OPINION OF UNDERWRITERS' COUNSEL**

December \_\_, 2018

Citigroup Global Markets Inc.  
3455 Peachtree Street, Suite 620  
Atlanta, Georgia 30326  
as Representative of the Underwriters  
named in the Purchase Agreement

\$[\_\_]  
Washington Metropolitan Area Transit Authority  
Gross Revenue Transit Bonds  
Series 2018

Ladies and Gentlemen:

We have served as counsel to the group of underwriters identified in the Bond Purchase Agreement described below (the “*Underwriting Group*”), for whom you are acting as Representative, in connection with the purchase by the Underwriting Group from the Washington Metropolitan Area Transit Authority (the “*Authority*”) of its \$\_\_\_\_\_ Gross Revenue Transit Bonds, Series 2018 (the “*Bonds*”), dated the date of this letter, pursuant to the Bond Purchase Agreement dated November [\_\_], 2018 (the “*Purchase Agreement*”), among the Underwriting Group and the Authority. This letter is provided pursuant to Section 7(a)(vii)(3) of the Purchase Agreement. Capitalized terms not otherwise defined in this letter are used as defined in the Purchase Agreement.

In accordance with the terms of our engagement, certain of our lawyers reviewed (a) the Preliminary Official Statement dated November [\_\_], 2018 (the “*Preliminary Official Statement*”), and (b) the Official Statement dated November [\_\_], 2018 (the “*Official Statement*”) relating to the Bonds, and participated in discussions with representatives of the Issuer and its counsel, bond counsel and disclosure counsel, your representatives, and others, regarding the Preliminary Official Statement and the Official Statement, the information contained therein, and related matters.

The purpose of our professional engagement in that regard was not to establish or to confirm factual matters set forth in the Preliminary Official Statement or the Official Statement, and we have not undertaken to verify independently any of those factual matters. Many of the determinations required to be made in the preparation of the Preliminary Official Statement and the Official Statement involve matters of a non-legal nature.

Subject to the foregoing, on the basis of the information gained by our lawyers involved in the review and discussions referred to above, we confirm to you that nothing came to the attention

of those lawyers that caused them to believe that (1) the Preliminary Official Statement, as of its date, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (2) the Official Statement, as of its date and as of this date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that we do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, and we do not express any belief with respect to the financial statements under the heading “CERTAIN AUTHORITY FINANCIAL INFORMATION,” or other financial, technical, statistical, accounting or demographic data or forecasts, or any information about the book-entry system and The Depository Trust Company, or the information under the heading “TAX MATTERS,” in APPENDIX A - “Summary of Certain Provisions of the Resolution,” and in APPENDIX B – “Form of Opinion of Bond Counsel,” contained in the Preliminary Official Statement or the Official Statement.

In addition to the review and discussions referred to above, we have also examined the Purchase Agreement and such other proceedings, documents, matters and law as we deem necessary to render the opinions set forth below.

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

1. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended.
2. The Continuing Disclosure Agreement satisfies the requirement of paragraph (b)(5) of Rule 15c2-12 prescribed under the Securities Exchange Act of 1934, as amended (the “Rule”), that the Underwriting Group obtain an undertaking for the benefit of the holders, including beneficial owners, of the Bonds to provide certain annual financial information and event notices at the time and in the manner required by the Rule.

The legal opinions stated immediately above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by and the valid, binding and enforceable nature of those documents upon the parties thereto.

This letter is being furnished only to the Underwriting Group for its use solely in connection with the transaction described herein and may not be relied upon by anyone else or for any other purpose without our prior written consent. No statements of belief or opinions other than those expressly stated herein shall be implied or inferred as a result of anything contained in or

omitted from this letter. The statements of belief and opinions expressed in this letter are stated only as of the time of its delivery and we disclaim any obligation to revise or supplement this letter thereafter. Our engagement in connection with the original issuance and delivery of the Bonds is concluded upon delivery of this letter.

Respectfully submitted,

Squire Patton Boggs (US) LLP

PROPOSED

**EXHIBIT D**

**FORM OF APPROVING OPINION OF DISCLOSURE COUNSEL**

[TO COME FROM BUTLER SNOW]

PROPOSED



**EXHIBIT E**

**FORM OF APPROVING OPINION OF BOND COUNSEL**

[TO COME FROM BUTLER SNOW]

PROPOSED

**EXHIBIT F**

**CERTIFICATE OF THE UNDERWRITER**

December [\_\_\_], 2018

Washington Metropolitan Area Transit Authority  
600 Fifth Street, N.W.  
Washington, DC 20001

Butler Snow LLP  
601 13th Street, NW, Suite 900  
Washington, DC 20005

Ladies and Gentlemen:

In connection with the purchase by Citigroup Global Markets Inc., as representative (the “Representative”), on behalf of itself, Bank of America Merrill Lynch, Blaylock Van, LLC, Estrada Hinojosa, PNC Capital Markets LLC, Ramirez & Co., The Williams Capital Group L.P. and Wells Fargo Securities, as the underwriters (collectively, the “Underwriters”) of the \$[\_\_\_\_\_] Washington Metropolitan Area Transit Authority Gross Revenue Transit Bonds, Series 2018 (the “Bonds”), issued and sold by the Washington Metropolitan Area Transit Authority (the “Authority”) on the date hereof, the undersigned authorized representative of the Underwriters certifies as follows:

1. The Underwriters purchased the Bonds from the Authority at a price of \$[\_\_\_\_\_] (which represents the par amount of \$[\_\_\_\_\_] plus original issue premium of \$[\_\_\_\_\_] less an Underwriters’ discount of \$[\_\_\_\_\_]).

2. On November [\_\_\_], 2018 (the “Sale Date”), the Underwriters made a bona fide offering of all the Bonds of each Maturity (as defined below) to the Public (as defined below) reflecting the following terms:

<b>Maturity (___ 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price (%)</b>
-----------------------------	-----------------------------	--------------------------	--------------	------------------

\* Yield reflects Bonds priced to the first optional call date of [\_\_\_ 1, 20\_\_\_].

A copy of the pricing wire or wires showing such initial public offering prices is attached as Schedule I hereto.

3. ***Sale of the General Rule Maturities.*** As of the date of this Certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule I.

4. ***Initial Offering Price of the Hold-the-Offering-Price-Maturities.***

(a) The Underwriting Group offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule I (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule I.

(b) As set forth in the Purchase Agreement for the Bonds, the Representative has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) unsold Bonds of the Hold-the-Offering-Price Maturities shall be retained by the Representative and not allocated to any of the other Underwriters. Pursuant to such agreement, the Representative has not offered or sold any unsold Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

5. All capitalized terms used but not otherwise defined herein shall have the meanings given in the Non-Arbitrage and Tax Compliance Certificate of the Authority for the Bonds, a copy of which we have reviewed. In addition, the following capitalized terms shall have the following meanings for purposes of this Certificate:

(a) **“General Rule Maturities”** means those Maturities of the Bonds listed in Schedule I hereto as the “General Rule Maturities.”

(b) **“Hold-the-Offering-Price Maturities”** means those Maturities of the Bonds listed in Schedule I hereto as the “Hold-the-Offering-Price Maturities.”

(c) **“Holding Period”** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) **“Maturity”** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(e) **“Public”** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term **“related party”** for purposes of this certificate means any two or more entities who are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership

by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) **“Underwriter”** means either (A) the sole institution bidding for the Bonds and any person that agrees pursuant to a written contract directly or indirectly with that institution to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) or (B), if there was a syndicate or group of underwriters, then (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter) to form an underwriting syndicate or group to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(g) **“Sale Date”** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is November [\_\_\_\_], 2018.

We understand that the foregoing information will be relied upon by (i) the Authority in establishing, among other things, the “issue price” of the Bonds within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended (the “Code”), and certain other expectations with respect to the Bonds for purposes of Section 148 of the Code set forth in the Non-Arbitrage and Tax Compliance Certificate and (ii) Butler Snow LLP, Bond Counsel, in connection with rendering the opinion to the Authority that the interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes. The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned’s interpretation of any laws, in particular the regulations under the Code or the application of any laws to these facts. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Although certain information furnished in this Certificate has been derived from other purchasers, bond houses and brokers and cannot be independently verified by us, we have no reason to believe it to be untrue in any material respect.

**Citigroup Global Markets Inc.**

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

Schedule A  
FINAL PRICING WIRE  
[to be supplied by Representative]

PROPOSED



**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_ 2018**

**NEW ISSUE - BOOK ENTRY ONLY**

**RATINGS:**  
Fitch: ☐

**S&P:** ☐  
See "RATINGS" herein.

*In the opinion of Butler Snow LLP, Bond Counsel, under existing laws, regulations, rulings, and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the Series 2018 Bonds (defined below) is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Series 2018 Bonds, and such interest is not a specific preference item for purposes of the federal alternative minimum tax except that, for tax years beginning before January 1, 2018, such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the federal alternative minimum taxable income of corporations. Bond Counsel is further of the opinion that, under existing law, interest on the Series 2018 Bonds is exempt from all current Maryland, Virginia and District of Columbia personal income taxes. For a more complete description, see "TAX MATTERS" herein.*

**\$236,390,000\***

**Washington Metropolitan Area Transit Authority  
Gross Revenue Transit Bonds, Series 2018**



**Dated: Date of Delivery**

**Due: July 1, as shown on** **over**

**The Series 2018 Bonds.** The above-captioned Bonds (the "Series 2018 Bonds") will be special obligations of the Washington Metropolitan Area Transit Authority (the "Authority") issued pursuant to the terms of the Gross Revenue Bond Resolution adopted by the Authority on September 25, 2003, as supplemented and amended by the 2018 Supplemental Bond Resolution adopted by the Authority on November \_\_, 2018 (collectively, the "Resolution"). The Series 2018 Bonds will be issued in authorized denominations of \$5,000 or any integral multiple thereof.

**Purpose.** Proceeds of the Series 2018 Bonds are expected to be used to (i) finance Capital Costs (as defined herein), (ii) pay capitalized interest on the Series 2018 Bonds through Fiscal Year 2019, and (iii) pay certain costs of issuing the Series 2018 Bonds. See "INTRODUCTION" and "PLAN OF FINANCE AND SOURCES AND USES OF FUNDS" herein.

**Security.** The following paragraphs are qualified in all respects by the information in this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2018 BONDS" and the documents referenced under such caption.

**The Series 2018 Bonds, together with all other bonds issued under the Resolution (the "Bonds"), are special obligations of the Authority payable solely from and secured solely by the Trust Estate (as defined herein), subject to the terms and conditions of the Resolution. The Trust Estate consists primarily of the Gross Revenues (as defined herein) of the Authority, except that in the case of all bonds, obligations or other indebtedness issued under the terms of the Resolution on or after November 15, 2018, including the Series 2018 Bonds. Future Dedicated Revenues (as defined herein) will not constitute a part of the Trust Estate securing such bonds, obligations or indebtedness. See "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2018 BONDS."**

**Limited Obligations.** *The Series 2018 Bonds do not constitute a debt or legal obligation of and do not create a lien upon the revenues of the Participating Jurisdictions (as defined herein) or of the United States of America. The full faith and credit of the United States of America and the Participating Jurisdictions are not pledged to the payment of the Series 2018 Bonds, and none of the foregoing are liable thereon. The Authority has no taxing power.*

**Redemption.** The Series 2018 Bonds are subject to redemption prior to maturity, as described in "THE SERIES 2018 BONDS – Redemption."

**Interest Payment Dates.** The Series 2018 Bonds will bear interest at the rates set forth on the inside cover page hereof. Interest on the Series 2018 Bonds is payable semiannually on each January 1 and July 1, commencing July 1, 2019, computed on the basis of a 360-day year comprised of twelve 30-day months.

**Delivery Date.** It is expected that the Series 2018 Bonds will be available for delivery to Depository Trust Company on or about December \_\_, 2018.

\* Preliminary, subject to change.

**This cover page contains certain information for quick reference only. It is not a summary of the Series 2018 Bonds or this Official Statement. Investors must read the entire Official Statement, including the Appendices, which are an integral part hereof, to obtain information essential to the making of an informed investment decision regarding the Series 2018 Bonds.**

*The Series 2018 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters. Legal matters with respect to the Series 2018 Bonds are subject to the approval of Butler Snow LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority by its General Counsel, Patricia Y. Lee, Esq. Certain legal matters will be passed upon for the Underwriters by their counsel, Squire Patton Boggs (US) LLP. Butler Snow LLP, as Disclosure Counsel to the Authority, will deliver an opinion regarding certain matters to the Authority and the Underwriters.*

**BofA Merrill Lynch  
Blaylock Van, LLC  
PNC Capital Markets LLC  
The Williams Capital Group, L.P**

**Citigroup**

**Ramirez & Co  
Estrada Hinojosa  
Wells Fargo Securities**

\_\_\_\_\_, 2018

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES, AND CUSIPS<sup>†</sup>****\$236,390,000\*****Washington Metropolitan Area Transit Authority****Gross Revenue Transit Bonds, Series 2018****Serial Bonds\***

<b><u>Maturity (July 1)*</u></b>	<b><u>Principal Amount*</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP</u></b>
2019	\$ -				
2020	5,225,000				
2021	5,490,000				
2022	5,775,000				
2023	6,070,000				
2024	6,380,000				
2025	6,705,000				
2026	7,050,000				
2027	7,410,000				
2028	7,795,000				
2029	8,190,000				
2030	8,610,000				
2031	9,055,000				
2032	9,520,000				
2033	10,005,000				
2034	10,520,000				
2035	11,060,000				
2036	11,625,000				
2037	12,220,000				
2038	12,850,000				

**Term Bond\***

<b><u>Maturity (July 1)*</u></b>	<b><u>Principal Amount*</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP</u></b>
2043	\$ 74,835,000				

---

\* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright(c) 2018 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

**WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

600 Fifth Street, N.W.  
Washington, D.C. 20001  
(202) 962-2882  
Attention: Treasurer's Office

**BOARD OF DIRECTORS**

Jack Evans, District of Columbia, Chairman

Clarence C. Crawford, State of Maryland, First Vice  
Chairman

Jim Corcoran, Commonwealth of Virginia, Second Vice  
Chairman

Corbett A. Price, District of Columbia

David Horner, Federal Government

Steve McMillin, Federal Government

Michael Goldman, State of Maryland

Christian Dorsey, Commonwealth of Virginia

**ALTERNATE DIRECTORS**

Tom Bulger, District of Columbia

Jeff Marootian, District of Columbia

Anthony E. Costa, Federal Government

Kathy Porter, State of Maryland

Malcolm Augustine, State of Maryland

Cathy Hudgins, Commonwealth of Virginia

Paul C. Smedberg, Commonwealth of Virginia

**AUTHORITY EXECUTIVE STAFF**

Paul J. Wiedefeld, General Manager and Chief Executive Officer

Dennis Anosike, Chief Financial Officer

Joseph Leader, Chief Operating Officer

Patricia Y. Lee, Esq., General Counsel

Craig Gross, Treasurer

Patrick Lavin, Chief Safety Officer

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Butler Snow LLP  
Washington, D.C.

**FINANCIAL ADVISOR**

PFM Financial Advisors LLC  
Chicago, Illinois

**AUDITOR**

RSM US LLP  
Washington, D.C.

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters.

**No Unlawful Offers or Solicitations.** The information in Preliminary Official Statement is not complete and may be changed. This Preliminary Official Statement is not an offer to sell the referenced Series 2018 Bonds and is not soliciting an offer to buy the Series 2018 Bonds in any jurisdiction where the offer or sale is not permitted.

**Use of this Official Statement.** This Official Statement is submitted in connection with the sale of the Series 2018 Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement among the Authority, the Underwriters, and the purchasers or owners of any offered Series 2018 Bonds. This Official Statement is being provided to prospective purchasers either in bound printed form (“Original Bound Format”) or in electronic format on the following website: [www.munios.com](http://www.munios.com). This Official Statement may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such website.

**Preparation of this Official Statement.** The information set forth herein has been furnished by the Authority and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**Order and Placement of Materials.** The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the cover page, the inside cover pages and the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Series 2018 Bonds is made only by means of this entire Official Statement.

**Estimates and Forecasts.** The statements contained in this Official Statement and the Appendices hereto that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential,” “illustrate,” “example,” and “continue,” or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date of this Official Statement, and the Authority assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the Series 2018 Bonds.

**Public Offering Prices.** In connection with the offering of the Series 2018 Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2018 Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

**No Recommendation or Registration.** The Series 2018 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. The Series 2018 Bonds have not been registered with the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such act; and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such act.



## TABLE OF CONTENTS

INTRODUCTION.....	1
THE SERIES 2018 BONDS .....	3
General.....	3
Redemption* .....	4
Book-Entry-Only System.....	5
PLAN OF FINANCE AND SOURCES AND USES OF FUNDS .....	7
Plan of Finance.....	7
ANNUAL DEBT SERVICE REQUIREMENTS .....	8
SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2018 BONDS .....	9
Limited Obligations .....	9
Amendments to the Resolution .....	9
Pledge of Trust Estate .....	9
Gross Revenues.....	11
Obligations of the Participating Jurisdictions .....	14
Annual Debt Service Payments under the Capital Funding Agreement .....	14
Contractual Obligations; Remedies.....	14
Historical and Projected Gross Revenues .....	15
Parity Liens and Additional Indebtedness.....	18
Rate Covenant.....	18
THE AUTHORITY .....	19
Organization.....	19
Labor Relations .....	23
THE TRANSIT SYSTEM .....	25
Introduction.....	25
Regional Demographics .....	25
Funding of the Operating Expenses of the Transit System .....	27
Funding of the Capital Costs of the Transit System.....	28
ONGOING FINANCIAL AND OPERATIONAL CONCERNS .....	31
Introduction.....	31
The “Keeping Metro Safe, Reliable & Affordable” Plan.....	31
Transit System’s Financial Needs.....	32
Safety Concerns .....	35
CERTAIN AUTHORITY FINANCIAL INFORMATION.....	36
Financial Information.....	36
Annual Budgets.....	39
Capital Improvement Program.....	46
Outstanding Debt .....	48
Leveraged Lease Transactions .....	48
Pension Plans .....	48
Other Post-Employment Benefits .....	51
LITIGATION .....	53
2015 L’Enfant Plaza Accident .....	53
Other Matters .....	54
LEGAL MATTERS .....	54
TAX MATTERS.....	54
Series 2018 Bonds.....	54
RATINGS .....	57
INDEPENDENT AUDITORS .....	57
CONTINUING DISCLOSURE .....	57
UNDERWRITING.....	59
FINANCIAL ADVISOR .....	61
MISCELLANEOUS .....	61
<b>APPENDIX A</b> — Summary of Certain Provisions of the Resolution	
<b>APPENDIX B</b> — Form of Opinion of Bond Counsel	
<b>APPENDIX C</b> — Book-Entry-Only System Procedures	
<b>APPENDIX D</b> — Form of Continuing Disclosure Agreement	

## Summary

*The following summary is subject in all respects to more complete information contained elsewhere in this Official Statement, and in no event should this summary be separated from this Official Statement. Capitalized terms used herein and not otherwise defined have the respective meanings given such terms in APPENDIX A. Certain key definitions below are in an abbreviated format, and are subject to the complete definitions of such terms in APPENDIX A.*

<b>Issuer:</b>	Washington Metropolitan Area Transit Authority (the “Authority”), an interstate compact agency, and an agency and instrumentality of the District of Columbia (the “District”), State of Maryland (“Maryland”), and Commonwealth of Virginia (the “Commonwealth”)
<b>Issue:</b>	\$236,390,000* Gross Revenue Transit Bonds, Series 2018 (the “Series 2018 Bonds”)
<b>Dated Date:</b>	December __, 2018
<b>Denominations:</b>	\$5,000 and integral multiples thereof
<b>Interest:</b>	The Series 2018 Bonds will bear interest at the rates set forth on the inside cover page hereof, semiannually on January 1 and July 1, commencing July 1, 2019, computed on the basis of a 360-day year comprised of twelve 30-day months.
<b>Redemption:</b>	The Series 2018 Bonds are subject to redemption prior to maturity as described under “THE SERIES 2018 BONDS – Redemption.”
<b>Authority for Issuance:</b>	The Series 2018 Bonds will be issued pursuant to the Washington Metropolitan Area Transit Authority Compact by and among Maryland, the Commonwealth, and the District (the “Compact”) and the Gross Revenue Bond Resolution adopted by the Authority’s Board of Directors on September 25, 2003, as supplemented by the 2018 Supplemental Bond Resolution adopted by the Authority on November 15, 2018 (collectively, the “Resolution”).
<b>Security for the Series 2018 Bonds:</b>	<p>The Resolution pledges the Trust Estate as security for the payment of the Series 2018 Bonds. The Series 2018 Bonds will be issued on parity with all other bonds issued under the Resolution, except that the Series 2018 Bonds will not be secured by and payable from Future Dedicated Revenues. See “SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2018 BONDS.”</p> <p>The Trust Estate includes all right, title and interest of the Authority in: (1) all Gross Revenues, except that in the case of the Series 2018 Bonds, and all additional Obligations issued on or after November 15, 2018, the Trust Estate does not include Future Dedicated Revenues or investment income earned thereon; (2) the proceeds of the sale of the Obligations; (3) all Funds, Accounts and Subaccounts (except for the Future Dedicated Revenues Account) established by the Resolution including the investments, if any, thereof; and (4) all funds, moneys and securities and any and all other rights and interests in property, from time to time, pledged as additional security for the Obligations under the terms of the Resolution.</p> <p>Gross Revenues consist of the following: (i) Revenues exclusive of Lease Related Revenues, (ii) the Stable and Reliable Funding Sources, and (iii) all other revenues,</p>

---

\*Preliminary, subject to change.

receipts, grants, contributions, subsidies and funds received by the Authority in respect of the Transit System which can be lawfully pledged under the Resolution, provided that Capital Contributions (e.g., capital contributions or grants paid to the Authority by a Participating Jurisdiction or the federal government on a pay-as-you-go basis) are excluded from Gross Revenues.

*“Revenues”* means (i) all fares, rates, fees, charges, rents, revenues and other income received by the Authority from the operation of the Transit System and amounts paid to the Authority by the federal government or any Participating Jurisdiction on account of fares or service rendered by the Authority, (ii) proceeds of any business interruption insurance relating to the Transit System, and (iii) interest received on any moneys or securities, other than the Capital Contributions, of the Authority; provided, until the same is paid to the Authority for services of the Transit System, Revenues shall not include amounts collected by the Authority in respect of fare media that the owners thereof can apply to pay to Persons other than the Authority for goods or services.

*“Dedicated Revenues”* means the amounts received by the Authority under the following legislative enactments: (i) from the District of Columbia under D.C. Act 22-434 § 6002 or any successor statute, as the same may be amended from time to time in the future; (ii) from the State of Maryland under Md. Transportation Code Ann. § 10-205(g) or any successor statute, as the same may be amended from time to time; and (iii) from the Commonwealth of Virginia under the Va. Code §33.2-3401.B or any successor statute, as the same may be amended from time to time. Dedicated Revenues shall also include funds paid by any of the District of Columbia, the State of Maryland, the Commonwealth of Virginia or any other Participating Jurisdiction in-lieu-of such amounts.

*“Future Dedicated Revenues”* means (a) Dedicated Revenues and (b) any revenues, taxes, charges, assessments or other funding sources to be paid to the Authority by any of the Commonwealth of Virginia, the State of Maryland, the District of Columbia or any Political Subdivision under any legislative enactment taking effect on or after November 15, 2018.

*“Participating Jurisdictions”* means and includes the District of Columbia, the Commonwealth of Virginia, the cities of Alexandria, Falls Church and Fairfax, Virginia, and the counties of Arlington and Fairfax, Virginia, and political subdivisions of the Commonwealth of Virginia located within those counties, the State of Maryland, the counties of Anne Arundel, Charles, Montgomery, and Prince George’s, Maryland, and political subdivisions of the State of Maryland located within those counties, and any other government or governmental unit embraced by the Washington Metropolitan Area Transit Zone, as defined in Section 3 of the Compact or added pursuant to another provision of the Compact, in which the Authority operates the Transit System.

*“Stable and Reliable Funding Sources”* means the amounts paid by the Participating Jurisdictions to the Authority in respect of the Transit System’s operating costs and debt service, which amounts are paid by the Participating Jurisdictions under certain legislative enactments described in more detail under “SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2018 BONDS – Gross Revenues – Stable and Reliable Funds Sources” herein. Payments by the Participating Jurisdictions, including amounts from the Stable and Reliable Funding Sources, are subject to appropriation by each Participating Jurisdiction.

*“States”* means the Commonwealth of Virginia, State of Maryland and the District of Columbia.

*“Transit System”* means the facilities, including all real and personal property and all rights, interests, property and appurtenances incidental thereto or used or useful in connection therewith, constructed or acquired by the Authority as part of its regional rail and bus transit system, but excluding Air Rights, Parking Facilities, and Joint Development Projects.

*“Obligations”* means any bonds, notes, commercial paper or other form of indebtedness of the Authority payable from the Debt Service Fund, authorized by and delivered pursuant to the Resolution, but excluding Obligation Anticipation Notes to the extent payable from, and expected by an Authorized Officer to be paid from, the proceeds of Obligations or other Obligation Anticipation Notes.

*“Transit Zone”* means the Washington Metropolitan Area Transit Zone as defined in the Compact and includes the District of Columbia, the cities of Alexandria, Falls Church and Fairfax and the counties of Arlington, Fairfax and Loudoun and political subdivisions of the Commonwealth of Virginia located within those counties, and the counties of Montgomery and Prince George's in the State of Maryland and political subdivisions of the State of Maryland located in said counties.

**Budgeting:**

The Authority's operating budget, including debt service payments, is funded from passenger revenues and operating contributions from the Participating Jurisdictions. The Authority's capital budget is funded from capital contributions of the federal government and the Participating Jurisdictions. The Authority has entered into the Capital Funding Agreements with the District of Columbia, the State of Maryland (with the Washington Suburban Transit District acting for the Maryland jurisdictions) and the Participating Jurisdictions located within the portion of the Transit Zone in the Commonwealth of Virginia and has executed extensions of such agreements with an effective date of July 1, 2018, to provide funding for the Approved Fiscal Year 2019 Capital Budget.

Amounts to be paid by the Participating Jurisdictions to the Authority to fund the Authority's budget are subject to appropriation by each Participating Jurisdiction. Pursuant to the Compact, the Participating Jurisdictions (with the Washington Suburban Transit District acting for the Maryland jurisdictions) are obligated, subject to the limitations described herein, to provide funding to the Authority for their share of the Authority's budget for the capital and operating costs of the Transit System. If a Participating Jurisdiction were to fail to timely make a required subsidy payment, in addition to any enforcement action available pursuant to the Compact and related funding agreements, the Authority's Board could decide to hold a public hearing as to whether to terminate the provision of Transit System service within the Transit Zone located inside the Participating Jurisdiction that fails to pay. See “THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System” and “– Funding of the Operating Expenses of the Transit System.”

**Rate Covenant:**

Pursuant to the terms of the Resolution, the Authority has covenanted to, insofar as practicable and consistent with the provision of adequate service at reasonable fares, fix and establish fares, rates, charges and other fees with respect to the Transit System as shall, in the judgment of the Authority, be sufficient, together with other money available or anticipated to be available therefor (including the anticipated receipt of other amounts constituting Gross Revenues, as well as the proceeds of sale of Obligations, notes or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt), to pay (i) all Debt Service, all other amounts due on Parity Debt, debt service on all Subordinated Indebtedness then outstanding, and amounts due on all Subordinated Contract Obligations; (ii) all operating costs of the Transit System (giving effect to any reductions or deferrals or reserves therefor

or anticipated reductions or deferrals thereof or reserves therefor); and (iii) all other amounts payable from or constituting a lien or charge on Gross Revenues, in each case as the same become respectively due and payable.

Failure to comply with the covenant described above constitutes an Event of Default under the Resolution. *See* “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Events of Default.” The Authority has satisfied the Rate Covenant by, in part, utilizing available unspent capital funds to pay operating expenses. *See* “THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System – *Ongoing Funding*” and “ONGOING FINANCIAL AND OPERATIONAL CONCERNS – Capital Budget Expenditures.”

**Additional  
Indebtedness:**

Pursuant to the terms of the Resolution, the Authority is prohibited from creating a pledge of or lien on the Trust Estate that is superior to the pledge that secures the Series 2018 Bonds. However, the Authority may create a pledge of or lien on the Trust Estate that is on parity with the pledge that secures the Series 2018 Bonds, and in that connection incur additional indebtedness, provided that certain conditions set forth in the Resolution are satisfied.

Obligations may be issued to pay, or to provide for the payment of, all or part of Capital Costs. One or more Series of Refunding Obligations may be issued to refund (including by redemption, payment at maturity or in connection with exchanges or tenders) all or any portion of any Outstanding Obligations or Parity Debt. For information on the conditions precedent to the issuance of additional indebtedness, *see* “SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2018 BONDS – Parity Liens and Additional Indebtedness.”

**Ratings:**

Fitch and S&P have assigned ratings to the Series 2018 Bonds of “[ ]” (with a stable outlook) and “[ ]” (with a stable outlook), respectively. *See* “RATINGS” herein.



## **OFFICIAL STATEMENT**

**Relating to**

**\$236,390,000\***

**WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

**GROSS REVENUE TRANSIT BONDS, SERIES 2018**

### **INTRODUCTION**

This Official Statement, including the cover page and the appendices hereto, is provided to set forth certain information pertaining to the Washington Metropolitan Area Transit Authority (the “Authority”) and its \$236,390,000\* Gross Revenue Transit Bonds, Series 2018 (the “Series 2018 Bonds”). The Series 2018 Bonds will be issued under the authority of the Washington Metropolitan Area Transit Authority Compact (the “Compact”) by and among the State of Maryland (“Maryland”), the Commonwealth of Virginia (the “Commonwealth”), and the District of Columbia (the “District”) and the Gross Revenue Bond Resolution adopted by the Authority’s Board of Directors (the “Board”) on September 25, 2003, as supplemented and amended by the 2018 Supplemental Bond Resolution adopted by the Authority on November \_\_, 2018 (collectively, the “Resolution”). The Bank of New York Mellon, New York, New York, is the Trustee under the Resolution (the “Trustee”).

The Authority is a body corporate and politic that was created effective February 20, 1967, pursuant to the Compact and to the National Capital Transportation Act of 1960 (P.L. 86-669, now repealed) (collectively referred to with the National Capital Transportation Acts of 1965 (P.L. 89-173), 1967 (P.L. 90-220), 1969 (P.L. 91-143), 1972 (P.L. 92-349), and the National Capital Transportation Amendments Acts of 1979 (P.L. 96-184) and 1990 (P.L. 101-551), all as amended, as the “Capital Transportation Act”). The Authority is an instrumentality and agency of Maryland, the Commonwealth and the District, the signatory parties to the Compact.

The Authority is responsible for the development, financing, and operation of mass transit facilities (the “Transit System”), consisting of a rapid rail system (“Metrorail”), a bus transit system (“Metrobus”), and a paratransit service (“MetroAccess”) under the Americans With Disabilities Act (“ADA”), each offering transit services to those portions of the Washington metropolitan area consisting of the District, the cities of Alexandria, Falls Church and Fairfax, Virginia, and the counties of Arlington and Fairfax, Virginia, and political subdivisions of the Commonwealth located within those counties, and the counties of Anne Arundel, Charles, Montgomery, and Prince George’s, Maryland, and political subdivisions of Maryland located within those counties. For the Fiscal Year ending June 30, 2018, the Authority provided more than 173.4 million Metrorail trips, 110.9 million Metrobus trips, and 2.4 million MetroAccess trips.<sup>1</sup>

Proceeds of the Series 2018 Bonds are expected to be used to (i) finance Capital Costs (as defined herein), (ii) pay capitalized interest on the Series 2018 Bonds through Fiscal Year 2019, and (iii) pay certain costs of issuing the Series 2018 Bonds. *See* “PLAN OF FINANCE AND SOURCES AND USES OF FUNDS.”

---

\* Preliminary, subject to change.

<sup>1</sup> *See* Approved Fiscal Year 2019 Budget at p. 19.

The following series of bonds are currently outstanding under the Resolution: \$9,580,000 of the \$242,675,000 Gross Revenue Transit Bonds, Series 2009A (Tax-Exempt) (the “Series 2009A Bonds”); \$55,000,000 Gross Revenue Transit Bonds, Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the “Series 2009B Bonds,” and together with the Series 2009A Bonds, the “Series 2009 Bonds”); \$197,370,000 Gross Revenue Transit Refunding Bonds, Series 2017A (the “Series 2017A Bonds”); and \$496,500,000 Gross Revenue Transit Refunding Bonds, Series 2017B (the “Series 2017B Bonds”, and together with the 2017A Bonds, the “Series 2017 Bonds”). See “CERTAIN AUTHORITY FINANCIAL INFORMATION – Outstanding Debt” herein. The Series 2009 Bonds, the Series 2017, and all other Obligations, Parity Debt, Subordinated Indebtedness, Subordinated Contract Obligations and indebtedness issued or secured under the Resolution prior to November 15, 2018 are collectively referred to herein as the “Pre-2018 Obligations.”

Upon issuance of the Series 2017A Bonds, \$165,515,000 of the \$184,220,000 of the outstanding Series 2009A Bonds were legally defeased. The refunding of the Series 2009B Bonds was structured as a crossover refunding and such bonds were not legally defeased upon issuance of the Series 2017A Bonds. A portion of the proceeds of the Series 2017A Bonds were used to make a deposit into an escrow fund (the “Crossover Escrow Fund”) established under an escrow agreement for purposes of refunding the Series 2009B Bonds. Prior to July 1, 2019 (the “Crossover Date”), the Series 2009B Bonds will not be secured or payable from amounts held in the Crossover Escrow Fund, but will continue to be secured and payable under the Resolution.

The Series 2009 Bonds, the Series 2017 Bonds, and the Series 2018 Bonds when issued, will be on a parity under the Resolution and together with any other bonds hereafter issued under the Resolution, are referred to herein as the “Bonds” **except that the Series 2018 Bonds will not be secured by and payable from Future Dedicated Revenues.** For more information on the Pre-2018 Obligations, see “CERTAIN AUTHORITY FINANCIAL INFORMATION – Outstanding Debt” herein.

Currently, the Authority maintains lines of credit totaling \$350 million with various credit providers, which lines of credit constitute Subordinate Indebtedness under the Resolution. As of November 1, 2018, the Authority had no outstanding balance drawn on such lines of credit. These lines of credit were renewed in May 2018 and expire in May 2019. Any amounts outstanding on the lines of credit would be due by such date. The lines of credit constitute Pre-2018 Obligations, but are secured by a lien on the Gross Revenues (other than Future Dedicated Revenues) subordinate to the lien securing the Series 2018 Bonds.

For more information on the Pre-2018 Obligations, see “CERTAIN AUTHORITY FINANCIAL INFORMATION – Outstanding Debt” herein.

**The Series 2018 Bonds are special obligations of the Authority payable solely from the Trust Estate pledged by the Resolution, except that the Series 2018 Bonds are not secured by and payable from Future Dedicated Revenues. The Series 2018 Bonds do not constitute a debt or legal obligation of and do not create a lien upon the revenues of the Participating Jurisdictions or of the United States of America. The full faith and credit of the United States of America and the Participating Jurisdictions are not pledged to the payment of the Series 2018 Bonds, and none of the foregoing are liable thereon. The Authority has no taxing power.**

Brief descriptions of and references to the Authority, the Series 2018 Bonds, the Compact, the Resolution, the Transit System, and applicable legislation are included in this Official Statement. Such descriptions are made subject to the provisions of such documents and laws and do not purport to be comprehensive or definitive. All references thereto are qualified in their entirety by reference to such documents and laws, copies of which are available for inspection at the principal office of the Authority at 600 Fifth Street, N.W., Washington, D.C. 20001.

This Official Statement contains information relating principally to the organization, operation, and economic resources of the Authority, and includes certain financial and other information supplementing the most recent basic financial statements of the Authority, which can be found in the Authority's Comprehensive Annual Financial Report ("CAFR") for Fiscal Year 2017. The following portion of the CAFR for Fiscal Year 2017 is incorporated herein by reference: the information under the heading "Financial Section," from pages 3-89, inclusive (collectively, the "Fiscal Year 2017 Audited Financial Statements"). The Authority's CAFR for Fiscal Year 2017 and the Fiscal Year 2017 Audited Financial Statements can be found at [https://www.wmata.com/about/records/public\\_docs/upload/FY2017-CAFR-Mobile-Version.pdf](https://www.wmata.com/about/records/public_docs/upload/FY2017-CAFR-Mobile-Version.pdf). Unless expressly stated otherwise herein, no other information is incorporated by reference in this Official Statement. Persons considering a purchase of the Series 2018 Bonds should rely only on information contained in this Official Statement or expressly incorporated by reference herein.

References to website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Capitalized terms used herein and not otherwise defined have the meanings set forth in "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

## **THE SERIES 2018 BONDS**

### **General**

The Series 2018 Bonds will be dated the date of their delivery and bear interest at the rates set forth on the inside cover page hereof, payable semiannually on January 1 and July 1, commencing July 1, 2019, until their final payment or maturity. Interest shall be computed on the basis of a three hundred sixty (360) day year consisting of twelve (12) months of thirty (30) days each. The Series 2018 Bonds shall be issuable only as fully registered bonds in denominations of \$5,000 and multiples thereof.

Principal of and premium, if any, on the Series 2018 Bonds shall be payable to the registered owners upon the surrender of Series 2018 Bonds at the principal corporate trust office of the Trustee. Interest on the Series 2018 Bonds shall be payable by check or draft of the Trustee mailed to the respective Owners at their addresses as they appear on the Record Date on the registration books kept by the Trustee; provided, however, that in the case of a Securities Depository or Owner of \$1,000,000 or more in aggregate principal amount of Series 2018 Bonds, upon the written request of such Owner to the Trustee, received on or prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest when due shall be made by wire transfer of immediately available funds to the bank account number on file with the Trustee. Any such request shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. Principal, premium, if any, and interest on the Series 2018 Bonds shall be payable in lawful money of the United States of America.

If the date for payment of the principal of, premium, if any, or interest on any of the Series 2018 Bonds shall be other than a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

## Redemption\*

### *Optional Redemption\**

The Series 2018 Bonds maturing on or after July 1, 20\_\_\_\_, shall be subject to redemption prior to maturity, in whole or in part in any authorized denomination, on any date on or after July 1, 20\_\_\_\_, at the option of the Authority, at the redemption price of 100% of the principal amount thereof, together with interest accrued to the redemption date.

### *Mandatory Sinking Fund Redemption\**

The Series 2018 Bonds maturing on July 1, 20\_\_\_\_, shall be subject to mandatory sinking fund redemption at par plus accrued interest to the redemption date, without premium in the years and amounts as follows:

<b>Year (July 1)*</b>	<b>Amount*</b>
2039	\$13,510,000
2040	\$14,200,000
2041	\$14,930,000
2042	\$15,695,000
2043†	\$16,500,000

† Final Maturity

Any amount accumulated in the Debt Service Fund up to the unsatisfied balance of each Sinking Fund Installment for the Series 2018 Bonds may and, if so directed in writing by an Authorized Officer, shall, be applied (together with amounts accumulated in the Debt Service Fund with respect to interest on the Series 2018 Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Installment as follows: (i) to the purchase of Series 2018 Bonds of the maturity and interest rate for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the principal amount of such Series 2018 Bonds plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Authority shall direct; or (ii) to the redemption of such Series 2018 Bonds if then redeemable by their terms at the prices set forth in (i) above.

Upon the purchase or redemption of any Series 2018 Bond pursuant to the provisions of the Resolution summarized in the preceding paragraph, an amount equal to the principal amount of the Series 2018 Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Series 2018 Bonds of such maturity, and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments as specified by the Authority at the time of such purchase or redemption.

---

\* Preliminary, subject to change.

### *Selection of Series 2018 Bonds to be Redeemed in Partial Redemption*

If less than all of the Outstanding Series 2018 Bonds of a particular maturity and interest rate are to be redeemed, the Trustee shall select, as directed by the Authority (as to the timing of such selection, manner of such selection or otherwise) or otherwise in such manner as the Trustee in its discretion shall deem appropriate and fair, the numbers of the Series 2018 Bonds to be redeemed and portions of any thereof to be redeemed in part. Series 2018 Bonds of denominations equal or less than the minimum authorized denomination thereof may be redeemed only as a whole. Series 2018 Bonds of denominations of more than the minimum authorized denomination thereof may be redeemed either as a whole or in part (which, if redeemed in part, must assure that the portion of the Series 2018 Bond which is not redeemed is an authorized denomination). If the Series 2018 Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2018 Bonds, partial redemptions will be done in accordance with DTC procedures. It is Authority's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Authority and the beneficial owners be made in accordance with these same proportional provisions. However, the Authority can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such a proportional basis.

### *Notice of Redemption*

Upon notification from the Authority of its election to redeem the Series 2018 Bonds, the Trustee is required under the Resolution to give notice of such redemption to the holders of the Series 2018 Bonds. Under the Resolution, the redemption notice must include: (i) CUSIP numbers; (ii) maturities; (iii) interest rate (if any maturity bears interest at different rates and all Series 2018 Bonds of such maturity are not being redeemed); (iv) the letters, numbers, or other distinguishing marks (if less than all Series 2018 Bonds of any like tenor, maturity, and interest rate are being redeemed); (v) if a partial redemption, the portions of the principal amount to be redeemed; and (vi) the redemption date and place. If a redemption is conditional, the redemption notice must include all conditions that must be satisfied. A redemption notice will also include the redemption price, together with interest accrued to the redemption date, and that from and after such date interest thereon will cease to accrue and be payable. Under the Resolution, a redemption notice must be given to the holders of the Series 2018 Bonds to be redeemed not less than 30 days nor more than 45 days before the redemption date.

Failure to give any such notice to any particular bondholder will not affect the validity of the proceedings for the redemption of the Series 2018 Bonds not owned by such bondholder and failure of any bondholder to receive such notice will not affect the validity of the proposed redemption of the Series 2018 Bonds. The Authority may provide notices of redemption at such additional times as it may determine necessary or appropriate.

Any notice of optional redemption may state that it is conditional upon receipt by the Trustee of money sufficient to pay the redemption price or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The Trustee will notify affected bondholders of such rescission as promptly as practicable upon the failure of such condition or the occurrence of such other event.

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

The Series 2018 Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as Registered Bondholder and nominee for The Depository Trust Company ("DTC"). Beneficial ownership interests in the Series 2018 Bonds will be available in book-entry-only form. Purchasers of

beneficial ownership interests in the Series 2018 Bonds will not receive certificates representing their interests in the Series 2018 Bonds purchased. See “APPENDIX C – BOOK-ENTRY-ONLY SYSTEM PROCEDURES.”

Principal and interest on the Series 2018 Bonds are payable through a securities depository as described in APPENDIX C.

*None of the Authority, the Underwriters, or the Trustee has any responsibility or obligation to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC or any DTC Participant; (ii) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the owners of the Series 2018 Bonds; (iii) the payment by DTC or any DTC Participant of any amount received with respect to the Series 2018 Bonds; (iv) any consent given or other action taken by DTC or its nominee as the owner of the Series 2018 Bonds; or (v) any other related matter.*



## PLAN OF FINANCE AND SOURCES AND USES OF FUNDS

### Plan of Finance

Proceeds of the Series 2018 Bonds are expected to be used to (i) finance Capital Costs, (ii) pay capitalized interest on the Series 2018 Bonds, and (iii) pay certain costs of issuing the Series 2018 Bonds.

### Sources and Uses of Funds

#### **Sources**

Par Amount \$ \_\_\_\_\_

Net Original Issue Premium \_\_\_\_\_

**Total Sources** \$ \_\_\_\_\_

#### **Uses**

Deposit to the Proceeds Fund for Capital Costs \$ \_\_\_\_\_

Deposit to the Debt Service Fund<sup>(1)</sup> \_\_\_\_\_

Deposit to the Costs of Issuance Account \_\_\_\_\_

Underwriters' Discount \_\_\_\_\_

**Total Uses** \$ \_\_\_\_\_

---

1. Includes funds to pay capitalized interest on the Series 2018 Bonds.

## ANNUAL DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Pre-2018 Obligations	Series 2018 Bonds <sup>(4)</sup>				Total
June 30,	Debt Service <sup>(1)(2)(3)</sup>	Principal <sup>(4)</sup>	Interest <sup>(4)</sup>	Capitalized Interest <sup>(4)</sup>	Net Debt Service <sup>(4)</sup>	Debt Service <sup>(4)</sup>
2019	\$ 121,081,420.00	\$ -	\$ -	\$ -	\$ -	\$ 121,081,420.00
2020	55,280,397.50	-	14,314,728.00	(8,404,978.00)	5,909,750.00	61,190,148.50
2021	54,327,500.00	5,225,000.00	11,688,875.00		16,913,875.00	71,241,375.00
2022	54,306,500.00	5,490,000.00	11,421,000.00		16,911,000.00	71,217,500.00
2023	54,287,125.00	5,775,000.00	11,139,375.00		16,914,375.00	71,201,500.00
2024	54,276,375.00	6,070,000.00	10,843,250.00		16,913,250.00	71,189,625.00
2025	54,256,375.00	6,380,000.00	10,532,000.00		16,912,000.00	71,168,375.00
2026	54,244,125.00	6,705,000.00	10,204,875.00		16,909,875.00	71,154,000.00
2027	54,226,375.00	7,050,000.00	9,861,000.00		16,911,000.00	71,137,375.00
2028	54,209,875.00	7,410,000.00	9,499,500.00		16,909,500.00	71,119,375.00
2029	54,186,250.00	7,795,000.00	9,119,375.00		16,914,375.00	71,100,625.00
2030	54,171,750.00	8,190,000.00	8,719,750.00		16,909,750.00	71,081,500.00
2031	54,157,250.00	8,610,000.00	8,299,750.00		16,909,750.00	71,067,000.00
2032	54,138,750.00	9,055,000.00	7,858,125.00		16,913,125.00	71,051,875.00
2033	54,141,500.00	9,520,000.00	7,393,750.00		16,913,750.00	71,055,250.00
2034	54,106,375.00	10,005,000.00	6,905,625.00		16,910,625.00	71,017,000.00
2035	54,050,125.00	10,520,000.00	6,392,500.00		16,912,500.00	70,962,625.00
2036	35,522,000.00	11,060,000.00	5,853,000.00		16,913,000.00	52,435,000.00
2037	35,519,750.00	11,625,000.00	5,285,875.00		16,910,875.00	52,430,625.00
2038	35,523,250.00	12,220,000.00	4,689,750.00		16,909,750.00	52,433,000.00
2039	35,519,250.00	12,850,000.00	4,063,000.00		16,913,000.00	52,432,250.00
2040	35,519,375.00	13,510,000.00	3,404,000.00		16,914,000.00	52,433,375.00
2041	35,519,875.00	14,200,000.00	2,711,250.00		16,911,250.00	52,431,125.00
2042	35,521,875.00	14,930,000.00	1,983,000.00		16,913,000.00	52,434,875.00
2043	35,521,375.00	15,695,000.00	1,217,375.00		16,912,375.00	52,433,750.00
2044		16,500,000.00	412,500.00		16,912,500.00	16,912,500.00
Total	\$ 1,273,614,817.50	\$ 236,390,000.00	\$183,813,228.00	\$(8,404,978.00)	\$411,798,250.00	\$1,685,413,068.50

Figures in the table may not sum due to rounding.

- Includes net debt service on the Pre-2018 Obligations issued or secured under the Resolution, except for an existing line of credit under the Resolution in the amount of \$350 million. There have been no draws on the line of credit, and the Authority does not anticipate making any draws before its expiration in May 2019. See "CERTAIN AUTHORITY FINANCIAL INFORMATION – OUTSTANDING DEBT" herein.
- The refunding of the Authority's Series 2009B Bonds issued under the Resolution was structured as a crossover refunding and such bonds were not legally defeased upon issuance of the Series 2017A Bonds. A portion of the proceeds of the Series 2017A Bonds were deposited into the Crossover Escrow Fund (as herein defined) to pay the Series 2009B Bonds on the Crossover Date (as herein defined). Prior to the Crossover Date, the Series 2009B Bonds will not be secured or payable from amounts held in the Crossover Escrow Fund, but will continue to be secured and payable on parity with all Bonds issued under the Resolution, except that the Series 2018 Bonds will not be secured by and payable from Future Dedicated Revenues. The Series 2009B Bonds were issued by the Authority under the Resolution as Build America Bonds ("BABs"). The Authority receives a federal debt service subsidy for such bonds (35% of the corresponding interest payable on the related bond). Since Federal Fiscal Year 2013, federal debt service subsidies have been cut by 6.8% to 8.7%. This table assumes that the federal debt service subsidy for the Series 2009B Bonds will continue to be reduced by 6.6% in Federal Fiscal Year 2018 and 6.2% in Federal Fiscal Year 2019, the year in which the Crossover Date occurs. For more information on the Series 2009B Bonds, see "CERTAIN AUTHORITY FINANCIAL INFORMATION – OUTSTANDING DEBT" herein.
- Source: Approved Fiscal Year 2019 Budget; The Authority has adjusted amounts for the Series 2016 pre-payment. The amounts were confirmed by the Trustee on August 24, 2018.
- Numbers are preliminary and subject to change.

## **SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2018 BONDS**

### **Limited Obligations**

The Series 2018 Bonds constitute “Obligations” under the Resolution and are special obligations of the Authority, payable solely from the Trust Estate. The Series 2018 Bonds do not constitute a debt or legal obligation of and do not create a lien upon the revenues of the Participating Jurisdictions or of the United States of America. The full faith and credit of the United States of America and the Participating Jurisdictions are not pledged to the payment of the Series 2018 Bonds, and none of the foregoing are liable thereon. The Authority has no taxing power.

### **Amendments to the Resolution**

In addition to authorizing the Series 2018 Bonds, the 2018 Supplemental Bond Resolution adopted by the Authority on November \_\_, 2018, amends the Resolution, among other things, to exclude any Future Dedicated Revenues from the pledge of the Trust Estate with regard to the Series 2018 Bonds and all other Bonds, Obligations and other indebtedness issued under the Resolution on or after November 15, 2018. The 2018 Supplemental Bond Resolution also adds the definitions for “Dedicated Revenues” and “Future Dedicated Revenues”. “Dedicated Revenues” mean the amounts received by the Authority under the following legislative enactments: (i) from the District of Columbia under D.C. Act 22 434 § 6002 or any successor statute, as the same may be amended from time to time in the future; (ii) from the State of Maryland under Md. Transportation Code Ann. § 10 205(g) or any successor statute, as the same may be amended from time to time; and (iii) from the Commonwealth of Virginia under the Va. Code §33.2 3401.B or any successor statute, as the same may be amended from time to time. Dedicated Revenues shall also include funds paid by any of the District of Columbia, the State of Maryland, the Commonwealth of Virginia or any other Participating Jurisdiction in-lieu-of such amounts. “Future Dedicated Revenues” mean (a) Dedicated Revenues and (b) any revenues, taxes, charges, assessments or other funding sources to be paid to the Authority by any of the Commonwealth of Virginia, the State of Maryland, the District of Columbia or any Political Subdivision under any legislative enactment taking effect on or after November 15, 2018. *See* “THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System – Future Funding.”

In accordance with the terms of the Resolution, the amendment to the definition of Trust Estate shall take effect following (a) the adoption of the 2018 Supplemental Bond Resolution, (b) the filing with the Trustee of a copy of the 2018 Supplemental Bond Resolution certified by an authorized officer of the Authority, (c) consent of the underwriters of the Series 2018 Bonds to such amendment and (d) the disclosure of such amendment.

Additionally, the 2018 Supplemental Bond Resolution amends the Resolution to delete a requirement of the Authority to receive a report on the maintenance of the Transit System from a consulting engineer every three years and take any action necessary to address any maintenance failures or capital funding inadequacies identified in such report. In accordance with the terms of the Resolution, the deletion of this covenant shall not take effect until time as there are no outstanding Pre-2018 Obligations under the Resolution.

### **Pledge of Trust Estate**

The Trust Estate, as amended by the 2018 Supplemental Bond Resolution, consists of, subject to the terms and provisions of the Resolution:

- (i) with respect to Pre-2018 Obligations, collectively, all right, title and interest of the Authority in:
  - (a) all Gross Revenues;
  - (b) the proceeds of the sale of the Obligations;
  - (c) all Funds, Accounts and Subaccounts established by the Resolution (other than funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations; provided however, that such funds, accounts and subaccounts are specifically excepted from the Trust Estate by the Supplemental Resolution authorizing such Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments and proceeds, if any, thereof; and
  - (d) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Resolution for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by the Resolution to receive any and all such property at any and all times, and to hold and apply the same, subject to the terms of the Resolution; and
- (ii) with respect to the Series 2018 Bonds and all Bonds, Obligations and other indebtedness issued under the Resolution on or after November 15, 2018, collectively, all right, title and interest of the Authority in:
  - (a) all Gross Revenues, except for any Future Dedicated Revenues and income received from the investment of any Future Dedicated Revenues;
  - (b) the proceeds of the sale of the Obligations;
  - (c) all Funds, Accounts and Subaccounts established by the Resolution (other than (i) the Future Dedicated Revenues Account, and (ii) any funds, and any accounts and subaccounts in such funds, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations; provided however, that such funds, accounts and subaccounts are specifically excepted from the Trust Estate by the Supplemental Resolution authorizing such Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments and proceeds, if any, thereof; and
  - (d) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Resolution the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is

authorized by the Resolution to receive any and all such property at any and all times, and to hold and apply the same, subject to the terms of the Resolution.

The Resolution pledges the Trust Estate to the payment of Obligations, and goes on to provide: **“For the avoidance of doubt, based on the definition of Trust Estate: (A) with respect to the Pre-2018 Obligations, Trust Estate includes Future Dedicated Revenues and investment income thereon; and (B) with respect to any Obligations, Parity Debt, Subordinated Indebtedness and Subordinated Contract Obligations issued by the Authority on or after November 15, 2018, Trust Estate does not include any Future Dedicated Revenues nor any investment income earned thereon.”**

### **Gross Revenues**

Gross Revenues consist of (i) Revenues exclusive of Lease Related Revenues, (ii) the Stable and Reliable Funding Sources (as defined below), and (iii) all other revenues, receipts, grants, contributions, subsidies and funds received by the Authority in respect of the Transit System which can be lawfully pledged under the Resolution, provided that the Capital Contributions and the Federal Operating Subsidies are excluded from Gross Revenues. Although “Federal Operating Subsidies” are referred to in the definition of Gross Revenues, the federal government no longer provides operating subsidies to the Authority.

For a description of the funding of the Capital Costs of the Transit System, see “THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System” herein.

### *Revenues*

Revenues consist of (i) all fares, rates, fees, charges, rents, revenues and other income received by the Authority from the operation of the Transit System and amounts paid to the Authority by the federal government or any Participating Jurisdiction on account of fares or service rendered by the Authority, (ii) proceeds of any business interruption insurance relating to the Transit System, and (iii) interest received on any moneys or securities, other than the Capital Contributions, of the Authority; provided, until the same is paid to the Authority for services of the Transit System, Revenues shall not include amounts collected by the Authority in respect of fare media that the owners thereof can apply to pay to Persons other than the Authority for goods or services.

In the 2018 Supplemental Resolution and as permitted under the Resolution, the Authority has provided notification to the Trustee that all parking facilities under the control, ownership or management of the Authority constitute Parking Facilities (as defined in the Resolution and described in APPENDIX A hereto) and Revenues derived therefrom are excluded from Gross Revenues.

For Gross Revenues collected by the Authority in Fiscal Years 2013 through 2017 and projected amounts for Fiscal Years 2018 and 2019, *see* Table 1 below.

### *Stable and Reliable Funding Sources*

As a condition of receiving certain federal assistance, a 1980 federal law (Public Law 96-184, enacted January 3, 1980) (the “Stark-Harris Act”) required that each Participating Jurisdiction identify a stable and reliable ongoing source of revenue (collectively, the “Stark-Harris Funding Sources”) to finance its contributions to the Authority in the amounts needed to fund its share of that portion of (i) operating and maintaining the Transit System and (ii) debt service that is in excess of (a) other revenues received by the Authority from the operation of the Transit System; and (b) any federal subsidies contributed for operating expenses of the Transit System. Each Participating Jurisdiction adopted legislation, described below, that

identified certain local revenue sources that would be used by such Participating Jurisdiction to meet its contribution described in the preceding sentence.

The funds generated by the Participating Jurisdictions from their respective Stark-Harris Funding Sources are not specifically pledged to the payment of the Bonds. A Participating Jurisdiction is not limited to the identified revenue sources to provide funds to make its payments for operation and maintenance expenses and debt service; the payments can be made from all available funds of the Participating Jurisdiction. Payments by the Participating Jurisdictions, including amounts from the Stark-Harris Funding Sources, are subject to appropriation by each Participating Jurisdiction. Only after such payments are appropriated and transferred to the Authority do such payments from the Participating Jurisdictions become subject to the pledge under the Resolution (collectively, the “Stable and Reliable Funding Sources”).

The following paragraphs describe Stark-Harris Funding Sources in the District of Columbia, the State of Maryland, and the Commonwealth of Virginia.

District of Columbia. In order to comply with the Stark-Harris Act, the District adopted D.C. Law 4-103, the Stable and Reliable Funding Source for WMATA Act of 1982, as amended (“Law 4-103”). Law 4-103 provides that certain District revenues are to be deposited in the District’s General Fund for allocation to a Metrorail/Metrobus Account. As part of the District’s annual budget, these revenues are applied first to satisfy the District’s proportionate share of the Authority’s operating and maintenance expenses and debt service. However, if those revenue sources are insufficient to fully satisfy the District’s contribution, the District is required to find other available sources of funds to make such deposit. These payments are subject to annual appropriations in accordance with the amounts stated in the District’s budget. *See* “THE TRANSIT SYSTEM – Funding of the Operating Expenses of the Transit System.”

Pursuant to the District of Columbia Financial Responsibility and Management Assistance Act of 1995, Public Law 104-8, as amended (the “Control Board Act”), the District of Columbia Financial Responsibility and Management Assistance Authority (the “Control Board”) was established. The Control Board Act granted the Control Board substantial powers over the financial activities and management operations of the District government during any “Control Period” as defined in the Control Board Act. Under the provisions of the Control Board Act, a new Control Period will be initiated if, among other things, the District fails to make payments to any entity under an interstate compact, including the Compact, to which the District is a signatory. If a new Control Period were to be initiated under the existing Control Board Act, the Control Board would be reconstituted and resume its full statutory powers.

State of Maryland. In order to comply with the Stark-Harris Act, the Maryland General Assembly enacted Section 10-205 of the Annotated Transportation Code of Maryland to provide for its Stark-Harris Funding Sources to pay the share of the Authority’s operating and maintenance expenses and debt service attributable to the Participating Jurisdictions located in Maryland. The payment is made from the Transportation Trust Fund (the “Trust Fund”) established under Section 3-216, as amended, of the Annotated Transportation Code of Maryland to the Washington Suburban Transit District (“WSTD”), which then makes payment to the Authority. The act creating the Trust Fund provides that there shall be credited to the Trust Fund for the account of the Maryland Department of Transportation (the “Department”) all taxes, fees, charges and revenues collected or received by or paid, appropriated, or credited to the account of the Department or any of its units in the exercise of its rights, powers, duties or obligations. Payments from the Trust Fund to the WSTD for this purpose are made only after payments are made to meet the debt service requirements of the Department on its own outstanding debt. However, if the Stark-Harris Funding Sources are insufficient to make the required payments to the Authority, Maryland is still required to find other available sources of funds to satisfy its obligation to the Authority. *See* “THE TRANSIT SYSTEM – Funding of the Operating Expenses of the Transit System.”



Commonwealth of Virginia. In order to comply with the Stark-Harris Act, the Virginia General Assembly enacted Section 58.1-1720 of the Code of Virginia, as amended (now found at Section 58.1-2295). Such act, as amended, imposes, in addition to all other taxes imposed by law, a tax upon every distributor who engages in the business of selling fuels at wholesale to retail dealers for retail sale in any county or city that is a member of any transportation district in which a rapid heavy rail commuter mass transportation system operating on an exclusive right-of-way, and a bus commuter mass transportation system, are owned, operated or controlled, a tax of 2.1% of the sales price charged by a distributor for fuels sold to a retail dealer for retail sale in any such county or city. Such tax is imposed at the time of sale by the distributor to the retail dealer.

The Participating Jurisdictions located in the Commonwealth are all members of the Northern Virginia Transportation Commission (“NVTC”). The tax described in the preceding paragraph is collected by the Commonwealth, and remitted to NVTC where it is held in trust for its member jurisdictions’ restricted use. The Participating Jurisdictions located in the Commonwealth use the tax to fund their respective shares of the Authority’s operation and maintenance expenses and debt service. See “THE TRANSIT SYSTEM – Funding of the Operating Expenses of the Transit System.”

Section 15.2-948 of the Code of Virginia, as amended, provides that a Participating Jurisdiction located within the Commonwealth may, within the limits permitted by the Virginia Constitution, designate any of its continuing sources of revenue, or a portion thereof, as its Stark-Harris Funding Sources to pay its mass transit operating and debt service expenses to the extent that such designation is required pursuant to the Stark-Harris Act. However, under the Virginia Constitution, a county, including Fairfax County and Arlington County, cannot obligate itself to pay for a fixed proportion of a future deficit of the Authority if it cannot be paid out of current revenues or there has not been a referendum authorizing the obligation. Based upon the foregoing, Fairfax County and Arlington have concluded that while they cannot either by legislation or contract commit themselves to pay their obligations to the Authority beyond a current year in which revenues are available, they can, by ordinance, designate the Stark-Harris Funding Sources from which appropriations for the Authority may be derived. Accordingly, each of the Participating Jurisdictions located in the Commonwealth has adopted an ordinance designating its gross revenues as the source of funds to provide payments to the Authority on an annual basis (Alexandria, Falls Church, and Fairfax cities have agreed to the arrangement by written contract with the Authority), and has directed its chief administrative officer to continue close coordination with the Authority to ensure that the Participating Jurisdiction’s contribution be included in the annual budget submissions.

Under the Commonwealth and Maryland legislation to establish Dedicated Revenues, the Authority is required to cap the annual increase of the Participating Jurisdiction’s annual operating assistance at three percent. Except as expressly authorized by the Commonwealth and Maryland legislation, the Participating Jurisdictions may withhold up to 35 percent of amounts provided to the Authority under the Stark-Harris Act as described above. See “ONGOING FINANCIAL AND OPERATIONAL CONCERNS –*Operating Budget Capped at 3% Increase Annually.*”

For additional information on Stable and Reliable Funding Sources, see “THE TRANSIT SYSTEM – Funding of the Operating Expenses of the Transit System – *Stable and Reliable Funding Sources.*”

The Authority has a number of other funding sources that are not pledged for the repayment of the Bonds. See “THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System.”

### **Obligations of the Participating Jurisdictions**

The Authority has covenanted in the Resolution to use its best efforts to cause the Participating Jurisdictions to make payments of their respective Stable and Reliable Funding Sources, together with other

funds, if necessary, so as to provide the amounts required to make the deposits to the Debt Service Fund required by the Resolution. To that end, the Authority has covenanted to take all appropriate and governmental action including, without limitation, action to obtain assistance and support for its efforts from any and all governmental entities with an interest therein.

Pursuant to the Compact, the Participating Jurisdictions (with WSTD acting on behalf of the Maryland jurisdictions) are obligated, subject to the limitations described herein, to include in their respective budgets and to appropriate or otherwise provide their share of amounts included in the Authority's capital budget and operating budget to be paid by the Participating Jurisdictions. The Participating Jurisdictions have not been asked to provide, and have not provided, either a certificate or an opinion regarding whether their respective contractual obligations pursuant to the Compact and the Capital Funding Agreement to pay their respective share of the Authority's budget for capital and operating costs of the Transit System, including debt service on the Bonds, violate any court order or decree, constitute a breach of or default under any contractual obligation, contravene or constitute a violation of any federal or state constitutional or statutory provision, or are the subject of any ongoing litigation.

Since 1970, when the Participating Jurisdictions first had funding obligations to the Authority, no Participating Jurisdiction has failed to make (either on time or within a few days of the payment date) a required operating subsidy payment to the Authority, with the exception of one instance in 1993 in which the District was one month late in making a payment.

### **Annual Debt Service Payments under the Capital Funding Agreement**

The Capital Funding Agreement permits the Authority to issue debt to finance all, or a portion of, its then-current Capital Improvement Program. Under such agreement, each Participating Jurisdiction that is a party thereto has the option to fund its share of an Authority debt financing either through a Prepayment (as defined herein) at the time of issuance or a commitment to make Annual Debt Service Payments (as defined herein) necessary in order for the Authority to pay debt service on the related obligations. Such commitment to make Annual Debt Service Payments survives the expiration of the Capital Funding Agreement and remains in effect throughout the term of the related Authority debt issuance. Prepayments, since they are Capital Contributions, are not Gross Revenues and therefore are not pledged as part of the Trust Estate for the payment of debt service on the Bonds. *See "THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System – Current and Ongoing Funding."*

For more information on the process for funding Capital Costs and the Capital Funding Agreement, *see "THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System."*

### **Contractual Obligations; Remedies**

The obligations of the Participating Jurisdictions are unsecured, contingent obligations under the Compact and related agreements and statutes, including the Capital Funding Agreement. If a Participating Jurisdiction were to fail to timely make a required subsidy payment, in addition to any enforcement action available pursuant to the Compact and related funding agreements, the Authority's Board could decide to hold a public hearing as to whether to terminate the provision of Transit System service within the Transit Zone located inside the Participating Jurisdiction that fails to pay. *See "THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System" and "– Funding of the Operating Expenses of the Transit System."*

## Historical and Projected Gross Revenues

The table below shows Gross Revenues (as defined in the Resolution and described above) collected by the Authority in Fiscal Years 2013 through 2017 and projected amounts for Fiscal Years 2018 and 2019.

**Table 1. Gross Revenues and Debt Service Coverage, Fiscal Years 2013–2019<sup>(1)</sup>**  
**(\$ in thousands)**

	<b>Historical</b>					<b>Projected</b>	<b>Projected</b>
	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018<sup>(4)</sup></u></b>	<b><u>2019<sup>(4)</sup></u></b>
Passenger Revenues	\$771,975	\$765,014	\$ 807,879	\$ 764,368	\$ 699,640	\$713,326	\$ 689,000
Other Pledged Revenues <sup>(2)</sup>	56,332	59,769	65,291	57,669	62,928	58,878	60,500
Operating Subsidies <sup>(3)</sup>	711,103	743,875	826,096	895,973	891,548	1,000,723	1,064,807
<b>Total Gross Revenues</b>	<b><u>\$1,539,410</u></b>	<b><u>\$1,568,658</u></b>	<b><u>\$1,699,266</u></b>	<b><u>\$1,718,010</u></b>	<b><u>\$1,654,116</u></b>	<b><u>\$1,772,837</u></b>	<b><u>\$1,814,307</u></b>
Debt Service <sup>(5), (6), (7), (8)</sup>	\$43,062	\$34,845	\$26,827	\$21,174	\$31,770	\$78,882	\$121,081
Debt Service Coverage Ratio	36x	45x	63x	81x	52x	22x	15x

1. The Authority is on a July 1 to June 30 Fiscal Year.
2. "Other Pledged Revenues" is the aggregate of the amounts in Table 5 under the headings "Advertising Revenue," "Rental Revenue," and "Other Revenue" under "Operating Revenues," and "Investment Income" and "Other" under "Nonoperating Revenues."
3. These amounts reflect payments received from the Participating Jurisdictions from the Stark-Harris Funding Sources or other sources for their respective shares of operating and maintenance costs of the Transit System, excluding Fiscal Years 2018 and 2019, which are the Authority's projections. Note that Table 5 includes such amounts as a component of the "Jurisdictional operating subsidies, capital grants, and capital subsidies" line item rather than as part of "Total Revenues."
4. The amounts shown for Fiscal Years 2018 and 2019 are projections of the Authority.
5. The amounts shown for debt service are presented on a cash basis.
6. As described herein, Stark-Harris Funding Sources, once received by the Authority, are pledged by the Authority for debt service on the Bonds.
7. The Series 2009B Bonds were issued under the Resolution as BABs. The American Recovery and Reinvestment Act of 2009 created the BABs program, which authorized the issuance of state and local governments, such as the Authority, to issue BABs as taxable bonds to finance any capital expenditures for which they otherwise could issue tax-exempt governmental bonds. Under the BABs program, the Authority receives a federal debt service subsidy for such bonds, which is set at 35% of the corresponding interest payable on the related bond. Upon receipt by the Authority, such federal debt service subsidy payment becomes part of the Trust Estate pledged to pay debt service on such bonds. No assurances are provided that the Authority will receive such federal debt service subsidy payments. Such payments do not constitute a full faith and credit guarantee of the United State of America, but such payments, if appropriated, are required to be paid by the United States Department of the Treasury.
8. The amount of such federal debt service subsidy is subject to change by the United States Congress ("Congress"). Since Federal Fiscal Year 2013, federal sequestration, a budgetary procedure, has resulted in subsidy cuts ranging from 6.8% to 8.7%. For Fiscal Years 2012-2018, debt service reflects the receipt by the Authority of the federal debt service subsidy payments for the Series 2009B Bonds (35% of the corresponding interest payable thereon). Note the following: (i) for Fiscal Years 2012-2013, the Authority received the full amount of federal debt service subsidy payments for the Series 2009B Bonds; (ii) for Fiscal Years 2014-2018, such federal debt service subsidy payments were reduced by approximately (a) \$107,126, (b) \$97,694, (c) \$94,999, (d) \$92,304 and (e) \$90,956, respectively; and (iii) for Fiscal Year 2019, the Authority expects the federal debt service subsidy for the Series 2009B Bonds to be reduced by approximately \$86,240. Such subsidy reductions are not reflected in the figures in Table 1. For more information on the Series 2009B Bonds, see "CERTAIN AUTHORITY FINANCIAL INFORMATION – Outstanding Debt" and footnote 2 to Table 9.
9. Source: See CAFR for Fiscal Year 2017 and Approved Fiscal Year 2019 Budget.

The payment of debt service on the Series 2018 Bonds is secured by a pledge of the Trust Estate, which principally consists of Gross Revenues, except that the Series 2018 Bonds and any other Obligation issued under the Resolution on or after November 15, 2018 will not be secured by and payable from Future Dedicated Revenues. The term “Gross Revenues” as defined in the Resolution and as used in Table 1 above differs from the accounting concept of “Revenues” as reflected in the Authority’s audited financial statements and Table 5 herein. Table 2 below compares these two concepts, and uses Fiscal Year 2017 data for purposes of such comparison.

**Table 2. Gross Revenues (Resolution) vs. Revenues (Audited Financials) Comparison<sup>(1)(2)</sup>**

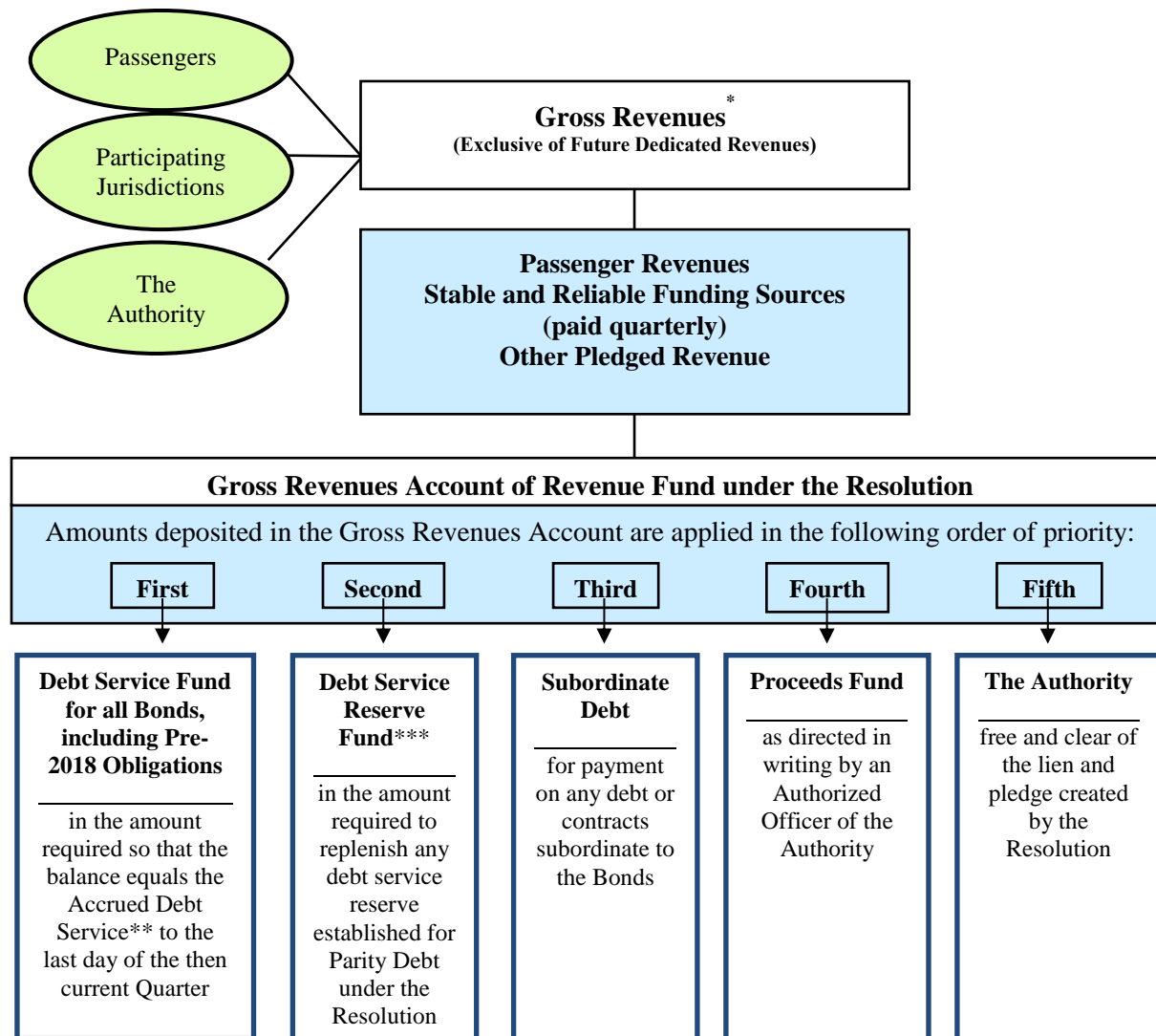
**(in thousands)**

<b>Financial Statements</b>	<b>Fiscal Year 2017 Amounts</b>	<b>A component of pledged “Gross Revenues” under the Resolution<sup>(3)</sup></b>
Operating Revenues:		
Passenger	\$699,640	✓
Parking	41,404	X
Rental	25,601	✓
Advertising	21,926	✓
Other Nontransit Sources	242	✓
Non-operating Revenues:		
Investment (loss) Income	(98)	✓
Interest Income from Leasing Transactions	0	X
Interest Expense from Leasing Transactions	(7,857)	X
Loss on disposition of assets	(9,686)	X
Other	15,257	✓
Jurisdictional Subsidies:		
Capital Contributions <sup>(4)</sup>	722,213	X
Operational Subsidies	891,548	✓
Federal Funds (grants and contributions) <sup>(4)(5)</sup>	182,991	X

1. Source: See the Resolution and CAFR for Fiscal Year 2017.
2. Dedicated Revenues are included in the definition of Gross Revenues, but will not be available until Fiscal Year 2020, and it will only be available to pay Pre-2018 Obligations.
3. “✓” indicates revenues that are included in “Gross Revenues” and “X” indicates revenues that are not included in the definition of “Gross Revenues.”
4. Cash amounts. Such amounts are not discreetly reported in the Fiscal Year 2017 Audited Financial Statements, but are included as part of capital contributions therein.
5. “Federal Operating Subsidies” are referred to in the definition of Gross Revenues and specifically excluded therefrom. The federal government no longer provides operating subsidies to the Authority.

## Flow of Funds

The following chart summarizes the sources of Gross Revenues (other than Future Dedicated Revenues) and the flow of funds once such Gross Revenues are collected by the Authority and deposited in the Revenue Fund for the Series 2018 Bonds and all other Bonds, Obligations and other indebtedness issued under the Resolution on or after November 15, 2018. Such deposit occurs as soon as practicable after the receipt thereof as required by the Resolution.



\*Gross Revenues do not include Future Dedicated Revenues as part of the Trust Estate securing the Series 2018 Bonds or any other Obligations that may be issued under the Resolution on or after November 15, 2018.

\*\*Accrued Debt Service” means, as of any date of calculation, an amount equal to the sum of the amounts of accrued and unpaid Debt Service with respect to all Obligations and Parity Debt, calculating the accrued Debt Service with respect to each obligation at an amount equal to the sum of (i) as estimated by an Authorized Officer, interest on the Obligations and interest components of Parity Debt accrued and unpaid and to accrue to the end of the then current Quarter; and (ii) Principal Installments due and unpaid and that portion of the Principal Installment for such Obligations and Parity Debt next due which would have accrued (if deemed to accrue in the manner set forth in the Resolution) to the end of such Quarter. For purposes of calculating Debt Service Fund deposits, Principal Installments shall not include amounts that an Authorized Officer has notified the Trustee are to be paid from sources other than Gross Revenues, nor shall Accrued Debt Service include any amounts that, as certified by an Authorized Officer, have been set aside under the Resolution or otherwise in trust for the payment thereof.

\*\*\*There are no Obligations currently outstanding that are secured by a Debt Service Reserve Fund.

## **Parity Liens and Additional Indebtedness**

Pursuant to the terms of the Resolution, the Authority is prohibited from creating a pledge of or lien on the Trust Estate that is superior to the pledge that secures the Series 2018 Bonds. However, the Authority may create a pledge of or lien on the Trust Estate that is on parity with the pledge that secures the Series 2018 Bonds, and in that connection incur additional indebtedness, provided that certain conditions set forth in the Resolution are satisfied.

Capital Cost Obligations. One or more Series of Obligations may be issued to pay, or to provide for the payment of, all or part of Capital Costs. Such Obligations are to be issued upon receipt by the Trustee of (i) a certificate of an Authorized Officer stating that, based on the reasonable expectations of such Authorized Officer, the Authority will be in compliance with its covenant summarized under the caption “Rate Covenant” for the Fiscal Year in which such Obligations are being issued; and (ii) a certificate of an Authorized Officer certifying, based on the Authority’s records, that Gross Revenues for any twelve (12) consecutive months out of the last eighteen (18) months immediately preceding the incurrence or issuance of such Obligations, adjusted so as to reflect what would have been in effect for such twelve (12) month period with any fare increase at least thirty (30) days prior to the date of incurrence or issuance of such Obligations, shall at least equal 400% of the Average Annual Aggregate Debt Service (with respect to all Obligations and Parity Debt, including the Obligations being incurred or issued) for the period commencing with the Fiscal Year next following the incurrence or issuance of such Obligations and ending with the Fiscal Year which includes the latest maturity or payment date of any Outstanding Obligations; provided that for purposes of computing such coverage ratio for any Obligations issued on or after November 15, 2018, the computation of Gross Revenues shall exclude any Future Dedicated Revenues received by the Authority. For a description of the Capital Improvement Program of the Authority, which may result in the issuance of additional Obligations, and certain outstanding debt of the Authority, *see* “CERTAIN AUTHORITY FINANCIAL INFORMATION – Capital Improvement Program” and “– Outstanding Debt” herein.

Refunding Obligations. One or more Series of Refunding Obligations may be issued to refund (including by redemption, payment at maturity or in connection with exchanges or tenders) all or any portion of any Outstanding Obligations or Parity Debt. Such Obligations are to be issued upon receipt by the Trustee of a certificate of an Authorized Officer stating either (i) after giving effect thereto, the Debt Service with respect to such Obligations is less in each Fiscal Year than the Debt Service with respect to the Obligations or Parity Debt, as applicable, being refunded for the period commencing with the Fiscal Year next following the incurrence or issuance of such Obligations and ending with the Fiscal Year which includes the latest maturity or payment date of the Obligations or Parity Debt being refunded; or (ii) the Gross Revenues test summarized in the preceding paragraph.

## **Rate Covenant**

Pursuant to the terms of the Resolution, the Authority has covenanted to, insofar as practicable and consistent with the provision of adequate service at reasonable fares, fix and establish fares, rates, charges and other fees with respect to the Transit System as shall, in the judgment of the Authority, be sufficient, together with other money available or anticipated to be available therefor (including the anticipated receipt of other amounts constituting Gross Revenues, as well as the proceeds of sale of Obligations, notes or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt), to pay (i) all Debt Service, all other amounts due on Parity Debt, debt service on all Subordinated Indebtedness then outstanding, and amounts due on all Subordinated Contract Obligations, (ii) all operating costs of the Transit System (giving effect to any reductions or deferrals or reserves therefor or anticipated reductions or deferrals thereof or reserves therefor), and (iii) all other amounts payable from or constituting a lien or charge on Gross Revenues, in each case as the same become respectively due and payable.

Failure to comply with the covenant described above constitutes an Event of Default under the Resolution. See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Events of Default.”

## **THE AUTHORITY**

The Authority was created effective February 20, 1967, pursuant to the Compact and the Capital Transportation Act. The Authority has adopted, and from time to time revised, a mass transit plan to provide public transportation services in the Transit Zone. The Authority is an agency and instrumentality of the Commonwealth, Maryland, and the District, and is dependent upon these governmental units and the remaining Participating Jurisdictions for financial support to meet a portion of its operating and capital expenses.

### **Organization**

The Authority is governed by the Board, which is composed of eight voting directors and eight alternate directors from each signatory to the Compact and from the federal government (the “Directors”). The Directors for the Commonwealth are appointed by the NVTC; for the District, by the Council; for Maryland, by the Washington Suburban Transit Commission (“WSTC”); and for the federal government, by the Secretary. Alternate directors to the Board (“Alternate Directors”) may act only in the absence of the Director for whom they were appointed as alternates, except in the case of the District where either Alternate Director may act in the event of a District Director’s absence.

Subject to policy direction and delegations from the Board, the General Manager and Chief Executive Officer is responsible for the operations and functions of the Authority and direct staff in implementing and carrying out the programs and initiatives of the Authority.

#### *The Board*

The present Directors, the jurisdiction represented, the date of each Director’s appointment to the Board, the expiration date of each Director’s term on the Board, and their occupations are set forth in the following table.



<b><u>Name of Director</u></b>	<b><u>Jurisdiction Represented</u></b>	<b><u>Date of Appointment/ End of Term</u></b>	<b><u>Occupation</u></b>
Jack Evans, Chairman	District of Columbia	January 2015; no expiration date set on term; serves at the pleasure of the District City Council	Member of the District City Council (Ward 2)
Clarence C. Crawford, First Vice Chairman	State of Maryland	April 2018; term expires June 30, 2019	Senior Vice President of Corporate Solutions for Addx Corporation
Jim Corcoran, Second Vice Chairman	Commonwealth of Virginia	February 2015; term expires January 9, 2022	President and Chief Executive Officer of the Northern Virginia Chamber of Commerce
Corbett A. Price	District of Columbia	March 2015; term expires June 30, 2019	Chairman and Chief Executive Officer of Quantix Health Capital, LLC
David Horner	Federal Government	July 2017; term expires July 24, 2021	Attorney
Steve McMillin	Federal Government	July 2017; term expires-July 24, 2021	Partner, U.S. Policy Metrics
Michael Goldman	State of Maryland	June 2013; term expires June 30, 2021	Attorney
Christian Dorsey	Commonwealth of Virginia	June 2018; term expires January 5, 2021	Member of the Arlington County Board
<b><u>Alternate Directors</u></b>			
Tom Bulger	District of Columbia	July 2011; no expiration date set on term; serves at the pleasure of the District City Council	President of Government Relations Inc.
Jeff Marootian	District of Columbia	Term expires September 2017. Reappointment pending with the DC City Council	Director of the District Department of Transportation
Anthony E. Costa	Federal Government	July 2014; term expires May 31, 2018 <sup>(1)</sup>	Senior Advisor to the Administrator of the General Services
Malcolm Augustine	State of Maryland	July 2015; term expires May 30, 2019	Customer Relations Executive at Intra Mail Network
Kathy Porter	State of Maryland	January 2011; term expires May 31, 2017 <sup>(1)</sup>	Former Mayor of Takoma Park and board member of various transportation agencies
Catherine Hudgins	Commonwealth of Virginia	June 2018; term expires January 9, 2020	Member of the Fairfax County Board of Supervisor
Paul C. Smedberg	Commonwealth of Virginia	January 2016; term expires January 2, 2019	Member of the Alexandria City Council

- 
1. While such Directors' terms have expired, such appointments to the Board remain valid until a successor is confirmed or for one year after the terms expire, whichever comes first.
  2. Source: The records of the Board Corporate Secretary.

## *Management*

The Authority's senior executive and financial management team consists of the following individuals:

**Paul J. Wiedefeld, General Manager and Chief Executive Officer.** Paul J. Wiedefeld became the General Manager and Chief Executive Officer in November 2015. He has more than 35 years of public and private sector transportation management experience. Prior to joining the Authority, he twice served as the Executive Director and Chief Executive Officer of the Maryland Aviation Administration, managing the Baltimore/Washington International Thurgood Marshall Airport ("BWI"). Under Mr. Wiedefeld's leadership from 2009 to 2015, BWI grew to provide service to 22 million passengers annually, becoming the leading airport in the Washington, D.C. region through route expansion and significant airport development. During his tenure from 2002-2005, Mr. Wiedefeld managed the largest expansion in BWI's history that included the design and construction of a 26-gate terminal, an 8,400-space parking garage, and a modern consolidated rental car facility. From 2007-2009, Mr. Wiedefeld served as Administrator of the Maryland Transit Administration, managing the day-to-day operations of the nation's 13th largest transit system, including commuter rail, subway, light rail, buses, and paratransit. During his tenure, the agency expanded the number of locomotives and railcars for the Maryland commuter rail system and negotiated contracts with labor unions. He received a Bachelor of Science degree in Political Science and a Master's degree in City and Regional Planning from Rutgers University.

**Joseph Leader, Chief Operating Officer.** Joseph Leader was appointed as Chief Operating Officer on August 1, 2016, and leads the entire operation of the Authority, including rail, bus, support services, paratransit services, and Metro Transit Police. He has more than 30 years of experience from New York City Transit ("NYC Transit") where he was Senior Vice President of the Department of Subway. In that role, he oversaw North America's largest rail system with 27,000 employees, 800 miles of track, 469 stations, and an operating budget of \$3.7 billion. While at NYC Transit, he led a comprehensive maintenance program that accelerated track work and improved safety and productivity. He also served as Chief of Safety Investigations for NYC Transit and formerly served as a consultant to the General Manager/CEO on rail organizational and fleet management as an associate for Bianco Associates. Mr. Leader has an electrical engineering degree from Manhattan College and served as a local volunteer firefighter.

**Dennis Anosike, Chief Financial Officer.** Dennis Anosike was appointed Chief Financial Officer in July 2014. He came to the Authority with over 25 years of financial experience including 11 years as the Chief Financial Officer/Treasurer for the Chicago Transit Authority ("CTA"). At CTA, he oversaw the offices of budget, comptroller, capital investment, treasury and financial reporting. He also served one year as CTA's budget director. He also worked in the Office of Budget and Management for the City of Chicago, ultimately becoming Deputy Budget Director. Other positions of note include Director of Finance for the Chicago Department of Police, Senior Vice President for Northern Trust Company, President of United Investment Managers, Inc., and Senior Director of Management and Performance for the United States Department of Commerce.

**Patricia Y. Lee, Esq., General Counsel.** Patricia Y. Lee was appointed as General Counsel in July 2016. She came to the Authority with 26 years of public and private legal experience, domestic and global, in directing and managing all legal affairs of corporate legal functions, including mergers and acquisitions, complex commercial transactions, regulatory compliance, litigation, intellectual property and licensing, and labor and employment. She has been a key member of executive leadership teams and the chief legal adviser to CEOs, senior management, boards of directors, and business leaders across all regions of companies. She formerly served as Group General Counsel and Executive Vice President for Unify and held senior legal positions at Northrop Grumman Corporation and Cable & Wireless plc, and was a partner at Holland & Knight LLP. Ms. Lee was also a trial attorney with the U.S. Department of Justice, Civil Division, and a litigation attorney at the international law firm of White & Case LLP. Ms. Lee received a

Bachelor of Arts degree, *summa cum laude*, in Psychology from the University of Maryland and a Juris Doctor from the Harvard Law School. Ms. Lee is a member of the bars of Maryland, the District of Columbia, Virginia, and New York.

**Craig Gross, Treasurer.** Craig Gross was appointed as Treasurer effective February 13, 2017. He has an extensive background in financial management, with an emphasis in treasury systems and risk management with more than 33 years of experience in public and private organizations with responsibility for Corporate Treasury and strategy. He was Vice President, Corporate Treasury & Risk Management for American Capital, Ltd., served as Director of Treasury at Amtrak and was Assistant Treasurer at Towers-Watson, a global risk and financial company. His experience includes overseeing commercial banking relationships, investments, capital market activities, and risk management. Mr. Gross holds a Bachelor of Science degree in Finance and Business Administration from Minnesota State University and is a Chartered Financial Analyst and Certified Treasury Professional.

**Patrick Lavin, Chief Safety Officer.** Patrick Lavin joined the Authority as Chief Safety Officer on May 9, 2016. Mr. Lavin comes to the Authority with more than 30 years' experience in rail operations and maintenance, as well as safety investigations. Prior to joining the Authority, Mr. Lavin worked at New York City Transit ("NYCT"), where he was second in command of that agency's Office of System Safety. Mr. Lavin spent the first two decades of his career in NYCT's Division of Signals, where he gained extensive knowledge of rail operations, maintenance, testing and inspection processes. As part of NYCT's safety department, Mr. Lavin performed in-depth investigations into rail and bus accidents, including mainline rail incidents such as derailments and collisions. Mr. Lavin has a Master's degree in Transportation Planning and Management from NYU Polytechnic Institute and a Bachelor's degree in Labor Studies from Empire State College.

## **Labor Relations**

The Authority has approximately 12,063 employees. Approximately 9,953 of these employees are represented by five unions. *See* Table 3 below. Union representation and bargaining conditions are governed by the Compact. Collective bargaining agreements (“CBAs”) are subject to binding arbitration pursuant to the terms of the Compact and the terms of each CBA.

The Authority has not experienced an employee strike or work stoppage since September 1979. Each of the CBAs with the Authority contains a clause that prohibits a strike by any of the unions or a lockout by management. The Compact requires any labor dispute, where collective bargaining does not result in an agreement, to be subject to final and binding arbitration.

On August 14, 2018, the Arbitration Panel issued its award regarding the Authority’s labor dispute with Local 689 Amalgamated Transit Union (Local 689). The salient terms of the award include retroactive wage increases of 1.0% from July 1, 2017 and 2.5% from July 1, 2018 with additional wage increases of 1.5% in 2019 and 2020. Additionally, the employee share of health care premiums will increase from 20% to 25% after January 1, 2019 and generic drugs must be used before brand name drugs will be covered by the plan. The estimated impact to the Authority’s Fiscal Year 2018 Budget is \$7.8 million, and the estimated impact to the Authority’s Fiscal Year 2019 Budget is \$25.1 million, which will be funded by additional contributions from the Participating Jurisdictions no later than June 30, 2019.

On July 30, 2018, the Authority and the Office and Professional Employees International Union, (Local 2) of the American Federal of Labor and Congress of Industrial Organizations (AFL-CIO) agreed to terms of a new CBA for 2016-2021. The salient terms are retroactive wage increases of 1.5% from July 1, 2017 and 2.0% from July 1, 2018 with additional wage increases of 2.0% in July 2019, 2.5% in July 2020 and 3.0% in January 2021. Additionally, the employee share of health care premiums will increase to 22% effective January 1, 2019; 24% in 2020 and 25% in 2021. Changes to overtime distribution from strictly seniority-based to voluntary rotation and inverse seniority allow junior less expensive employees to work overtime. The estimated impact to the Authority’s Fiscal Year 2018 Budget is \$1.8 million and the estimated impact to the Authority’s Fiscal Year 2019 Budget is \$4 million, which is expected to be funded by additional contributions from the Participating Jurisdictions no later than June 30, 2019.

**Table 3. Union Membership and Representation**

<b>Union</b>	<b>Approximate Membership<sup>(1)</sup></b>	<b>Types of Employees Represented</b>	<b>Agreement Effective Dates<sup>(2)</sup></b>
International Brotherhood of Teamsters, Local 639 (“Local 639”)	109	Security Guards	October 1, 2013 – September 30, 2016
International Brotherhood of Teamsters, Local 922 (“Local 922”)	408	Bus Operators and Mechanics	November 1, 2012 – October 31, 2016
Amalgamated Transit Union, Local 689 (“Local 689”)	8,116	Train and Bus Operators Station Managers, Maintenance (bus and rail fleet), General Maintenance, and Clerical and Administrative	July 1, 2016 – June 30, 2020 <sup>(3)</sup>
Office and Professional Employees International, Local 2 (“Local 2”)	983	Professional, Clerical, and Technical	July 1, 2016– June 30, 2020
Fraternal Order of Police/Metro Transit Police Labor Committee	351	Metro Transit Police	October 1, 2010 – September 30, 2017

---

1. As of August 7, 2018.

2. Following the stated expiration date of each collective bargaining agreement, such agreement continues in effect from year to year thereafter unless either party gives written notice at least sixty (60) days or ninety (90) days, as applicable, prior to any expiration date of an intent to modify such agreement.

3. Source: Arbitration Award. The Authority Board of Directors is expected to approve the Collective Bargaining Agreement based on the Award on September 27, 2018.

Negotiations for new CBAs with the remaining unions (Local 639, Local 922, and FOP) are expected to commence during Fiscal Year 2019. Under the terms of the existing CBAs for such unions, each agreement remains in effect until the parties agree on the terms of a new CBA or an impasse is declared by one of the parties and a tripartite panel of arbitrators issues a majority decision establishing a new CBA.

## **THE TRANSIT SYSTEM**

### **Introduction**

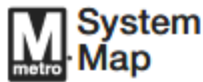
The Authority has over 1,100 rail transit vehicles in operation (see the following map of Metrorail). Rail ridership through the third quarter of Fiscal Year 2018 was 128 million trips. In Fiscal Year 2019, Metrorail is projected to provide approximately 173.4 million passenger trips. *See* Table 4 herein. The Authority currently operates parking facilities at its Metrorail stations with approximately 61,768 spaces.

The Authority also operates a comprehensive bus system – Metrobus – which provides service to areas not served by Metrorail and is integrated closely with Metrorail operations. A bus vehicle fleet of approximately 1,583 buses provides between approximately 340,086 and 449,874 weekday passenger trips. Through the third quarter of Fiscal Year 2018, bus ridership was 91 million trips. Approximately 111 million trips are projected to be taken on Metrobus in Fiscal Year 2019.

In addition to Metrobus, the Authority operates MetroAccess, an ADA paratransit service for the Washington, D.C. metropolitan area. MetroAccess has 43,605 registrants as of May 31, 2018 and provides service through contract carriers operating over 750 Authority-owned vehicles. Through Fiscal Year 2018, MetroAccess provided 2.33 million passenger trips and expects to provide 2.413 million passenger trips in Fiscal Year 2019.

### **Regional Demographics**

The Transit System serves the Washington, D.C. metropolitan area, which, as of July 1, 2016, had a population of approximately 6.1 million individuals (based on data from the U.S. Census Bureau). Based on data reported in the 2016 Public Transportation Fact Book published by the American Public Transportation Association for report year 2014, Metrorail is the second-largest heavy rail system in the country, while Metrobus is the sixth-largest bus network in the country. There are several large international companies with headquarters in the region, including military defense contractors, hospitality companies, consultants, and insurance companies, among others. Unemployment rates in the region are consistently below the national rate. For calendar year 2016, the non-seasonally adjusted unemployment rate in the region was 3.8% versus 4.9% nationally (such figures are based on data from the Bureau of Labor Statistics). Per capita personal income and per capita real gross domestic product are consistently above the national levels. For calendar year 2015, per capita personal income for the region was \$64,882 versus \$49,827 nationally and per capita real gross domestic product was \$72,558 versus \$52,896 nationally (such figures are based on data from the Bureau of Economic Analysis).



wmata.com  
Customer Information Service: 202-637-7000  
TTY Phone: 202-962-2033  
Metro Transit Police: 202-962-2121

## Legend

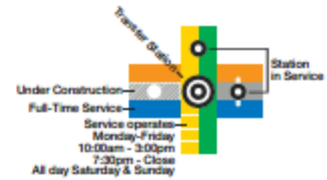
- Red Line • Glenmont / Shady Grove
- Orange Line • New Carrollton / Vienna
- Blue Line • Franconia-Springfield / Largo Town Center
- Green Line • Branch Ave / Greenbelt
- Yellow Line • Huntington / Mt Vernon Sq / Fort Totten
- Silver Line • Wiehle-Plexton East / Largo Town Center

## Station Features

- Bus to Airport
- Parking
- Hospital
- Airport

## Connecting Rail Systems

- AMT
- VRE
- MDA



Metro is accessible.

- No Smoking
- No Eating or Drinking
- No Animals (except service animals)
- No Audio without earphones
- No Littering or Spilling
- No Dangerous or Flammable Items



## **Funding of the Operating Expenses of the Transit System**

The Authority's revenues consist primarily of farebox revenues from passengers and quarterly operating subsidy payments made to the Authority by or on behalf of the Participating Jurisdictions. In establishing its budget each year, the Authority makes an estimate of the revenues it expects to receive from operation of the Transit System based on the current or projected fare schedule and ridership, together with other Authority business revenues, including from advertising, incidental license and lease fees, and other sources. The balance of the Authority's budget is provided through operating subsidy payments from or on behalf of the Participating Jurisdictions. At the end of a Fiscal Year, to the extent that the amount of a Participating Jurisdiction's operating subsidy payment is less or more than its share of the difference between the total operating expenses and operating revenues of the Authority for that Fiscal Year, the amount of the Participating Jurisdiction's operating subsidy payment for the following Fiscal Year is adjusted by such amount.

### *Farebox Receipts*

The Authority's current rate schedule, which became effective June 25, 2017, provides for peak period base passenger fares of approximately \$2.25 for Metrorail and \$2.00 for Metrobus. The Authority's Metrorail fares are determined on the basis of a base fare that all passengers are charged, which varies depending on the time of day during which the trip is made, and an additional fare charge based on the distance a passenger rides on the Transit System. The Authority provides intermodal transfers between Metrobus and Metrorail. In setting its fare schedule, the Authority expects to recover approximately forty-five percent (45%) of the Transit System's operating costs through farebox receipts, advertising income, and parking fees. Fares are adjusted from time to time and the Board decisions regarding such fare increases are not subject to regulatory approval.

For information concerning the Transit System's ridership levels, *see* "ONGOING FINANCIAL AND OPERATIONAL CONCERNS – Transit System's Financial Needs – Drop in Ridership Levels.." For information concerning the Authority's revenues and expenses for Fiscal Year 2017, as well as the changes in revenues, expenses, and net assets for Fiscal Years 2013 through 2017, *see* "CERTAIN AUTHORITY FINANCIAL INFORMATION – Financial Information."

### *Stable and Reliable Funding Sources*

Pursuant to the Compact, the Participating Jurisdictions (with the WSTD acting for the Maryland jurisdictions) are obligated, subject to the limitations described herein, to provide funding to the Authority for their share of the Authority's budget for capital and operating costs of the Transit System. Under the terms of the Compact and legislative enactments of the Participating Jurisdictions, Stark-Harris Funding Sources have been identified by the Participating Jurisdictions to make their respective operating and maintenance and debt service contributions to the Authority, as well as their respective capital payment obligations. *See* "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – Gross Revenues – *Stable and Reliable Funding Sources.*"

The Participating Jurisdictions are not limited to the identified revenue sources in order to provide all obligated payments. The funds to be provided by or on behalf of each Participating Jurisdiction are subject to annual appropriation to provide for the projected annual operating deficit of the Transit System. *See* "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – Gross Revenues – *Stable and Reliable Funding Sources.*"

If a Participating Jurisdiction were to fail to include in its budget a required operating subsidy payment or, following such inclusion and an appropriation, were to fail to make such payment to the Authority, the Authority could bring suit pursuant to the Compact to attempt to compel compliance. However, each Participating Jurisdiction retains the absolute discretion as to whether to appropriate, and

there would be no contractual remedy for the failure to appropriate where proper budgetary procedures were followed.

In addition to the contractual remedy described above, the Board could decide to hold a public hearing as to whether to terminate the provision of Transit System service within any Participating Jurisdiction that has failed to timely make a required subsidy payment regardless of the particular circumstances as described under “THE TRANSIT SYSTEM –Funding of the Capital Costs of the Transit System – *Current and Ongoing Funding.*”

See “CERTAIN AUTHORITY FINANCIAL INFORMATION – Financial Information” herein for information concerning the Authority’s revenues and expenses for Fiscal Year 2017, as well as the changes in revenues, expenses, and net assets for Fiscal Years 2013 through 2017. See Table 7 under the caption “CERTAIN AUTHORITY FINANCIAL INFORMATION – Annual Budgets – *Fiscal Year 2019 Budget*” for information on state and local funds that the Authority has received or expects to receive from the Participating Jurisdictions in the Approved Fiscal Year 2018 Budget and the Approved Fiscal Year 2019 Budget. For information concerning the Transit System’s ridership levels see “ONGOING FINANCIAL AND OPERATIONAL CONCERNS – Transit System’s Financial Needs – Drop in Ridership Levels.”

### **Funding of the Capital Costs of the Transit System**

Funds for the capital development of Metrorail have been provided on a shared basis between the federal government and the Participating Jurisdictions through Capital Contributions. All of the required Capital Contributions of Participating Jurisdictions described under this caption are subject to appropriation. Capital Contributions include (i) any capital contributions, including prepayments, or grants paid to the Authority by a Participating Jurisdiction pursuant to any Capital Funding Agreement to be applied by the Authority to pay Capital Costs of the Transit System on a pay-as-you-go basis and not to service debt issued by the Authority to finance Capital Costs, (ii) capital contributions or grants paid to the Authority by the Federal Government or any department or agency thereof to be applied by the Authority to pay Capital Costs of the Transit System on a pay-as-you-go basis and not to service debt issued by the Authority to finance Capital Costs, (iii) any capital contributions made by the District, Maryland or the Commonwealth to be applied by the Authority to pay Capital Costs of the Transit System on a pay-as-you-go basis and not to service debt issued by the Authority to finance Capital Costs including, but not limited to, capital contributions made as a match to a Federal grant or appropriation or otherwise, and (iv) any other or additional capital contributions or grants paid to the Authority by a Participating Jurisdiction to be applied by the Authority to pay Capital Costs of the Transit System on a pay-as-you-go basis and not to service debt issued by the Authority to finance Capital Costs. Capital Contributions include any rebate or return of insurance funds provided from Capital Contributions. **Capital Contributions are excluded from the Gross Revenues of the Authority pledged as part of the Trust Estate for the payment of debt service on the Bonds.**

#### *Initial and Prior Funding*

An initial \$2.0 billion was provided for the capital development of Metrorail, with Congress appropriating two-thirds of this amount and Maryland, the Commonwealth, the District and the other Participating Jurisdictions appropriating the remaining one-third. In addition, \$997 million of federally guaranteed Transit Series A-E Notes, issued in 1972 through 1975, provided additional capital to support development of Metrorail. These bonds were retired by the Authority in 1993 through a refinancing of one-third of the bonds and through receipt of federal funds sufficient to retire the remaining two-thirds of the then-outstanding bonds. The extensive federal participation in Metrorail represented a development decision in response to the recognized need to improve the quality and lower the cost of transporting federal employees working in the Washington metropolitan area. The Capital Transportation Act provided the authorization to enter into the Compact, authorized the construction of Metrorail and provided specific federal funding commitments.

Capital Contributions required from the Participating Jurisdictions to provide the local match for federal grants were provided, prior to 2004, through multi-year interim capital contributions agreements (collectively, the “Interim Capital Contributions Agreements”) that specified the matching commitment due from each jurisdiction during each year of the federally authorized construction program. In 2004, the Authority entered into a capital funding agreement (the “Metro Matters Funding Agreement”) with the District of Columbia, the State of Maryland (with WSTD acting for Maryland jurisdictions) and the Participating Jurisdictions located in the Commonwealth to fund its capital program through Fiscal Year 2010. The six-year capital funding program codified in the Metro Matters Funding Agreement (the “Metro Matters Program”) had a total multi-year budget of \$3 billion, all of which was invested. The Metro Matters Funding Agreement required the Participating Jurisdictions, during each Fiscal Year, to make cash contributions needed to fund capital contracts due in such Fiscal Year.

The Metro Matters Funding Agreement also permitted the Authority to issue debt to assist in the financing of the Metro Matters Program. In the event of any such debt issuance, the Metro Matters Funding Agreement allowed each Participating Jurisdiction to elect: (i) to fund their share through a single, upfront cash payment (a “Prepayment”) on the date of issuance of the debt; or (ii) to commit, in accordance with the Metro Matters Funding Agreement, to make the pro rata annual contributions (the “Annual Debt Service Payments”) necessary in order for the Authority to make payments of debt service on such debt. A portion of the proceeds of the Series 2009 Bonds were used to finance Capital Cost components of the Metro Matters Program. In connection with such issuance, four of the Participating Jurisdictions elected to completely fund their Metro Matters Program Obligations by making a Prepayment, three of the Participating Jurisdictions (the District of Columbia and Montgomery and Prince George’s counties in Maryland) elected to satisfy their payment obligations by making Annual Debt Service Payments, and one of the Participating Jurisdictions (the City of Falls Church, Virginia) opted to make a partial Prepayment and to fund the remainder with Annual Debt Service Payments. Prepayments, since they are Capital Contributions, are not Gross Revenues and therefore are not pledged as part of the Trust Estate for the payment of debt service on the Bonds. *See* “SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2018 BONDS.”

Each Participating Jurisdiction has made all of the Capital Contributions required pursuant to the Interim Capital Contributions Agreements and the Metro Matters Funding Agreement. In addition, the Participating Jurisdictions that elected to make Annual Debt Service Payments have timely made all such payments.

#### *Current and Ongoing Funding*

Following the expiration of the Metro Matters Funding Agreement in 2010, the Authority and the District of Columbia, the State of Maryland (with WSTD acting for Maryland jurisdictions) and the Participating Jurisdictions located in the Commonwealth entered into the Capital Funding Agreement, which requires the Authority to adopt a six-year capital program each year (each a “Capital Improvement Program”). For more information on the most recently approved Capital Improvement Program, *see* “CERTAIN AUTHORITY FINANCIAL INFORMATION – Capital Improvement Program” herein.

The Capital Funding Agreement requires each Participating Jurisdiction “to use all reasonable efforts and to pursue all legally available means to secure the necessary and appropriate budget, legislative, and appropriations actions in order to obtain funding in the full amount” of its obligations thereunder. In accordance with the Capital Funding Agreement, each Participating Jurisdiction is responsible for a portion of the cost of each Capital Improvement Program, determined using allocation formulas recalculated every three years based upon the Authority’s then-current approved operating budget. The most recent recalculation (which allocated jurisdictional capital contributions through Fiscal Year 2019) occurred prior to the adoption of the Approved Fiscal Year 2019 Budget. Notwithstanding these allocation formulae, the Capital Funding Agreement requires each Participating Jurisdiction’s Capital Contribution to be no less than its annual share of any matching funds required for federal grants.

For the District of Columbia, Maryland, and Virginia, the percentage of such Participating Jurisdiction's Capital Contribution for Fiscal Year 2019 is projected to be approximately 37%, 36%, and 27%, respectively. For more information on the percentages of each Participating Jurisdiction's Capital Contribution, including a further breakdown of such contributions for jurisdictions within Maryland and Virginia, *see* Table 7 herein.

The Capital Funding Agreement permits the Authority to issue debt to finance all, or a portion of, its then-current Capital Improvement Program. Like the Metro Matters Funding Agreement, the Capital Funding Agreement permits each Participating Jurisdiction to fund its share of an Authority debt financing either through a Prepayment or a commitment to make the Annual Debt Service Payments necessary in order for the Authority to pay debt service on the related obligations. The Capital Funding Agreement requires any such commitment to survive the expiration of the agreement and to remain in effect throughout the term of the related Authority debt issuance.

Prepayments, since they are Capital Contributions, are not Gross Revenues and therefore are not pledged as part of the Trust Estate for the payment of debt service on the Bonds. *See* "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2018 BONDS."

Prior to the adoption of any Capital Improvement Program, the Capital Funding Agreement requires each Participating Jurisdiction to certify that its required Capital Contributions "are reasonable and accurate reflections of funds to be made available." Each Participating Jurisdiction has made all of the Capital Contributions required pursuant to the Capital Funding Agreement. If a Participating Jurisdiction were to fail to include in its budget a required Capital Contribution, or, following such inclusion and appropriation, were to fail to make such payment to the Authority, the Authority could bring suit to compel compliance under the Capital Funding Agreement. However, each Participating Jurisdiction retains the absolute discretion as to whether to appropriate, and there would be no contractual remedy for the failure to appropriate assuming that, in accordance with the Capital Funding Agreement, the Participating Jurisdiction used all reasonable efforts and pursued all legally available means to secure the appropriation.

In addition to the contractual remedy described above, the Authority's Board could decide to hold a public hearing as to whether to terminate the provision of Transit System service within any Participating Jurisdiction that has failed to timely make a required subsidy payment regardless of the particular circumstances. Following such a hearing, Authority staff would provide a report to the Board as to whether such service should be terminated, following which the Board would make its decision. Any such Board decision, however, must be made on the basis of a majority vote. As with all Board votes, the majority must include one of the Directors from each of the Compact signatories (the Commonwealth, Maryland, and the District), including the signatory in which the Participating Jurisdiction in which the termination of service is being considered is located.

The Capital Funding Agreement was scheduled to expire on June 30, 2018. On March 22, 2018, the Board authorized a one-year extension of the Capital Funding Agreement, which has been executed by the Authority and the District of Columbia, the State of Maryland (with WSTD acting for Maryland jurisdictions) and the Participating Jurisdictions located in the Commonwealth with an effective date of July 1, 2018. Such extension will provide funding for the Approved Fiscal Year 2019 Capital Budget (as defined herein). Looking ahead, in addition to Dedicated Revenues referenced below, with the opening of Silver Line Phase 2, Loudoun County will be added as a Participating Jurisdiction.

While such funding is expected to support core safety and state of good repair needs, additional capital investment would be required to address deferred projects, planning for future enhancements, and to address the long-term growth of the region and the Transit System. In November 2016, the Authority's senior management submitted a report on the Capital Needs Inventory of the Authority. Such report identifies \$25 billion in capital needs over a 10-year period in order for the Authority to advance or maintain a state of good repair, meet regulatory compliance, and invest in safety enhancements. For information on the Approved Fiscal Year 2019-2024 Capital Improvement Program, *see* "CERTAIN AUTHORITY

## FINANCIAL INFORMATION – Annual Budgets – Fiscal Year 2019 Budget” and “– Capital Improvement Program.”

### *Future Funding*

In response to the “Keeping Metro Safe, Reliable & Affordable” plan (as discussed below) released by the Authority in 2017, which called for the establishment of a new dedicated revenue stream to provide \$500 million annually for capital projects, during Fiscal Year 2018, each of the States adopted legislation providing for sources of Dedicated Revenues to be provided to the Authority and used exclusively for capital projects. See “ONGOING OPERATING AND FINANCIAL CONCERNS – The “Keeping Metro Safe, Reliable & Affordable” Plan.” Dedicated Revenues include the amounts received by the Authority under the following legislative enactments: (i) from the District of Columbia under D.C. Act 22 434 § 6002 or any successor statute, as the same may be amended from time to time in the future; (ii) from the State of Maryland under Md. Transportation Code Ann. § 10 205(g) or any successor statute, as the same may be amended from time to time; and (iii) from the Commonwealth of Virginia under the Va. Code §33.2 3401.B or any successor statute, as the same may be amended from time to time. Dedicated Revenues shall also include funds paid by any of the District, Maryland or the Commonwealth or any other Participating Jurisdiction in-lieu-of such amounts. It is anticipated that Dedicated Revenues will be available beginning Fiscal Year 2020. See “SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2018 BONDS – Amendment to the Resolution.” Dedicated Revenues and any other Future Dedicated Revenues do not constitute part of the Trust Estate for the Series 2018 Bonds or any additional Obligations issued under the Resolution. For more information on the Authority’s funding sources, see “THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System – Funding of the Capital Improvement Program.

The Authority is updating its processes for establishing and funding capital needs to better prioritize those projects identified as “most critical to safe, reliable and high quality transit service.” For more information on the Approved Fiscal Year 2019 Capital Budget, see “CERTAIN AUTHORITY FINANCIAL INFORMATION – Annual Budgets – Fiscal Year 2019 Budget” and “– Capital Improvement Program – Funding of the Capital Improvement Program.”

## ONGOING FINANCIAL AND OPERATIONAL CONCERNS

### **Introduction**

*The investor may be aware of certain news stories regarding the Authority regarding the Authority’s ability to address significant financial, operational, and other concerns, which a prospective investor should consider carefully. These concerns are described in various sections of this Official Statement and fits into two categories: Transit System’s Financial Needs and Safety Concerns.*

*The Authority’s General Manager and Chief Executive Officer is committed to addressing these concerns, while making other improvements to the Authority’s service and internal and external operations. To this end on April 19, 2017, the Authority released a plan entitled “Keeping Metro Safe, Reliable & Affordable” (the “KMSRA Plan”) discussed in greater detail below, which is aimed at addressing the Transit System’s \$15 billion, 10-year backlog in unfunded capital needs and exploring changes to the Authority’s business model, among other things. Portions of the funding needed to implement the plan have been provided by the States, while the Federal portion remains unaddressed.*

### **The “Keeping Metro Safe, Reliable & Affordable” Plan**

The KMSRA Plan outlines how the Transit System needs \$15.5 billion over the next 10 years, \$1.5 billion average annual capital investments, for critical capital projects in order to remain safe and reliable. The plan calls for commitments from federal and regional stakeholders to address the substantial capital needs. On the federal side, the plan calls for a reauthorization of the funding provided by the Passenger Rail Investment and Improvement Act of 2008 (Pub. L. 110-432) (“PRIIA”) at a current funding level of

\$1.5 billion over 10 years (PRIIA is currently scheduled to expire at the end of Federal Fiscal Year 2019).<sup>2</sup> On the regional side, the plan calls for the establishment of a new dedicated revenue stream and capital trust fund to provide \$500 million annually to be used exclusively for capital projects, which has been addressed by the States that enacted legislation to establish the Dedicated Revenues. *See* “THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System – Future Funding.”

The plan also notes that, if left unaddressed, the Authority’s operating subsidy requirement from Participating Jurisdictions for day-to-day operations could grow to \$1.6 billion annually by 2027. The projected growth in the Authority’s operating subsidy needs is driven principally by increases in employee and fringe benefits costs (more than 70% of total operating expenses). The KMSRA Plan outlines three areas of focus: (i) improving efficiency (eliminating inefficient business practices, strengthening management, providing more reliable service, and developing new technologies, among other things); (ii) changing policy (modifying labor-related arbitration practices, capping future annual increases of Stable and Reliable Funding Sources at 3%, avoiding unfunded service expansion, and establishing reserve funds); and (iii) stabilizing workforce costs (establishing and funding a trust for other post-employment benefits (“OPEB”), protecting the current pension system for current, eligible employees, providing new employees with 401K-style benefit plans, and reducing reliance on excess overtime, among other things).

The Authority is focused on clearing the backlog of deferred maintenance and state of good repair items through the KMSRA Plan. However, this work will require the Authority to shut down small and large portions of the System in order to expedite the completion of work. For example, Brookland and Rhode Island Ave stations (Red Line) were closed on Saturday, July 21, 2018, and remained closed through Labor Day, Monday, September 3, 2018. Additionally, on the weekend of July 28-29, 2018, the work zone was extended to the Silver Spring Station, closing Takoma Station and the Red Line platform at Fort Totten Station. Additional extended closures are expected, including but not limited to a proposed South-of-Ronald Reagan National Airport shutdown during Summer 2019. At this time, the Authority is unable to quantify the long-term impact the station closures associated with the KMSRA Plan may have on ridership and its operating revenues. For Fiscal Year 2018, the Authority estimates losses of approximately \$46.7 million in operating revenues as a result of service reductions. *See* “CERTAIN AUTHORITY FINANCIAL INFORMATION – Annual Budgets – *Fiscal Year 2019 Budget*.”

**For more information on the Authority’s annual budgeting, *see* “CERTAIN AUTHORITY FINANCIAL INFORMATION – Annual Budgets.”**

## **Transit System’s Financial Needs**

### *General*

The Transit System faces structural budget challenges associated with past underinvestment in the maintenance, rehabilitation and replacement of the system’s infrastructure and an unsustainable operating model. Additionally, the Fiscal Year 2019 Budget reflects declining ridership and revenue assumptions based on the current ridership forecasts. Reliability challenges, ongoing track maintenance programs, recent fare increases and service reductions, low gas prices, and competition from other transportation options have impacted passenger ridership. The Fiscal Year 2019 Budget assumes no fare increases, no service reductions, \$38 million of management actions to reduce expenses and increase business revenues, and a \$29 million increase in jurisdictional subsidy. Management actions include \$25 million in base cost reductions, \$5 million in overtime cost controls, and an \$8 million increase in non-transit revenues. Prior year actions to address the budget imbalance and to improve management efficiency include the elimination of 700 positions in Fiscal Year 2017, reducing nonessential positions including management and administrative staff throughout the Authority, and the reduction of an additional 100 operation positions associated with right-sizing bus and rail services in Fiscal Year 2018. Taken together, the reduction of 800

---

<sup>2</sup> PRIIA will expire at the end of 2019; if not renewed, Participating Jurisdictions are anticipated to replace nonrenewed PRIIA funds.

positions represented a six percent (6%) reduction in total budgeted headcount. The Fiscal Year 2019 Budget assumes total positions will remain flat to Fiscal Year 2018, at 12,232 positions.

### *Appropriation Risk*

Pursuant to the Compact, the Participating Jurisdictions provide subsidies to support the capital and operating budgets of the Authority. The ability of the Participating Jurisdictions to provide such support is subject to certain conditions and limitations, for example, receipt of necessary appropriations from the applicable governing body. As a practical matter, the Participating Jurisdictions have reliably provided funding in the amount approved by the Authority's Board of Directors each year since the Participating Jurisdictions' funding obligations began over 45 years ago.

### *Operating Budget Capped at 3% Increase Annually*

The Authority is funded with system operating revenues and jurisdictional operating and capital subsidies. In recent years, operating expenses have been growing at nearly twice the rate of operating revenues, resulting in Stable and Reliable Funding Sources increasing at an average rate of 7.7% from Fiscal Year 2015 to Fiscal Year 2017 a rate of 6.2% in 2015, 8.6% in 2016, 0.0% in 2017 and 15.9% in 2018. As a component of the KMSRA plan and in order to provide additional certainty to the Participating Jurisdictions, and pursuant to certain Dedicated Funding statutes recently enacted, the Authority is required to plan its future budgets (beginning in the Authority's Fiscal Year 2020) such that the Stable and Reliable Funding Sources do not increase by more than 3% on a year over year basis.

The requirement to contain operating subsidy increases to 3% is a new requirement imposed on the Authority by the Dedicated Funding statutes. While the statutes have authorized certain exclusions from this calculation – court orders and compliance actions, for example, do not count against the 3% cap, the Authority is working to pro-actively address this new requirement by: (i) expanding non-passenger revenue sources through advertising revenue and greater utilization of parking assets; (ii) continuing to implement tighter controls on absenteeism and workers' compensation; (iii) implementing other efforts to increase operating efficiency through outsourcing and other initiatives; and (iv) leveraging the use of certain eligible preventive maintenance grant funds to support safety-related maintenance requirements. While the Authority is working on those items that staff and management can control, one thing that is impacting the Authority's revenues is a general drop in ridership levels. Similarly, the Authority has seen a renewed focus on its pension obligations.

### *Drop in Ridership Levels*

Over the course of the past several years, the Authority has experienced ridership declines and challenges with customer satisfaction. In May 2018, the Authority's management presented to the Board the Fiscal Year 2018 Third Quarter Financial Update, which included, among other things, an update on current trends in Metrorail ridership. Through the third quarter of Fiscal Year 2018, total Metrorail ridership was 128.0 million trips, a decline of 1.2% or 1.6 million trips compared to the same period last year. Ridership was down broadly across all time periods, days of the week, and individual stations and can be attributed to service interruptions, general reliability challenges, and market factors (such as new competitors in the transportation market, gas prices, telecommuting). See “– *Deferred Maintenance*” below for additional discussion of how maintenance may impact ridership.



Table 4 shows trends in ridership and passenger fare revenues over the period covering Fiscal Year 2007 through the current projections for Fiscal Years 2018 and 2019.

**Table 4. Ridership and Passenger Revenues for Fiscal Years 2007-2017 (Actual) and 2018-2019 (Projection)**  
(in thousands)

Fiscal Year	Base Fare		Metrorail	Metrobus	MetroAccess	Total Ridership	Passenger Fare Revenues
	Rail	Bus					
2007 (Actual)	\$1.35	\$1.25	207,907	131,489	1,468	340,864	\$517,056
2008 (Actual)	\$1.65	\$1.25	215,314	132,849	1,722	349,885	\$572,777
2009 (Actual)	\$1.65	\$1.25	222,859	133,775	2,108	358,742	\$628,750
2010 (Actual)	\$1.75	\$1.35	217,219	123,670	2,377	343,266	\$606,399
2011 (Actual)	\$1.95	\$1.50	217,053	125,089	2,336	344,478	\$720,603
2012 (Actual)	\$1.95	\$1.50	218,244	132,195	2,083	352,522	\$731,974
2013 (Actual)	\$2.10	\$1.60	208,969	132,065	2,033	343,067	\$771,975
2014 (Actual)	\$2.10	\$1.60	204,067	134,408	2,126	340,601	\$765,014
2015 (Actual)	\$2.15	\$1.75	206,396	132,902	2,238	341,536	\$807,879
2016 (Actual)	\$2.15	\$1.75	191,348	127,432	2,281	321,061	\$764,368
2017 (Actual)	\$2.15	\$1.75	176,972	121,732	2,367	301,071	\$699,640
2018 (Projection)	\$2.25	\$2.00	178,505	116,968	2,400	297,873	\$713,236
2019 (Projection)	\$2.25	\$2.00	173,433	110,917	2,413	286,763	\$689,000

For Fiscal Year 2019, (i) total rail ridership is projected at approximately 173.4 million trips, a decline of approximately 5.1 million (-2.8%) compared to Fiscal Year 2018; (ii) total bus ridership is projected at approximately 110.9 million, a decline of approximately 6.1 million (-5.2%) compared to Fiscal Year 2018; and (iii) MetroAccess ridership is expected to increase slightly, from the Fiscal Year 2018 actual.

While the population of the greater Washington, DC metropolitan area continues to grow (a 13% increase from 2007-2016), total ridership for the Transit System has declined (a 6% decrease over the same period). In recent years, total ridership has been falling and total ridership for Fiscal Year 2019 (286.8 million trips) is projected to be at its lowest level in over twenty years. As a result of reduced ridership, revenue from passenger fares is projected to be approximately \$689 million, a decline of approximately \$24.2 million (-3.0%) for Fiscal Year 2019 compared to the current projection for Fiscal Year 2018.

#### *Unfunded pension obligation*

The Authority has five defined benefit plans, all of which are not fully funded. The aggregate unfunded pension obligation as of 2017 is \$1.1 billion. For more information on the Authority's pension plan, see "Certain Authority Financial Information – Pension Plan."

#### *Timing of Cash Receipts<sup>3</sup>*

The nature and timing of the Authority's cash flows can result in short-term fluctuations with regard to availability of funds. Stable and Reliable Funding Sources payments are received quarterly, in advance, while other operating revenues: fares, lease revenues, etc. are received daily, monthly, annually, or semi-annually depending on fare product purchased or the term of the contract. Capital Contributions are similarly made quarterly, in advance, while federal grant reimbursements are received in arrears. In addition to the timing issue, federal grants and capital contributions are used for defined purposes, which include broad categories of projects, but may require internal and external approvals to move between projects. To address the continued potential need for short term access to additional liquidity, the Authority maintains lines of credit with various credit providers totaling \$350 million as a short-term cash flow bridge

<sup>3</sup> In March 2014 FTA suspended the Authority's access to the FTA Electronic Clearinghouse Operation Web System, an automated clearinghouse payment method (the "ECHO System"). WMATA's access to the ECHO System was restored partially in December 2016 and completely in October 2017.

to address timing of revenues and other receivables. As of September 1, 2018, the Authority had no outstanding balance drawn on such lines of credit, which were renewed in May 2018 and expire in May 2019. Any amounts outstanding on the lines of credit would be due by such date. The lines of credit constitute Pre-2018 Obligations, but are secured by a lien on the Gross Revenues (other than Future Dedicated Revenues) subordinate to the lien securing the Series 2018 Bonds.

## **Safety Concerns**

### *Safety Oversight*

Federal legislation directs and requires the existence of a state-level safety enforcement office to oversee the operations of heavy rail public transportation providers like the Authority. These State Safety Oversight Agencies (“SSOA”) must meet certain minimum requirements established by the FTA. The Authority is working closely with the FTA as the Metrorail Safety Commission (“MSC”) continues its efforts to obtain certification as the SSOA with jurisdiction over Metrorail operations. Notwithstanding the coordination between these entities, transition from one regulator to another can be a time of changing requirements and expectations.

Historically, the Tri-State Oversight Committee (“TOC”), which was created pursuant to a memorandum of understanding between the Virginia Department of Rail and Public Transportation, the Department of Transportation of Maryland and the Department of Transportation of the District of Columbia, served as the SSOA for the Authority. In 2015, a Safety Management Inspection led the United States Secretary of Transportation (the “Secretary”) to direct the FTA to take immediate responsibility for safety oversight of the Authority’s rail system until the District, Maryland, and the Commonwealth replace the TOC with a SSOA that satisfies the requirements of the FTA. In order to respond to FTA’s direction to replace the TOC, the States have created an interstate compact to create a MSC. This interstate compact was legislatively approved by all three States, approved by the United States Congress and signed into law by the President. As of the date of this Official Statement, MSC has been established as an independent agency from the Authority and has held initial meetings. It is not yet certified as the SSOA by FTA, nor has the Authority been contacted regarding a timeline to transition oversight from FTA to MSC.

FTA, as an oversight authority, tracks and verifies that the Authority implements the corrective actions required by each FTA safety directive. The Authority’s compliance with corrective actions plans and safety recommendations are tracked by FTA and related information is accessible on FTA’s website. FTA’s discretionary enforcement authority includes the ability to (i) withhold up to 25% of the federal financial assistance due to the Authority, (ii) restrict service on or require closure of the Metrorail system to address unsafe conditions or practices that present a substantial risk of death or personal injury, and (iii) require the Authority to use federal financial assistance to correct safety deficiencies before such funds are spent on other Authority capital projects.

In addition, the National Transportation Safety Board (“NTSB”), as an independent federal agency, is charged with investigating and determining the probable cause of all civil transportation accidents and promoting transportation safety. In this role, NTSB has issued recommendations to the Authority which are tracked to completion or close-out by the Authority’s Office of Internal Compliance. While there are several open NTSB recommendations at this time there are currently no open investigations by NTSB.

### *Deferred Maintenance*

The Authority’s deferred maintenance backlog is being systematically and aggressively addressed by the Authority. As a general matter, deferred maintenance can be a safety concern due to the potential for systems to fail causing hazards to patrons and personnel. Acknowledging this risk, current leadership has established a comprehensive program to address the backlog, including, re-establishing a commitment to meet its goal of spending 95% of its approved capital budget.

In the past, the Authority has not met its goal of spending 95% of its approved capital budgets. To address this issue, the Authority has made numerous changes to its internal processes to establish formal processes and procedures to initiate projects, efficiently monitor progress based on scope and schedule, and validate budget requests for future years based on schedule. Contract delays were also highlighted as a key factor contributing to capital budget underspending.

In recent years (Fiscal Year 2017 and Fiscal Year 2018), the Authority has met its capital budget spend goals. For Fiscal Year 2017 the Authority spent 96% of budget (after increasing the originally approved budget) and in Fiscal Year 2018, the Authority spent 99% of the approved capital budget. Total capital expenditures for Fiscal Year 2018 totaled more than \$1.24 billion. The Fiscal Year 2018 capital investment was the largest in the Authority's history. The Approved Fiscal Year 2019 budget is \$1.25 billion.

For more information on the funding of the Capital Costs of the Transit System, *see* "THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System." For more information on the Approved Fiscal Year 2019 Capital Budget, *see* "CERTAIN AUTHORITY FINANCIAL INFORMATION – Annual Budgets – Fiscal Year 2019 Budget" and "– Capital Improvement Program."

### **CERTAIN AUTHORITY FINANCIAL INFORMATION**

Management strives to control costs of the Transit System aggressively, while assuring that all maintenance is carried out, albeit with some deferred maintenance that the Authority plans to correct, and that quality and levels of service are maintained or enhanced without compromising safety. At the same time, substantial efforts are made to attract additional ridership and revenue through innovative and creative marketing and pricing. The existing Transit System has reached the age at which a comprehensive program of replacement of equipment and rehabilitation of facilities is required. Consequently, the Board has adopted both goals and policies within the Capital Improvement Program designed to maintain the Transit System at its current level or, as necessary, invest in upgrades to the Transit System.

#### **Financial Information<sup>4</sup>**

Below is a summary of the Authority's financial information based on its audited financial statements for Fiscal Year 2017. The Authority expects to file its audited financial statements for Fiscal Year 2018 not later than October 31, 2018. Once filed, the audited financial statements for Fiscal Year 2018 will be available at [www.emma.msrb.org](http://www.emma.msrb.org).

##### *Revenues*

Total revenues for Fiscal Year 2017 were \$809.2 million. Operating revenues, which include passenger revenue, totaled \$788.8 million, a decrease of \$20.4 million (-8.2%). Such decrease is attributable to a reduction in rail and bus ridership, which amounted to a 20.4 million decrease in passenger trips (-6.2%). The decrease in passenger trips is in large part due to safety measures undertaken by the Authority and service reliability, which caused baseline ridership to drop starting in August 2015.

Nonoperating revenues were \$20.4 million, an increase of \$1.8 million from the prior year (9.9%).

For Fiscal Year 2017, Stable and Reliable Funding Sources increased by \$146.6 million to offset operating expenses. Stable and Reliable Funding Sources accounted for approximately 41.2% of total revenues in Fiscal Year 2017. In Fiscal Year 2017, capital contributions decreased by \$431.6 million (-37.4%) due primarily to the noncash transfer of the Silver Line Phase 1 assets in July 2014, which resulted in a capital contribution figure for Fiscal Year 2015 that was disproportionally large. The capital

---

<sup>4</sup> See CAFR for Fiscal Year 2017.

contribution for Fiscal Year 2016 represents an 86% increase over the capital contribution for Fiscal Year 2014.

### *Expenses*

Total expenses for Fiscal Year 2017 were \$2.78 billion, an increase of \$125.8 million. Operating expenses totaled \$2.76 billion, an increase of \$126.9 million (4.8%). For Fiscal Year 2017, the increase in operating expenses can be attributed to depreciation expense, which increased by \$79.9 million, (32.9% of current year expenses), due primarily to an increase in depreciable assets placed into service, which included the Silver Line and other assets. Another operating expense – services – decreased by approximately \$43.0 million, or 19.2%, due primarily to the utilization of service contracts to restore the Authority to “Back2Good.”

### *Net Position*

For Fiscal Year 2017, the Authority’s assets exceeded its liabilities by \$10.3 billion. The Authority’s total net position decreased \$173.3 million, primarily due to the termination of one of the three remaining rail car leases.

### *Capital Assets*

The Authority’s capital assets, net balance was \$12.4 billion as of June 30, 2017, an increase of \$167.1 million (1.4%). Such increase is primarily attributable to an increase in capital spending. The Authority purchased 196 new 7000 series railcars for \$350 million and 41 new hybrid buses for \$38.3 million, CNG buses for \$29.1 million and \$36.6 million of additional assets relating to Phase I of the Silver Line were transferred to the Authority.

Table 5 below summarizes the changes in revenues, expenses, and net position of the Authority for Fiscal Years 2012 through 2017.

**Table 5. Changes in Revenues, Expenses, and Net Assets  
For Fiscal Years 2013 -2017  
(\$ in thousands)**

	<b>2012</b> <b>(as restated)<sup>(1)</sup></b>	<b>2013</b> <b>(as restated)<sup>(1)</sup></b>	<b>2014<sup>(1)</sup></b>	<b>2015<sup>(2)</sup></b>	<b>2016<sup>(2)</sup></b>	<b>2017<sup>(2)</sup></b>
<u><b>Operating Revenues</b></u>						
Passenger revenue <sup>(3)</sup>	\$731,974	\$771,975	\$765,014	\$807,879	\$764,368	\$699,640
Parking revenue <sup>(3)</sup>	45,554	45,640	46,614	46,513	45,039	41,404
Advertising revenue	18,284	16,732	19,846	22,422	22,792	21,926
Rental revenue	20,604	22,246	22,826	21,601	26,722	25,601
Other revenue	254	236	280	229	244	242
<b>Total Operating Revenues</b>	<b>816,670</b>	<b>856,829</b>	<b>854,580</b>	<b>898,644</b>	<b>859,165</b>	<b>788,813</b>
<u><b>Nonoperating Revenues</b></u>						
Investment income	1,309	818	585	769	224	(98)
Interest income from leasing transactions	34,882	32,936	19,053	11,407	10,621	5,206
Other	18,812	16,300	16,232	20,270	7,687	15,257
<b>Total Nonoperating Revenues</b>	<b>55,003</b>	<b>50,054</b>	<b>35,870</b>	<b>32,446</b>	<b>18,532</b>	<b>20,365</b>
<b>Total Revenues</b>	<b>871,673</b>	<b>906,883</b>	<b>890,450</b>	<b>931,090</b>	<b>877,697</b>	<b>809,178</b>
<u><b>Operating Expenses</b></u>						
Labor	656,553	655,141	699,143	701,723	752,270	728,228
Fringe benefits	475,104	524,383	544,069	618,169	558,684	593,339
Services	214,309	227,379	183,689	222,156	224,087	267,053
Materials and supplies	139,418	145,155	148,523	134,021	135,533	131,269
Utilities	79,413	81,561	84,691	87,905	83,364	83,306
Casualty and liability costs	24,764	26,461	26,354	25,020	27,174	26,823
Leases and rentals	4,000	4,969	5,925	6,658	6,749	7,518
Miscellaneous	467	2,604	2,998	4,422	6,927	4,324
Depreciation and amortization	528,720	622,409	642,519	747,379	834,311	915,034
<b>Total Operating Expenses</b>	<b>2,122,748</b>	<b>2,290,062</b>	<b>2,337,911</b>	<b>2,547,453</b>	<b>2,629,099</b>	<b>2,756,894</b>
<u><b>Nonoperating Expenses</b></u>						
Interest expense from leasing transactions	34,882	32,936	19,053	11,407	10,621	5,206
Loss on disposition of assets	-	-	-	-	-	9,686
Interest expense	16,495	15,114	15,513	16,181	14,138	7,857
<b>Total Nonoperating Expenses</b>	<b>51,377</b>	<b>48,050</b>	<b>34,566</b>	<b>27,588</b>	<b>24,759</b>	<b>22,749</b>
<b>Total Expenses</b>	<b>2,174,125</b>	<b>2,338,112</b>	<b>2,372,477</b>	<b>2,575,041</b>	<b>2,653,858</b>	<b>2,769,618</b>
Jurisdictional operating subsidies, capital grants, and capital subsidies	1,000,712	1,391,240	1,377,897	4,977,864	2,081,722	1,796,752
Net position, beginning of year	8,377,565	8,075,825	8,035,836	7,931,706	10,219,508	10,525,069
Restatement due to the adoption of GASB 68 and 71	-	-	-	(1,046,111)	-	-
Net position, beginning of year, as restated	-	-	-	6,885,595	-	-
<b>Net position, ending of year</b>	<b>\$8,075,825</b>	<b>\$8,035,836</b>	<b>\$7,931,706</b>	<b>\$10,219,508</b>	<b>\$10,525,069</b>	<b>\$10,531,356</b>

1. From the audited financial statements for the Fiscal Year ended June 30, 2014.
2. From the Fiscal Year 2017 Audited Financial Statements.
3. Provided by the Authority.

***The following discussion of the Approved Fiscal Year 2018 Budget and Approved Fiscal Year 2019 Budget is based, in part, on projections and forward-looking statements related to such Fiscal Years. No assurance can be given that the applicable budget estimates and forward-looking statements will be realized. The accuracy of such budget estimates and forward-looking statements cannot be verified until after the close of the applicable Fiscal Year and the completion of the related audit.***

## **Annual Budgets**

### *Budgetary Process*

The Authority's annual budget generally consists of three budgets: an operating budget, a capital budget, and a reimbursable projects budget (consisting of operating reimbursable projects and capital reimbursable projects). For Fiscal Year 2019, the Approved Fiscal Year 2019 Budget collapses the reimbursable projects budget into the operating budget and capital budget, as applicable.

The focus of the operating budget is on the personnel, supplies, and services needed to operate Metrobus, Metrorail, and MetroAccess. Budgetary issues for the operating budget center on the cost of continuing operations, expanding services to meet growing demand, and improving efficiency of service. Funding for the operating budget comes primarily from passenger fares and subsidies from the Participating Jurisdictions.

In developing the operating budget for a coming Fiscal Year, the Authority prepares forecasts of revenues and expenses, described below, approximately 12-18 months prior to the start of the Fiscal Year. Following the preparation of the forecast of revenues, preliminary amounts for each Participating Jurisdiction's operating subsidy are determined pursuant to the Authority's allocation formula determined by Board policy. Discussions between Authority staff members and staff from the governments of the various Participating Jurisdictions follow, with the amount of each Participating Jurisdiction's subsidy subject to reduction in response, with a concomitant reduction in forecast revenues, resulting in a need to make corresponding expense reductions.

Revenue forecasts are predominately driven by ridership trends. Passenger fare revenue makes up more than 89% of all operating revenue. Aside from ridership trends, the passenger revenue forecast also considers possible service changes, anticipated special events, fare policy changes, potential fare increases, deferred revenue recognition policies, and other similar variables.

Similar to revenue forecasts, expense forecasts are largely driven by a small number of key variables. Payroll and employee fringe benefit expenses account for more than 70% of the total annual operating cost, not including depreciation. Of that amount, approximately 85% is determined by the terms and conditions of five separate collective bargaining agreements. Each annual expense forecast takes into consideration assumptions about settlement and execution of these labor contracts. Variables include cost of living and other contractually required types of pay increases. In addition, the expense forecast also accounts for variations in payroll related costs for taxes, health insurance, pensions and other benefit programs. The remaining non-personnel related expenses use differing forecast assumptions regarding inflation and escalation based on the category of expense. These categories include: electric power for operating Metrorail trains, bus fuel, utilities, materials and supplies, insurance, and expenses for aspects of the operation that are contracted out.

In addition, to the extent that the amount of a given Participating Jurisdiction's operating subsidy payment to the Authority in a Fiscal Year is insufficient to pay (or in excess of) its share of the total aggregate operating subsidy needed by the Authority, an adjustment in the amount of such difference is applied to its operating subsidy amount in the following Fiscal Year.

The General Manager and Chief Executive Officer generally presents a budget proposal to the Board in January. The Board reviews and considers the proposal and makes any changes deemed desirable from a policy perspective. The Board acts to approve the budget before the beginning of the Fiscal Year on July 1.

The capital budget focuses on the assets and infrastructure needed to support Metrobus, Metrorail, and MetroAccess services. Assets and infrastructure include the Authority's buses, rail cars, stations, track, maintenance facilities, and power systems, among others. Budgetary issues for the capital budget typically center on the condition of the current assets and infrastructure and what is needed to maintain them in safe and reliable condition. Funding for the capital budget comes from federal grants, the Participating Jurisdictions, and the issuance of debt.

The reimbursable projects budget are those unique services, programs, or projects sponsored or directed by Participating Jurisdictions and for which separate funding has been provided by such sponsors.

#### *Fiscal Year 2018 Budget*

The Authority's Fiscal Year 2018 annual budget, comprised of (i) the operating budget totaling approximately \$1.846 billion (inclusive of the operating reimbursable projects and debt service costs) (the "Approved Fiscal Year 2018 Operating Budget") and (ii) the capital budget totaling \$1.25 billion (inclusive of the capital reimbursable projects) (the "Approved Fiscal Year 2018 Capital Budget").

The net operating portion of the Authority's overall budget is \$1.82 billion, which provides for the personnel, supplies, fuel and propulsion power, and services needed to operate Metrobus, Metrorail, and MetroAccess. Funding for the operating budget comes primarily from passenger fares and contributions from the Participating Jurisdictions.

The reimbursable portion of the Authority's overall budget is \$149 million for both operating and capital, which provides for personnel and services needed for unique projects requested on behalf of the Participating Jurisdictions and outside partners. The approved operating reimbursable budget is \$30.8 million and the capital reimbursable budget is \$118.2 million.

The \$1.25 billion capital budget provides for the assets and infrastructure to support Metrobus, Metrorail, and MetroAccess service. Funding for the capital budget comes from federal grants, the Participating Jurisdictions and debt.

#### *Quarterly Financial Report (Third Quarter – Fiscal Year 2018)<sup>5</sup>*

At the end of each quarter during the Fiscal Year, the Authority releases a financial report detailing key financial performance results and operating and capital budget summaries. The quarterly financial report for the third quarter of Fiscal Year 2018 (covering the period of January 1 – March 31, 2018) is described below.

Operating Budget. Through the third quarter of Fiscal Year 2018, the Authority's operating expenses were \$1.3 billion, favorable to budget by \$38 million or 3% below budget, while operating revenues were \$601 million, \$20 million or 3% below budget.

Total transit ridership through the third quarter of Fiscal Year 2018 was 212.4 million trips, a decrease of 10.2 million trips or 4.6% compared to the same period in the prior fiscal year. Ridership in

---

<sup>5</sup> The Authority will update to reflect fourth quarter (if not available, third quarter 2018).



Fiscal Year 2018 was originally forecasted to increase slightly and third quarter budgeted trips were below budgeted trips by 7.3 million trips. Significant ridership declines began in August 2015 and have continued. On a year-over-year basis, July 2016 ridership was down sharply with more moderate declines in August and September of 2016. There were sharper declines again in October and December of 2016. During the third quarter of Fiscal Year 2017, ridership increased sufficiently to improve the year-to-date variance to budgeted ridership from 12% below budget at the end of the second quarter of Fiscal Year 2017 to 11% below budget at the end of the third quarter. Due to the Presidential Inauguration and the Women's March (as well as major snow disruptions in the previous year), rail and bus ridership increased by 14% over the prior January. However, the reduction in ridership experienced in the first half of Fiscal Year 2017 returned in February and March.

Total Metrorail ridership through the third quarter of Fiscal Year 2018 was 128 million trips, a decline of 1.2% compared to the same period last year. This decline resulted in a 5.8% drop in rail revenue when compared to the prior year and a 2.2% reduction in rail revenue compared with what the Authority budgeted for Fiscal Year 2018 through the third quarter.

Total Metrobus ridership through the third quarter of Fiscal Year 2018 was 83 million trips, a decline of 8.6 million trips (-9.4%) compared to the same period last year. Metrobus revenue declined by 3% compared to the same period in the prior year and was 15% below budget for the quarter. Metrobus revenues are impacted by various discounted fares offered by the Authority. As such, there is not always a direct correlation to the change in ridership volume and the change in Metrobus revenues.

Through the first three quarters of Fiscal Year 2018, these revenue impacts have been offset by expense savings. Personnel expenses for this period, including salaries, wages and fringe benefits, were \$961.6 million, which is \$25.4 million or 2.6% less than the budgeted amount. This variance is attributable to higher than planned vacancies and preventative maintenance transfers that result in certain personnel expenses are being shifted to the capital budget. Overtime expenses of \$56.2 million through the end of the third quarter were under budget by \$5.8 million or 9.4%.

Non-personnel expenses were \$370.8 million through March, \$12.4 million or 3.3% below budget. Savings in services and fuel were partially offset by increased expenses in materials and supplies.

Capital Budget. Total capital investment through the third quarter of Fiscal Year 2018 is \$810 million, 90% of the approved capital budget for Fiscal Year 2018. This amount includes \$360.9 million invested in railcars as a result of accelerated delivery rates on new rail cars. Capital investment in tracks and structures rehabilitation was \$101.1 million and capital investment in Authority stations and rail passenger facilities was \$118.7 million. The Authority spent \$117.7 million on bus acquisition, bus maintenance, and bus passenger facilities and systems. Rail systems investments, which include propulsion and signals and communications programs received \$63.6 million in investment.

Total capital expenditures for Fiscal Year 2018 were \$1.4 billion, which were within 99% of budget.

#### *Fiscal Year 2019 Budget*

The Authority's Fiscal Year 2019 annual budget, comprised of (i) the operating budget totaling approximately \$1.893 billion (inclusive of the operating reimbursable projects and debt service costs) (the "Approved Fiscal Year 2019 Operating Budget") and (ii) the capital budget totaling \$1.279 billion (inclusive of the capital reimbursable projects) (the "Approved Fiscal Year 2019 Capital Budget"), was approved by the Board on March 22, 2018 (the "Approved Fiscal Year 2019 Budget").

Operating Budget. The Approved Fiscal Year 2019 Operating Budget provides for the personnel, supplies, fuel and propulsion power, and services needed to operate Metrobus, Metrorail, and MetroAccess. Funding for the operating budget comes primarily from passenger fares and contributions from the Participating Jurisdictions.

The Approved Fiscal Year 2019 Budget includes a 2.3% operating expense increase, coupled with an anticipated 3.7% decrease in ridership.

The Approved Fiscal Year 2019 Operating Budget is designed to respond to the financial challenges facing the Authority resulting from declining fare revenues produced by lower ridership. To address such financial challenges, the Authority has implemented a number of initiatives, including (i) bringing healthcare benefits for non-represented employees in line with other public employees in the region; (ii) implementing tighter controls on absenteeism and workers' compensation; (iii) implementing other efforts to increase operating efficiency through outsourcing; (iv) increasing passenger fares and parking fees; (v) reducing service to certain Metrorail stations; (vi) eliminating low-performing Metrobus lines; (vii) authorizing the use of certain eligible preventive maintenance grant funds to support safety-related maintenance requirements; and (viii) increasing the operating subsidy from the Participating Jurisdictions. The Approved Fiscal Year 2019 Operating Budget is supported by \$828 million of projected operating revenues, and with \$1.065 billion of subsidies and debt service from the Participating Jurisdictions.

The reimbursable portion of the Authority's overall budget is \$64.4 million for both operating and capital, which provides for personnel and services needed for unique projects requested on behalf of the Participating Jurisdictions and outside partners. The approved operating reimbursable budget is \$31.6 million and the capital reimbursable budget is \$32.8 million.

Capital Budget. The Approved Fiscal Year 2019 Capital Budget provides for the assets and infrastructure to support Metrobus, Metrorail, and MetroAccess service. Funding for the Approved Fiscal Year 2019 Capital Budget comes from federal grants, the Participating Jurisdictions and debt. For information on the capital investment needs of the Authority, *see* "– Capital Improvement Program," "THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System – *Current and Ongoing Funding*" and "ONGOING FINANCIAL AND OPERATIONAL CONCERNS – Capital Budget Expenditures."

Table 6 compares the operating and capital budgets and the components thereof for the Approved Fiscal Year 2018 Budget and the Approved Fiscal Year 2019 Budget. The table includes operating and capital portions of the reimbursable projects budget and such figures are separately broken out.

**Table 6. Summary of Funding by Program and Source**  
(\$ in millions)

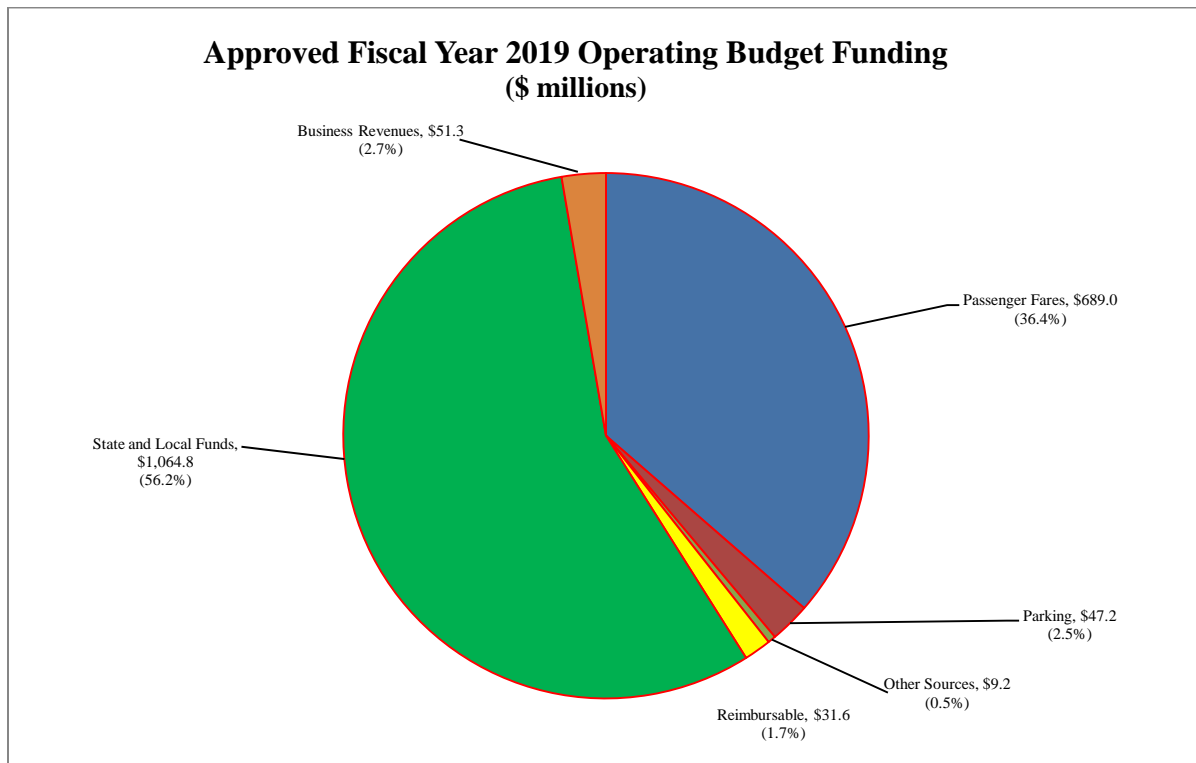
	Fiscal Year 2018 (Approved Budget)	Fiscal Year 2019 (Approved Budget)
<b>Operating Budget</b>		
Passenger Fares & Parking	\$755.4	\$736.2
State and Local Funds <sup>(1)</sup>	1,000.7	1,064.8
Business Revenues	47.6	51.3
Reimbursable Funds	30.8	31.6
Other Sources	11.3	9.2
<b>Subtotal</b>	<b>\$1,845.7</b>	<b>\$1,893.1</b>
<b>Capital Budget</b>		
Federal Formula/Other Grants	\$311.9	\$310.8
Federal Dedicated Funds (PRIIA) <sup>(2)</sup>	148.0	148.5
State and Local Funds/Metro 2025 Investment <sup>(3)</sup>	374.4	403.0
Reimbursable Funds	118.2	32.8
Other Sources	6.0	0.0
Planned Long-Term Financing	291.0	384.0
<b>Subtotal</b>	<b>\$1,250.0</b>	<b>\$1,279.1</b>
<b>Total</b>	<b>\$3,095.7</b>	<b>\$3,172.2</b>

1. Includes the net subsidies from the Participating Jurisdictions and debt service.

2. Such funds are made available under PRIIA and are subject to annual appropriation and certain other conditions. Title VI of PRIIA authorizes federal funding of capital and preventive maintenance projects of the Authority in the amount not to exceed \$1.5 billion to be available in increments over ten fiscal years beginning in fiscal year 2009, or until expended. Each fiscal year since PRIIA was passed, the Authority has received \$150 million thereunder, less FTA adjustments. By its terms, PRIIA funding for the Authority will expire at the end of Federal Fiscal Year 2019 or when all \$1.5 billion authorized thereunder is expended, unless Congress extends the law or increases funding thereunder. In the event that Federal PRIIA is not renewed, the Participating Jurisdictions will replace the funds.

3. Includes the State and Local PRIIA matching funds. Such funds can only be used on capital and preventive maintenance projects of the Authority and are made available thereto pursuant to the applicable laws of the District, Maryland, and the Commonwealth. Such funds are subject to annual appropriation by such jurisdictions.

The chart below illustrates the components of the Approved Fiscal Year 2019 Operating Budget, as set forth in Table 6. Percentages may not total 100% due to rounding.



The chart below illustrates the components of the Approved Fiscal Year 2019 Capital Budget, as set forth in Table 6. Percentages may not total 100% due to rounding.

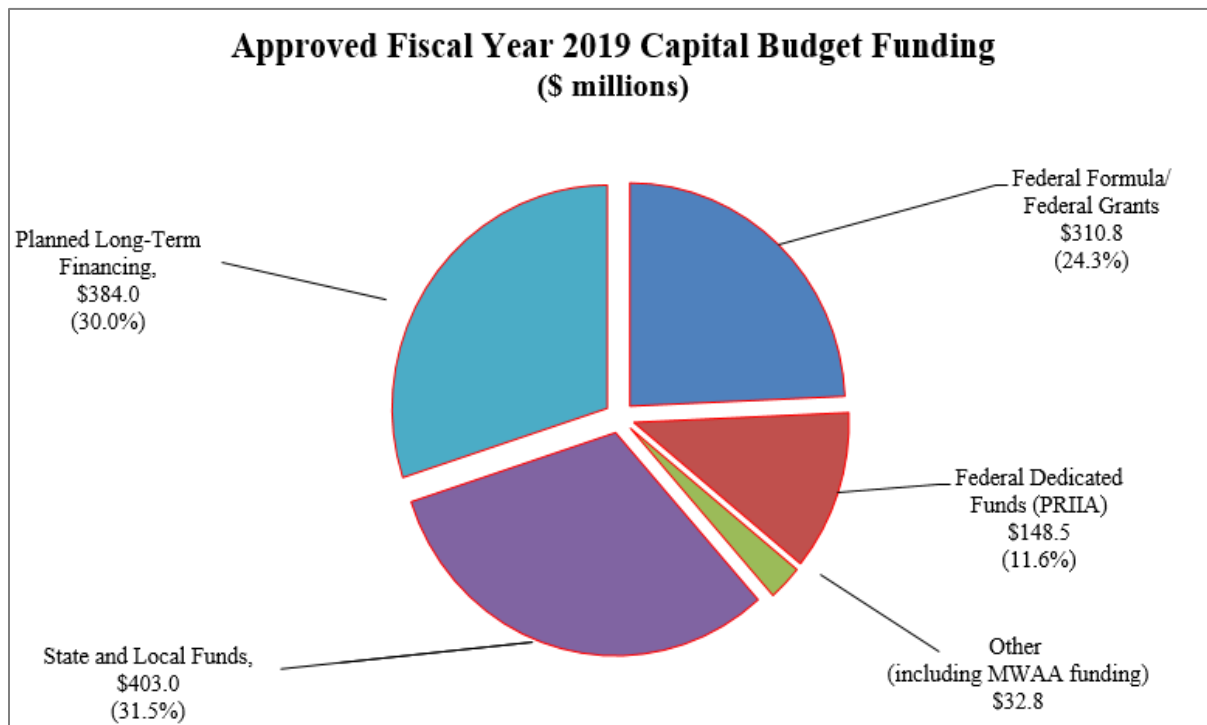


Table 7 shows the state and local funds that the Authority has received or expects to receive from the Participating Jurisdictions in the Approved Fiscal Year 2018 Budget and the Approved Fiscal Year 2019 Budget.

**Table 7. Summary of State and Local Funding for Operating and Capital Budgets<sup>(1), (2)</sup>**  
**(\$ in millions)**

	Operating Budget				Capital Budget <sup>(3)</sup>			
	Operating Subsidy		Debt Service		Fiscal Year 2018 (Budget)	Fiscal Year 2019 (Budget)	Fiscal Year 2019	
	Fiscal Year 2018 (Budget)	Fiscal Year 2019 (Budget)	Fiscal Year 2018 (Budget)	Fiscal Year 2019 (Budget)			Total	As Percent of Total
<b>District of Columbia</b>								
District of Columbia	\$364.6	\$369.4	\$10.7	\$23.8	\$361.5	\$279.3	\$672.5	36.2%
<b>Maryland</b>								
Montgomery County	161.4	169.1	4.9	11.9	137.0	112.3	293.4	15.8%
Prince George's County	202.4	210.6	5.5	12.5	136.1	107.5	330.6	17.8%
Regional	0.0	0.0	0.0	0.0	54.5	50.9	50.9	2.7%
<b>Subtotal</b>	<b>\$363.7</b>	<b>\$379.8</b>	<b>\$10.5</b>	<b>\$24.4</b>	<b>\$327.6</b>	<b>\$270.7</b>	<b>\$674.9</b>	<b>36.3 %</b>
<b>Virginia</b>								
Alexandria	40.3	43.0	0.0	1.8	43.0	30.4	75.1	4.0%
Arlington County	70.9	72.0	0.0	0.0	68.5	58.5	130.5	7.0%
City of Fairfax	2.2	2.3	0.0	0.1	2.2	1.8	4.2	0.2%
Fairfax County	135.3	139.7	0.0	5.6	118.1	97.8	243.2	13.1%
City of Falls Church	2.7	2.8	0.1	0.2	2.3	1.8	4.8	0.3%
Regional	0.0	0.0	0.0	0.0	50.9	52.0	52.0	2.8%
MWAA	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>\$251.3</b>	<b>\$259.8</b>	<b>\$0.1</b>	<b>\$7.7</b>	<b>\$285.0</b>	<b>\$242.3</b>	<b>\$509.7</b>	<b>27.4%</b>
<b>Total</b>	<b>\$973.5</b>	<b>\$1,008.9</b>	<b>\$21.2</b>	<b>\$55.9</b>	<b>\$973.9</b>	<b>\$792.3</b>	<b>\$1,857.1</b>	<b>100%</b>

1. Totals may not sum due to rounding.

2. For Fiscal Year 2018, this table excludes \$6.4 million in other funding from (i) Safety & Security Grants (\$3.6 million), (ii) Joint Development & Adjacent Construction Projects (\$2.0 million), and (iii) Neutral Host (\$0.8 million).

3. Includes additional contributions or debt (including financing authorized in prior years) totaling \$575.2 million.

## Capital Improvement Program

The Approved Fiscal Year 2019-2024 Capital Improvement Program includes a total of \$8.530 billion in planned capital investments over the six-year period for safety and state of good repair (*see* Table 8). For investments by program, the Approved Fiscal Year 2019-2024 Capital Improvement Program includes (i) railcar investments of approximately \$2.218 billion; (ii) bus and paratransit investments of approximately \$1.723 billion; (iii) station and passenger facilities investments of \$1.666 billion; (iv) rail systems investments of \$860 million; (v) track and structures rehabilitation investments of \$1.175 million; and (vi) business support investments of \$887 million. The Authority has developed the Fiscal Year 2019-2024 Capital Improvement Program based on the identified needs of the Metro System for maintenance and repair including an effort to address certain deferred or backlogged projects. Regardless of the sources of funding, the Authority has identified \$15.5 billion in needs over the next ten years and \$25 billion in needs over the next twenty years, all as outlined in the KMSRA Plan.

### *Capital Improvement Projects for Fiscal Year 2019*

The Approved Fiscal Year 2019-2024 Capital Improvement Program includes \$1.279 billion in capital projects for Fiscal Year 2019 (*see* Table 8). Such projects focus on six investment programs: (i) railcar investments, including investment in new rolling stock and upgrading components for portions of the existing legacy fleet; (ii) bus and paratransit vehicles, with the goal of ensuring a safe, reliable and efficient bus and paratransit fleet; (iii) stations and passenger facilities, with the goal of ensuring safe, clean, reliable, and customer-friendly stations; (iv) rail systems, with the goal of maintaining rail propulsion power systems and upgrading signal and communication systems; (v) track and structures rehabilitation, with the goal of maintaining safe and reliable Metrorail track and track infrastructure; and (vi) business support focused on supporting investments in critical operational and business requirements.

### *Funding for the Capital Improvement Program*

The Approved Fiscal Year 2019-2024 Capital Improvement Program, including the Approved Fiscal Year 2019 Capital Budget, totals \$8.53 billion. Table 8 shows funding sources for the Approved Fiscal Year 2019-2024 Capital Improvement Program in the year in which funding is anticipated to be expended. Planned funding for the Approved Fiscal Year 2019-2024 Capital Improvement Program is expected to come from (i) federal formula and PRIIA grants<sup>6</sup>; (ii) required state/local matching funds for those federal grants; (iii) additional system performance and/or debt funding from the Participating Jurisdictions; and (iv) Dedicated Revenues. While such funding is expected to support core safety and state of good repair needs, additional capital investment would be required to address deferred projects, planning for future enhancements, and to address the long-term growth of the region and the Transit System. For information on the condition of the Authority's capital assets and the relationship between those assets and the results of the Authority's operations, *see* "THE TRANSIT SYSTEM – Funding of the Capital Costs of the Transit System – *Current and Ongoing Funding*" and "ONGOING FINANCIAL AND OPERATIONAL CONCERNS – Capital Budget Expenditures."

---

<sup>6</sup> PRIIA will expire at the end of 2019; if not renewed. Participating Jurisdictions are anticipated to replace nonrenewed PRIIA funds.

**Table 8. Approved Fiscal Year 2019-2024 Capital Improvement Program  
Financial Plan – Funding Sources<sup>(1)</sup>  
(\$ in millions)**

	<b>Fiscal Year 2019–2024 Plan</b>						
	<b>Fiscal Year 2019 Plan</b>	<b>Fiscal Year 2020 Plan</b>	<b>Fiscal Year 2021 Plan</b>	<b>Fiscal Year 2022 Plan</b>	<b>Fiscal Year 2023 Plan</b>	<b>Fiscal Year 2024 Plan</b>	<b>Total</b>
<b>Federal</b>							
Federal Formula Programs	\$ 305	\$ 321	\$ 313	\$ 313	\$ 313	313	\$ 1,877
Federal PRIIA	149	149	-	-	-	-	297
Other Federal Grants	6	4	4	4	4	4	26
Subtotal Federal	\$ 459	\$ 473	\$ 317	\$ 317	\$ 317	\$ 317	\$ 2,200
<b>State and Local</b>							
Match to Federal Formula	\$ 76	\$ 80	\$ 78	\$ 78	\$ 78	\$ 78	\$ 469
System Performance <sup>(3)</sup>	561	552	912	1,069	1,113	\$ 1,149	5,355
Match to PRIIA Grant	149	149 <sup>(2)</sup>	-	-	-	-	297
Other State and Local	1	1	1	1	1	-	5
Subtotal State and Local	\$ 787	\$ 781	\$ 991	\$ 1,148	\$ 1,192	\$ 1,227	\$ 6,127
<b>MWAA</b>	\$ 27	\$ 41	\$ 64	\$ 32	\$ 14	\$ 3	\$ 181
<b>Jurisdictional Reimbursable Projects</b>	\$ 5	\$ 5	\$ 3	\$ 3	\$ 3	\$ 3	\$ 22
<b>Grand Total</b>	<b>\$ 1,279</b>	<b>\$ 1,300</b>	<b>\$ 1,375</b>	<b>\$ 1,500</b>	<b>\$ 1,525</b>	<b>\$ 1,550</b>	<b>\$ 8,530</b>

1. Totals may not sum due to rounding.

2. PRIIA will expire at the end of 2019; in the event that Federal PRIIA is not renewed. Participating Jurisdictions are anticipated to replace nonrenewed PRIIA funds.

3. System Performance Funds are the jurisdictional funds over and above those funds required to match any Federal grants to be used for Capital Improvement Plan projects contained in the applicable Annual Work Plan (as defined in the Capital Funding Agreements).



## Outstanding Debt

As summarized in Table 9 below, the Authority had \$758.45 million of Pre-2018 Obligations outstanding as of the date of the Official Statement, all of which constitute Pre-2018 Obligations and are secured on by a lien on Gross Revenues on parity with the Series 2018 Bonds. All of the Authority's outstanding bonds are issued on a parity basis and secured by a lien on Gross Revenues (other than the Future Dedicated Revenues). Table 9 summarizes the outstanding Obligations of the Authority.

**Table 9. Outstanding Obligations as of the Date of Official Statement<sup>(1)</sup>**

	<u>Amount Outstanding</u>	<u>Final Maturity Date</u>	<u>Crossover Date</u>
Series 2009A Bonds	\$9,580,000.00	July 1, 2019	
Series 2009B Bonds <sup>1</sup>	\$55,000,000.00	July 1, 2034	July 1, 2019
Series 2017A Bonds	\$197,370,000.00	July 1, 2034	
Series 2017B Bonds	\$496,500,000.00	July 1, 2042	
<b>Total</b>	<b>\$758,450,000.00</b>		

- 
1. The Series 2009B Bonds were issued under the Resolution as BABs. The Authority receives a direct federal subsidy payment for a portion of their borrowing costs on BABs. While the Authority has received its direct subsidy payments as scheduled, the amounts of such subsidies have been reduced in recent federal continuing resolutions and budgets, as applicable. See footnote 7 to Table 1. For more information on the crossover refunding involving the Series 2009B Bonds, see "INTRODUCTION" The Authority executed an advance refunding and crossover refunding on the Series 2009A and Series 2009B Bonds, respectively, in July 2017. \$165.5 million of the Series 2009A bonds were defeased by the Series 2017A-1 escrowed proceeds of \$148.5 million. \$55 million of the Series 2009B Bonds will be retired on the call date July 1, 2019 with crossover refunding proceeds from the Series 2017A-2 Bonds escrowed proceeds totaling \$48.9 million.

The Authority has four "364-day" lines of credit, under which it can draw up to \$350 million at any one time. Such lines of credit were renewed in May 2018 and expire in May 2019 and any amounts outstanding on the lines of credit would be due by such date. The lines of credit constitute Pre-2018 Obligations, but are secured by a lien on the Gross Revenues (other than Future Dedicated Revenues) subordinate to the lien securing the Series 2018 Bonds. As of the date of this Official Statement, the Authority had no outstanding balance drawn on the lines of credit.

## Leveraged Lease Transactions

Between 1998 and 2003, the Authority entered into 16 leveraged lease transactions, 13 of which were lease-in lease-out transactions and three of which were sale-in lease-out transactions, pursuant to which the Authority either sold or long-term (up to 28 years) leased various series of rapid rail cars to a trust (each a "Trust"), the beneficiary of which is a U.S. federal income tax-paying entity, and then leased or subleased the subject cars back from the Trust. All referenced leases have been terminated.

## Pension Plans

The Authority participates in five single-employer defined benefit pension plans covering substantially all of its employees – (i) the WMATA Retirement Plan (the "Retirement Plan"); (ii) the WMATA Transit Employees' Retirement Plan (the "Local 689 Plan"); (iii) the WMATA Transit Police Retirement Plan (the "Transit Police Plan"); (iv) the WMATA Local 922 Retirement Plan (the "Local 922 Plan"); and (v) the WMATA Local 2 Retirement Plan (the "Local 2 Plan," together with the Retirement Plan, the Local 689 Plan, the Transit Police Plan, and the Local 922 Plan, the "Pension Plans"). Each of the Pension Plans is governed by a separate board of trustees responsible for administering such plan.

Below is a summary of each Pension Plan's respective membership for the Fiscal Year ended June 30, 2017.

**Table 10. Pension Plan Membership  
(for the Fiscal Year ended June 30, 2017)<sup>7</sup>**

<b>Plan Membership</b>	<b>Retirement Plan</b>	<b>Local 689 Plan</b>	<b>Transit Police Plan</b>	<b>Local 922 Plan</b>	<b>Local 2 Plan</b>	<b>Total</b>
Active	268	9,302	417	432	73	10,492
Inactive (receiving benefits)	1,191	4,610	236	236	305	6,578
Inactive (not receiving benefits)	<u>342</u>	<u>797</u>	<u>91</u>	<u>47</u>	<u>59</u>	<u>1,336</u>
<b><u>Total Membership</u></b>	<b><u>1,801</u></b>	<b><u>14,709</u></b>	<b><u>744</u></b>	<b><u>715</u></b>	<b><u>437</u></b>	<b><u>18,406</u></b>

Source: Notes to the Basic Financial Statements 10 in the Fiscal Year 2017 Audited Financial Statements.

The discussion in this section focuses on the Retirement Plan and the Local 689 Plan, the two largest of the Pension Plans. For more information on the Pension Plans, *see* Notes to Basic Financial Statements 10 in the Fiscal Year 2017 Audited Financial Statements and the related required supplementary information included in the Authority's CAFR for Fiscal Year 2017.

#### *Retirement Plan*

The Retirement Plan is administered by a board of trustees (the "Retirement Plan Board"), which is comprised of three members – two members appointed by the Authority and one member who is elected. All full-time regular management and non-union employees hired prior to January 1, 1999, certain Transit Police Officials who are not covered by any other Pension Plan, and Special Police Officers represented by Local 639, are eligible to participate in the Retirement Plan. As of February 25, 2016, new employees represented by Local 639 are not permitted to participate in the Retirement Plan.

The normal retirement eligibility is age 65. The maximum normal retirement benefit is not to exceed 80% of final average compensation. The Retirement Plan provides retired participants annual cost-of-living increases, permits both early and later retirement, and provides for benefits in the event of death, disability and terminated vested employment. After five years of service, participants are 100% vested.

Under the Retirement Plan, the Authority is required to contribute pursuant to the Compact an amount equal to the actuarially determined contribution (the "ADC"). The ADC is an amount sufficient to pay (i) the "normal cost," being the present value of the benefits expected to become payable in the future attributable to a current year's employment; and (ii) the amortization of unfunded actuarial liability ("UAL"). For Fiscal Year 2017, Authority contributions totaled \$20.3 million. Participants are not required to contribute to the Retirement Plan.

#### *Local 689 Plan*

The Local 689 Plan is governed by the terms of its collective bargaining agreement, which is the basis by which benefit terms and contribution requirements are established and amended. The Local 689 Plan is administered by its retirement allowance committee, which consists of six members – three members appointed by the Authority and three members appointed by the union.

<sup>7</sup> The 2018 information will not be available until mid-September.

Any regular full-time or part-time Authority employee, who is a member of Local 689, after a 90-day probationary period, is eligible to participate in the Local 689 Plan. After ten years of service, participants are 100% vested.

The Local 689 Plan provides for normal retirement, early retirement, disability and pre-retirement spouse death benefits. Employees are eligible for the normal retirement allowance upon: (i) attainment of age 70; (ii) attainment of age 65 and the completion of 10 years of continuous service; (iii) upon completion of 27 years of continuous service regardless of age; or (iv) after the sum of years of service plus attained age is 83 or more.

Under the Local 689 Plan, the Authority is required to contribute an amount equal to the ADC, per the collective bargaining agreement for Local 689. For Fiscal Year 2017, employee and Authority contributions totaled \$22.7 million and \$119.0 million, respectively.

#### *Transit Police Plan*

The Transit Police Plan is governed by the terms of its CBA which is the basis by which benefit terms and contribution requirements are established and amended. The Transit Police Plan is administered by its Board of Trustees, which consists of 4 members with 2 members appointed by the Authority and 2 members appointed by the union.

Any regular full-time or part-time Authority employee, who is a sworn Transit Police Officer hired after June 30, 1986 is eligible to participate in the Plan upon making an irrevocable election to participate. The Authority pays 92.73% of plan costs and employees contribute 7.27% of their compensation. After ten years of service, participants are 100% vested.

Benefits are calculated using the employee's average annual base earnings during the 36 consecutive months that produce the highest average – the Final Average Earnings (FAE). The annual retirement benefit contribution is 2.56% of FAE times years of credited service until age 66 and then 2.06% of the FAE times years of credited service. The Transit Police Plan provides for normal retirement with earliest payment at age 50 with 10 years of service for a benefit reduction of 72% or unreduced at any age with 25 years of service.

#### *Local 922 Plan*

The Local 922 Plan is governed by the terms of its CBA which is the basis by which benefit terms and contribution requirements are established and amended. The Local 922 Plan is administered by its Board of Trustees, which consists of 4 members with 2 members appointed by the Authority and 2 members appointed by the union.

Any regular full-time or part-time Authority employee, who is a bus operator who has completed the probationary period as defined by the CBA is eligible to participate in the Plan. The Authority pays 97% of plan costs and employees contribute 3% of their compensation.

The Local 922 Plan permits normal and early retirement and also provides an option for benefits in the event of pre-retirement death and disability of vested participants. Benefits are calculated using the employee's average highest four years of pay including overtime, shift differentials, etc. Employees become vested with ten years of service.

### *Local 2 Plan*

The Local 2 Plan is governed by the terms of its CBA which is the basis by which benefit terms and contribution requirements are established and amended. The Local 2 Plan is closed to new participants with an initial employment date of January 1, 1999 or newer. The Plan is administered by its Board of Trustees, which consists of 5 members 3 members appointed by the Authority and 2 members appointed by the union.

The Authority pays the full cost of the Local 2 Plan. Participants are vested after 5 years of service and benefits are calculated using FAE for 36 consecutive months. The plan provides normal and early retirement and includes annual COLA increases for all retirees.

### *Net Pension Liability*

The table below shows the status of the Authority's pension plans, including net pension liability, as of June 30, 2017.

**Table 11. Status of Authority Pension Plans<sup>8</sup>**  
**(in thousands)**

<u>Plan</u>	<u>Total Pension Liability</u> (A)	<u>Plan Fiduciary Net Position</u> (B)	<u>Net Pension Liability</u> (B-A)	<u>Funded Ratio</u> (B/A)
Retirement Plan	\$ 522,543 <sup>(1)</sup>	\$ 350,582	\$171,961	67.09%
Local 689	3,537,657 <sup>(2)</sup>	2,723,416	814,241	76.98%
Transit Police	252,273	195,624	56,649	77.54%
Local 922	221,526	188,249	33,277	84.98%
Local 2	168,107	136,930	31,177	81.45%
<b>Total Plans</b>	<b>\$4,702,106</b>	<b>\$3,594,801</b>	<b>\$1,107,305</b>	<b>76.45%</b>

Source: Required Supplementary Information (Unaudited) (Exhibit 4) to the Fiscal Year 2017 Financial Statements, reflecting a measurement date of June 30, 2016.

1. The total pension liabilities were determined using the following actuarial assumptions for the Retirement Plan: (i) a 2.5% inflation rate; (ii) salary/wage increases of 3.0% to 6.3%; and (iii) a 7.0% long-term rate of return (net of expense and including price inflation).
2. The total pension liabilities were determined using the following actuarial assumptions for the Local 689 Plan: (i) a 3.0% inflation rate; (ii) salary/wage increases of 3.0% to 3.5%; and (iii) a 7.9% long-term rate of return (net of expense and including price inflation).

---

<sup>8</sup> This will be revised once WMATA receives the updated Pension information.

## Other Post-Employment Benefits

### *OPEB Plans*

In addition to the Pension Plans described above, the Authority contributes to four single-employer defined benefit healthcare plans (collectively, the “OPEB Plans”). The Authority funds the OPEB Plans on a pay-as-you-go basis.

For certain unionized employees (Local 689, Local 2, and Transit Police), the OPEB Plans are governed by the terms of their respective collective bargaining agreements. For the employees not represented by a union, the Board governs such OPEB Plan.

The OPEB Plans for Local 2 and Local 689 provide healthcare, prescription drug, and life insurance benefits to employees hired before January 1, 2010, while the OPEB Plans for Transit Police and employees not represented by a union, provide healthcare, prescription drug, and life insurance benefits to retirees and their dependents. Nonrepresented employees hired on or after January 1, 2017 are not eligible for retiree health and drug coverage.<sup>9</sup>

The annual payments made by the Authority for the OPEB Plans for the last five Fiscal Years are shown in Table 12 below.

**Table 12. Annual OPEB Cost**  
**(\$ in thousands)**

<b>Fiscal Year ended June 30,</b>	<b>Annual OPEB Payment</b>				
	<b>Local 689</b>	<b>Local 2</b>	<b>Transit Police</b>	<b>Non-Represented</b>	<b>Total</b>
2013	86,391	13,964	8,304	34,935	143,594
2014	51,547	10,167	6,477	32,544	100,735
2015	53,582	9,399	6,801	30,243	100,025
2016	60,126	9,357	6,716	32,270	108,469
2017	62,286	9,718	6,990	33,638	112,632

Source: The Authority’s audited financial statements for Fiscal Years 2014-2017.

For financial reporting purposes, although the Authority funds OPEB on a pay-as-you-go basis, it is required to include in its financial statements (in accordance with GASB Statement No. 45) a calculation similar to that performed to calculate its pension liability. Pursuant to GASB 45, an annual required contribution is calculated which, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any UAL over a period not to exceed 30 years. As of June 30, 2017, the UAL for the OPEB Plans was \$1.82 billion, the covered annual payroll was \$627.0 million, and the ratio of UAL to the covered payroll was 290.7%.

### *Defined Contribution OPEB Plan*

The Authority contributes to one cost-sharing multiple-employer defined contribution healthcare plan for Local 922 (the “Local 922 Plan”). Such plan provides healthcare, prescription drug and life insurance benefits to retirees and their dependents. Effective November 1, 2007, the Authority began contributing \$800 per month for each employee on its payroll covered by the Local 922 Plan and each

---

<sup>9</sup> See Staff Notice 2016-045.

retiree under age 65. The Authority's contributions to the Local 922 Plan were \$4.3 million in Fiscal Year 2016.

For more information on the OPEB Plans and the Local 922 Plan, *see* Notes to the Basic Financial Statements 11 in the Fiscal Year 2017 Audited Financial Statements and the related required supplementary information included in the Authority's CAFR for Fiscal Year 2017.

### *OPEB Trust*

In March 2017, the Board authorized the General Manager and Chief Executive Officer to create a trust to pre-fund the Authority's OPEB liabilities (the "OPEB Trust") by the fourth quarter of Fiscal Year 2018. Monies deposited to the OPEB Trust would be irrevocable, dedicated to providing benefits to retirees, and legally protected from the Authority's creditors. As noted above in Table 12, total annual OPEB payments for the Authority were \$112.6 million in Fiscal Year 2017.

The Trust was created on April 12, 2018 and funded with \$3 million with future contributions thereto to be reviewed as part of the Authority's Fiscal Year 2019 budget discussions. The Authority expects that initiatives to control absenteeism, worker's compensation costs, and overtime will result in certain cost savings. Savings from such initiatives are expected to be used to fund the OPEB Trust.

## **LITIGATION**

There is no litigation now pending or threatened: (i) to restrain or enjoin the issuance or sale of the Series 2018 Bonds; (ii) questioning or affecting the validity of the Series 2018 Bonds, the Resolution, or the pledge of the Trust Estate by the Authority under the Resolution; or (iii) question or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2018 Bonds.

The Authority is involved in certain litigation and disputes incidental to its operations. Upon the basis of information presently available, the General Counsel to the Authority and the Authority believe that there are substantial defenses to such litigation and disputes and that, in any event, the ultimate liability, if any, resulting therefrom will not materially adversely affect the financial position of the Authority.

In order to manage the risk from litigation matters and other disputes, the Authority manages an insurance program that transfers the financial risks (above certain self-insured retentions or deductibles) to private insurance companies. The self-insured retentions of deductibles are referred to in this section as an "SIR." The Authority's program of insurance includes, but is not limited to: (i) Master Property; (ii) Excess Liability; (iii) Directors' & Officers' Liability; (iv) Employment Practices Liability; (v) Crime liability (including Employee Dishonesty); (vi) Privacy/Network and Cybersecurity liability as well as (vii) Terrorism coverage. To the extent applicable, the SIR associated with a matter in litigation is included in the following disclosures.

### **2015 L'Enfant Plaza Accident**

There have been numerous litigation matters filed against the Authority in connection with the January 12, 2015 accident near the L'Enfant Plaza Metrorail Station that resulted in one passenger fatality and the medical transportation of 68 passengers due to heavy smoke (the "2015 L'Enfant Plaza Accident"). For information on certain safety concerns and related actions, *see* "ONGOING FINANCIAL AND OPERATIONAL CONCERNS – Safety Concerns and Related Actions."

The family and estate of the passenger killed as a result of the 2015 L'Enfant Plaza Accident filed a lawsuit against the Authority in January 2015, which was resolved in July 2018 without material adverse

effect to the financial position of the Authority. Approximately 108 other plaintiffs have also sued the Authority over the 2015 L'Enfant Plaza Accident. The court has stayed such litigation to give the parties a chance to mediate as many cases as possible. As of August 3, 2018, all but 20 of the cases have settled as a result of the mediation. The Authority is working with its insurance carrier on such claims, which have been accepted for coverage (under a reservation of rights). The SIR for this matter is \$1,000,000.

### **Other Matters**

The family and estate of a passenger who died after falling from a parapet wall at Judiciary Square Metrorail Station in October 2013 has filed a law suit against the Authority. The litigation is pending. The Authority's Excess Liability insurance carrier was provided notice of the claim. The SIR for this matter is \$5,000,000.

There was a recent bus accident which occurred after a passenger alighted and leaned onto the bus that is likely to involve the Authority's Excess Liability coverage. The Authority has put the insurer on notice. The SIR on this matter is \$5,000,000.

The Authority resolved a class action suit alleging that the Authority violated Title VII of the Civil Rights Act related to background screening of certain employees and contractors. A single plaintiff has challenged the settlement. The Authority believes the challenge is without merit. The Authority has paid its SIR and the insurer has made payments or reimbursements pursuant to the policy.

Claims under various areas of employment law, such as retaliation and failure to promote or hire, have been asserted against the Authority from time to time that are without merit. In the event that any employment claim is decided in a manner adverse to the Authority, such claim should not exceed the SIR. The Authority has placed its Employment Practices Liability ("EPLI") insurer on notice for all such claims. The SIR for this matter is \$1,000,000.

## **LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the Series 2018 Bonds will be subject to the approving opinion of Butler Snow LLP, Bond Counsel, which will be furnished at the expense of the Authority upon delivery of the Series 2018 Bonds and will be in substantially the form set forth as APPENDIX B.

Certain legal matters pertaining to the issuance of the Series 2018 Bonds will be passed upon for the Authority by its General Counsel, Patricia Y. Lee, Esq., Butler Snow LLP, as Disclosure Counsel to the Authority, will deliver an opinion regarding certain matters to the Authority and the Underwriters. Certain legal matters will be passed upon for the Underwriters by their counsel, Squire Patton Boggs (US) LLP.

## **TAX MATTERS**

### **Series 2018 Bonds**

#### *General Matters*

In the opinion of Butler Snow LLP, Washington, D.C., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2018 Bonds (including any original issue discount properly allocable to the owner of a Series 2018 Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the



Authority with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2018 Bonds. Failure to comply with such requirements could cause interest on the Series 2018 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018 Bonds. The Authority has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2018 Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Series 2018 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, for taxable years beginning before January 1, 2018, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). No federal alternative minimum tax applies to corporations for taxable years beginning after December 31, 2017.

Bond Counsel also is of the opinion that, under existing law, interest on the Series 2018 Bonds is exempt from all current Maryland, Virginia and District of Columbia personal income taxes.

The accrual or receipt of interest on the Series 2018 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2018 Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2018 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2018 Bonds.

#### *[Original Issue Discount]*

The Series 2018 Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as federally tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that

would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such Discount Bonds for a price that is higher or lower than the “adjusted issue price” of the Discount Bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.]

#### *[Original Issue Premium]*

The Series 2018 Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.]

#### *Backup Withholding*

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on federally tax-exempt obligations such as the Series 2018 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2018 Bonds that fail to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2018 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt obligations.

#### *Changes in Federal and State Tax Law*

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Series 2018 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2018 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2018 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2018 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2018 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

**PROSPECTIVE PURCHASERS OF THE SERIES 2018 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2018 BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2018 BONDS.**

### **RATINGS**

Fitch Ratings, Inc. and S&P Global Ratings, a division of S&P Global Inc. (“S&P”), have assigned ratings to the Series 2018 Bonds of “[ ]” (with a stable outlook) and “[ ]” (with a stable outlook), respectively.

A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Series 2018 Bonds. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Series 2018 Bonds.

### **INDEPENDENT AUDITORS**

The Authority has not requested and will not obtain a consent letter from its auditor for the references to the audit reports in this Official Statement. RSM US LLP, the Authority's independent auditor, has not been engaged to perform, and has not performed, since the date of its reports referenced herein, any procedures on the financial statements addressed in those reports. RSM US LLP also has not performed any procedures relating to the Official Statement.

### **CONTINUING DISCLOSURE**

The Authority will undertake in a continuing disclosure agreement for the Series 2018 Bonds (the “2018 CDA”) to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the “Rule”), promulgated by the SEC, by providing annual financial information, operating data, and event notices required by the Rule. As described in APPENDIX D, the 2018 CDA requires the Authority to provide only limited information at specified times. The filing deadline for the Authority’s annual continuing disclosure filings under the 2018 CDA is December 31 (which is also the deadline under the continuing disclosure agreement for the Series 2017A and 2017B Bonds (the “2017 CDA”). The Authority’s continuing disclosure filings since July 2009 are available at [www.emma.msrb.org](http://www.emma.msrb.org).

Under its continuing disclosure agreement for the Series 2009 Bonds (the “2009 CDA”), the Authority is required to make its annual continuing disclosure filings with EMMA no later than four months after the end of its Fiscal Year (October 31).

For information on the filing dates of the Authority's audited financial statements, CAFRs, and annual updates to certain tables in the applicable official statements for the last five years, see the chart below.

	<b>Fiscal Year Ended June 30,</b>	<b>Date Posted on EMMA</b>	<b>Due Date</b>	<b>Days Late</b>	<b>Date of Failure to File Notice</b>
<b>Audited Financial Statements</b>					
	2013	October 28, 2013	October 31, 2013	---	---
	2014	August 11, 2015	October 31, 2014	284 days	May 17, 2016
	2015	December 17, 2015	October 31, 2015	47 days	May 17, 2016
	2016	October 27, 2016	October 31, 2016	---	---
	2017	October 27, 2017	October 31, 2017	---	---
<b>CAFR</b>					
	2013	April 12, 2016	October 31, 2013	894 days	May 17, 2016
	2014 <sup>(1)</sup>	N/A	---	N/A	N/A
	2015	April 12, 2016	October 31, 2015	164 days	May 17, 2016
	2016	December 16, 2016	October 31, 2016	46 days <sup>(2)</sup>	May 25, 2017
	2017	October 27, 2017	October 31, 2017	---	---
<b>Official Statement Tables</b>					
	2012	May 12, 2016	October 31, 2012	1,289 days	May 17, 2016
	2013	May 12, 2016	October 31, 2013	924 days	May 17, 2016
	2014	May 12, 2016	October 31, 2014	559 days	May 17, 2016
	2015	May 12, 2016	October 31, 2015	194 days	May 17, 2016
	2016	December 28, 2016	October 31, 2016	58 days <sup>(2)</sup>	May 25, 2017
	2017	October 27, 2017	October 31, 2017	---	---

<sup>1</sup> No CAFR prepared.

<sup>2</sup> Such filings were late under the 2009 CDA, but were timely under the 2017 CDA.

In addition to the late filings referenced in the table above, the Authority failed to file a notice of a rating upgrade from S&P in March 2014. Such failure has been corrected and notice of such rating upgrade was filed on EMMA on July 19, 2017.

In connection with the Authority's Gross Revenue Transit Refunding Bonds, Series 2003, which matured and were paid in full in 2014, the Authority failed to file or timely file certain tables in fiscal years 2012 and 2013 that were required to be filed under the continuing disclosure agreement related to such bonds. Under such continuing disclosure agreement, annual filings for the most recently completed fiscal year were due by January 31. Given that such bonds have matured and are no longer outstanding, the Authority has not made corrective filings on EMMA.

The Authority has updated its internal continuing disclosure procedures and checklist, which update is intended to ensure compliance with its future continuing disclosure obligations.

## UNDERWRITING

The underwriters of the Series 2018 Bonds listed on the cover page of this Official Statement, for whom Citigroup Global Markets Inc. is acting as the representative (collectively, the “Underwriters”), have agreed to purchase the Series 2018 Bonds at a purchase price equal to \$\_\_\_\_\_ (reflecting an Underwriters’ discount totaling \$\_\_\_\_\_) pursuant to the Bond Purchase Agreement dated November\_\_\_\_, 2018, by and among the Authority and the Underwriters (the “Bond Purchase Agreement”).

This section provides certain information with respect to the Bond Purchase Agreement. This information does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Purchase Agreement executed by the Underwriters and the Authority. No attempt is made herein to summarize the Bond Purchase Agreement. The Bond Purchase Agreement may be examined on reasonable prior notice at the office of the Secretary of the Authority during regular business hours on and after the date of its execution.

Under the Bond Purchase Agreement, the Underwriters shall pay the purchase price for the Series 2018 Bonds and shall accept delivery of the Series 2018 Bonds from the Authority, subject to certain conditions, on or about November \_\_\_\_, 2018. Pursuant to the Bond Purchase Agreement, the Underwriters shall purchase all of the Series 2018 Bonds if any are purchased.

The Underwriters may offer and sell the Series 2018 Bonds to certain dealers (including dealers depositing the Series 2018 Bonds into investment trusts) and others at prices lower than the initial offering prices or yields higher than the initial offering yields for the Series 2018 Bonds. Subsequent to the initial offering, the offering prices and yields for the Series 2018 Bonds may be changed from time to time by the Underwriters. Additionally, in connection with the offering of the Series 2018 Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series 2018 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time by the Underwriters.

The Underwriters may, from time to time, be engaged in business or other transactions with the Authority or may be actual or potential users of Authority facilities.

The Underwriters have provided the following information appearing in this section of the Official Statement.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses. In addition, affiliates of some of the Underwriters are lenders, and in some cases agents or managers for the lenders, under our letters of credit.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or

related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

Citigroup Global Markets Inc., an underwriter of the Series 2018 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), one of the underwriters of the Series 2018 Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2018 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2018 Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2018 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Blaylock Van, LLC (“Blaylock Van”), an underwriter of the Series 2018 Bonds, has entered into separate retail distribution arrangements with TD Ameritrade Inc., Wilmington Capital Securities LLC and SWBC Investment Services, LLC. Pursuant to these arrangements, Blaylock Van may distribute municipal securities to retail investors through the financial advisor networks of TD Ameritrade Inc. and Wilmington Capital Securities, LLC. As part of these arrangements, Blaylock Van may share a portion of its underwriting compensation with TD Ameritrade LLC and Wilmington Capital Securities, LLC for their selling efforts with respect to the Series 2018 Bonds.

## **FINANCIAL ADVISOR**

PFM Financial Advisors LLC served as independent financial advisor, to the Authority with respect to the sale of the Series 2018 Bonds. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2018 Bonds and provided other advice. The Financial Advisor has not undertaken to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement.

## **MISCELLANEOUS**

The references to, excerpts from, and summaries of documents referred to herein do not purport to be complete statements of provisions of such documents, and reference is directed to such documents for full and complete statements of all matters of fact relating to the Series 2018 Bonds, the security for the payment of the Series 2018 Bonds and the rights and obligations of the registered owners thereof.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, is set forth as such and not as a representation of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Transit System since the date hereof.

Further information regarding the Authority and the Transit System is available upon request to the Treasurer's Office, 600 Fifth Street, N.W., Washington, DC 20001, (202) 962-1020, and/or to PFM Financial Advisors LLC, 222 North LaSalle, Suite 910, Chicago IL 60601 (312) 977-1570.



The execution and delivery of this Official Statement by the General Manager and Chief Executive Officer has been duly authorized by the Board.

**WASHINGTON METROPOLITAN AREA  
TRANSIT AUTHORITY**

By: \_\_\_\_\_  
Name: Paul J. Wiedefeld  
Title: General Manager and Chief Executive Officer

## **APPENDIX A**

### **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

*The following is a summary of certain provisions of the Resolution. This is not a complete recital of the terms of the Resolution and reference should be made to the Resolution for a complete statement of its terms. Words and terms used in this summary shall have the same meaning herein as in the Resolution except where otherwise noted.*

#### **Establishment of Funds and Accounts**

The Resolution establishes a Revenue Fund, a Proceeds Fund and a Debt Service Fund.

Each such Fund shall initially consist of the Account and Subaccounts, if any, established or permitted by the Resolution. Additional Funds, Accounts and Subaccounts may be established by the Authority in its discretion with the Funds and Accounts established pursuant to the Resolution; the establishment of such Accounts or Subaccounts shall be evidenced by the delivery by Authority to the Trustee of a certificate of an Authorized Officer.

Amounts held at any time by the Authority or the Trustee in any of the Funds, Accounts or Subaccounts initially established pursuant to the Resolution or in any other Fund, Account or Subaccount established by the Authority pursuant to the Resolution shall be held in trust separate and apart from all other funds.

#### **Proceeds Fund and Application Thereof**

The Authority shall establish within the Proceeds Fund a Costs of Issuance Account, a Proceeds Account and such other Accounts as the Authority deems necessary and desirable, and the Authority or any Authorized Officer of the Authority may establish within each such Account separate Subaccounts for each Series of Obligations.

The Authority shall pay into the Proceeds Fund and each Account and Subaccount, if any, therein, such amounts as shall be provided for in a Supplemental Resolution or in the resolution authorizing Obligation Anticipation Notes.

The amounts in each such Account and Subaccount, if any, shall, unless otherwise provided for in a Supplemental Resolution or in the resolution authorizing Obligation Anticipation Notes, be applied solely to the payment of the purposes of the Obligations in anticipation of which such Obligation Anticipation Notes are issued, in the manner and upon such conditions, if any, as the Authority may provide in such Supplemental Resolution or in the resolution authorizing Obligation Anticipation Notes; provided, however, that, subject to the provisions of the resolution authorizing Obligation Anticipation Notes relating to the application of the proceeds thereof, if on any interest payment date or Principal Installment due date, the amounts in the Debt Service Fund shall be less than Debt Service payable on such date, the Authority shall apply amounts from the Proceeds Fund to the extent necessary to make up the deficiency.

#### **Revenue Fund, Gross Revenues and Application Thereof**

The Authority shall establish within the Revenue Fund a Gross Proceeds Account and a Future Dedicated Revenues Account which such accounts shall be funded and applied as set forth below.

The Authority shall deposit into the Gross Proceeds Account of the Revenue Fund all Gross Revenues, other than any Future Dedicated Revenues, as soon as practicable after the receipt thereof. The Authority shall apply all amounts in the Gross Proceeds Account of the Revenue Fund in the amounts and in the order of priority as follows:

- (a) payment to the Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Accrued Debt Service to the last day of the then current Quarter; provided that, for the purposes of computing the amount to be deposited in said Fund, there shall be excluded the amount, if any, set aside in any account within the Debt Service Fund or the Proceeds Fund from the proceeds of Obligations or Parity Debt for the payment of interest on Obligations or Parity Debt to the last day of the then current Quarter;
- (b) transfer to another Person in accordance with any related Supplemental Resolution in the case of any Obligations or Parity Debt, all amounts required by such Supplemental Resolution to build up or replenish any debt service reserve fund established under any Supplemental Resolution for such Obligations or Parity Debt;
- (c) transfer to another Person in accordance with any Supplemental Resolution or other authorizing document creating Subordinated Indebtedness or Subordinated Contract Obligations for payment of, or accrual for payment of, principal of and interest on any Subordinated Indebtedness or for payment of amounts due under any Subordinated Contract Obligation;
- (d) transfer to the Authority for deposit in the Proceeds Fund as directed in writing by an Authorized Officer of the Authority; and
- (e) transfer to such accounts held by the Authority as an Authorized Officer shall specify in writing to the Trustee.

Amounts paid out from any Fund or Account for an authorized purpose (excluding transfers to any other pledged Fund or Account) or transferred pursuant to clause (e) of this caption shall be free and clear of the lien and pledge created by the Resolution.

The Authority shall deposit into the Future Dedicated Revenues Account of the Revenue Fund all Future Dedicated Revenues as soon as practicable after the receipt thereof. Subject to the provisions of the following paragraph, the Authority may at any time and from time to time transfer any and all amounts in the Future Dedicated Revenues Account to any lawful purpose and amounts so transferred shall be free and clear of the lien and pledge created by the Resolution unless transferred to a Fund or Account pledged under the Resolution.

Whenever the amount of Gross Revenues paid or transferred out of the Gross Proceeds Account in respect of Pre-2018 Obligations only, as required under clauses (a), (b) and (c) of this caption, is less than the amount which should have been so transferred, then an amount equal to such deficiency shall be held in the Future Dedicated Revenues Account and applied in a timely manner to the payment when due of such Pre-2018 Obligations. Should such deficiency be made up from other sources, or such Pre-2018 Obligations be otherwise paid, then the amount so held in the Future Dedicated Revenues Account may be applied as provided in the previous paragraph.

## **Debt Service Fund**

The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Obligations and any related Parity Debt, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment (including the portion thereof payable in respect of a Parity Reimbursement Obligation) payable on such due date, and (iii) on or before any redemption date for the Obligations or Parity Debt which occurs on any interest payment date, the amount required for the payment of interest on the Obligations or Parity Debt then to be redeemed. Such amounts shall be applied by the Paying Agents to such payments on and after the due dates thereof.

In the event of the refunding (including in connection with any payment at maturity, redemption, purchase, tender or exchange) of any Obligations, the Trustee shall, upon the direction of the Authority, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to the Debt Service on the Obligations being refunded and (a) deposit such amounts, free and clear of any lien, pledge or claim of the Resolution, with itself as Trustee or an escrow agent to be held in trust solely for the purchase, exchange or payment of the principal or Redemption Price, if applicable, of and interest on the Obligations being refunded, (b) apply such amounts to pay the Costs of Issuance of the Refunding Obligations, or (c) deposit such amounts in any Fund, Account, or Subaccount established under the Resolution; provided that no such withdrawal or deposit shall be made unless (i) upon such refunding, the Obligations being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution and (ii) at the time of and giving effect to such withdrawal and refunding, there shall exist no deficiency in any Fund, Account or Subaccount established under the Resolution.

If at any time the amount on deposit in the Debt Service Fund exceeds the amount then required to be on deposit therein, the Trustee shall, at the request of Authority and subject to the provisions of the Supplemental Resolution governing any Subordinated Indebtedness then Outstanding, transfer to the Authority the amount of such excess free and clear of the lien and pledge of the Resolution.

## **Investment of Funds**

Subject to the provisions of the Resolution, amounts in the Funds and Accounts established by the Resolution may be invested only in Authorized Investments and only when and as specifically directed in writing by an Authorized Officer.

The Trustee or the Authority shall sell any Authorized Investments held in any Fund, Account or subaccount to the extent required for payments from such Fund, Account or subaccount. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund, Account or subaccount to the extent required to meet the requirements of such Fund, Account or subaccount. Except as provided by Supplemental Resolution, in computing the amount of such Funds, Accounts and Subaccounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value. Accrued interest received upon the sale of any Authorized Investment to the extent such amount exceeds any accrued interest paid on the purchase of such Authorized Investment shall be treated as interest earned on such Authorized Investment for purposes of this caption.

In making any investment in any Authorized Investments with money in any Fund or Account established under the Resolution, the Trustee or the Authority may combine such money with money in any other Fund or Account held by it, but solely for purposes of making such investment in such Authorized Investments.

### **Selection of Obligations to be Redeemed**

If less than all the Outstanding Obligations of like tenor, Series, maturity and interest rate shall be redeemed, the Trustee shall select, as directed by the Authority (as to the timing of such selection, manner of such selection or otherwise) or otherwise in such manner as the Trustee in its discretion shall deem appropriate and fair, the numbers of the Obligations to be redeemed and portions of any thereof to be redeemed in part. Obligations of denominations equal or less than the minimum authorized denomination thereof may be redeemed only as a whole. Obligations of denominations of more than the minimum authorized denomination thereof may be redeemed either as a whole or in part (which, if redeemed in part, must assure that the portion of the Obligation which is not redeemed is an authorized denomination). For the purposes of this caption, Obligations, or portions thereof, which have theretofore been selected for redemption shall not be deemed Outstanding.

### **Redemption at the Election or Direction of the Authority; Redemption Otherwise than at the Authority's Election or Direction**

If the Authority elects to redeem the obligations, the Authority shall give written notice to the Trustee of its election so to redeem, of the redemption date, of the Series, of the principal amounts of the Obligations of each maturity and interest rate of such Series to be redeemed (which Series, maturities, interest rates and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in any Supplemental Resolution). Such notice shall be given at least 45 days prior to the redemption date or such shorter period as may be provided in the Supplemental Resolution or as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in the Resolution, the Authority shall on or prior to the redemption date cause to be paid out to the appropriate Paying Agent or Paying Agents out of money available therefor an amount in cash which, in addition to other money, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, all of the Obligations to be redeemed.

To the extent provided by Supplemental Resolution the Authority may, in its sole discretion, purchase, at any time and from time to time, any Obligations which are redeemable at the election of the Authority at a purchase price equal to the redemption price therefor. To exercise any such option, the Authority shall give the Trustee a written request exercising such option within the time periods specified in the related Supplemental Resolution as though such written request were a written request of the Authority for redemption, and the Trustee shall thereupon give the Owners of the Obligations to be purchased notice of such purchase in the manner specified in the related Supplemental Resolution as though such purchase were a redemption. On the date fixed for purchase pursuant to any exercise of such an option, the Authority shall pay the purchase price of the Obligations then being purchased to the Trustee in immediately available funds, and the Trustee shall pay the same to the sellers of such Obligations against delivery thereof. Following such purchase, the Trustee shall cause such Obligations to be registered in the name of the Authority nominee and shall deliver them to the Authority, or its nominee. Except to the extent otherwise directed by an Authorized Officer, no purchase of Obligations pursuant to such an option shall operate to extinguish the indebtedness of the Authority evidenced thereby.

Whenever by the terms of the Resolution the Trustee is required to redeem Obligations otherwise than at the election or direction of the Authority, the Trustee shall (i) select the Obligations to be redeemed, (ii) give the notice of redemption and (iii) pay out of moneys available therefor the Redemption Price thereof in accordance with the terms of the Resolution. The Trustee shall have no liability in making such selection.

## **Notice of Redemption Provisions for the Obligations**

When the Trustee shall receive notice from the Authority of its election to redeem Obligations pursuant to the Resolution, and when redemption of Obligations is required by the Resolution, the Trustee shall give notice, in the name of the Authority, of the redemption of such Obligations, which notice shall specify the Series (including CUSIP numbers), maturities and, if any maturity shall include Obligations bearing different interest rates and all Obligations of such maturity are not being redeemed, interest rate of the Obligations to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Obligations of any like tenor, Series, maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Obligations so to be redeemed, and, in the case of Obligations to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed, and, if applicable, that such notice is conditional and the conditions that must be satisfied. Such notice shall further state that on such date there shall become due and payable upon each Obligation to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Obligations to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given not less than 30 days nor more than 45 days, or for such other period as may be specified in a Supplemental Resolution authorizing a particular Series, before the redemption date, to the Owners of any Obligations or portions of Obligations which are to be redeemed. Failure so to give any such notice to any particular Owner shall not affect the validity of the proceedings for the redemption of Obligations not owned by such Owner and failure of any Owner to receive such notice shall not affect the validity of the proposed redemption of Obligations. The Authority may provide notices of redemption at such additional times as it may determine necessary or appropriate.

Any notice of optional redemption may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Obligations or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Owners of Obligations as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Unless otherwise provided by Supplemental Resolution, notices of redemption shall be sent by first class mail, postage prepaid.

Notice of redemption of any Series of Obligations shall also be sent by the Trustee to such additional Persons as may be specified in the Supplemental Resolution authorizing such Series.

## **Indebtedness**

Except as permitted by the terms and provisions of the Resolution, the Authority shall not incur any indebtedness secured by a pledge of any of the Trust Estate (prior to the release thereof) which is due on demand, or indebtedness which provides the owners thereof the right to declare due and payable any payments thereunder (whether at the maturity of principal or on the due date of interest or upon redemption or prepayment) not otherwise due and payable, except in the event all Obligations and Parity Debt are then due and payable.

### **Medium of Payment; Form and Date**

The Obligations shall be payable, with respect to interest, principal, and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts (or to the extent permitted by law, in any other coin or currency authorized pursuant to a Supplemental Resolution for related Obligations and Parity Debt). The Obligations shall be issued in the form of fully registered Obligations without coupons.

The Obligations shall be dated, and shall bear or not bear interest, as provided in the Supplemental Resolution authorizing such Obligations.

### **Transfer of Obligations**

The transfer of each Obligation shall be registerable only upon the books of the Authority, which shall be kept by the Registrar, by the Owner thereof in person or by its attorney authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar executed by the Owner or its authorized attorney. Upon the registration of transfer of any such Obligation, the Authority shall issue in the name of the transferee a new Obligation of the same aggregate principal amount, Series, maturity and interest rate as the surrendered Obligation.

The Authority and each Fiduciary may deem and treat the Person in whose name any Outstanding Obligation shall be registered upon the books of the Authority as the absolute owner of such Obligation, whether such Obligation shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Obligation and for all other purposes, and all such payments so made to any such registered owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Obligation to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary. The Authority agrees to indemnify and save each Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, unless acting in bad faith or with negligence under the Resolution, in so treating such registered owner.

### **Regulations with Respect to Exchanges and Transfers**

In all cases in which the privilege of exchanging Obligations or registering the transfer of Obligations is exercised, the Authority shall execute and the Registrar shall deliver Obligations in accordance with the provisions of the Resolution. All Obligations surrendered in any such exchanges or registrations of transfer shall forthwith be canceled by the Registrar. For every such exchange or registration of transfer of Obligations, whether temporary or definitive, the Authority or the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

### **Defeasance**

If the Authority shall pay or cause to be paid to the Owners of all Obligations then Outstanding the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Authority to the Owners of Obligations shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all money, securities and funds held by them pursuant to the Resolution which are not

required for the payment or redemption of Obligations not theretofore surrendered for such payment or redemption.

The Outstanding Obligations or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Paying Agents shall at the respective maturity or redemption dates thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. Outstanding Obligations or any portions thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph either (A) with respect to the defeasance of Taxable Obligations, Tax-Exempt Obligations or otherwise, as provided in the Supplemental Resolution authorizing their issuance or (B) if (a) in case any of said Obligations are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail a notice of redemption on said date of such Obligations, (b) there shall have been irrevocably deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or Redemption Price, if applicable, and interest due and to become due on such Obligations or such portions thereof on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Obligations are not by their terms maturing or are not subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Obligations that the deposit required by (b) above has been made with the Trustee and that said Obligations are deemed to have been paid in accordance with the section of the Resolution summarized in this caption and stating such maturity or redemption date upon which money is to be available for the payment of the principal or Redemption Price, if applicable, on such Obligations. Neither Defeasance Securities nor money deposited with the Trustee pursuant to the section of the Resolution summarized in this caption nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Obligations; provided, however, that any money on deposit with the Trustee, (i) to the extent such money will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Obligations or otherwise existing under the Resolution, and (ii) to the extent such money will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient, together with any money available to the Trustee for such purpose, to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Obligations on and prior to such redemption date or maturity date thereof, as the case may be. *Notwithstanding any other provision of the Resolution, the Authority may at the time of defeasance elect to retain the right to redeem or require the tender of any obligations deemed paid pursuant to the Resolution. The Trustee shall, at the direction of the Authority, select the Obligations or portions thereof that are deemed to have been paid in advance of the redemption of such Obligations.*

Anything in the Resolution to the contrary notwithstanding, any money held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Obligations which remains unclaimed for 2 years after the date when such principal, Redemption Price or interest, respectively, has become due and payable, either at stated maturity dates or by call for earlier redemption, if such money was held by the Fiduciary at such date, or for 2 years after the date of deposit of such money if deposited with the Fiduciary after the date when such principal, Redemption Price, or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of Obligations shall look only to the Authority for the payment of such principal, Redemption Price, or interest, respectively. Before being



required to make any such payment to the Authority, the Fiduciary shall, at the expense of the Authority, cause to be mailed to the Owners entitled to receive such money a notice that said money remains unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the mailing, the balance of such money then unclaimed will be returned to the Authority.

## **Events of Default**

The following events shall constitute an Event of Default under the Resolution:

- (i) If default shall be made by the Authority in the payment of principal, Sinking Fund Installment, interest or premium on any Obligation after the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of 30 days;
- (ii) If the Authority fails to observe, or a refusal to comply with, the terms of the Resolution or the Obligations, other than a failure or refusal constituting another Event of Default under the Resolution, provided, however, that such failure or refusal shall have continued for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Authority by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration, and provided further, that if the failure stated in the notice cannot be remedied within the applicable period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action has been instituted by the Authority within such period and is being diligently pursued;
- (iii) If the Authority shall commence a voluntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or shall authorize, apply for or consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the Authority and/or the rent, fees, charges or other revenues of the Transit System, or shall make any general assignment for the benefit of creditors, or shall make a written declaration or admission to the effect that it is unable to meet its debts as such debts mature, or shall authorize or take any action in furtherance of any of the foregoing;
- (iv) If a court having jurisdiction in the premises shall enter a decree or order for relief with respect to the Authority in an involuntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or a decree or order appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Authority, and/or the rents, fares, charges or other revenues of the Transit System, or a decree or order for the dissolution, liquidation or winding up of the Authority and its affairs or a decree or order finding or determining that the Authority is unable to meet its debts as such debts mature, and any such decree or order shall remain unstayed and in effect for a period of 90 consecutive days;
- (v) If the pledge created by the Resolution shall, at any time and for any reason, cease to be in full force and effect, or a Final Judgment shall be rendered which shall declare the pledge to be null and void, or shall declare that the pledge does not establish in any material respect the lien it purports to establish, or that the pledge is not for the benefit of the Owners of the Obligations and Parity Debt, subject to the rights of no other parties (other than Owners of Obligation Anticipation Notes, Revenue Anticipation Notes and, to the extent provided pursuant to the terms and provisions of this Resolution, the Owners of Subordinated Indebtedness or Subordinated Contract Obligations); and

- (vi) If the principal of any Parity Debt is declared due and payable immediately as the result of a default by the Authority in respect of such Parity Debt;

then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Obligations shall have already become due and payable, either the Trustee (by notice in writing to the Authority), or the Owners of not less than 25% in principal amount of the Obligations Outstanding (by notice in writing to the Authority and the Trustee), may declare the principal of all the Obligations then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Obligations contained to the contrary notwithstanding. The right of the Trustee or of the Owners of not less than 25% in principal amount of the Obligations to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before a judgment or decree for payment of the money due has been obtained by the Trustee, all overdue installments of interest upon the Obligations, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Authority under the Resolution (except the principal of, and interest accrued since the next preceding interest payment date on, the Obligations due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Obligations or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be cured or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Owners of not less than 25% in principal amount of the Obligations Outstanding, by written notice to the Authority and to the Trustee, shall rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself to declare the Obligations due and payable, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Owners of not less than 25% in principal amount of the Obligations Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default shall *ipso facto* be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent therein.

### **Powers of Trustee**

In the event that any Event of Default specified in the Resolution summarized under the caption “Events of Default” shall occur and be continuing, the Trustee may, and, upon written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, shall, in its name,

- (i) bring suit upon the Obligations against the Authority;
- (ii) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Owners of the Obligations; or
- (iii) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Obligations.

Subject to the provisions of the preceding caption, the remedies conferred upon or reserved to the Trustee in respect of any Event of Default are not intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

The Trustee shall in addition to the foregoing powers, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Resolution or incidental to the general representation of Owners of Obligations in the enforcement and protection of their rights.

### **Priority of Payments After Default**

In the event that the funds held by the Fiduciaries shall be insufficient for the payment of interest and principal or Redemption Price then due on the Obligations and for payments then due with respect to Parity Debt, such funds (excluding funds held for the payment or redemption of particular Obligations which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Obligation Anticipation Notes) and any other money received or collected by the Fiduciaries, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Obligations, and for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performance of their duties under the Resolution, shall be applied as follows:

Unless the principal of all of the Obligations shall have become due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Obligations and the interest components of Parity Debt in the order of the maturity of such installments and interest components, and, if the amount available shall not be sufficient to pay in full any installments and interest components due on the same date, then to the payment thereof ratably, according to the amounts due on such installments and interest components, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Obligations and Parity Debt; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Obligations and the principal component of Parity Debt which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Obligations and Parity Debt due on any date, then to the payment thereof ratably, according to the amounts of principal and Redemption Price and principal component due on such date, to the Persons entitled thereto, without any discrimination or preference.

If the principal of all of the Obligations and the principal component of Parity Debt shall have become due and payable, to the payment of the principal and interest then due and unpaid upon the Obligations and Parity Debt without preference or priority of principal or principal component over interest or interest component or of interest or interest component over principal or principal component, or of any installment of interest or interest component over any other installment of interest or interest component, or of any Obligation or Parity Debt over any other Obligation or Parity Debt, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discretion or preference except as to any difference in the respective rates of interest specified in the Obligations and Parity Debt.

### **Accounting and Inspection of Records After Default**

The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Authority and all other records relating to the Trust Estate shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys and,

upon demand of the Trustee, the Authority will account, as if it were the trustee of an express trust, for the Trust Estate for such period as shall be stated in such demand.

### **Remedies Not Exclusive**

Except as otherwise provided in the Resolution, the remedies conferred upon or reserved to the Trustee are not intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or, existing at law or in equity or by statute.

### **No Recourse on the Obligations**

No recourse shall be had for the payment of the principal or Redemption Price of or interest on the Obligations or Parity Debt or for any claim based thereon or on the Resolution against any member, officer, or employee of the Authority or any Person executing the Obligations.

### **Preservation and Inspection of Documents**

All documents received by a Fiduciary under the provisions of the Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, any other Fiduciary, and any Owners of at least 5% aggregate principal amount of Obligations and their agents and their representatives, any of whom may make copies thereof.

### **Interested Parties**

Nothing in the Resolution expressed or implied is intended or shall be construed to confer upon, or to give to any Person, other than the Authority, the Fiduciaries, the Owners of Obligations and the Owners of Parity Debt, any right, remedy or claim under or by reason of the Resolution or any covenant, condition or stipulation thereof, and all the covenants, stipulations, promises and agreements in the Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Fiduciaries, the Owners of Obligations and the Owners of Parity Debt.

### **Supplemental Resolutions Effective Upon Filing With the Trustee**

The Authority may adopt at any time or from time to time, for any one or more of the purposes specified in the Resolution including but not limited to the following, a Supplemental Resolution, which does not require the consent of or notice to any Owner:

- (1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the issuance and delivery of the Obligations, or the issuance or entering into of other evidences of indebtedness;
- (2) To add to the covenants and agreements of the Authority in the Resolution, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;
- (3) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;

- (4) To surrender any right, power or privilege reserved to or conferred upon the Authority by the Resolution;
- (5) To authorize Obligations of a Series and, in connection therewith, (a) specify and determine the matters and things referred to in the provisions of the Resolution authorizing issuance of Obligations, and also any other matters and things relative to such Obligations which are not contrary to or inconsistent with the Resolution as theretofore in effect, (b) in the case of Variable Interest Rate Obligations or Put Obligations, as applicable, set forth provisions specifying the manner in which interest on Variable Interest Rate Obligations or Put Obligations, as applicable, is to be calculated for the purposes of various definitions and provisions of the Resolution, provisions providing for changes in interest rates, interest rate periods or interest payment dates for any Variable Interest Rate Obligation of a Series or Put Obligations, as applicable, provisions regarding an Owner's right or obligation to tender Put Obligations for redemption or purchase in lieu of redemption, and provisions governing the manner in which Variable Interest Rate Obligations or Put Obligations, as applicable, which the Owner thereof has the right to, or has exercised a right to, tender for redemption or purchase in lieu of redemption shall be treated for purposes of various definitions and provisions of the Resolution, (c) set forth provisions governing the administration of any Qualified Swap or Credit Facility, and provisions providing for the issuance of Reimbursement Obligations or the conversion of other Obligations to Reimbursement Obligations (and in connection with such conversion to change the interest rates, sinking fund provisions or maturity date on such Obligations) to secure or reimburse the provider of such Credit Facility, (d) in the case of either Taxable Obligations or Tax-Exempt Obligations, set forth defeasance provisions with respect thereto (including the manner of attaining such defeasance and the effect thereof), and (e) make such additional changes herein, not materially adverse to the rights of the Owners of the Obligations previously issued, as are necessary or appropriate; or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance and delivery of such Obligations;
- (6) To authorize Obligation Anticipation Notes in accordance with the terms and provisions of the Resolution and, in connection therewith, specify and determine the matters and things referred to in the Resolution, and also any other matters and things relative to such Obligations which are not contrary to or inconsistent with the Resolution as theretofore in effect;
- (7) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution of any additional security other than that granted or pledged under the Resolution;
- (8) To (a) establish for any one or more Series of Obligations a separate debt service reserve fund which shall be permitted to be applied solely to the payment of specified Obligations, provided that (i) the specified Obligations shall have no claim or lien on nor be payable from any amounts in any other such debt service reserve fund, (ii) the specified Obligations shall be excluded from the calculation of any applicable debt service reserve fund requirement for any other Outstanding Obligations, and (iii) the amount required to be on deposit in such debt service reserve funds shall be specified in the Supplemental Resolutions authorizing the specified Obligations, but in no event shall such amount, after giving effect to any

surety bond, insurance policy, letter of credit or similar obligation deposited in any such separate debt service reserve fund pursuant to the Resolution, be in excess of the amount that would otherwise be the debt service reserve fund requirement for such specified Obligations assuming that such Obligations were the only Obligations Outstanding under the Resolution; and (b) make such other amendments, changes or modifications to the Resolution as may be deemed necessary or desirable by the Authority to insure that such debt service reserve funds function in the manner contemplated in this paragraph;

- (9) To authorize Parity Debt and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer to specify or determine) the matters and things referred to in the terms and provisions of the Resolution, and also any other matters and things relative to such Parity Debt which are not contrary to or inconsistent with the Resolution as then in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance or entering into of such Parity Debt, and at any time to rescind or limit any authorization for any such Parity Debt theretofore authorized but not issued or entered into; in connection with the authorization of Parity Swap Obligations and Parity Reimbursement Obligations, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of the Funds, Accounts and subaccounts established pursuant to the Resolution for the benefit of such Parity Swap Obligations and Parity Reimbursement Obligations; and shall grant to the Owners of such Parity Debt the same rights granted to Owners of Obligations pursuant to the terms and provisions of the Resolution;
- (10) To authorize Subordinated Indebtedness or Subordinated Contract Obligations and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer to specify or determine) the matters and things required or permitted by the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness or Subordinated Contract Obligations which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness or Subordinated Contract Obligations theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness or Subordinated Contract Obligations, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness or Subordinated Contract Obligations and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness or Subordinated Contract Obligations;
- (11) To modify any of the provisions of the Resolution in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Obligations affected thereby and Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Obligations delivered on original issuance after the date of the adoption of such Supplemental Resolution and of the Obligations issued in exchange therefor or in place thereof;

- (12) To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Obligations then Outstanding or to be issued or the exemption of interest received on any Obligations from state income taxation;
- (13) To modify, amend or supplement the Resolution in any manner, not already provided for in or pursuant to the Supplemental Resolution authorizing the related Series of Obligations in order to provide for a Credit Facility, Qualified Swap, or other similar arrangement with respect to any Series of Obligations, under the Resolution, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Owners of Outstanding Obligations;
- (14) To modify, amend or supplement the Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Obligations for sale under the securities laws of any of the states of the United States of America, and, if the Authority so determines, to add hereto such other terms, conditions and provisions as may be required by said Trust Indenture Act of 1939 or similar federal statute;
- (15) To amend or modify any Supplemental Resolution authorizing Obligations of a Series to reflect the substitution of a new Credit Facility for the Credit Facility then in effect;
- (16) At any time prior to the first authentication and delivery of any Obligations under the Resolution or at any other time when no Obligations are Outstanding under the Resolution, to modify the provisions of the Resolution in such manner as the Authority deems necessary or appropriate;
- (17) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution;
- (18) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect, including, in the event the Compact is amended or other legislation is enacted to so provide, the substitution of an alternate or different legal name for the current name of the Authority or any other Related Entity in the Resolution or the form of Obligations; or
- (19) With Rating Confirmation, to make any other modification or amendment of the Resolution which the Authority shall in its sole discretion determine will not have a material adverse effect on the interests of the Owners of Outstanding Obligations. In making any determination under this paragraph, the Authority may conclusively rely upon an Opinion of Counsel or opinions of other experts or professionals.

#### **Supplemental Resolutions Effective With Consent of Owners of Obligations**

At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Owners of Obligations in accordance with and subject to the provisions of the Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority and upon compliance

with the provisions of the Resolution, shall become fully effective in accordance with its terms as provided in the Resolution.

### **Effectiveness of Supplemental Resolutions**

In order to become effective, a copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms.

No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written consent.

### **Modifications by Unanimous Consent**

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Owners of Obligations may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Resolution and the consent of the Owners of all of the Obligations then Outstanding; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written consent thereto of such Fiduciary in addition to the consent of the Owners of Obligations.

### **Offices for Servicing Obligations**

The Authority shall at all times maintain one or more offices or agencies where Obligations may be presented for payment, registration, transfer or exchange, and where notices, demands and other documents may be served upon the Authority in respect of the Obligations or of the Resolution. The Authority may appoint the Trustee or any other Fiduciary as its agent to maintain such office or agency for the payment, redemption, registration, transfer or exchange of Obligations, and for the service upon the Authority of such notices, demands and other documents.

### **Further Assurances**

At any and all times the Authority shall, to the extent permitted by law, make, do, execute, adopt, acknowledge and deliver, and take all and every such further acts, deeds, conveyances, assignments, resolutions, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and interests in the Trust Estate or assigned, or intended so to be, or which the Authority may become bound to pledge or assign.

### **Power to Issue Obligations and Effect Pledge**

The Authority is duly authorized under all applicable laws to create and issue the Obligations, adopt the Resolution and pledge the Trust Estate in the manner and to the extent provided in the Resolution. Except as provided therein with respect to Revenue Anticipation Notes and subject to the terms and provisions of the Resolution, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Authority to that end has been duly and validly taken. The Obligations and the provisions of the Resolution are and will be the legally valid and binding special and limited obligations of the Authority as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution and the Compact. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the



Trust Estate and all the rights of the Owners of Obligations under the Resolution against all claims and demands of all persons whomsoever.

### **Operation and Maintenance of Transit System**

The Authority shall at all times use its best efforts to operate or cause to be operated the Transit System properly and in an efficient and economical manner, and shall use its best efforts to maintain, preserve and keep the same or cause the same to be so maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Transit System may be properly and advantageously conducted. Nothing shall prevent the Authority from ceasing to operate or maintain, or from leasing or disposing of, all or any portion of the Transit System if, in the judgment of the Authority it is advisable to lease, dispose of, or not to operate and maintain the same and the Authority files a notice of such action with the Trustee accompanied by a certification of the General Manager and the Treasurer of the Authority that the operation thereof is not essential to the maintenance and continued operation of the rest of the Transit System and such arrangement will not materially interfere with the ability of the Authority to comply with its rate covenant set forth in the Resolution; and, provided further, that the sale-leaseback or the lease-leaseback of any portion of the Transit System or other similar contractual arrangements, the effect of which is that the Authority, at the time of entering into such arrangements, reasonably expects to continue to have the ability to control such portion of the Transit System for use in its operations, shall not constitute a lease or disposition of such portion of the Transit System for purposes of this caption.

The Authority shall retain and appoint a Consulting Engineer (as defined below) which not later than one hundred and eighty (180) days following the end of every third Fiscal Year following the adoption of the Resolution shall make an examination of and report on the maintenance of the Transit System and the Authority's capital program to provide the funding therefor. Each such report shall be in sufficient detail to show whether the Authority has satisfactorily maintained the structures, facilities, equipment and properties of the Transit System in accordance with applicable industry standards for the maintenance thereof and whether the provisions for funding thereof in the Authority's capital program is adequate. In the event that such report shall find the Authority shall have failed to so maintain the Transit System or that the funding therefor is inadequate, such report shall specify the details of such failure or inadequacy. A copy of such report shall be filed with the Authority and the Trustee. On the filing of such report, the Authority shall undertake a review thereof and take or cause to be taken any action necessary to correct the conditions, if any, specified in such report which indicate a failure to maintain the Transit System as aforesaid or provide adequate funding therefor, as the case may be. For these purposes "Consulting Engineer" means one or more independent consulting engineers or engineering firms or corporations having special skills, knowledge and experience in analyzing the operation and maintenance of transit systems and advising with respect to the maintenance thereof.

### **Maintenance of Insurance for the Transit System**

The Authority shall at all times maintain, to the extent reasonably obtainable, the following insurance to such extent and in such amounts as is usually carried by those operating transit systems, with such variations as shall reasonably be required to conform to applicable standard or customary insurance practice and subject to such exceptions and permissible deductions as are ordinarily required:

- (a) Multi-risk insurance on the Transit System covering direct physical loss or damage thereto;
- (b) Public liability insurance covering injuries to persons and property; and

- (c) Insurance during the construction or reconstruction of any portion of the Transit System, provided that the Authority shall not be required to maintain any such insurance to the extent that such insurance is carried for the benefit of the Authority by contractors.

The proceeds of any such insurance relating to property of the Authority shall be payable to the Authority and shall be applied to its necessary or reasonable costs involved in the repair, replacement or reconstruction of the damaged property, and, if and to the extent not so applied, shall be applied to the retirement of any Obligations, Parity Debt or Subordinated Indebtedness, as determined by the Authority. The proceeds of such insurance relating to property of the Authority shall be deposited in a separate fund held by the Authority or the Trustee, as determined by the Authority, and shall be applied at the direction of the Authority to the purposes described in the Resolution. Pending such application, such proceeds may be invested by the Authority in Authorized Investments which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement. Interest earned on such investments shall be retained in such fund.

In lieu of maintaining any or all of the insurance required by the Resolution, the Authority may establish a self-insurance plan and in connection therewith establish one or more insurance funds and accumulate therein such amounts as the Authority deems reasonable for self-insurers operating transit systems. Amounts held in such insurance funds shall be applied by the Authority to the reasonable and necessary costs of repair or replacement of any damaged or destroyed property of the Transit System and to the payment of any liabilities covered by such self-insurance plan, to the extent that the proceeds of insurance reasonably expected to be available for such purpose, if any, and any other money available to the Authority therefor shall be insufficient therefor. Amounts in insurance funds shall also be applied to the payment, when due, of interest and principal on the Obligations and Parity Debt to the extent other moneys are not available therefor under the Resolution or otherwise.

The Authority may maintain such other or additional insurance as it shall deem to be in the interests of the Authority.

### **Accounts and Reports**

The Authority shall keep proper books of record and account of its operations. Such books of account are to be audited at least annually by independent certified public accountants experienced in governmental accounting selected by the Authority. A copy of each audit report, annual balance sheet and income and expense statement shall be filed with the Trustee and sent to any Owner filing with the Authority a written request therefor. The Authority may charge for such reports and other documents a reasonable fee to cover reproduction, handling and postage.

The Authority shall annually, within 120 days after the close of each Fiscal Year or at such other time required under applicable law or a subsequent contract with all or certain Owners (or, if not available by such date, when and if available), file with the Trustee, and otherwise as provided by law, a copy of an annual report for such year, accompanied by the opinion of the accountants specified in the Resolution.

The Authority shall file with the Trustee and the Bond Insurer (a) forthwith upon becoming aware of any Event of Default or default in the performance by the Authority of any covenant, agreement or condition contained in the Resolution, a certificate signed by an Authorized Officer of the Authority and specifying such Event of Default or default and (b) within one hundred twenty (120) days after the end of each Fiscal Year commencing with the Fiscal Year ending after the Fiscal Year in which this Resolution is adopted, a certificate signed by an Authorized Officer of the Authority stating that, to the best knowledge and belief of such Authorized Officer, the Authority has kept, observed, performed and fulfilled each and every one of its covenants, agreements and obligations contained in the Resolution and there does not exist

at the date of such certificate any default by the Authority under the Resolution or any Event of Default or other event which, with the giving of notice or the lapse of time or both as specified in the Resolution would become an Event of Default, or, if any such default or Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

### **Rate Covenant**

The Authority shall, insofar as practicable and consistent with the provision of adequate service at reasonable fares, fix and establish fares, rates, charges and other fees with respect to the Transit System as shall, in the judgment of the Authority, be sufficient, together with other money available or anticipated to be available therefor (including the anticipated receipt of other amounts constituting Gross Revenues, as well as the proceeds of sale of Obligations, notes or other obligations or evidences of indebtedness of the Authority that will be used to pay the principal of Obligations issued in anticipation of such receipt), to pay (i) all Debt Service, all other amounts due on Parity Debt, debt service on all Subordinated Indebtedness then outstanding, and amounts due on all Subordinated Contract Obligations, (ii) all operating costs of the Transit System (giving effect to any reductions or deferrals or reserves therefor or anticipated reductions or deferrals thereof or reserves therefor), and (iii) all other amounts payable from or constituting a lien or charge on Gross Revenues, in each case as the same become respectively due and payable.

### **General**

The Authority shall do and perform, or cause to be done or performed, all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Resolution and the Compact. Upon the date of authentication and delivery of any of the Obligations, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in connection with the issuance of such Obligations (and any related Parity Debt then being incurred) shall exist, have happened and have been performed and the issue of such Obligations (and any related Parity Debt then being incurred), together with all other Indebtedness of the Authority, shall be within every debt and other limit prescribed by law.

### **Annual Operating Budget**

The Authority shall adopt and file with the Trustee for each Fiscal Year beginning after the adoption of the Resolution an annual operating budget complying with the Compact and prepared in accordance with the provisions of the Resolution. Each such budget for a Fiscal Year shall include the amount required to make the deposits for such Fiscal Year into the Debt Service Fund as set forth in the Resolution.

The Authority shall set forth in each of its annual operating budgets, and in each amendment of an annual operating budget, an appropriate provision which acknowledges that the Gross Revenues provided for in such budget or amendment are subject to the pledge and lien established by the Resolution.

### **Payments by Participating Jurisdictions**

The Authority shall use its best efforts to cause the Participating Jurisdictions to make payments of their respective Stable and Reliable Funding Sources, together with other funds if necessary, so as to provide the amounts required to make the deposits in the Debt Service Fund required by the Resolution; and to this end the Authority shall take all appropriate and governmental action, including without limitation, action to obtain assistance and support for its efforts from any and all governmental entities with an interest therein.

## **Authorization of the Obligations**

The Resolution authorizes Obligations of the Authority designated as “Transit Revenue Obligations,” which may be issued in one or more Series or subseries. Obligations may be issued as Tax-Exempt Obligations, as Taxable Obligations, as obligations which convert on a particular date or dates from Taxable Obligations to Tax-Exempt Obligations, or as Taxable Obligations which are mandatorily exchangeable on a particular date or dates for Tax-Exempt Obligations, or otherwise as determined by a Supplemental Resolution. The Obligations shall be special obligations of the Authority payable solely from the Trust Estate pledged to the payment thereof pursuant to the first paragraph of the section of the Resolution summarized under the caption “The Pledge Effected by the Resolution.” The aggregate principal amount of the Obligations which may be executed and delivered under the Resolution is not limited except as provided in the Resolution or as may from time to time be limited by law.

## **General Provisions for Issuance of Obligations**

The Obligations may be issued pursuant to a Supplemental Resolution in such principal amount or amounts in one or more Series or subseries as may be specified in such Supplemental Resolution. Obligations of any Series or subseries shall be authorized by a Supplemental Resolution which shall specify certain matters enumerated in the Resolution (or the manner of determining such matters).

An Authorized Officer to whom a Supplemental Resolution has delegated the power to determine any of the matters enumerated in the Resolution shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to the delegation under such Supplemental Resolution, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution.

The Obligations may be sold in one or more Series or subseries (each of which shall contain a designation distinguishing it from other Series or subseries) and shall be delivered by the Authority under the Resolution but only upon receipt by the Trustee of:

- (a) An Opinion of Bond Counsel in customary form to the effect that (i) the Authority has the right and power under the Compact to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, and is valid and binding upon the Authority, and enforceable in accordance with its terms, and no other authorization for the Resolution is required as of the date thereof; (ii) the Resolution creates the valid pledge which it purports to create of the Trust Estate in the manner and to the extent provided in the Resolution; and (iii) the Obligations are valid, binding and special and limited obligations of the Authority as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution and of the Compact, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Compact as amended to the date of such Opinion, and in accordance with the Resolution; provided, that such Counsel’s Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to the enforcement of creditors’ rights generally or contractual obligations, and judicial discretion and the valid exercise of the sovereign police powers of the State of Maryland, the Commonwealth of Virginia or the District of Columbia and of the constitutional power of the United States of America;

- (b) A copy of the Supplemental Resolution authorizing such Obligations, certified by an Authorized Officer;
- (c) A written order of the Authority as to the delivery of the Obligations, signed by an Authorized Officer;
- (d) If any Obligations are Variable Interest Rate Obligations or a Qualified Swap is being entered into that will result in a variable interest rate obligation of the Authority, a determination by an Authorized Officer of the Estimated Average Interest Rate;
- (e) If any Obligations of such Series are Put Obligations, a determination by an Authorized Officer of the method or methods to be employed to provide for the purchase or redemption of all Put Obligations of such Series if the Owners thereof elected to tender for purchase or redemption the entire aggregate Outstanding principal amount of the Put Obligations of such Series; and
- (f) Such further documents and money as are required by the provisions of the Resolution.

### **Special Provisions for Capital Cost Obligations**

Obligations may be issued to pay, or to provide for the payment of, all or part of Capital Costs. Such Obligations are to be issued upon receipt by the Trustee of (i) a certificate of an Authorized Officer stating that, based on the reasonable expectations of such Authorized Officer, the Authority will be in compliance with its covenant summarized under the caption “Rate Covenant” for the Fiscal Year in which such Obligations are being issued and (ii) a certificate of an Authorized Officer certifying, based on the Authority’s records, that Gross Revenues for any twelve (12) consecutive months out of the last eighteen (18) months immediately preceding the incurrence or issuance of such Obligations, adjusted so as to reflect what would have been in effect for such twelve (12) month period with any fare increase at least thirty (30) days prior to the date of incurrence or issuance of such Obligations, shall at least equal 400% of the Average Annual Aggregate Debt Service (with respect to all Obligations and Parity Debt, including the obligations being incurred or issued) for the period commencing with the Fiscal Year next following the incurrence or issuance of such Obligations and ending with the Fiscal Year which includes the latest maturity or payment date of any Outstanding Obligations; provided that for purposes of computing such coverage ratio for any Series of Obligations issued under the Resolution on or after November 15, 2018, the computation of Gross Revenues shall exclude any Future Dedicated Revenues received by the Authority.

### **Refunding Obligations**

In addition to refinancings permitted under the section of the Resolution summarized under the caption “Special Provisions for Capital Cost Obligations,” one or more Series of Refunding Obligations may be issued to refund (including by redemption, payment at maturity or in connection with exchanges or tenders) all or any portion of any Outstanding Obligations or Parity Debt. Such Obligations are to be issued upon receipt by the Trustee of a certificate of an Authorized Officer stating either (i) after giving effect thereto, the Debt Service with respect to such Obligations is less in each Fiscal Year than the Debt Service with respect to the Obligations or Parity Debt being refunded for the period commencing with the Fiscal Year next following the incurrence or issuance of such Obligations and ending with the Fiscal Year which includes the latest maturity or payment date of the Obligations or Parity Debt, or (ii) the Gross Revenues test summarized under the caption “Special Provisions for Capital Cost Obligations.”

## **Separately Financed Projects; Revenue Anticipation Notes**

Nothing in the Resolution prevents the Authority from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any project authorized by the Compact or by other than applicable law, or from financing any such project from other available funds (any such project being referred to herein as a “Separately Financed Project”), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Authority’s share of any operating expenses related to such Separately Financed Project, are payable solely from funds not pledged to the payment of Obligations, including amounts released from the lien of the Resolution.

Nothing in the Resolution shall prevent the Authority from authorizing or issuing Revenue Anticipation Notes. Prior to the issuance of Revenue Anticipation Notes, an Authorized Officer shall deliver a certificate to the Trustee certifying as to the operating subsidies or reimbursements in anticipation of which such Revenue Anticipation Notes are being issued. Such note or notes shall contain or have endorsed thereon a designation by the Authority that such note or notes constitute Revenue Anticipation Notes under the Resolution or words of similar import, as may be determined by an Authorized Officer prior to the authentication thereof.

## **The Pledge Effected by the Resolution**

There are pledged for the payment of the principal and Redemption Price of, and interest on, and Sinking Fund Installments for, the Obligations and, on a parity basis, Parity Debt, in accordance with their terms and the provisions of the Resolution, all right, title and interest of the Authority in and to the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. For the avoidance of doubt, based on the definition of Trust Estate: (i) with respect to the Pre-2018 Obligations, Trust Estate includes Future Dedicated Revenues and investment income thereon; and (ii) with respect to any Obligations, Parity Debt, Subordinated Indebtedness and Subordinated Contract Obligations issued by the Authority on or after November 15, 2018, Trust Estate does not include any Future Dedicated Revenues nor any investment income earned thereon.

The pledge created by the Resolution shall in all respects secure on a *pari passu* basis all of the Obligations and Parity Debt and, except as expressly so provided, nothing contained in the Resolution shall be deemed to confer on the Owners of any Obligations or Parity Debt any rights in the Trust Estate superior or inferior to the Owners of any other Obligations or Parity Debt. Notwithstanding the previous sentence, for the avoidance of doubt, the portion of the Trust Estate comprised of any Future Dedicated Revenues and investment income thereon is not pledged for the payment of the principal and Redemption Price of, and interest on, and Sinking Fund Installments for, or as part of the Trust Estate securing, any Obligations, Parity Debt, Subordinated Indebtedness and Subordinated Contract Obligations issued on or after November 15, 2018.

The pledge created by the Resolution shall be valid and binding from and after the date of issuance and delivery of the first Obligations, and the Trust Estate shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof.

Subject to the provisions described above, and except as provided in the next paragraph, the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken.

Notwithstanding any other provision of the Resolution, the pledge of the Trust Estate, insofar as such Trust Estate includes Operating Subsidies or reimbursements in anticipation of which Revenue Anticipation Notes shall at any time be issued, shall be subordinate to the pledge of any such Operating Subsidies or reimbursements securing such Revenue Anticipation Notes.

Nothing contained in this caption shall be construed as limiting any authority granted to the Authority elsewhere in the Resolution to issue or incur Obligation Anticipation Notes, Revenue Anticipation Notes, Subordinated Indebtedness or Subordinated Contract Obligations or shall be deemed a limitation upon the authority of the Authority to issue any other bonds, notes or other obligations under the Compact secured by any other amount or funds other than the Trust Estate.

### **Subordinated Indebtedness; Subordinated Contract Obligations**

The Authority may, at any time, or from time to time, issue Subordinated Indebtedness or incur Subordinated Contract Obligations payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer pursuant to the Resolution, provided, however, that, except as provided in the fourth paragraph of this caption, (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Obligations and Parity Debt and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Authority may establish such priorities of payment and security among Subordinated Indebtedness and Subordinated Contract Obligations as it deems appropriate.

Subordinated Indebtedness shall be issued for one or more of the purposes for which Obligations could be issued and the proceeds of such Subordinated Indebtedness shall be applied only for such purpose or purposes.

The Authority shall have the right to covenant with the Owners from time to time of Subordinated Indebtedness and with Persons to whom Subordinated Contract Obligations run to add to the conditions, limitations and restrictions under which any additional Obligations may be issued or Parity Debt may be incurred; provided, however, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness or the incurrence of such Subordinated Contract Obligations shall not permit the owners of such obligations to declare the same, nor to instruct such owners' trustee to declare the same, to be immediately due and payable prior to the time that all Obligations and Parity Debt have become due and payable.

In connection with any Subordinated Indebtedness or Subordinated Contract Obligations representing amounts made available under any federal or state program or guaranteed or otherwise supported or secured under any federal or state program, such Subordinated Indebtedness or Subordinated Contract Obligations, may, to the extent provided in the resolution or other agreement relating to such Subordinated Indebtedness or Subordinated Contract Obligation and upon the occurrence of certain bankruptcy related events as provided in such resolution or other agreement, be secured by a pledge of and security interest in the Trust Estate on a parity with the Obligations and Parity Debt.

### **Responsibilities of Fiduciaries**

The recitals of fact contained in the Resolution and in the Obligations shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Obligations issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. No Fiduciary shall be under any responsibility or duty with

respect to the issuance of the Obligations for value or the application of the proceeds thereof or the application of any money paid to the Authority. No Fiduciary shall be under any responsibility or duty with respect to the application of any money paid to any other Fiduciary. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution, or for any losses, fees, taxes or other charges incurred upon the purchase or sale or redemption of any securities purchased for or held in any Fund under the Resolution, including any losses incurred by reason of having to sell securities prior to their maturity date, except in each case for its own willful misconduct, negligent action or negligent failure to act.

### **Resignation of Trustee**

The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than 60 days' written notice to the Authority, and mailing notice thereof to the Owners of the Obligations, specifying the date when such resignation shall take effect, at least 45 days prior to the effective date, provided that such resignation shall take effect upon the later of (i) the day specified in such notice and (ii) the day a successor shall have been appointed by the Authority or the Owners of the Obligations and such successor shall have accepted such appointment as provided in the Resolution.

### **Removal of the Trustee**

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Obligations then Outstanding or their attorneys-in-fact duly authorized, excluding any Obligations held by or for the account of the Authority. So long as no Event of Default, shall have occurred and be continuing and the Trustee is not pursuing any right or remedy available to it pursuant the Resolution, the Trustee may be removed at any time for failure to provide reasonably acceptable services, failure to charge reasonably acceptable fees or any other reasonable cause, all as determined by a certificate of an Authorized Officer filed with the Trustee. No such removal of the Trustee shall take effect until a successor Trustee has been appointed and shall have accepted such appointment.

### **Appointment of Successor Trustee**

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Obligations then Outstanding, excluding any Obligations held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners of Obligations or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee; provided, nevertheless, that unless a successor Trustee shall have been appointed by the Owners of Obligations as aforesaid, the Authority by a duly executed written instrument signed by an Authorized Officer of the Authority shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Owners of Obligations. The Authority shall mail notice of any such appointment made by it to all Owners within 20 days after such appointment. Any successor Trustee appointed by the Authority shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of Obligations.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the Authority written notice or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee



or the Owner of any Obligation may, at the expense of the Authority, apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed in succession to the Trustee shall be a Bank that is organized under the laws of any state or is a national banking association organized under the laws of the United States of America, and having a capital and surplus aggregating at least \$100 million, if there be such a Bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

## **Definitions and Interpretations**

The following terms, for all purposes of the Resolution, have the following meanings:

*Account* or *Accounts* means each account or all of the accounts established by the Resolution.

*Accreted Value* means with respect to any Capital Appreciation Obligations (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Obligations and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

*Accrued Debt Service* means, as of any date of calculation, an amount equal to the sum of the amounts of accrued and unpaid Debt Service with respect to all Obligations and Parity Debt, calculating the accrued Debt Service with respect to each obligation at an amount equal to the sum of (i) as estimated by an Authorized Officer, interest on the Obligations and interest components of Parity Debt accrued and unpaid and to accrue to the end of the then current Quarter, and (ii) Principal Installments due and unpaid and that portion of the Principal Installment for such Obligations and Parity Debt next due which would have accrued (if deemed to accrue in the manner set forth in the definition of (“Debt Service”) to the end of such Quarter. For purposes of calculating Debt Service Fund deposits, Principal Installments shall not include amounts that an Authorized Officer has notified the Trustee are to be paid from sources other than Gross Revenues, nor shall Accrued Debt Service include any amounts that, as certified by an Authorized Officer, have been set aside under the Resolution or otherwise in trust for the payment thereof.

*Air Rights* means that space which (i) extends upward from the real property which constitutes all or any part of the Transit System, and (ii) is not used, or reasonably anticipated to be used, in connection with the operation of the Transit System.

*Amortized Value*, when used with respect to Authorized Investments purchased at a premium above or a discount below par, means the value of such Authorized Investments computed by using an industry standard constant yield method selected by an Authorized Officer of the Authority.

*Appreciated Value* means with respect to any Deferred Income Obligations (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Obligations, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the

numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

*Authority* means the Washington Metropolitan Area Transit Authority, a body corporate and politic created and existing under and by virtue of the Compact, or, if said Washington Metropolitan Area Transit Authority shall be abolished, the officer, board, commission, authority, agency or instrumentality succeeding to the functions thereof or to whom the powers given by the Compact to the Authority shall be given by law.

*Authorized Investments* means and include any of the following, to the extent, at the time of the acquisition thereof, the same are legal for investment of the Authority's funds:

- (1) obligations of the United States Government or of any state of the United States of America (including the District of Columbia) or any political subdivision of any such state, provided that such obligations are rated in the 2 highest Rating Categories of each Rating Agency which rates such obligations;
- (2) obligations the timely payment of the principal and interest on which are unconditionally guaranteed by the United States Government or by any state of the United States of America (including the District of Columbia) or any political subdivision of any such state, provided that such obligations are rated in the 2 highest Rating Categories of each Rating Agency which rates such obligations;
- (3) certificates of deposit of banks or trust companies (located either within or without the United States of America), secured, if the Authority shall so require, by obligations of the United States of a market value equal at all times to the amount of the deposit;
- (4) banker's acceptances with a maturity of 90 days or less which are eligible for purchase by the federal reserve banks and whose rating at the time of purchase is in the highest Rating Category of each of the Rating Agencies that then rates such banker's acceptances;
- (5) obligations of any bank or corporation created under the laws of either the United States or any state of the United States maturing within 270 days, provided that such obligations are rated in the highest Rating Category of each of the Rating Agencies that then rates such obligations;
- (6) notes, bonds, debentures, mortgages and other evidences of indebtedness, issued or guaranteed at the time of the investment by the United States Postal Service, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, the Federal Farm Credit Transit System, or any other United States government sponsored agency, provided that at the time of the investment such agency or its obligations receive ratings in the highest Rating Category of each of the Rating Agencies that then rates such agency or its obligations;

- (7) mutual funds whose investments are limited to obligations described in clause (1) above, obligations the principal and interest of which are guaranteed as described in clause (2) above, and that are rated in the highest Rating Category of each of the Rating Agencies that then rates such funds;
- (8) repurchase agreements with any provider, which agreement is secured by any one or more of the securities described in clauses (1), (2) or (6) above, which securities shall (A) at all times have a market value of not less than the full amount held or invested pursuant to the agreement and (B) be delivered to a Bank as defined in clause (1) or (2) of the definition thereof, as custodian, that is independent from the provider with whom the repurchase agreement is executed; and
- (9) any other investment in which the Authority is authorized from time to time to invest under applicable law with respect to which an Authorized Officer has, on or before the date thereof, delivered to the Trustee (A) a certificate to the Trustee designating the additional investment as an Authorized Investment and (B) a Rating Confirmation.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the Authority of the particular obligations or of a recognized securities depository.

*Authorized Officer* means (i) the Chairman and the Vice Chairman, (ii) the General Manager and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Comptroller, the Treasurer, the Board Corporate Secretary and any Assistant Board Corporate Secretary of the Authority, or successor positions regardless of title performing the same or similar functions and (iii) any other Person authorized by the Authority pursuant to a duly adopted resolution of the Authority to perform the act or sign the document in question.

*Average Annual Aggregate Debt Service* means for any period of Fiscal Years, as of any date of calculation, the amount which shall be the quotient obtained by dividing the sum of the Debt Service for all Series of Obligations and Parity Debt for each Fiscal Year in said period by the number of such Fiscal Years.

*Bank* means any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

*Business Day* means any day of the year other than (i) a Saturday or a Sunday, (ii) any day on which Banks located in the City of New York, New York or the city in which the Principal Office of the Trustee is located or the District of Columbia are required or authorized by law or executive order to remain closed, or (iii) any day on which the New York Stock Exchange is closed.

*Capital Appreciation Obligations* means any Obligations denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Obligations. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Obligation is redeemed prior to maturity, (ii) computing the principal amount of Obligations held by the registered owner of a Capital Appreciation Obligation in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Obligation shall be deemed

to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

*Capital Budget* means the Authority's capital budget, as amended or supplemented from time to time, adopted or in effect for a particular Fiscal Year, as provided in Section 23 of the Compact.

*Capital Contributions* means (i) the amounts paid to the Authority pursuant to the Capital Contributions Agreement by a Political Subdivision thereunder, (ii) capital contributions or grants paid to the Authority by the federal government or any department or agency thereof, and (iii) any other or additional capital contributions or grants paid to the Authority by a Political Subdivision. Capital Contributions shall include any rebate or return of insurance funds provided from Capital Contributions.

*Capital Contributions Agreement* means the Capital Contributions Agreement dated as of January 9, 1970, by and among the Authority and Washington Suburban Transit District, the District of Columbia and Arlington County and Fairfax County, Virginia, and the cities of Alexandria, Falls Church and Fairfax, Virginia, and the Guaranty Agreement, dated as of January 9, 1970, between Prince George's County, Maryland, Montgomery County, Maryland, and the Authority, as the same may have heretofore been amended or may hereafter be amended.

*Capital Costs* means the costs of the Authority related to the implementation of the Capital Budget.

*Certificate of Determination* means a certificate of an Authorized Officer fixing the terms, conditions and other details of Obligations, Parity Debt, Credit Facilities, Subordinated Indebtedness or Subordinated Contract Obligations in accordance with the delegation of power to do so under a Supplemental Resolution.

*Compact* means the Washington Metropolitan Area Transit Authority Compact entered into as an amendment of the Washington Metropolitan Area Transit Regulation Compact between the State of Maryland, the Commonwealth of Virginia and the District of Columbia and constituting Title III of said Washington Metropolitan Area Transit Regulation Compact, together with all amendments and supplements to said Title III heretofore entered into or which may be entered into in accordance with law.

*Costs of Issuance* means the costs of the authorization, sale and issuance of a Series of Obligations, Obligation Anticipation Notes, Subordinated Indebtedness, Parity Debt, Subordinated Contract Obligations or other obligations authorized under the Resolution, including with respect to any party to a transaction charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, fees and charges of the Trustee and other Fiduciaries and agents, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Obligations, premiums, fees and charges in order to obtain, renew, extend or terminate Credit Facilities and Qualified Swaps and other financial arrangements, costs and expenses of refunding such Obligations, Obligation Anticipation Notes, Subordinated Indebtedness, Parity Debt, Subordinated Contract Obligations or other obligations authorized under this Resolution, and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

*Costs of Issuance Account* means the applicable Account by that name established in the Proceeds Fund for a Series of Obligations pursuant to the Resolution.

*Counsel's Opinion* or *Opinion of Counsel* or *Opinion* means an opinion signed by an attorney or firm of attorneys of recognized standing (who may be counsel to the Authority) selected by the Authority.

*Credit Facility* means any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Authority and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Obligations, Parity Debt or Obligation Anticipation Notes.

*Debt Service* for any period means, as of any date of calculation and with respect to any Series of Obligations or any Parity Debt outstanding, the sum of: (i) interest on the Obligations of such Series and the interest components of Parity Debt accruing during such period and (ii) that portion of each Principal Installment for such Obligations and Parity Debt that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Obligations and Parity Debt; provided, however, that, unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until the later of one year prior to such Principal Installment's due date or the date of issuance or incurrence of the related Obligation or Parity Debt; provided further, for purposes of calculating Debt Service Fund deposits and Average Annual Aggregate Debt Service, and with respect to any Series of Obligations or any Parity Debt, the Authority may compute such sum based on the following adjustments:

- (1) Interest on Variable Interest Rate Obligations may be based on the Estimated Average Interest Rate applicable thereto.
- (2) Interest on any Obligation or Parity Debt in respect of which the Authority has entered into a Qualified Swap may be based on:
  - (a) the fixed rate or rates of the Qualified Swap if the Authority has entered into what is generally referred to as a "floating-to-fixed" Qualified Swap (where the Authority pays a fixed rate and receives a floating rate); or
  - (b) the lower of (i) the Estimated Average Interest Rate and (ii) the effective capped rate of any Obligation or Parity Debt if the Authority has entered into a Qualified Swap that is generally referred to as an "interest rate cap" (where the Authority receives a payment if a variable rate exceeds a certain amount); or
  - (c) the Estimated Average Interest Rate of the Qualified Swap if the Authority has entered into either what is generally referred to as a "fixed-to-floating" Qualified Swap (where the Authority pays a variable rate and receives a fixed rate) or a "floating-to-floating" Qualified Swap (where the Authority pays a variable rate and receives a different variable rate).
- (3) If the Authority has irrevocably deposited Authorized Investments or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Authorized Investments and money may be deducted from Debt Service.
- (4) If the Authority has, at any time, irrevocably called for redemption one or more Series of Obligations, including pursuant to a covenant to apply any portion of the Trust Estate to redeem Obligations or Parity Debt (which particular Obligations or Parity Debt need not be specifically identified in advance, except as to interest rate and maturity), the Authority may take into account such redemption.

- (5) With respect to Parity Reimbursement Obligations, accelerated payments of principal shall only be taken into account if, at the time of calculation, such amounts are payable due to a draw under a credit or liquidity facility.

*Debt Service Fund* means the Fund by that name established by the Resolution.

*Debt Service Payment Date* means, with respect to any portion of Debt Service, the date on which the Debt Service shall be payable.

*Dedicated Revenues* shall mean the amounts received by the Authority under the following legislative enactments: (i) from the District of Columbia under D.C. Act 22-434 § 6002 or any successor statute, as the same may be amended from time to time in the future; (ii) from the State of Maryland under Md. Transportation Code Ann. § 10-205(g) or any successor statute, as the same may be amended from time to time; and (iii) from the Commonwealth of Virginia under the Va. Code §33.2-3401.B or any successor statute, as the same may be amended from time to time. Dedicated Revenues shall also include funds paid by any of the District of Columbia, the State of Maryland, the Commonwealth of Virginia or any other Participating Jurisdiction in-lieu-of such amounts.

*Defeasance Security* means:

- (a) an obligation of the United States Government or an obligation the timely payment of the principal of and interest on which are guaranteed by the United States Government, which in each case is not redeemable at the option of the issuer thereof,
- (b) an Authorized Investment as specified in clause (i), (ii), (iii) or (vi) of the definition thereof, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency,
- (c) any depositary receipt issued by a Bank as custodian with respect to any Defeasance Security which is specified in clause (a) above and held by such Bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Security which is so specified and held; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Security or the specific payment of principal or interest evidenced by such depositary receipt,
- (d) any certificate of deposit specified in clause (iii) of the definition of Authorized Investments, including certificates of deposit issued by the Trustee or by a Paying Agent, secured by obligations specified in clause (a) above of a market value equal at all times to the amount of the deposit, which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency, or
- (e) any other Authorized Investment designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the Series of Obligations authorized by such Supplemental Resolution, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

*Deferred Income Obligation* means any Obligation (A) as to which interest accruing thereon prior to the Interest Commencement Date of such Obligation is (i) compounded on each Valuation Date for such Deferred Income Obligation and (ii) payable only at the maturity or prior redemption of such Obligations and (B) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Obligation is redeemed prior to maturity, (ii) computing the principal amount of Obligations held by the registered owner of a Deferred Income Obligation in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Obligation shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

*Estimated Average Interest Rate* means, as to any Variable Interest Rate Obligations or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Obligations or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer.

*Events of Default* means the events defined as such in the Resolution.

*Federal Operating Subsidies* means amounts paid by the federal government, or any department or agency thereof, to the Authority in respect of the operating costs of the Transit System.

*Fiduciary* or *Fiduciaries* means the Trustee, any Registrar, any Paying Agent, any tender agent or any or all of them, as may be appropriate, or any Person appointed to act as a Fiduciary as provided in the Resolution.

*Final Judgment* means any judgment or order of any court of competent jurisdiction, or of any arbitrator or panel of arbitrators, as to which all appeals have been exhausted.

*Fiscal Year* means the then current annual accounting period of the Authority for its general accounting purposes, which period, as of September 18, 2003, is the twelve month period commencing on July 1 of each calendar year and ending on June 30 of the next calendar year.

*Fund* or *Funds* means each fund or all of the funds established in or pursuant to the Resolution.

*Future Dedicated Revenues* shall mean and include (a) the Dedicated Revenues and (b) any revenues, taxes, charges, assessments or other funding sources to be paid to the Authority by any of the Commonwealth of Virginia, the State of Maryland, the District of Columbia or any Political Subdivision under any legislative enactment taking effect on or after November 15, 2018.

*Future Dedicated Revenues Account* shall mean the Future Dedicated Revenues Account established in Resolution.

*Gross Proceeds Account* shall mean the Gross Proceeds Account established in the Resolution.

*Gross Revenues* means (i) the Revenues exclusive of the Lease Related Revenues, and (ii) the Stable and Reliable Funding Sources and (iii) all other revenues, receipts, grants, contributions, subsidies and funds received by the Authority in respect of the Transit System which can be lawfully pledged under

the Resolution, provided that the Capital Contributions and the Federal Operating Subsidies shall be excluded from Gross Revenues.

*Interest Commencement Date* means, with respect to any particular Deferred Income Obligation, the date determined by Supplemental Resolution after which interest accruing on such Obligation shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

*Joint Development Project* means property interests owned and/or controlled by the Authority (including property interests constituting a part of the Transit System) which the Authority markets to one or more office, retail/commercial, recreational/entertainment or residential developers with the objective of developing one or more transit-oriented development projects; provided, the Authority has notified the Trustee in writing that (i) such property interests shall not be part of the Transit System, (ii) the manner in which such property interests will be applied for such development, and (iii) the Authority has determined that applying such property interests in such manner will not impede or restrict the operation of the Transit System.

*Lease Obligations* means obligations of the Authority under (A) (i) the Facility Lease Agreement between the Fairfax County Economic Development Authority and the Authority, dated as of July 1, 1989 (Vienna Metrorail Station Project), the Facility Lease Agreement between the Fairfax County Economic Development Authority and the Authority, dated as of July 1, 1990 (Huntington Metrorail Station Project), the Surcharge Implementation Agreement, dated as of May 12, 1989, between Fairfax County, Virginia and the Authority, relating to such Lease Agreements, and (ii) such similar leases and subleases and surcharge implementation agreements relating to parking projects as the Authority has heretofore executed or may hereafter execute from time to time, and (B) agreements for the sale-leaseback or lease-leaseback of any portion of the Transit System or other similar contractual arrangements, the effect of which is that the Authority at the time of entering into such arrangements, reasonably expects to continue to have the ability to control such portion of the Transit System for use in its operations.

*Lease Related Revenues* means those portions or amounts of Revenues that are (i) dedicated, assigned or otherwise required for the payment of rentals or other purposes as provided under part (A) of the definition of Lease Obligations, or (ii) received in respect of arrangements described in part (B) of the definition of Lease Obligations.

*Obligation Anticipation Notes* means any such notes issued and delivered pursuant to the Resolution, except to the extent (but only to the extent) that all or any portion of such notes either are not payable, or are anticipated by the Authority not to be paid, from the proceeds of the Obligations in anticipation of which such notes are being issued.

*Obligations* means any bonds, notes, commercial paper or other form of indebtedness of the Authority payable from the Debt Service Fund, authorized by and delivered pursuant to the Resolution, but excluding Obligation Anticipation Notes to the extent payable from, and expected by an Authorized Officer to be paid from, the proceeds of Obligations or other Obligation Anticipation Notes.

*Opinion of Bond Counsel* means an opinion signed by any attorney or firm of attorneys of nationally recognized standing in the field of law relating to the issuance of obligations by state and municipal entities, selected by the Authority.

*Outstanding*, when used with reference to Obligations or Obligations of a Series, means, as of any date, Obligations or Obligations of such Series theretofore or thereupon to be delivered under the Resolution except:



- (1) Any Obligations canceled at or prior to such date;
- (2) Obligations the principal and Redemption Price, if any, of and interest on which have been paid in accordance with the terms thereof;
- (3) Obligations in lieu of or in substitution for which other Obligations shall have been delivered pursuant to the Resolution;
- (4) Obligations deemed to have been paid as provided in the Resolution;
- (5) Put Obligations tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Obligations on the applicable tender date, if the Purchase Price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Obligations thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution; and
- (6) For the purpose of any consent to be given or other action to be taken by or upon the direction of Owners of a specified portion of Obligations Outstanding, Obligations excluded pursuant to the provisions of the Resolution.

The principal component of any Parity Debt shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Authority thereunder in lieu of the related Obligation, regardless of the authorized amount of the principal component of such Parity Debt or the related Obligation and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Debt shall not by itself increase the Outstanding principal amount of Obligations.

*Owner*, or any similar terms, means the registered owner of any Obligation as shown on the books for the registration and transfer of Obligations maintained in accordance with the Resolution.

*Parity Debt* means any Parity Reimbursement Obligation, any Parity Swap Obligation or any other contract, agreement or other obligation of the Authority designated as constituting "Parity Debt" in a certificate of an Authorized Officer delivered to the Trustee; provided, however, that any such Parity Reimbursement Obligation, Parity Swap Obligation, or other contract, agreement or other obligation shall not constitute Parity Debt solely to the extent of any obligations to pay termination or other fees, expenses, indemnification or other similar payments to the counterparty to such arrangement; provided further that Parity Reimbursement Obligations may include accelerated principal amortization provisions to the extent permitted by the Resolution.

*Parity Reimbursement Obligation* has the meaning provided in the Resolution.

*Parity Swap Obligation* has the meaning provided in the Resolution.

*Parking Facilities* means parking facilities relating to the Transit System which the Authority has notified the Trustee in writing shall not be a part of the Transit System.

*Paying Agent* means any paying agent for the Obligations of any Series and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Resolution.

*Person* means any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

*Pre-2018 Obligations* means the \$496,500,000 Gross Revenue Transit Bonds, Series 2017B, of the Authority at any time outstanding under the Resolution, the \$197,370,000 Gross Revenue Transit Refunding Bonds, Series 2017A, of the Authority at any time outstanding under the Resolution, the \$242,675,000 Gross Revenue Transit Bonds, Series 2009A, of the Authority at any time outstanding under the Resolution, the \$55,000,000 Gross Revenue Transit Bonds, Series 2009B, of the Authority at any time outstanding under the Resolution and any other Obligations, Parity Debt, Subordinated Indebtedness, Subordinated Contract Obligations or other indebtedness issued and secured under the Resolution prior to November 15, 2018.

*Principal Installments* means, as of any date of calculation and with respect to any Series of Obligations or any Parity Debt, as applicable, (a) the principal amount of Outstanding Obligations of such Series, due on the dates and in the amounts specified by a related Supplemental Resolution, reduced by the principal amount of such Obligations which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Obligations of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Debt, the amount due thereunder on the dates and in the amounts established in accordance with the terms and provisions of the Resolution as a principal component of such Parity Debt payable on a parity with the Obligations.

*Principal Office of the Trustee* means the designated corporate trust office of the Trustee.

*Proceeds Account* means the applicable Account by that name established in the Proceeds Fund for a Series of Obligations pursuant to the Resolution.

*Proceeds Fund* means the Fund by that name established by the Resolution.

*Purchase Price* means, with respect to any Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

*Put Obligations* means Obligations which by their terms may be tendered at the option of the Owner thereof, or are subject to a mandatory tender other than at the election of the Authority, for payment or purchase prior to the stated maturity or redemption date thereof.

*Qualified Swap* means, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Authority for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Obligations or Variable Interest Rate Obligations on a synthetic basis or otherwise,

and (iii) which has been designated in writing to the Trustee by an Authorized Officer as a Qualified Swap with respect to such Obligations.

*Qualified Swap Provider* means, subject to any applicable restrictions contained in the Compact, an entity whose senior long-term obligations, other senior unsecured long-term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long-term debt obligations, other senior unsecured long-term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either at least as high as (i) the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

*Quarter* means during each calendar year, as applicable, the following, respective periods of time: from January 1 through March 31; from April 1 through June 30; from July 1 through September 30; and from October 1 through December 31.

*Rating Agency* means each nationally recognized statistical rating organization then maintaining a rating on the Obligations at the request of the Authority.

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

*Rating Confirmation* means evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken hereunder; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Obligations.

*Record Date*, except as otherwise provided by Supplemental Resolution or a certificate of an Authorized Officer, means the last Business Day preceding a payment date or other date on which an action is to be taken.

*Redemption Price* means, with respect to any Obligation, 100% of the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the Resolution.

*Refunding Obligations* means all Obligations authenticated and delivered on original issuance pursuant to the Resolution.

*Registrar* means any registrar for the Obligations of any Series and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Resolution.

*Reimbursement Obligation* has the meaning provided in the Resolution.

*Resolution* means the Gross Revenue Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms thereof.

*Responsible Officer* means any officer assigned to the corporate trust office of the Trustee, or any other officer of the Trustee customarily performing functions similar to those performed by any of such officers and who has direct responsibility for the administration of the Resolution, and also, with respect to

a particular matter, any other officer, to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

*Revenue Anticipation Notes* means any note or notes (a) the proceeds of which are used for working capital or operating costs of the Transit System, and issued by the Authority (i) having a final maturity date of not more than eighteen months from the date of issuance, (ii) authorized by the Authority only in anticipation of the receipt of (x) operating subsidies or (y) reimbursements relating to operating costs of the Transit System which are anticipated to be sufficient to pay in full the principal of and any net interest, on such Revenue Anticipation Notes, (iii) secured in whole or in part by a lien prior to the lien and pledge of the Resolution on such operating subsidies or such reimbursements and (iv) meeting any other requirements of the Resolution.

*Revenue Fund* means the Revenue Fund by that name established by the Resolution.

*Revenues* means all (i) all fares, rates, fees, charges, rents, revenues and other income received by the Authority from the operation of the Transit System and amounts paid to the Authority by the federal government or any Participating Jurisdiction on account of fares or service rendered by the Authority, (ii) proceeds of any business interruption insurance relating to the Transit System, and (iii) interest received on any moneys or securities, other than the Capital Contributions, of the Authority; provided, until the same is paid to the Authority for services of the Transit System, Revenues shall not include amounts collected by the Authority in respect of fare media that the owners thereof can apply to pay to Persons other than the Authority for goods or services.

*Securities Depository* means a recognized securities depository selected by the Authority to maintain a book-entry system in respect to all or any portion of a Series of Obligations (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

*Separately Financed Project* means any project described in the Resolution.

*Series* means all of the Obligations delivered on original issuance pursuant to a single Supplemental Resolution and denominated therein a single series, and any Obligations thereafter delivered in lieu of or in substitution therefor pursuant to the terms and provisions of the Resolution, regardless of variations in maturity, interest rate, or other provisions.

*Sinking Fund Installment* means, as of a particular date, any Sinking Fund Installment established pursuant to the Resolution.

*Stable and Reliable Funding Sources* means the amounts paid by the Participating Jurisdictions to the Authority in respect of the Transit System's operating costs and debt service, which amounts are paid by the Participating Jurisdictions under the following legislative enactments: D.C. Code §§ 1-2451 et seq.; Va. Code §§ 15.1-37.3:5, 58.1-638 and 58.1-1720; Arlington County Code § 27-15; Fairfax County Code §§ 4-5-4; Md. Transportation Code Ann. § 10-205; Montgomery County Code § 52-13; Code of Prince George's County § 10-255; Alexandria City Ordinance No. 2707, dated June 22, 1982; Fairfax City Ordinance No. 1982-23, dated June 29, 1982; and City of Falls Church Ordinance dated May 24, 1982; and shall include the funds paid by any Participating Jurisdiction for such purposes in-lieu-of such amounts.

*Subaccount or Subaccounts* means each subaccount or all of the subaccounts established in or pursuant to the Resolution.

*Subordinated Contract Obligation* means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated as constituting a “Subordinated Contract Obligation” in a certificate of an Authorized Officer delivered to the Trustee, (b) any Qualified Swap or portion thereof which has been designated as constituting a “Subordinated Contract Obligation” in a certificate of an Authorized Officer delivered to the Trustee; and (c) any other contract, agreement or other obligation of the Authority designated as constituting a “Subordinated Contract Obligation in a certificate of an Authorized Officer delivered to the Trustee. Each Subordinated Contract Obligation shall be payable and secured in a manner permitted by the Resolution, and any lien on and pledge of any portion of the Trust Estate securing Subordinated Contract Obligations shall be junior and inferior to the lien on and pledge of the Trust Estate herein created for the payment of the Obligations and Parity Debt.

*Subordinated Indebtedness* means any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Authority and designated as constituting “Subordinated Indebtedness” in a certificate of an Authorized Officer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Resolution, and any lien on and pledge of any portion of the Trust Estate securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Trust Estate herein created for the payment of the Obligations and Parity Debt.

*Supplemental Resolution* means any resolution supplemental to or amendatory of the Resolution adopted by the Authority in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

*Taxable Obligations* means any Obligations which are not Tax-Exempt Obligations.

*Tax-Exempt Obligations* means any Obligations the interest on which is intended by the Authority to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Obligations in the Supplemental Resolution authorizing such Obligations.

*Transit System* means the facilities, including all real and personal property and all rights, interests, property and appurtenances incidental thereto or used or useful in connection therewith, constructed or acquired by the Authority as part of its regional rail and bus transit system, but excluding Air Rights, Parking Facilities and Joint Development Projects.

*Trust Estate* means:

(1) with respect to Pre-2018 Obligations, collectively, but subject to the terms and provisions of Section 501, all right, title and interest of the Authority in:

(a) all Gross Revenues;

(b) the proceeds of the sale of the Obligations;

(c) all Funds, Accounts and Subaccounts established by the Resolution (other than funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations; *provided however*, that such funds, accounts and subaccounts are specifically excepted from the Trust Estate by the Supplemental Resolution authorizing such Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments, if any, thereof; and

(d) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Resolution for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by the Resolution to receive any and all such property at any and all times, and to hold and apply the same subject to the terms of the Resolution; and

(2) with respect to Obligations, Parity Debt, Subordinated Indebtedness and Subordinated Contract Obligations issued by the Authority on or after November 15, 2018, collectively, but subject to the terms and provisions of the Resolution, all right, title and interest of the Authority in:

(a) all Gross Revenues, except for any Future Dedicated Revenues and income received from the investment of any Future Dedicated Revenues;

(b) the proceeds of the sale of the Obligations;

(c) all Funds, Accounts and Subaccounts established by the Resolution (other than (i) the Future Dedicated Revenues Account, and (ii) any funds, and any accounts and subaccounts in such funds, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations; *provided however*, that such funds, accounts and subaccounts are specifically excepted from the Trust Estate by the Supplemental Resolution authorizing such Variable Interest Rate Obligations, Put Obligations, Parity Debt, Subordinated Indebtedness or Subordinated Contract Obligations), including the investments and proceeds, if any, thereof; and

(d) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Resolution for the Obligations by the Authority, or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by the Resolution to receive any and all such property at any and all times, and to hold and apply the same, subject to the terms of the Resolution.

*Trustee* means the Bank of New York Mellon and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Resolution.

*Valuation Date* means (i) with respect to any Capital Appreciation Obligations the date or dates set forth in the Supplemental Resolution authorizing such Obligations on which specific Accreted Values are assigned to the Capital Appreciation Obligations and (ii) with respect to any Deferred Income Obligations, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Obligations on which specific Appreciated Values are assigned to the Deferred Income Obligations.

*Variable Interest Rate* means a variable interest rate to be borne by any Obligation. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Obligations.

*Variable Interest Rate Obligations* means Obligations which bear a Variable Interest Rate.



## **APPENDIX B**

### **FORM OF BOND COUNSEL OPINION**

[CLOSING DATE]

Board of Directors  
Washington Metropolitan Area Transit Authority  
600 Fifth Street, NW  
Washington, DC 20001

\$\_\_\_\_\_\*

Washington Metropolitan Area Transit Authority  
Gross Revenue Transit Bonds, Series 2018

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Washington Metropolitan Area Transit Authority (the “Authority”), a body corporate and politic, constituting an instrumentality and agency of the State of Maryland (the “State”), the Commonwealth of Virginia (the “Commonwealth”) and the District of Columbia (the “District”), created and existing by virtue of the Washington Metropolitan Area Transit Authority Compact, as amended (the “Compact”), by and among the State, the Commonwealth and the District, of the Washington Metropolitan Area Transit Authority Gross Revenue Transit Bonds, Series 2018, in the original aggregate principal amount of \$[\_\_\_\_\_] (the “Series 2018 Bonds”). The Series 2018 Bonds are issued pursuant to (1) the Compact and (2) a resolution duly adopted by the Board of the Directors of the Authority on September 25, 2003, and entitled “Gross Revenue Bond Resolution,” as supplemented with respect to the Series 2018 Bonds by a resolution duly adopted by the Board of Directors of the Authority adopted on November 15, 2018, and entitled “2018 Supplemental Bond Resolution,” (collectively, the “Resolution”), for the purpose of (a) financing Capital Costs of the Transit System, (b) paying capitalized interest on the Series 2018 Bonds and (c) paying certain costs of issuing the Series 2018 Bonds. Capitalized terms used, but not defined, herein shall have the respective meanings assigned thereto in the Resolution.

The Series 2018 Bonds are payable solely from, and are equally and ratably secured solely by, the Trust Estate. The Authority reserves the right to issue additional Obligations or incur Parity Indebtedness on the terms and for the purposes stated in the Resolution. Under the provisions of the Resolution, any Outstanding or additional Obligations or Parity Indebtedness will rank equally with the Series 2018 Bonds as to security and payment from the Trust Estate.

The Series 2018 Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution.

We have examined: (a) the Compact; (b) a certified copy of the Resolution; and (c) such other laws, documents and proofs as we have deemed necessary as a basis for this opinion.

In rendering our opinions set forth below, we have (a) relied as to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, upon certified proceedings, certifications and representations of public officials, including representations of officials and representatives of the Authority, including, without limitation, representations as to the use and investment of the proceeds of the Series 2018 Bonds and the priority of the lien of the pledge of the Trust Estate created



under the Resolution, and (b) assumed continuous compliance by the Authority with the covenants contained in the Resolution and documents related thereto, including, without limitation, covenants as to the use and investment of the proceeds of the Series 2018 Bonds.

The Authority has covenanted in connection with the Series 2018 Bonds that it will not use any proceeds of the Series 2018 Bonds to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments except as may be otherwise permitted by Section 148 of the Internal Revenue Code of 1986, as amended (the “Code,” and all applicable regulations promulgated under the Code, including any proposed or temporary regulations, are collectively referred to herein as the “Regulations”), that it will comply with the arbitrage rebate requirements of Section 148(f) of the Code and the Regulations, and that it will comply with all other applicable provisions of the Code and the Regulations with respect to the Series 2018 Bonds.

Based on the foregoing, and subject to the qualifications contained herein, we are of the opinion that, on the date hereof:

1. The Authority is duly created and validly existing under the provisions of the Compact.
2. The Authority has the right and power under the Compact to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Trust Estate, subject to the application thereof to the purposes and on the conditions permitted by the Resolution.
3. The Authority is duly authorized and entitled to issue the Series 2018 Bonds, and the Series 2018 Bonds are valid, binding and special and limited obligations of the Authority as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution and of the Compact, and the Series 2018 Bonds have been duly and validly authorized and issued in accordance with law, including the Compact, and in accordance with the Resolution.
4. Based on existing statutes, regulations, rulings and court decisions and assuming compliance by the Authority with the above-described covenants, interest on the Series 2018 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax; provided, however, for tax years beginning before January 1, 2018, such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations (as defined for federal income tax purposes) for purposes of computing the federal alternative minimum taxable income of corporations. The opinion set forth in the immediately preceding sentence assumes and is subject to the accuracy of the representations and certifications of the Authority and continuous compliance by the Authority with the covenants contained in the official proceedings related to the Series 2018 Bonds, including covenants to the effect that the Authority will comply with all requirements of the Code and the Regulations promulgated thereunder that must be satisfied subsequent to the issuance of the Series 2018 Bonds in order that interest thereon be, and continue to be, excludable from gross income of the recipients thereof for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the Series 2018 Bonds to be includable in gross income for federal income tax purposes retroactive to the date of the issuance of the Series 2018 Bonds.
5. Under existing law, interest on the Series 2018 Bonds is exempt from all current State, Commonwealth and District personal income taxes.

We express no opinion regarding other federal or state tax consequences arising with respect to the Series 2018 Bonds or any other matter with respect to the Series 2018 Bonds except as set forth herein. Ownership of the Series 2018 Bonds may result in other collateral federal or state income tax consequences to certain taxpayers depending on the particular taxpayer's tax status and other items of income or deduction. We express no opinion regarding any federal or state collateral tax consequences related to the Series 2018 Bonds.

The rights of the owners of the Series 2018 Bonds and the enforceability of the Series 2018 Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally, judicial discretion and principles of equity applicable to the availability of specific performance and other equitable relief, and the exercise of the sovereign police powers of Maryland, the Commonwealth and the District and the constitutional power of the United States of America.

Except as stated in paragraphs 4 and 5, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2018 Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2018 Bonds, or under state, local and foreign tax law.

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2018 Bonds.

We have examined an executed Series 2018 Bond and in our opinion the form of said Series 2018 Bond and its execution are regular and proper.

This opinion letter is an expression of professional judgment regarding the matters expressly addressed herein. It is neither a guarantee of result nor an insurance policy with respect to the transaction or the future actions or performance of any party or entity. Our services have not included any financial or other non-legal advice. We express no opinion other than as herein expressly stated in this letter, and no expansion of our opinion may be made by implication or otherwise. The opinions herein are given as of the date hereof and are based upon statutes, regulations, rulings and court decisions in effect on the date hereof and not as of any future date. We assume no responsibility to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur hereafter.

Sincerely,

BUTLER SNOW LLP

## APPENDIX C

### BOOK-ENTRY-ONLY SYSTEM PROCEDURES

*The information set forth herein concerning DTC and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority, the Trustee, or the Underwriters. The websites referenced below are included for reference only and the information contained therein is not incorporated by reference in this Official Statement.*

DTC will act as securities depository for the Series 2018 Bonds under a book-entry system with no physical distribution of the Series 2018 Bonds made to the public. The Series 2018 Bonds will initially be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2018 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be

requested by an authorized representative of DTC. The deposit of Series 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2018 Bonds, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2018 Bonds may wish to ascertain that the nominee holding the Series 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2018 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and redemption price of, and interest on, the Series 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participants and not of DTC (or its nominee), the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption price of, and interest on, the Series 2018 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2018 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2018 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

**The Authority, the Trustee, and the Underwriters cannot and do not give any assurances that DTC will distribute to its participants or that Direct Participants or Indirect Participants will distribute to Beneficial Owners of the Series 2018 Bonds (a) payments of principal or redemption price of, or interest on, the Series 2018 Bonds, or (b) confirmation of ownership interests in the Series 2018 Bonds, or (c) redemption or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants, or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the SEC and the current "procedures" of DTC to be followed in dealing with its participants are on file with DTC.**

**None of the Authority, the Trustee, or the Underwriters will have any responsibility or obligation to DTC participants, Beneficial Owners, or other nominees of such Beneficial Owners for: (a) sending transaction statements; (b) maintaining, supervising, or reviewing the accuracy of any records maintained by DTC or any DTC participant or other nominees of such Beneficial Owners; (c) payment or the timeliness of payment by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owner, of any amount due in respect of the principal or redemption price of, or interest on, the Series 2018 Bonds; (d) delivery or timely delivery by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owners, of any notice (including notice of redemption) or other communication, which is required to be given to holders or owners of the Series 2018 Bonds; (e) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2018 Bonds; or (f) any action taken by DTC or its nominee as the registered owner of the Series 2018 Bonds.**

## **APPENDIX D**

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

This Continuing Disclosure Agreement (the “Agreement”) dated December \_\_\_, 2018, is executed and delivered by the Washington Metropolitan Area Transit Authority (the “Authority”) in connection with the issuance and sale of the Authority’s \$236,390,000\* Gross Revenue Transit Bonds, Series 2018 (the “Bonds”), issued pursuant to the Resolution (as defined in the Official Statement). Capitalized terms used in this Agreement which are not otherwise defined in the Official Statement or the Resolution shall have the respective meanings specified above or in Article IV hereof.

## **ARTICLE I**

### **The Undertaking**

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

Section 1.2. Annual Financial Information. (a) Commencing with the Fiscal Year ending June 30, 2018, the Authority shall provide to the MSRB no later than December 31, 2018, and no later than each succeeding December 31 thereafter, Annual Financial Information with respect to each Fiscal Year of the Authority.

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

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

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

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

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

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Authority chooses to include any information in any Annual Financial Information or Notice Event notice in addition to that which is specifically required by this Agreement, the Authority shall

---

\*-Preliminary, subject to change.

have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

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

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

## **ARTICLE II**

### **Operating Rules**

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

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

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

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

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

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

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

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

## ARTICLE III

### Effective Date, Termination, Amendment and Enforcement

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

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

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

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

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

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

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

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Authority in preparing its financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the



former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

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

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

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

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

## **ARTICLE IV**

### **Definitions**

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

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

(a) Audited Financial Statements, if available, or Unaudited Financial Statements for the immediately preceding Fiscal Year; and

(b) to the extent such information is not contained in the Audited Financial Statements, the financial information and operating data with respect to the Authority, substantially similar to the type set forth in Tables [1, 4-7, and 9-12] in the Official Statement.

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

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

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

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

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

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

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

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;

- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

With regard to the reportable event described in subsection (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(7) “Official Statement” means the Official Statement dated December \_\_\_, 2018, of the Authority relating to the Bonds.

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

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

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

**WASHINGTON METROPOLITAN AREA  
TRANSIT AUTHORITY**

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

**ATTACHMENT G (REVISED):**  
**FY2019 Federal Formula Match, System Performance & Long Term Debt Strategy**  
**Funding**

<b>(Dollars in Millions)</b>	<b>Direct Contribution</b>	<b>Debt Strategy</b>	<b>Total Contribution</b>
<b>District of Columbia</b>	<b>75.2</b>	<b>151.7</b>	<b>226.9</b>
<i>Montgomery County</i>	55.6	56.7	112.3
<i>Prince George's County</i>	53.2	54.3	107.5
<b>State of Maryland Subtotal</b>	<b>108.8</b>	<b>111.0</b>	<b>219.8</b>
<i>City of Alexandria</i>	11.0		11.0
<i>Arlington County</i>	21.2		21.2
<i>City of Fairfax</i>	0.7		0.7
<i>Fairfax County</i>	35.4		35.4
<i>City of Falls Church</i>	0.6		0.6
<i>Commonwealth of Virginia</i>	121.3		121.3
<b>Virginia Subtotal</b>	<b>190.3</b>	<b>0.0</b>	<b>190.3</b>
<b>Total</b>	<b>374.3</b>	<b>262.7</b>	<b>637.0</b>