

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
201880

Resolution:
☒ Yes ☐ No

TITLE:

Refinancing of 2009 Series Bonds

PRESENTATION SUMMARY:

Staff will provide financial information and seek approval to refinance Series 2009A and 2009B Bonds.

PURPOSE:

Staff requests approval to refinance Series 2009A and 2009B Bonds and related documents to enable Metro to lower debt service costs for applicable jurisdictions.

DESCRIPTION:

Key Highlights:

- Periodic changes in market conditions provide opportunities to refinance outstanding debt by issuing new bonds at lower interest rates to refund and replace existing, higher interest rate bonds.
- Refinancing Metro's Series 2009A and 2009B bonds with combined principal amount of up to \$220.5 million will lower annual debt service costs for Metro and participating jurisdictions. The exact amount of debt service savings will be determined by market rates at the time of refunding current bonds.
- At present, the projected savings to the participating jurisdictions by refinancing the Series 2009A and 2009B bonds is estimated at approximately \$28.7 million. These savings are cumulative over the remaining life of the bonds, which is approximately 17 years.

Background and History:

The purpose of the refinancing is to lower Metro's debt service cost. The refinancing will provide savings of approximately \$28.7 million in debt service costs to the participating jurisdictions through the issuance of new bonds for the purpose of refinancing the existing Series 2009A and 2009B Metro Matters gross revenue transit bonds. The Series 2017A (1&2) bonds will be issued in an amount equal to the principal amount of bonds outstanding at the refunding date plus an additional amount necessary to cover issuance costs.

On March 23, 2017, the Board approved Resolution 2017-14 authorizing the issuance of one or more series of bonds to refinance any or all outstanding Metro Matters bonds (Series 2009A and 2009B) and to obtain the underwriting, trustee, printing, and other services necessary to issue the bonds subject to the Board approving final terms of the bonds.

Discussion:

A total of \$220,515,000 of principal will be outstanding on the Series 2009A and 2009B bonds at the time the bonds are subject to redemption. These bonds may be reissued by Metro at a lower rate (and potentially shorter duration) due to anticipated favorable market conditions. Debt service savings will be determined by the market rates at the time of potential issuance and will benefit the jurisdictions that opted-in to the original 2009 debt issuance. Staff will only refinance the Series 2009A and 2009B bonds if market conditions are such that Metro can achieve an All-In True Interest Cost rate not to exceed 4 percent. The new Series 2017A (1&2) bonds will mature no later than the current Series 2009A and 2009B bonds.

Current market conditions indicate the following parameters for the transaction:

	Series 2009A	Series 2009B	Total
Refunded Par	\$165,515,000	\$55,000,000	\$220,515,000
Cost of Issuance (Estimate)	\$1,034,838	\$331,389	\$1,366,227
Cash-basis Savings	\$23,426,224	\$5,244,634	\$28,670,858
All-In True Interest Cost %	2.80%	3.70%	
NPV Savings \$	\$19,264,422	\$3,427,831	\$22,692,253

The projected annual cash savings to the jurisdictions over the life of the new Series 2017A (1&2) bonds is projected as follows:

Date	Debt Service Pre-Refunding	Debt Service Post-Refunding	Estimated Total Refunding Savings	District of Columbia	State of Maryland	City of Falls Church
2017	\$ 15,607,472	\$ 15,607,472	\$ 0	\$ 0	\$ 0	\$ 0
2018	22,525,444	20,763,641	1,761,803	887,949	869,450	4,405
2019	22,524,194	20,978,400	1,545,794	779,080	762,849	3,864
2020	22,525,194	20,917,173	1,608,021	810,443	793,558	4,020
2021	22,522,044	20,914,573	1,607,471	810,166	793,287	4,019
2022	22,521,331	20,915,973	1,605,359	809,101	792,245	4,013
2023	22,521,481	20,916,723	1,604,759	808,798	791,948	4,012
2024	22,520,919	20,915,223	1,605,696	809,271	792,411	4,014
2025	22,523,069	20,915,223	1,607,846	810,355	793,472	4,020
2026	22,521,094	20,915,223	1,605,871	809,359	792,497	4,015
2027	22,523,419	20,918,723	1,604,696	808,767	791,918	4,012
2028	22,522,944	20,918,973	1,603,971	808,402	791,560	4,010
2029	22,522,831	20,915,373	1,607,459	810,159	793,281	4,019
2030	22,522,700	20,918,573	1,604,128	808,480	791,637	4,010
2031	22,525,513	20,922,373	1,603,140	807,983	791,150	4,008
2032	22,524,863	19,465,773	3,059,090	1,541,781	1,509,661	7,648
2033	22,149,100	20,631,440	1,517,660	764,900	748,965	3,794
2034	21,672,850	20,154,756	1,518,094	765,119	749,179	3,795
TO TAL	\$ 397,276,460	\$ 368,605,602	\$ 28,670,858	\$ 14,450,112	\$ 14,149,068	\$ 71,677

Note: Analysis uses rates as of 5/15/17

FUNDING IMPACT:

This action is projected to save approximately \$28.7 million in debt service costs for the participating jurisdictions over the life of the bonds.

TIMELINE:

Previous Actions	March 23, 2017: Board authorized staff to seek economically advantageous terms for refinancing the Series 2009A and Series 2009B bonds
Anticipated actions after presentation	June 27, 2017 - Price bonds July 12, 2017 - Issue new bonds and refund existing 2009 Series bonds

RECOMMENDATION:

Approve resolution authorizing issuance of Series 2017A (1&2) Bonds and related documents to enable WMATA to lower debt service cost for applicable jurisdictions.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

**2017A REFUNDING
SUPPLEMENTAL BOND RESOLUTION**

Adopted June __, 2017

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Exhibit A - Form of Contract of Purchase
Exhibit B - Form of Preliminary Official Statement
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**2017A REFUNDING
SUPPLEMENTAL BOND RESOLUTION**

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. Refunding Supplemental Resolution. This resolution is supplemental to, and is adopted in accordance with Article II and Article IX of, Resolution 2003-53 of the Authority adopted on September 25, 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 2017A Refunding Supplemental Bond Resolution (the "Refunding Supplemental Resolution") shall have the same meanings, respectively, as such terms are given by Section 101 of the Resolution.

2. In this Refunding Supplemental Resolution:

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

"Escrow Agreements" shall mean the Series 2009A Escrow Agreement and the Series 2009B Escrow Agreement.

"Series 2009 Bonds" shall mean the Authority's outstanding Gross Revenue Transit Bonds, Series 2009A (tax exempt) and Series 2009B (Federally Taxable-Issuer Subsidy - Build America Bonds).

"Series 2009A Bonds" shall mean the Authority's outstanding Gross Revenue Transit Bonds, Series 2009A (tax-exempt).

"Series 2009A Escrow Agreement" shall mean the escrow agreement between the Authority and The Bank of New York Mellon, as Trustee, relating to the refunding and defeasance of the Series 2009A Bonds.

"Series 2009B Bonds" shall mean the Authority's outstanding Gross Revenue Transit Bonds, Series 2009B (Federally Taxable- Issuer Subsidy Build America Bonds).

"Series 2009B Escrow Agreement" shall mean the escrow agreement between the Authority and The Bank of New York Mellon, as Trustee, relating to the crossover refunding of the Series 2009B Bonds.

“Series 2017A Refunding Bonds” shall mean the Gross Revenue Transit Refunding Bonds, Series 2017A, authorized by Article II of this Refunding Supplemental Resolution.

SECTION 1.03. Authority for this Refunding Supplemental Resolution.

This Refunding Supplemental Resolution is adopted pursuant to the provisions of the Compact and the Resolution.

ARTICLE II

AUTHORIZATION OF SERIES 2017A REFUNDING BONDS

SECTION 2.01. Authorized Principal Amount, Designation, Purpose and

Series. Pursuant to the provisions of the Resolution, and in order to effectuate the refunding of all or a portion of the Series 2009 Bonds, through an advanced refunding of the Series 2009A Bonds and a crossover refunding structure for the Series 2009B Bonds, 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 Refunding 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 2017A Refunding Bonds payable from such Proceeds Account) shall not exceed an amount determined in a Certificate of Determination to be necessary to effectuate such refunding of Series 2009 Bonds.

The amount authorized pursuant to the immediately preceding paragraph is hereinafter referred to as the “Series 2017A Net Proceeds”. The Obligations authorized by this Refunding Supplemental Resolution shall be designated as, and shall be distinguished from the Obligations of all other Series by the title, “Gross Revenue Transit Refunding Bonds, Series 2017A” pursuant to and subject to the terms, conditions and limitations established in the Resolution and this Refunding Supplemental Resolution. Notwithstanding any other provision hereof, to the extent provided in one or more Certificates of Determination, such Series 2017A Refunding 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 2017A Refunding Bonds shall be issued as Tax-Exempt Obligations.

SECTION 2.02. Dates, Maturities, Principal Amounts and Interest.

The Series 2017A Refunding 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 2017A Refunding 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 2017A Refunding 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 2017A Refunding 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 2017A Refunding Bonds shall be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof. The Series 2017A Refunding 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 2017A Refunding Bonds shall be payable to the registered owner of each Series 2017A Bond when due upon presentation of such Series 2017A Refunding 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 2017A Refunding 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 2017A Refunding 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 2017A Refunding 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 2017A Refunding Bonds.

SECTION 2.07. Redemption Terms. The Series 2017A Refunding 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. 1. There is hereby delegated to each Authorized Officer, subject to the limitations contained in this Refunding Supplemental Resolution, the following powers with respect to the Series 2017A Refunding Bonds:

(a) to determine the amount of the Series 2017A Net Proceeds and the amount of the proceeds of the Series 2017A Refunding Bonds estimated to be necessary to pay the Costs of Issuance of the Series 2017A Refunding Bonds;

(b) to determine the principal amount of the Series 2017A Refunding Bonds to be issued to accomplish the purposes authorized by Section 2.01 of this Refunding Supplemental Resolution which principal amount shall not exceed the principal amount permitted by Section 2.01 of this Refunding Supplemental Resolution;

(c) to determine the amount of the Series 2017A Net Proceeds to be invested in investments permitted by the Resolution for the purpose of defeasing those Series 2009 Bonds that are to be refunded with proceeds of the Series 2017A Refunding Bonds and the date or dates, if any, on which such Series 2009 Bonds are to be called;

(d) to determine the maturity date and principal amount of each maturity of the Series 2017A Refunding Bonds and the amount and due date of each Sinking Fund Installment if any; provided, however, that the Series 2017A Refunding Bonds shall not mature later than July 1, 2034;

(e) to determine the date or dates which the Series 2017A Refunding Bonds shall be dated and the interest rate or rates of the Series 2017A Refunding 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 2017A Refunding Bonds (as determined by an Authorized Officer of the Authority which determination shall be conclusive) shall not exceed four percent (4.00%) per annum;

(f) if applicable, to determine the purchase price for the Series 2017A Refunding Bonds to be paid by the Underwriters referred to in the Contract of Purchase described in Section 2.09 of this Refunding Supplemental Resolution, which price may include such original issue discount and original issue premium as shall be determined in the related Certificate of Determination;

(g) to take all actions required for the Series 2017A Refunding 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 Refunding 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 2017A Refunding Bonds issuable in fully registered form;

(h) to determine the Redemption Price or Redemption Prices, if any, and the redemption terms, if any, for the Series 2017A Refunding Bonds; provided, however, that if the Series 2017A Refunding 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 2017A Refunding Bonds to be redeemed, plus accrued interest thereon up to but not including the date of redemption;

(i) 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 2017A Refunding Bonds to be realized by purchasing such Credit Facility shall be greater than the premium paid for the purchase of such Credit Facility;

(j) to determine whether to fund, either with cash or a Credit Facility, a 2017A Refunding Bonds Debt Service Reserve Fund hereinafter established to further secure the Series 2017A Refunding Bonds, and to size the requirement therefor consistent with current federal tax rules relating to Tax-Exempt Obligations and to further authorize a Credit Facility to initially 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 2017A Refunding Bonds;

(k) to determine what Defeasance Securities and what Authorized Investments in what amounts, are necessary and advisable, with the recommendation and assistance of the Authority's financial advisor, PFM Financial Advisors LLC, or their affiliate investment advisor, PFM Asset Management LLC, to effect the refunding and defeasance of the Series 2009A Bonds and the crossover refunding of the Series 2009B Bonds. Such assistance may include conducting any bidding of open-market securities deemed advisable;

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

(m) to determine such other matters specified in or permitted by (i) Sections 202, 203, and 204 of the Resolution, as applicable, or (ii) this Refunding Supplemental Resolution, including to allow the Series 2009B Bonds to be refunded through a crossover refunding structure.

2. Any Authorized Officer is hereby authorized to proceed with the offering and sale of the Series 2017A Refunding Bonds when that Authorized Officer deems such offering and sale advisable and to pay any Costs of Issuance associated with such offering and sale.

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 2017A Refunding Bonds by the

Trustee. Determinations set forth in the Certificate of Determination shall have the same effect as if set forth in this Refunding Supplemental Resolution.

SECTION 2.09. Sale of Series 2017A Refunding Bonds. Each Authorized Officer is hereby authorized to sell and award the Series 2017A Refunding Bonds to the underwriters (the “Underwriters”) then approved by the Authority and referred to in the Contract of Purchase (the “Contract of Purchase”), which Contract of Purchase shall be substantially in the form attached hereto as Exhibit A, with such revisions to reflect the terms and provisions of the Series 2017A Refunding Bonds as may be approved by the Authorized Officer executing the Contract of Purchase, 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 Contract of Purchase and to execute and deliver the Contract of Purchase 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 Contract of Purchase, said execution being conclusive evidence of such approval and concurrence in the selection of the representative of the Underwriters.

The Authority hereby approves and ratifies the preliminary official statement dated June __, 2017 (the “Preliminary Official Statement”) in connection with the public offering of the Series 2017A Refunding Bonds, and approves and ratifies the actions of the Authorized Officers taken to make public and to authorize the use and distribution by said Underwriters or other appropriate parties of such Preliminary Official Statement. The Authority approves and ratifies the delivery by such Authorized Officers of 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 2017A Refunding 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 appended hereto as Exhibit C, 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 Contract of Purchase 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 Refunding Supplemental Resolution at the time of the issuance and delivery of such Series 2017A Refunding 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 Contract of Purchase, the Continuing Disclosure Agreement, the terms of any Credit Facility, and the issuance, sale and delivery of the Series 2017A Refunding Bonds and for implementing the terms of the Series 2017A Refunding 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 Refunding 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 2017A Refunding Bonds and Trustee's Authentication Certificate. Subject to the provisions of the Resolution, the form of registered Series 2017A Refunding Bonds and the Trustee's certificate of authentication, shall be substantially in the form set forth in Exhibit A to the Resolution including, if necessary, any changes to comply with the requirements of DTC or the provisions of this Refunding Supplemental Resolution or any Certificate of Determination.

ARTICLE III

DISPOSITION OF SERIES 2017A REFUNDING BOND PROCEEDS

SECTION 3.01. Disposition of Series 2017A Refunding Bond Proceeds.

1. Upon the issuance of the Series 2017A Refunding Bonds, the Authority intends to enter into (a) the Series 2009A Escrow Agreement for the purpose of securing the money and securities to be used to provide for the refunding and defeasance (including by redemption or payment at maturity) of the Series 2009A Bonds and (b) the Series 2009B Escrow Agreement for the purpose of securing the money and securities to be used to provide interest due on a portion of the Series 2017A Refunding Bonds and the refunding on the applicable crossover date, but not the defeasance, of the Series 2009B Bonds. Each Authorized Officer is authorized to determine the manner of funding such escrows, and as deemed appropriate, to acquire or cause to be acquired such open market securities or State and Local Government Series Securities, in each case, constituting Defeasance Securities or, with respect to the Series 2009B Escrow Agreement, any Authorized Investments, in the manner determined by such Authorized Officer. Each such Authorized Officer is hereby authorized to execute and deliver for and on behalf and in the name of the Authority the Escrow Agreements, substantially in the forms attached hereto as Exhibit D, with such changes, omissions, insertions and revisions as such Authorized Officer shall deem advisable, said execution being conclusive evidence of such changes, omissions, insertions and revisions.

2. Any proceeds of the sale of the Series 2017A Refunding Bonds, other than accrued interest, if any, shall be deposited, simultaneously with the issuance and delivery of the Series 2017A Refunding Bonds, at one time or from time to time in one or more Series or subseries,

in the Proceeds Account which is hereby established in the Proceeds Fund to be applied, or shall otherwise be applied, pursuant to a Certificate of Determination to:

(a) the refunding and defeasance of the Series 2009A Bonds (as further set forth in the Series 2009A Escrow Agreement);

(b) the crossover refunding of the Series 2009B Bonds (as further set forth in the Series 2009B Escrow Agreement), including through the payment of interest on any Series 2017A Refunding Bonds until any applicable crossover date allows a current refunding of any Series 2009B Bonds, as so determined;

(c) to fund, either with cash or the purchase of a Credit Facility, as provided in such Certificate of Determination, a 2017A Refunding Bonds Debt Service Reserve Fund in the amount, if any, required pursuant to such Certificate of Determination; and

(d) 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 2017A Refunding Bonds shall be deposited in the Debt Service Fund.

3. To the extent provided for in the related Certificate of Determination, there shall be established the "2017A Refunding 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(b) 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 2017A Refunding 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 2017A Refunding 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 2017A Refunding 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" to be executed by the Authority in connection with the execution and delivery of any Series 2017A Refunding 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 2017A Refunding 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 2017A Refunding 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 2017A Refunding 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 2017A Refunding 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 2017A Refunding 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 2017A Refunding 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 2017A Refunding Bonds issued as Tax-Exempt Obligations in determining gross income for Federal income tax purposes.

ARTICLE V

MISCELLANEOUS

SECTION 5.01. 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 bonds, this Refunding Supplemental Resolution shall be effective immediately.

Reviewed for form and legal sufficiency,



Patricia Y. Lee
General Counsel

WMATA File Structure No.
4.1 Bonds

PROPOSED