

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 2020A 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 (the "Code") to the date of delivery of the Series 2020A Bonds, and is excludable from federal alternative minimum taxable income as defined in Section 55(b)(2) of the Code. Bond Counsel is further of the opinion that, under existing law, interest on the Series 2020A Bonds is exempt from all current Maryland, Virginia and District of Columbia personal income taxes. For a more complete description, see "TAX MATTERS" herein.

\$545,000,000**WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY****Dedicated Revenue Bonds, Series 2020A****Dated: Date of Delivery****Due: July 15, as shown on inside cover**

The Series 2020A Bonds. The above-captioned Bonds (the "Series 2020A Bonds") will be special obligations of the Washington Metropolitan Area Transit Authority (the "Authority") issued pursuant to the terms of the Dedicated Capital Funding Bond Resolution adopted by the Authority on April 23, 2020 (the "Resolution"). The Series 2020A Bonds will be issued in authorized denominations of \$5,000 or any integral multiple thereof.

Security. The Series 2020A Bonds, together with all other bonds issued under the Resolution (the "Bonds"), are special, limited 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 Dedicated Capital Funding Revenues (as defined herein) which are derived from statutorily defined payments from the District of Columbia (the "District"), the State of Maryland ("Maryland"), and the Commonwealth of Virginia (the "Commonwealth" and, together with the District and Maryland, the "States"). The payment of the Dedicated Capital Funding Revenues by each of the States is subject to appropriation and allocation of funds by the States as well as compliance by the Authority with certain requirements set out in the Dedicated Revenue Statutes and Dedicated Funding Grant Agreements. See "SECURITY FOR PAYMENT OF THE SERIES 2020A BONDS" AND "INVESTMENT CONSIDERATIONS."

The Series 2020A Bonds do not constitute a debt or legal obligation of and do not create a lien upon any other revenues of the Authority or on revenues of the Participating Jurisdictions (as defined in Appendix A), the States or of the United States of America. The full faith and credit of the United States of America, the States and the Participating Jurisdictions are not pledged to the payment of the Series 2020A Bonds, and none of the foregoing are liable thereon. The Authority has no taxing power. See "SECURITY FOR PAYMENT OF THE SERIES 2020A BONDS" AND "INVESTMENT CONSIDERATIONS."

Purpose. Proceeds of the Series 2020A Bonds are expected to be used to (i) finance Capital Costs (as defined herein) (ii) pay capitalized interest on the Series 2020A Bonds through July 15, 2022, and (iii) pay certain costs of issuing the Series 2020A Bonds. See "INTRODUCTION" and "PLAN OF FINANCE AND SOURCES AND USES OF FUNDS" herein.

Redemption. The Series 2020A Bonds are subject to redemption prior to maturity, as described in "THE SERIES 2020A BONDS – Redemption."

Interest Payment Dates. The Series 2020A Bonds will bear interest from their date of delivery at the rates set forth on the inside cover page hereof. Interest on the Series 2020A Bonds is payable semiannually on each January 15, and July 15, commencing January 15, 2021, computed on the basis of a 360-day year comprised of twelve 30-day months.

Delivery Date. It is expected that the Series 2020A Bonds will be available for delivery to Depository Trust Company on or about June 11, 2020.

This cover page contains certain information for quick reference only. It is not a summary of the Series 2020A 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 2020A Bonds.

The Series 2020A Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters. Legal matters with respect to the Series 2020A 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 counsels, Orrick, Herrington & Sutcliffe LLP and the Hardwick Law Firm, LLC. Butler Snow LLP, as Disclosure Counsel to the Authority, will deliver an opinion regarding certain matters to the Authority and the Underwriters.

BARCLAYS**RBC CAPITAL MARKETS****BB&T CAPITAL MARKETS****PIPER SANDLER & CO.****BLAYLOCK VAN, LLC****RAMIREZ & CO. INC.****SIEBERT WILLIAMS SHANK & CO., LLC****LOOP CAPITAL MARKETS****WELLS FARGO SECURITIES**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP[†]**\$545,000,000****Washington Metropolitan Area Transit Authority****Dedicated Revenue Bonds, Series 2020A****Serial Bonds**

<u>Maturity (July 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
2023	\$13,025,000	5.000%	0.360%	114.265	93878YAA7
2024	13,690,000	5.000	0.430	118.527	93878YAB5
2025	14,390,000	5.000	0.540	122.381	93878YAC3
2026	15,130,000	5.000	0.720	125.474	93878YAD1
2027	15,905,000	5.000	0.860	128.432	93878YAE9
2028	16,720,000	5.000	0.980	131.208	93878YAF6
2029	17,580,000	5.000	1.050	134.174	93878YAG4
2030	18,480,000	5.000	1.140	136.706	93878YAH2
2031	19,430,000	5.000	1.260	135.345*	93878YAJ8
2032	20,425,000	5.000	1.360	134.223*	93878YAK5
2033	21,470,000	5.000	1.460	133.112*	93878YAL3
2034	22,575,000	5.000	1.530	132.341*	93878YAM1
2035	23,730,000	5.000	1.600	131.575*	93878YAN9
2036	24,950,000	5.000	1.670	130.814*	93878YAP4
2037	26,230,000	5.000	1.720	130.274*	93878YAQ2
2038	27,575,000	5.000	1.760	129.843*	93878YAR0
2039	28,985,000	5.000	1.800	129.415*	93878YAS8
2040	30,320,000	4.000	2.040	117.797*	93878YAT6

Term Bond

<u>Maturity (July 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
2045	\$50,000,000	4.000%	2.170%	116.507*	93878YAU3
2045	124,390,000	5.000	1.990	127.402*	93878YAV1

*Priced to call date of July 15, 2030.

† 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

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Washington, D.C. 20001
(202) 962-2882
Attention: Treasurer's Office

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NOTICE

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. 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 the implication that there has been no change in the matters described herein since the date hereof.

No Unlawful Offers or Solicitations. The information in this Official Statement is not complete and may be changed. This Official Statement is not an offer to sell the Series 2020A Bonds and is not soliciting an offer to buy the Series 2020A 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 2020A 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 2020A 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. 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 2020A 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 2020A Bonds.

Public Offering Prices. In connection with the offering of the Series 2020A Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Series 2020A 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 2020A 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 2020A 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.

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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.

Issuer:	Washington Metropolitan Area Transit Authority (the “Authority”), an interstate compact agency, and an agency and instrumentality of the District of Columbia (the “District”), the State of Maryland (“Maryland”), and the Commonwealth of Virginia (the “Commonwealth” and, together with the District and Maryland, the “States”).
Issue:	\$545,000,000 Dedicated Revenue Bonds, Series 2020A (the “Series 2020A Bonds”).
Dated Date:	June 11, 2020
Denominations:	\$5,000 and integral multiples thereof.
Interest:	The Series 2020A Bonds will bear interest at the rates set forth on the inside cover page hereof, payable semiannually on January 15 and July 15 commencing January 15, 2021, computed on the basis of a 360-day year comprised of twelve 30-day months.
Redemption:	The Series 2020A Bonds are subject to redemption prior to maturity as described under “THE SERIES 2020A BONDS – Redemption.”
Authority for Issuance:	The Series 2020A Bonds will be issued pursuant to the Washington Metropolitan Area Transit Authority Compact, by and among the States, dated November 20, 1966, as amended (the “Compact”), and the Dedicated Capital Funding Bond Resolution adopted by the Authority’s Board of Directors on April 23, 2020 (the “Resolution”).
Key Terms:	<p>“<i>Commonwealth Dedicated Funding Grant Agreement</i>” shall mean that certain Washington Metropolitan Area Transit Authority Capital Fund Agreement, dated May 1, 2019, entered into by and between the Authority and the Commonwealth acting by and through the Virginia Department of Rail and Public Transportation.</p> <p>“<i>Dedicated Funding Grant Agreements</i>” shall mean collectively, the Commonwealth Dedicated Funding Grant Agreement, the District Dedicated Funding Grant Agreement (as defined below) and the Maryland Dedicated Funding Grant Agreement (as defined below).</p> <p>“<i>Dedicated Revenue Statutes</i>” shall mean the following legislative enactments: D.C. Code § 1-325.401; Va. Code § 33.2-3401; and Md. Transit Code Ann. §10-205(g).</p> <p>“<i>District Dedicated Funding Grant Agreement</i>” shall mean that certain Dedicated Funding Grant Agreement, dated February 14, 2020, by and between the Authority and the District.</p> <p>“<i>Maryland Dedicated Funding Grant Agreement</i>” shall mean that certain Dedicated Funding Grant Agreement, dated September 26, 2019, entered into by and between the Authority and Maryland, acting by and through Washington Suburban Transit District and the Maryland Department of Transportation.</p>

“Pre-2018 Bond or Bonds” means the \$197,370,000 Gross Revenue Transit Refunding Bonds, Series 2017A, and the \$496,500,000 Gross Revenue Transit Bonds, Series 2017B, of the Authority at any time outstanding under the 2003 Bond Resolution.

“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.

“2003 Bond Resolution” shall mean the Gross Revenue Bond Resolution 2003-53, adopted by the Authority on September 23, 2003, as the same from time to time has been or may be amended or supplemented in accordance with its terms, including without limitation as amended by Resolution 2018-47 (the 2018 Supplemental Bond Resolution Supplementing and Amending Gross Revenue Bond Resolution 2003-53), adopted by the Authority on November 15, 2018 as supplemented and amended by Resolution 2020-14 (the 2020 Supplemental Bond Resolution Supplementing and Amending Gross Revenue Bond Resolution 2003-53), adopted by the Authority on April 23, 2020.

**Security for the
Series 2020A Bonds:**

The Resolution pledges the Trust Estate as security for the payment of the Series 2020A Bonds. The Series 2020A Bonds will be issued on a parity with all other bonds and other Obligations and Parity Debt as provided in the Resolution.

The Trust Estate includes all right, title and interest of the Authority in: (1) all Dedicated Capital Funding Revenues; (2) the proceeds of the sale of the Obligations; (3) all Funds, Accounts and Subaccounts established by the Resolution (other than the Clearing Account (as defined in Appendix A), except to the extent otherwise provided in 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 or as provided by any Supplemental Resolution to the Resolution.

Under the 2003 Bond Resolution, the Dedicated Capital Funding Revenues are pledged to the payment of the Pre-2018 Bonds and the pledge of the Dedicated Capital Funding Revenues created by the Resolution is subordinate in all respects to that pledge created by the 2003 Bond Resolution. Each of the States has been directed by the Authority to pay their respective Dedicated Capital Funding Revenues directly to the Clearing Account Agent (as defined in Appendix A) for deposit into a Clearing Account established in the name of the Authority and held uninvested and administered by the Clearing Account Agent. Except to the extent otherwise provided in the Resolution, the Clearing Account is not part of the Trust Estate established by the Resolution. So long as any Pre-2018 Bonds are outstanding, no Series 2020A Bonds nor the Trustee shall have any right to any payment from Dedicated Capital Funding Revenues unless and until the Dedicated Capital Funding Revenues shall (a) first be deposited as provided in the 2003 Bond Resolution, and (b) applied as provided in said 2003 Bond Resolution. Upon application of the Dedicated Capital Funding Revenues first to meet the funding requirements of the Pre-2018 Bonds if required under the 2003 Bond Resolution, the balance of all Dedicated Capital Funding Revenues are transferred to the Trustee and deposited into the Revenue Fund (as defined in Appendix A) established under the Resolution as soon as practicable thereafter. See “SECURITY FOR PAYMENT OF THE SERIES 2020A BONDS – Flow of Funds.”

**Dedicated Capital
Funding Revenues:**

In 2018, each of the States passed legislation to direct Dedicated Capital Funding Revenues totaling in the aggregate approximately \$500 million annually to the Authority, subject to appropriations by the applicable governing body, to fund the Authority's capital programs and purposes. **The Dedicated Capital Funding Revenues of the Authority are subject to appropriation and allocation of funds by each State and are disbursed upon certain conditions being met by the Authority.** See "SECURITY FOR PAYMENT OF THE SERIES 2020A BONDS." Pursuant to the Dedicated Revenue Statutes, the States are obligated, subject to the limitations described more fully herein (see "INVESTMENT CONSIDERATIONS"), to provide funding to the Authority for their proportional share of the Authority's capital programs and purposes of the Transit System. If a State were to fail to timely make a required Dedicated Capital Funding Revenue payment, in addition to any enforcement action that might be available pursuant to the Dedicated Revenue Statutes, the Compact and any of the related Dedicated Funding Grant Agreements, the Authority could exercise the termination for convenience provisions within its capital projects construction agreements or issue stop work orders, in each case for capital projects located inside the boundaries of the nonpaying State in order to pay debt service or any other indebtedness related to the Authority's capital programs. See "CAPITAL IMPROVEMENT PROGRAM."

Under the District Dedicated Revenue Statute, there has been established a special non-reverting WMATA Dedicated Financing Fund (the "WMATA Dedicated Financing Fund") to be funded in an amount of not less than \$178.5 million of general retail sales tax revenue to be deposited annually into the WMATA Dedicated Financing Fund for disbursement to the Authority for its capital improvements, including payment on borrowings for such capital improvements. The WMATA Dedicated Financing Fund is administered by the Mayor subject to an Agreement for Award and Use of Dedicated Revenue Grant between the Authority and the District to fund state of good repair capital projects of the Authority's approved Capital Improvement Plan, subject to certain terms and conditions more fully detailed in the District Dedicated Funding Grant Agreement. See "SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – District of Columbia," "INVESTMENT CONSIDERATIONS," and "CAPITAL IMPROVEMENT PROGRAM."

Under the Maryland Dedicated Revenues Statute, the Governor is required to include in the state budget an appropriation of at least \$167 million annually to be used to pay the capital costs of the Authority. The appropriated funding is provided to the Maryland Department of Transportation for the purpose of providing grants to the Washington Suburban Transit District to pay the capital costs of the Authority. The Dedicated Capital Funding Revenues are dispersed upon receipt of an invoice from the Authority and pursuant to a Maryland Dedicated Funding Grant Agreement among the Authority, Maryland, acting by and through the Washington Suburban Transit District and the Maryland Department of Transportation. Disbursement of Maryland Dedicated Capital Funding Revenues are subject to certain terms and conditions more fully detailed in the Maryland Dedicated Funding Grant Agreement. See "SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – State of Maryland," "INVESTMENT CONSIDERATIONS," and "CAPITAL IMPROVEMENT PROGRAM."

Under the Commonwealth Dedicated Revenue Statutes, the Virginia Comptroller is required to (i) establish non-reverting WMATA capital funds consisting of non-restricted and restricted funds; (ii) accumulate revenues from a variety of tax sources, calculated to generate an aggregate of \$154.5 million of revenues, and transportation funds into such WMATA capital funds; and (iii) disperse such funds to the Authority on a monthly basis solely and exclusively for capital improvements. See "SOURCES OF PAYMENT OF THE SERIES 2020 BONDS – Commonwealth of Virginia." The Authority may use the non-restricted portion of the funds for the payment of or security for debt service on bonds or

any other indebtedness related to the Authority's capital programs, subject to certain terms and conditions more fully detailed in a Commonwealth Dedicated Funding Grant Agreement. *See* "SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Commonwealth of Virginia," "INVESTMENT CONSIDERATIONS," and "CAPITAL IMPROVEMENT PROGRAM."

**Debt Service
Deposits:**

Promptly upon receipt thereof, the Trustee shall deposit to the Debt Service Fund Dedicated Capital Funding Revenues in the amount, if any, required so that the balance in said Fund shall equal Accrued Debt Service; 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 accrued Debt Service with respect to each Obligation at an the 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 next Debt Service Payment Date, 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 next Debt Service Payment Date. 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 Dedicated Capital Funding Revenues, nor shall Accrued Debt Service include any amounts that, as certified by an Authorized Officer, have been set aside hereunder or otherwise in trust for the payment thereof. *See* "SECURITY FOR PAYMENT OF THE SERIES 2020A BONDS – Flow of Funds."

Indebtedness:

The Resolution prohibits the Authority from creating a new pledge of or lien on the Trust Estate that is superior to the pledge that secures the Series 2020A 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 2020A Bonds, and in that connection incur additional indebtedness, provided certain conditions set forth in the Resolution are satisfied.

The Authority may issue one or more Series of Obligations payable from the Dedicated Capital Funding Revenues 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 Authority's records, the Authority will be in compliance with its covenant summarized under the caption "Obligations of the States and Participating Jurisdictions" 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 Dedicated Capital Funding Revenues for any twelve (12) consecutive months out of the last eighteen (18) months immediately preceding the incurrence or issuance of such Obligations, shall at least equal 400% of the sum of: (a) the Maximum 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 plus (b) maximum annual aggregate debt service on any outstanding Pre-2018 Bonds issued under the 2003 Bond Resolution 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 Pre-2018 Bonds; provided, however, that for the purpose of the foregoing clause (b), there shall be excluded from the calculation any debt service on the Pre-2018 Bonds to the extent that Gross Revenues as defined and described in the 2003 Bond Resolution were sufficient to pay debt service on Pre-2018 Bonds during such 12-month period; provided, further, that for Obligations issued in Fiscal Year 2020, the amount of Dedicated Capital Funding Revenues used in

this paragraph shall be the projected amount of Dedicated Capital Funding Revenues instead of the actual amount of Dedicated Capital Funding Revenues subject to certain terms and conditions more fully detailed in the District Dedicated Funding Grant Agreement.

For information on the conditions precedent to the issuance of additional indebtedness, *see* “SECURITY FOR PAYMENT OF THE SERIES 2020A BONDS – Parity Liens and Additional Indebtedness.”

Ratings:

S&P, Fitch and Kroll have assigned ratings to the Series 2020A Bonds of “AA” (with a stable outlook), “AA” (with a negative outlook) and “AA+” (with a stable outlook), respectively. *See* “RATINGS” herein.

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OFFICIAL STATEMENT

Relating to

\$545,000,000

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

DEDICATED REVENUE BONDS, SERIES 2020A

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 \$545,000,000 Dedicated Revenue Bonds, Series 2020A (the “Series 2020A Bonds”). The Series 2020A 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”) on November 20, 1966 and the Dedicated Capital Funding Bond Resolution adopted by the Authority’s Board of Directors (the “Board”) on April 23, 2020 (the “Resolution”). The Bank of New York Mellon, New York, New York, is the Trustee under the Resolution (the “Trustee”).

The Authority is an interstate compact agency 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), 1990 (P.L. 101-551), the Washington Metropolitan Area Transit Regulation Compact Amendments of 1997 (P.L. 105-151), 2009 (P.L. 111-62) 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, D.C. metropolitan area consisting of the District, the cities of Alexandria, Falls Church and Fairfax, Virginia, and the counties of Arlington, Fairfax and Loudoun (effective with the opening of Silver Line Phase II), 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 (the “Transit Zone”). For the Fiscal Year ending June 30, 2019, the Authority provided approximately 228.9 million unlinked Metrorail trips, 123.3 million unlinked Metrobus trips, and 2.3 million MetroAccess trips.¹

Proceeds of the Series 2020A Bonds are expected to be used to (i) finance Capital Costs (as defined herein), (ii) pay capitalized interest on the Series 2020A Bonds through July 15, 2022, and (iii) pay certain costs of issuing the Series 2020A Bonds. *See* “PLAN OF FINANCE AND SOURCES AND USES OF FUNDS.”

The Series 2020A Bonds are special, limited obligations of the Authority payable solely from the Trust Estate pledged by the Resolution. The Series 2020A Bonds do not constitute a debt or legal

¹ See CAFR Fiscal Years Ended June 30, 2019 and 2018 at p. 118.

obligation of and do not create a lien upon any other revenues of the Authority or revenues of the Participating Jurisdictions, of the States, or of the United States of America. The full faith and credit of the Participating Jurisdictions, the States, or United States of America are not pledged to the payment of the Series 2020A Bonds, and none of the foregoing are liable thereon. The full faith and credit of the Authority is not pledged to the Series 2020A Bonds.

Brief descriptions of and references to the Authority, the Series 2020A Bonds, additional outstanding indebtedness of the Authority, the Compact, the Resolution, the Transit System, the Dedicated Revenues Statutes, other applicable legislations, the Dedicated Funding Grant Agreements and other funding sources for capital improvement and operating costs are included in this Official Statement. Such descriptions are 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 are found in the Authority's Comprehensive Annual Financial Report ("CAFR") for Fiscal Years ended June 30, 2019 and 2018. The following portion of the CAFR for Fiscal Year 2019 is incorporated herein by reference: the information under the heading "Financial Section," from pages 18-100, inclusive (collectively, the "Fiscal Year 2019 Audited Financial Statements"). The Authority's CAFR for Fiscal Years ended June 30, 2019 and 2018 can be found at https://www.wmata.com/about/records/public_docs/upload/Comprehensive-Annual-Financial-Report-for-the-Fiscal-Years-Ended-June-30-2019-and-2018.pdf. Unless expressly stated otherwise herein, no other information is incorporated by reference in this Official Statement. Persons considering a purchase of the Series 2020A 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 TRANSIT SYSTEM

Introduction

The Authority operates a multi-modal transit system serving the Washington, D.C. metropolitan area. The Transit System consists of Metrorail, Metrobus and MetroAccess. Metrorail has over 1,200 rail transit vehicles in operation (*see* the following map of Metrorail); Metrobus has a bus fleet of more than 1,500 buses; and MetroAccess is an ADA paratransit service for the metropolitan area. In February 2020, this network served approximately 982,000 total riders on an average weekday.² Between Fiscal Year 2018 and Fiscal Year 2019, passenger trips for the Transit System decreased by a cumulative total of 4.6 million trips, a decline of 1.6% primarily due to the 35-day federal government shutdown and planned service disruptions for major capital projects.

Based on data reported in the 2019 Public Transportation Fact Book, published by the American Public Transportation Association, Metrorail is the third-largest heavy rail system in the United States. Metrorail ridership in Fiscal Year 2018 was 175.8 million trips and 175.3 million in Fiscal Year 2019. In

² See <https://www.wmata.com/initiatives/ridership-portal/upload/February-2020-Ridership-Snapshot.pdf>.

Fiscal Year 2020, rail ridership was projected at approximately 170.2 million passenger trips and was trending upward for the first and second quarters of Fiscal Year 2020.³

Metrobus provides service to areas not served by Metrorail and is integrated closely with Metrorail operations. Metrobus serves 11,500 bus stops and provides between approximately 340,000 and 450,000 weekday passenger trips. Metrobus ridership in Fiscal Year 2018 was 119.7 million trips and in Fiscal Year 2019 increased to 124.9 million trips due to fare products and service enhancements.

MetroAccess provided 2.3 million trips in Fiscal Year 2018 and 2.4 million trips in Fiscal Year 2019 using contract carriers operating more than 750 Authority-owned vehicles.⁴ In Fiscal Year 2020 MetroAccess was projected to provide 2.3 million passenger trips, a 2.6% decrease from the prior year due to offsetting growth by shifting trips to alternative partnership programs.

Like other mass transit agencies, the Authority has experienced a significant drop in ridership due to impacts of the COVID-19 pandemic. Beginning on March 9, the Authority experienced a steep decline in ridership. Once the Governors of Maryland and the Commonwealth, and the Mayor of the District of Columbia each announced temporary stay-at-home orders directing residents to stay at their places of residence until such time as the stay-at-home orders were lifted, Authority ridership further declined. In April, Metrorail ridership was down 94% year-over-year and Metrobus ridership was down 76% year-over-year.⁵

The Authority enacted its Pandemic Flu Plan (the “Pandemic Plan”) and implemented an amended operations and service plan in connection with ridership and the development of a plan for essential travel to address the COVID-19 pandemic, which is discussed in more detail in “THE AUTHORITY – Response to the COVID-19 Pandemic.” As part of the Authority’s response to the COVID-19 pandemic, the Authority has decreased the services it offers in order to reduce the movement of people through the Transit System. Additionally, the Authority has presented a recovery plan (the “Recovery Plan”) designed to facilitate an orderly return to service when public health authorities advise it is safe to do so. The Authority cannot predict the extent to which, or the duration of time that, the COVID-19 pandemic will impact ridership or revenue long-term. *See* “THE AUTHORITY – Response to the COVID-19 Pandemic” and “INVESTMENT CONSIDERATIONS – COVID-19 Pandemic.”

Regional Demographics

The Transit System serves the Washington, D.C. metropolitan area, which, as of July 1, 2018, had a population of approximately 6.2 million individuals (based on data from the U.S. Census Bureau). 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. The U.S. Bureau of Labor Statistics reported that the non-seasonally adjusted unemployment rate in the region was 3.4% versus a national rate of 3.8%) with employment growth of 1.5%, adding 24,900 new jobs during the 12-month period ending June 30, 2019. As is the case nationally, the number of unemployment claims have significantly risen in 2020, although data estimating comparisons of unemployment rates in the region against national averages is not yet available.⁶ The COVID-19 pandemic has adversely affected employment within the service area, however, the Authority cannot predict the extent to which, or the duration of time that, the COVID-19 pandemic will impact unemployment in its region. *See* “THE AUTHORITY – Response to the COVID-19

³ *See* <https://www.wmata.com/about/news/2019-Metrorail-ridership.cfm> and <https://www.wmata.com/initiatives/ridership-portal/>.

⁴ Source: Metro Performance Report for Q4 Fiscal Year 2019 posted on WMATA website.

⁵ <https://www.wmata.com/about/news/Covid-19-Public-Information.cfm>

⁶ *See* U.S. Department of Labor’s New Release dated April 2, 2020 at <https://www.dol.gov/ui/data.pdf>.

Pandemic.” Historically, per capita personal income is consistently above the national levels. For calendar year 2018, per capita personal income for the region was \$72,483 versus \$54,446 nationally.⁷



⁷ Such figures are based on data from the Bureau of Economic Analysis.

THE SERIES 2020A BONDS

General

The Series 2020A 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 15 and July 15 commencing January 15, 2021 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 2020A 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 2020A Bonds shall be payable to the registered owners upon the surrender of Series 2020A Bonds at the principal corporate trust office of the Trustee. Interest on the Series 2020A 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 2020A 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 2020A 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 2020A 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 2020A Bonds maturing on or after July 15, 2031, shall be subject to redemption prior to maturity, in whole or in part in any authorized denomination, on any date on or after July 15, 2030, 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 2020A Bonds maturing on July 15, 2045 and bearing interest at the rate of 4.000% 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:

\$50,000,000 Term Bonds	
Due July 15, 2045	
4.000%	
Year	
(July 15)	Amount
2041	\$9,080,000
2042	9,520,000
2043	9,975,000
2044	10,460,000
2045*	10,965,000

* Final Maturity

The Series 2020A Bonds maturing on July 15, 2045 and bearing interest at the rate of 5.000% 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:

**\$124,390,000 Term Bonds
Due July 15, 2045
5.000%**

Year (July 15)	Amount
2041	\$22,590,000
2042	23,680,000
2043	24,825,000
2044	26,020,000
2045*	27,275,000

* Final Maturity

Any amount accumulated in the Debt Service Fund up to the unsatisfied balance of each Sinking Fund Installment for the Series 2020A 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 2020A 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 2020A 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 2020A 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 2020A Bonds if then redeemable by their terms at the price(s) set forth above.

Upon the purchase or redemption of any Series 2020A Bond pursuant to the provisions of the Resolution summarized in the preceding paragraph, an amount equal to the principal amount of the Series 2020A Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Series 2020A 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.

Selection of Series 2020A Bonds to be Redeemed in Partial Redemption

If less than all of the Outstanding Series 2020A 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 2020A Bonds to be redeemed and portions of any thereof to be redeemed in part. Series 2020A Bonds of denominations equal or less than the minimum authorized denomination thereof may be redeemed only as a whole. Series 2020A 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 2020A Bond which is not redeemed is an authorized denomination). If the Series 2020A 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 2020A Bonds, partial redemptions will be done in accordance with DTC procedures. It is the 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 2020A Bonds, the Trustee is required under the Resolution to give notice of such redemption to the holders of the Series 2020A 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 2020A Bonds of such maturity are not being redeemed); (iv) the letters, numbers, or other distinguishing marks (if less than all Series 2020A 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 2020A 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 2020A 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 2020A 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 Bonds

The Series 2020A 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 2020A Bonds will be available in book-entry-only form. Purchasers of beneficial ownership interests in the Series 2020A Bonds will not receive certificates representing their interests in the Series 2020A Bonds purchased. *See* “APPENDIX C – BOOK-ENTRY-ONLY SYSTEM PROCEDURES.”

Principal of and interest on the Series 2020A 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 2020A Bonds; (iii) the payment by DTC or any DTC Participant of any amount received with respect to the Series 2020A Bonds; (iv) any consent given or other action taken by DTC or its nominee as the owner of the Series 2020A Bonds; or (v) any other related matter.

PLAN OF FINANCE/SOURCES AND USES OF FUNDS

Plan of Finance

Proceeds of the Series 2020A Bonds are expected to be used to (i) pay for and finance certain Capital Costs, (ii) pay capitalized interest on the Series 2020A Bonds through July 15, 2022 and (iii) pay certain costs of issuing the Series 2020A Bonds.

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2020A Bonds.

Sources

Par Amount	\$545,000,000.00
Net Original Issue Premium	<u>149,879,812.15</u>
Total Sources	\$694,879,812.15

Uses

Deposit to the Proceeds Fund for Capital Costs	\$635,327,441.65
Deposit to the Debt Service Fund for Capitalized Interest	55,391,353.33
Deposit to the Costs of Issuance Account	1,480,598.28
Underwriters' Discount	<u>2,680,418.89</u>
Total Uses	\$694,879,812.15

SECURITY FOR THE PAYMENT OF THE SERIES 2020A BONDS

Limited Obligations

The Series 2020A Bonds constitute “Obligations” under the Resolution and are special, limited obligations of the Authority payable solely from the Trust Estate. The Series 2020A Bonds do not constitute a debt or legal obligation of and do not create a lien upon any other revenues of the Authority, or on the revenues of the Participating Jurisdictions, the States or the United States of America. The full faith and credit of the United States of America, the States and the Participating Jurisdictions are not pledged to the payment of the Series 2020A Bonds, and none of the foregoing are liable thereon. The full faith and credit of the Authority is not pledged to payment of the Series 2020A Bonds. The Authority has no taxing power.

Pledge of the Trust Estate

The Trust Estate consists of, subject to the terms and provisions of the Resolution:

- (a) all Dedicated Capital Funding Revenues;
- (b) the proceeds of the sale of the Obligations;
- (c) all Funds, Accounts and Subaccounts established by the Resolution (other than the Clearing Account, except to the extent otherwise provided in the Resolution, and any rebate funds established pursuant to a tax certificate or agreement executed by the Authority in connection with a Series of Obligations and any 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 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 thereof.

Dedicated Capital Funding Revenues do not include (a) those funds in the Commonwealth's Restricted Account, which are ineligible for use as security for debt, (b) any funds in excess of the respective amounts set forth in the Dedicated Revenue Statutes as of April 23, 2020, as a result of any amendment to any of the Dedicated Revenue Statutes unless the Authority amends the Resolution in accordance with its terms to pledge such increased funds as part of the Trust Estate under the Resolution, or (c) any other revenues, taxes, charges, assessments or other moneys paid to the Authority.

The Resolution pledges the Trust Estate as security for the payment of the Series 2020A Bonds. The Series 2020A Bonds will be issued on a parity with all other bonds and other Obligations and Parity Debt as provided in the Resolution. The pledge created by the Resolution, insofar as it relates to any portion of the Trust Estate pledged to the payment of the Pre-2018 Bonds, is subordinate in all respects to the pledge created by the 2003 Bond Resolution to pay the Pre-2018 Bonds.

Under the 2003 Bond Resolution, the Dedicated Capital Funding Revenues are pledged to the payment of the Pre-2018 Bonds and the pledge of the Dedicated Capital Funding Revenues created by the

Resolution is subordinate in all respects to that pledge created by the 2003 Bond Resolution. So long as any Pre-2018 Bonds are outstanding, no Series 2020A Bonds nor the Trustee shall have any right to any payment from Dedicated Capital Funding Revenues unless and until the Dedicated Capital Funding Revenues shall (a) first be deposited as provided in the 2003 Bond Resolution, and (b) applied as provided in said 2003 Bond Resolution. Upon application of the Dedicated Capital Funding Revenues first to meet the funding requirements of the Pre-2018 Bonds if required under the 2003 Bond Resolution, then the balance of all Dedicated Capital Funding Revenues are to be transferred to the Trustee and deposited into the Revenue Fund established under the Resolution as soon as practicable thereafter. *See* “SECURITY FOR PAYMENT OF THE SERIES 2020A BONDS—Flow of Funds.”

Flow of Funds

The Dedicated Capital Funding Revenues are the principal source of the Trust Estate. Each of the States has been directed by the Authority to pay their respective Dedicated Capital Funding Revenues directly to the Clearing Account Agent for deposit into a Clearing Account established in the name of the Authority and held uninvested and administered by the Clearing Account Agent. It is the present intention of the Authority that the Trustee also serve as the Clearing Account Agent. Except to the extent otherwise provided in the Resolution, the Clearing Account is not part of the Trust Estate established by the Resolution. So long as the Pre-2018 Bonds are outstanding, the Clearing Account Agent shall be unconditionally obligated to pay over to the Trustee for the Pre-2018 Bonds (the “2003 Trustee”) all Dedicated Capital Funding Revenues as soon as practicable following the receipt thereof, but in no event later than the morning of the Business Day immediately succeeding each date of receipt of Dedicated Capital Funding Revenues by the Clearing Account Agent. In accordance with the 2003 Bond Resolution, all Dedicated Capital Funding Revenues, as soon as practicable after the receipt thereof, are to be deposited by the 2003 Trustee in an account held and administered by the 2003 Trustee (the “2003 Dedicated Capital Funding Revenues Account”) established in the revenue fund (the “2003 Revenue Fund”) established under the 2003 Bond Resolution.

Subject to the proviso below, the Authority is required by the 2003 Bond Resolution to direct the 2003 Trustee, on the Business Day next succeeding each deposit of Dedicated Capital Funding Revenues into the 2003 Dedicated Capital Funding Revenues Account, to transfer all Dedicated Capital Funding Revenues on deposit in the 2003 Dedicated Capital Funding Revenues Account to the Trustee, and such amounts so transferred shall be free and clear of the pledge created by the 2003 Bond Resolution; provided, whenever the amount paid out of the gross proceeds account (the “2003 Gross Proceeds Account”) established in the 2003 Revenue Fund with respect to the Pre-2018 Bonds is less than the amount which should have been transferred (i.e., accrued debt service on the Pre-2018 Bonds on a quarterly basis), then an amount equal to such deficiency shall be held in the 2003 Dedicated Capital Funding Revenues Account and applied in a timely manner to the payment when due of the Pre-2018 Bonds. Should such deficiency be made up from other sources, or such Pre-2018 Bonds be otherwise paid, then the amount so held may be applied as aforesaid.

When the Pre-2018 Bonds are no longer outstanding, the Clearing Account Agent will transfer the Dedicated Capital Funding Revenues from the Clearing Account to the Revenue Fund as soon as practicable after the receipt thereof. Prior to the retirement of the Pre-2018 Bonds in accordance with their terms, the Pre-2018 Bonds shall have a first right of payment from the Clearing Account and the investment income thereon, if any, in accordance with terms of the 2003 Bond Resolution. So long as the Pre-2018 Bonds are outstanding in accordance with their terms, none of the Series 2020A Bonds nor the Trustee shall have any lien on or right to payment from the Clearing Account or any funds contained in the Clearing Account or any investment income thereon, if any; on and after the date the Pre-2018 Bonds are no longer outstanding in accordance with their terms, the Clearing Account shall automatically and without further act become subject to the lien of the Resolution.

The Trustee shall deposit all Dedicated Capital Funding Revenues as soon as practicable after receipt thereof, into the Revenue Fund established under the Resolution. The Trustee shall transfer promptly all amounts deposited to the Revenue Fund into the following Funds and Accounts, 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 on the next Debt Service Payment Date;

(b) 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;

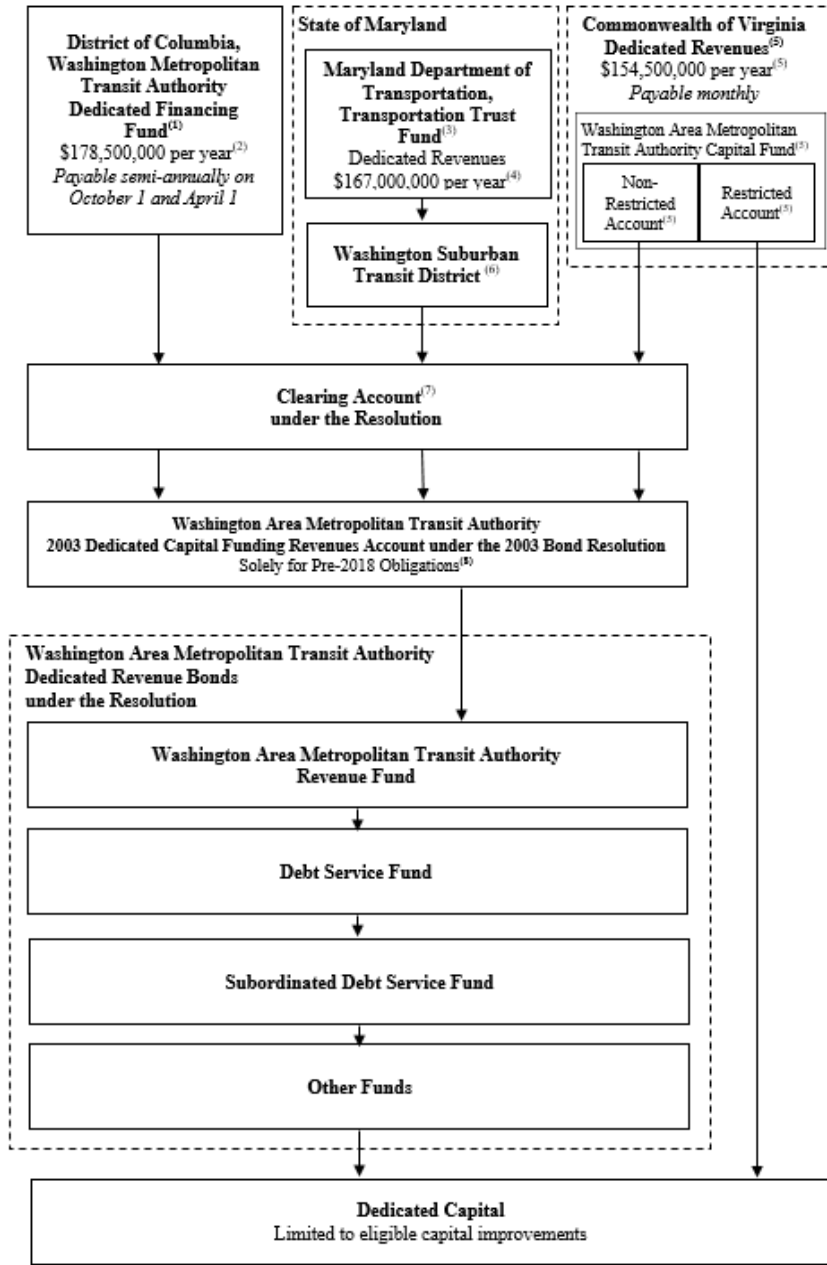
(c) transfer to the Authority for deposit in the Proceeds Fund as directed in writing by an Authorized Officer of the Authority; and

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

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.

The following chart summarizes the sources of Dedicated Capital Funding Revenues and the flow of funds once such Dedicated Capital Funding Revenues are transferred to the Clearing Account Agent. Such deposit occurs as soon as practicable after the receipt thereof as required by the Resolution.

Dedicated Revenue Bonds Sources and Flow of Funds



⁽¹⁾ Sources of funding for the Washington Metropolitan Area Transit Authority Dedicated Financing Fund are general sales retail taxes collected by the District of Columbia. See "SOURCES OF PAYMENT OF THE SERIES 2020A BONDS—Dedicated Capital Funding Revenues -- *District of Columbia*."

⁽²⁾ Funds are subject to annual appropriation by the Council. Amounts may also be reduced proportionately to the extent that Maryland or the Commonwealth do not pay the full amount of their obligations. See "SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Dedicated Capital Funding Revenues -- *District of Columbia*."

⁽³⁾ Sources of funds include motor fuel taxes, vehicle excise (titling) taxes, motor vehicle fees (registrations, licenses and other fees), and federal aid. In addition, the Trust Fund also includes corporate income taxes, sales and use taxes, operating revenues (e.g., transit fares, port fees, airport fees), and bond proceeds. See "SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Dedicated Capital Funding Revenues -- *State of Maryland*."

⁽⁴⁾ Funds are subject to annual appropriation by the Maryland state legislature and withholding of up to 35% of other Maryland contributions if the Authority's operating budget increases by more than 3% in any year. Amounts may also be reduced to the extent that the District of Columbia or Commonwealth of Virginia do not pay the full amount of their obligations. Funds are anticipated to be paid quarterly. See "SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Dedicated Capital Funding Revenues – *State of Maryland*" and "INVESTMENT CONSIDERATIONS - Three Percent (3%) Cap on Operating Budget Increase and Timing of Cash Receipts."

⁽⁵⁾ Funds are subject to annual appropriation by the General Assembly. Amounts may also be proportionately reduced to the extent that the District of Columbia or State of Maryland do not pay the full amount of their obligations. Funds are derived from a number of Commonwealth and local sources. See Chart 1.

⁽⁶⁾ MDOT will provide an annual grant of at least \$167,000,000 from revenues available for the Maryland capital program in the Transportation Trust Fund to the WSTD to be used only to pay the capital costs of the Authority. See "SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Dedicated Capital Funding Revenues – *State of Maryland*."

⁽⁷⁾ Clearing Account is held and administered by the Clearing Account Agent. Funds are not subject to the lien of the Resolution except as provided in the Resolution. See "SECURITY FOR PAYMENT OF THE SERIES 2020A BONDS – Pledge of the Trust Estate."

⁽⁸⁾ 2003 Dedicated Revenue Account is held and administered by the 2003 Trustee. Funds are a part of aggregate Gross Revenue pledged to the 2003 Bond Resolution and it is anticipated other revenue sources within the pledged Gross Revenue are sufficient to cover debt service on Pre-2018 Obligations. See "OTHER OUTSTANDING DEBT – Security for Outstanding Gross Revenue Bonds."

Obligations of the States

The Authority has covenanted in the Resolution to use reasonable efforts to cause the States to make payments of their respective Dedicated Capital Funding Revenues in order to provide the amounts required to make the deposits required under the Resolution. To that end, the Authority has covenanted to take all appropriate governmental action including, without limitation, action to obtain assistance and support for its efforts from the States.

Pursuant to the Dedicated Revenue Statutes and the Dedicated Funding Grant Agreements, the States are obligated, subject to the limitations described herein (*see* “INVESTMENT CONSIDERATIONS”), to include in their respective budgets and to appropriate or otherwise provide their share of Dedicated Capital Funding Revenues. None of the States have been asked to provide, and none have provided, either a certificate or an opinion of counsel regarding whether their respective contractual obligations pursuant to the Dedicated Funding Grant Agreements to pay their respective share of the Dedicated Capital Funding Revenues 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.

Due to startup delays in launching new intergovernmental funding programs related to the Dedicated Revenue Statutes, payments of the Dedicated Capital Funding Revenues to the Authority were delayed a few weeks in Fiscal Year 2020. The execution of the District Dedicated Funding Grant Agreement (as defined herein) resulted in the payment due on October 1, 2019, being received on March 9, 2020. The execution of the Maryland Dedicated Funding Grant Agreement among Maryland, MDOT and WSTD and the Authority was resolved with Dedicated Capital Funding Revenues being received by the Authority on October 1, 2019. The Commonwealth submitted timely payment of Dedicated Capital Funding Revenues.⁸ All Dedicated Capital Funding Revenues are now flowing to the Authority consistent with requirements of each of the Dedicated Revenue Statutes and related funding agreements. *See* Table 8 below.

Remedies of the Authority

The obligations of the States are unsecured, contingent obligations under the Compact, the Dedicated Funding Grant Agreements and related agreements and statutes. If a State were to fail to timely make a required Dedicated Capital Funding Revenue payment, in addition to an enforcement action, if any, available pursuant to the Compact and Dedicated Revenue Statutes, or the Dedicated Funding Grant Agreements, the Authority could decide to issue stop work orders or to exercise termination for convenience provisions of capital projects construction agreements for capital projects located inside the boundaries of the nonpaying State. *See* “CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program -- *Current and Ongoing Funding*.”

Pursuant to the terms of the Resolution, the Authority has covenanted to, insofar as practicable and consistent with the conditions precedent of the Dedicated Revenue Statutes and all remedies at law, to take all actions reasonably necessary to ensure the continued receipt of Dedicated Capital Funding Revenues that will be used to pay the principal of and interest on Obligations issued in anticipation of such receipt.

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 2020A Bonds with the exception

⁸ For a discussion of Virginia’s payment of non-dedicated funds, please *see* “CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program”.

of the claim on the Dedicated Capital Funding Revenues that exists under the 2003 Bond Resolution for the Pre-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 2020A 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 payable from the Dedicated Capital Funding Revenues 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 Authority's records, the Authority will be in compliance with its covenant summarized under the caption "Obligations of the States and Participating Jurisdictions" 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 Dedicated Capital Funding Revenues for any twelve (12) consecutive months out of the last eighteen (18) months immediately preceding the incurrence or issuance of such Obligations, shall at least equal 400% of the sum of: (a) the Maximum 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 plus (b) maximum annual aggregate debt service on any outstanding Pre-2018 Bonds issued under the 2003 Bond Resolution 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 Pre-2018 Bonds; provided, however, that for the purpose of the foregoing clause (b), there shall be excluded from the calculation any debt service on the Pre-2018 Bonds to the extent that Gross Revenues as defined and described in the 2003 Bond Resolution were sufficient to pay debt service on Pre-2018 Bonds during such 12-month period; provided, further, that for Obligations issued in Fiscal Year 2020, the amount of Dedicated Capital Funding Revenues used in this paragraph shall be the projected amount of Dedicated Capital Funding Revenues instead of the actual amount of Dedicated Capital Funding Revenues. 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* "CAPITAL IMPROVEMENT PROGRAM" and "OTHER 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 Dedicated Capital Funding Revenues test summarized in the preceding paragraph.

Pursuant to the terms of the Resolution, the Authority has covenanted to, insofar as practicable and consistent with the conditions precedent of the Dedicated Revenue Statutes and all remedies at law, to take all actions reasonably necessary to ensure the continued receipt of Dedicated Capital Funding Revenues that will be used to pay the principal of and interest on Obligations issued in anticipation of such receipt.

TABLE 1

ANNUAL DEBT SERVICE REQUIREMENTS FOR SERIES 2020A BONDS

FY Ending June 30	Pre-2018 Bonds Debt Service ⁽¹⁾	Series 2020A Bonds				Aggregate Net Debt Service ⁽²⁾
		Principal	Interest	Capitalized Interest	Net Debt Service	
2021	54,327,500	-	15,721,153	(15,721,153)	-	54,327,500
2022	54,306,500	-	26,446,800	(26,446,800)	-	54,306,500
2023	54,287,125	-	26,446,800	(13,223,400)	13,223,400	67,510,525
2024	54,276,375	13,025,000	26,121,175	-	39,146,175	93,422,550
2025	54,256,375	13,690,000	25,453,300	-	39,143,300	93,399,675
2026	54,244,125	14,390,000	24,751,300	-	39,141,300	93,385,425
2027	54,226,375	15,130,000	24,013,300	-	39,143,300	93,369,675
2028	54,209,875	15,905,000	23,237,425	-	39,142,425	93,352,300
2029	54,186,250	16,720,000	22,421,800	-	39,141,800	93,328,050
2030	54,171,750	17,580,000	21,564,300	-	39,144,300	93,316,050
2031	54,157,250	18,480,000	20,662,800	-	39,142,800	93,300,050
2032	54,138,750	19,430,000	19,715,050	-	39,145,050	93,283,800
2033	54,141,500	20,425,000	18,718,675	-	39,143,675	93,285,175
2034	54,106,375	21,470,000	17,671,300	-	39,141,300	93,247,675
2035	54,050,125	22,575,000	16,570,175	-	39,145,175	93,195,300
2036	35,522,000	23,730,000	15,412,550	-	39,142,550	74,664,550
2037	35,519,750	24,950,000	14,195,550	-	39,145,550	74,665,300
2038	35,523,250	26,230,000	12,916,050	-	39,146,050	74,669,300
2039	35,519,250	27,575,000	11,570,925	-	39,145,925	74,665,175
2040	35,519,375	28,985,000	10,156,925	-	39,141,925	74,661,300
2041	35,519,875	30,320,000	8,825,900	-	39,145,900	74,665,775
2042	35,521,875	31,670,000	7,473,150	-	39,143,150	74,665,025
2043	35,521,375	33,200,000	5,944,400	-	39,144,400	74,665,775
2044	-	34,800,000	4,341,875	-	39,141,875	39,141,875
2045	-	36,480,000	2,662,050	-	39,142,050	39,142,050
2046	-	38,240,000	901,175	-	39,141,175	39,141,175
Total	\$1,097,253,000	\$545,000,000	\$423,915,903	(\$55,391,353)	\$913,524,550	\$2,010,777,550

Figures in the table may not sum due to rounding.

1. Debt service on the Pre-2018 Bonds issued under the 2003 Bond Resolution, which have a priority lien on the Dedicated Capital Funding Revenues. See "OTHER OUTSTANDING DEBT – Security for Outstanding Gross Revenue Bonds" herein.
2. Includes net debt service on Pre-2018 Bonds and Series 2020A Bonds.

TABLE 2

**Available Dedicated Capital Funding Revenue and Projected
Dedicated Revenue Bond Debt Service Coverage (\$000s)**

	[A]	[B]	[C=A-B]	[D]	[E=A/D]	[F=C/D]
Fiscal Year	Dedicated	Pre-2018	Available	Series 2020A	Gross Debt	Net Debt
Ending	Capital	Bonds	Dedicated	Bonds	Service	Service
<u>June 30</u>	<u>Funding⁽¹⁾</u>	<u>Service⁽²⁾</u>	<u>Funding</u>	<u>Debt Service⁽³⁾</u>	<u>Coverage</u>	<u>Coverage</u>
2021	470,000	54,328	415,673	-	-	-
2022	470,000	54,307	415,694	-	-	-
2023	470,000	54,287	415,713	13,223	35.5x	31.4x
2024	470,000	54,276	415,724	39,146	12.0x	10.6x
2025	470,000	54,256	415,744	39,143	12.0x	10.6x
2026	470,000	54,244	415,756	39,141	12.0x	10.6x
2027	470,000	54,226	415,774	39,143	12.0x	10.6x
2028	470,000	54,210	415,790	39,142	12.0x	10.6x
2029	470,000	54,186	415,814	39,142	12.0x	10.6x
2030	470,000	54,172	415,828	39,144	12.0x	10.6x
2031	470,000	54,157	415,843	39,143	12.0x	10.6x
2032	470,000	54,139	415,861	39,145	12.0x	10.6x
2033	470,000	54,142	415,859	39,144	12.0x	10.6x
2034	470,000	54,106	415,894	39,141	12.0x	10.6x
2035	470,000	54,050	415,950	39,145	12.0x	10.6x
2036	470,000	35,522	434,478	39,143	12.0x	11.1x
2037	470,000	35,520	434,480	39,146	12.0x	11.1x
2038	470,000	35,523	434,477	39,146	12.0x	11.1x
2039	470,000	35,519	434,481	39,146	12.0x	11.1x
2040	470,000	35,519	434,481	39,142	12.0x	11.1x
2041	470,000	35,520	434,480	39,146	12.0x	11.1x
2042	470,000	35,522	434,478	39,143	12.0x	11.1x
2043	470,000	35,521	434,479	39,144	12.0x	11.1x
2044	470,000	-	470,000	39,142	12.0x	12.0x
2045	470,000	-	470,000	39,142	12.0x	12.0x
2046	470,000	-	470,000	39,141	12.0x	12.0x

1. Does not include funds in Virginia Restricted Account.

2. Includes debt service on the Pre-2018 Bonds issued under the 2003 Bond Resolution, which have a priority lien on the Dedicated Capital Funding Revenues. *See* “OTHER OUTSTANDING DEBT – Security for Outstanding Gross Revenue Bonds” herein.

3. Assumes net debt service payments for the Series 2020A Bonds. *See* Table 1.

OBLIGATIONS OF THE PARTICIPATING JURISDICTIONS FOR MATTERS OTHER THAN THE SERIES 2020A BONDS

As previously discussed, under the 2003 Bond Resolution, the Dedicated Capital Funding Revenues are pledged to the payment of the Pre-2018 Bonds and the pledge of the Dedicated Capital Funding Revenues created by the Resolution is subordinate in all respects to that pledge created by the 2003 Bond Resolution. The Authority has covenanted in both the Resolution and the 2003 Bond Resolution to use reasonable efforts to cause the Participating Jurisdictions to make payments of their respective Stable and Reliable Sources (as defined below), together with other funds if necessary, in order to provide the amounts required to make the deposits required under the 2003 Bond Resolution including amounts needed to pay debt service on bonds issued under the 2003 Bond Resolution such as the Pre-2018 Bonds. *See* “OTHER OUTSTANDING DEBT – Security for Outstanding Gross Revenue Bonds.” To that end, the Authority has covenanted to take all appropriate 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 and other related capital and operating funding agreements, the Participating Jurisdictions (with WSTD acting on behalf of the Maryland jurisdictions) are obligated, subject to the limitations described herein (*see* “INVESTMENT CONSIDERATIONS”), 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. None of the Participating Jurisdictions have been asked to provide, and none have provided, either a certificate or an opinion of counsel regarding whether their respective contractual obligations pursuant to the Compact, any Capital Funding Agreement (“CFA” or the “Capital Funding Agreement”) or any other capital or operating agreement to pay their respective share of the Authority’s budget for capital or operating needs of the Transit System, including debt service on obligations issued under the 2003 Bond Resolution, 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. The Participating Jurisdictions are not obligated to make payments to the Authority which are to be used to pay Debt Service on the Series 2020A Bonds.

Since the Participating Jurisdictions first had funding obligations to the Authority in 1970, no Participating Jurisdiction has failed to make (either on time or within a few days of the payment date) their Stable and Reliable Funding Sources payment to the Authority, except in 1993, the District was one month late in making such payment, and in 2019 when Maryland temporarily withheld a portion of Capital Contributions (as defined below) pending the resolution of audit concerns regarding the funding for a prior Fiscal Year. However, past performance is not a guarantee of future performance. *See* “CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program -- *Current and Ongoing Funding.*”

SOURCES OF PAYMENT OF THE SERIES 2020A BONDS

Dedicated Revenue Statutes

The “Keeping Metro Safe, Reliable & Affordable” Plan (the “KMSRA Plan”), which was adopted as the Authority’s Strategic Plan by the Board of Directors on March 28, 2019, outlines \$15.0 billion in capital projects over the next 10 years, requiring approximately \$1.5 billion in average annual capital investments for capital projects in order to keep the Transit System safe and reliable. Each of the States has adopted legislation providing for funding that collectively directs approximately \$500 million in new annual funding, subject to respective annual appropriations by each State, to the Authority exclusively for capital projects and purposes (i.e., the Dedicated Capital Funding Revenues) to fund its commitment under the KMSRA Plan. The Authority began receiving Dedicated Capital Funding Revenues from the States in

Fiscal Year 2020. The Series 2020A Bonds and any additional Obligations issued under the Resolution are secured only by the Trust Estate, which does not include (a) any funds in the hereinafter defined Restricted Account of the Commonwealth's WMATA Capital Funds, (b) any funds in excess of the respective amounts set forth in the Dedicated Revenue Statutes as of April 23, 2020, as a result of any amendment to any such Dedicated Revenue Statutes unless the Authority amends the Resolution to pledge such increased funds as part of the Trust Estate, or (c) any other revenues of the Transit System.

Dedicated Capital Funding Revenues

District of Columbia

Washington Metropolitan Area Transit Authority Dedicated Financing Fund

On September 5, 2018, the District enacted its Fiscal Year 2019 Budget Support Act of 2018 ("District Dedicated Revenue Statute"), which included a section to establish a special fund, the WMATA Dedicated Financing Fund, which is administered by the Mayor in accordance with such statute.⁹ The District Dedicated Revenue Statute provides that there is to be deposited into the WMATA Dedicated Financing Fund general retail sales tax revenue as follows: (1) in the District's fiscal year 2019 (ending September 30), \$178.5 million; (2) in the District's fiscal year 2020, \$178.5 million; and (3) in the District's fiscal year 2021, and each successive year, an amount equal to the District's allocation of the Authority's jurisdictional formula, applied to the total annual capital funding need of \$500 million in fiscal year 2020, escalated annually by 3% above the preceding fiscal year.¹⁰

Under the District Dedicated Revenue Statute, the District was obligated to pay \$178.5 million to the Authority in the District's fiscal year 2019.¹¹ The Authority received its first quarterly payment of such funding on July 1, 2019 and its final quarterly payment on April 1, 2020.¹² Starting in the District's fiscal year 2020, money in the WMATA Dedicated Financing Fund is to be distributed to the Authority on a semi-annual basis, with one payment due October 1 and one payment due April 1.¹³ Under the District Dedicated Revenue Statute, money deposited into the WMATA Dedicated Financing Fund shall not revert to the unrestricted fund balance of the general fund of the District at the end of any fiscal year of the District, or at any other time. Subject to authorization in an approved budget and financial plan, any funds appropriated in the WMATA Dedicated Financing Fund shall be continually available without regard to fiscal year limitation.¹⁴

General Sales Tax. On October 1, 2018, the District increased its general sales tax from 5.75% to 6%. The District levies a general sales tax on the sale of tangible property, selected services, medical marijuana, some sweetened beverages and food sold in vending machines. Other sales and use tax rates range from 10.0% to 18.0%. A portion of sales and use taxes on restaurant meals and hotel accommodations is dedicated to paying debt service on revenue bonds issued by the Washington Convention and Sports Authority ("WCSA") and its predecessor, the Washington Convention Center Authority ("WCCA"), to finance the Walter E. Washington Convention Center and a hotel in connection with the convention center

⁹ D.C. Code §1-325.401(a).

¹⁰ D.C. Code §1-325.401(b).

¹¹ D.C. Code §1-325.401(c)(1).

¹² These two payments were made in the District's fiscal year 2019 in lieu of other District obligations while the District Dedicated Funding Grant Agreement was being negotiated. Such payments were not made from Dedicated Capital Funding Revenues.

¹³ D.C. Code §1-325.401(c)(2).

¹⁴ D.C. Code §1-325.401(d).

and to paying operating expenses of WCSA. The convention center taxes are collected by the District in accordance with certain lockbox and collection agreements and consist of 4.45% of the gross receipts for the sale or charges for any hotel room in the District and 1% of the gross receipts from the sale or charges made in the District for restaurant meals, alcoholic beverages consumed on premises and rental vehicle charges. Additionally, portions of certain sales and use taxes, utility taxes and the Ballpark Fee¹⁵ are dedicated to the payment of bonds issued to finance the construction of a baseball stadium in the District that is owned by the District and leased to the owners of the Washington National, and the renovation of Robert F. Kennedy Memorial Stadium. Since October 1, 2017, 0.3% of the hotel tax has been distributed to Destination DC. Since October 1, 2018, 0.3% of the general retail sales tax has been dedicated to the Commission on Arts and Humanities. In addition, a portion of general sales taxes collected in certain areas of the District are dedicated to paying debt service on the District tax increment financing (TIF) bonds and notes.

In response to the COVID-19 pandemic, “shelter-at-home” directives across the United States went into effect in an attempt to slow the spread of disease, resulting in consumer decline and steep drops in retail sales and sales of prepared food and beverage. Revised quarterly estimates for the District’s fiscal years 2020-2024 were submitted by the District’s Chief Financial Officer to the Mayor and Council on April 24, 2020 (the “Revenue Estimate”), reflecting quarterly estimates that have been revised downward. Despite the estimated revenue reductions for fiscal year 2021, the District has estimated the full payment of its District Dedicated Capital Funding Revenues to the Authority. In the Revenue Estimate, the District’s fiscal year 2020 has been revised downward by \$722 million from its February 2020 estimate. Similarly, revenue estimates for each of the succeeding years through 2024 have been revised downward as well, reflecting the unprecedented shutdown of the District and national economy to combat the COVID-19 pandemic. For the District’s fiscal year 2020, approximately \$400 million of the revenue reduction is due to decreases in general sales tax collections. The reduction from the February 2020 estimate is generally due to decreased sales taxes as hotels, restaurants, and most on-premise retail activity has either ceased or significantly diminished. The Authority cannot, however, predict the extent or the manner in which such continued decline related to the COVID-19 pandemic will impact the District’s general sales tax revenues in the future. The Authority is also unable to predict the duration of consumer decline and reduced sales tax revenues, which, in the case of sustained consumer decline over a period of time, could significantly, negatively impact the District’s general sales tax revenues, and the application of such to alternative purposes. *See* “INVESTMENT CONSIDERATIONS – COVID-19 Pandemic.”

¹⁵ The Ballpark Fee is a gross receipts fee that is levied on businesses within the District with \$5 million or more in annual District gross receipts and that are either subject to filing franchise tax returns (whether corporate or unincorporated) or are employers required to make unemployment insurance contributions, in accordance with the following schedule; for gross receipts totaling \$5,000,000 to \$8,000,000, the required fee is \$5,500; for gross receipts totaling \$8,000,001 to \$12,000,000, the required fee is \$10,800; for gross receipts totaling \$12,000,001 to \$16,000,000, the required fee is \$14,000, and for gross receipts totaling \$16,000,001 and greater, the required fee is \$16,500.

Table 3 shows historical general sales tax receipts received by the District for Fiscal Years 2010-2019 which includes revenue that funds the Fiscal Year 2020 District Dedicated Capital Funding Revenues of \$178.5 million.

TABLE 3

Fiscal Year	General Sales Tax Receipts (\$000s) ⁽¹⁾
2010	976,690
2011	1,014,901
2012	1,111,044
2013	1,137,892
2014	1,172,059
2015	1,315,295
2016	1,343,074
2017	1,419,197
2018	1,492,567
2019	1,597,727

Source – Government of the District of Columbia’s Office of the Chief Financial Officer Quarterly Revenue Estimates Letter 2011-2020. Produced quarterly, the Quarterly Revenue Estimates Letter contains actual, estimated and projected revenue amounts for the previous, current, and future fiscal years, respectively, for the District. The general sales tax receipt amount for a certain fiscal year is provided in such letter from the subsequent fiscal year.

- ^{1.} The general sales tax rate of 6% decreased to 5.75% effective October 1, 2013. On October 1, 2018, the District increased its general sales tax from 5.75% to 6%.

District Dedicated Funding Grant Agreement

WMATA and the District have entered into a Dedicated Funding Grant Agreement, dated February 14, 2020 (the “District Dedicated Funding Grant Agreement”), which provides for the disbursement of the District Dedicated Capital Funding Revenues from the WMATA Dedicated Financing Fund to the Authority. **The District Dedicated Funding Grant Agreement provides that any commitment or agreement of the District required by the District Dedicated Funding Grant Agreement shall be subject to the annual appropriation and allocation of funds and other limitations on expenditures or obligations under District and federal law. The District Dedicated Funding Grant Agreement also provides that it shall not constitute an obligation of the District until funds are duly appropriated and allocated and semi-annual payments become due pursuant to the District Dedicated Funding Grant Agreement.** In addition, a CFA to which both the Authority and the District are parties is incorporated by reference as a material requirement of the District Dedicated Funding Grant Agreement. The District is not required to make any Dedicated Capital Funding Revenue payment (“Dedicated Funding Grant”) under the District Dedicated Funding Grant Agreement unless and until a CFA that covers the corresponding time period is signed by the Authority and the District.

The District Dedicated Funding Grant Agreement provides that the District is required under D.C. Code §1-325.401 and the District Dedicated Funding Grant Agreement to provide the Authority a Dedicated Funding Grant in the amount of \$178.5 million in Fiscal Year 2020, and in future Fiscal Years, in the amount provided in D.C. Code §1-325.401, as it may be amended from time to time. In the District Dedicated Funding Grant Agreement, the District has reserved its right to reduce its Dedicated Funding

Grant in a Fiscal Year by a proportional amount if either Maryland or the Commonwealth does not pay its full amount of dedicated funding in the Authority's Fiscal Year.

The District Dedicated Funding Grant Agreement provides that the District shall pay the Dedicated Funding Grant to the Authority on a semi-annual basis, with one payment due October 1 and one payment due April 1, with each payment being made in response to an invoice provided by the Authority. The Authority is required to submit an invoice, separate from the invoices that the Authority issues that are applicable to any Capital Funding Agreement, to the District for each semi-annual payment at least 45 days prior to the date the payment is due.¹⁶

The District Dedicated Funding Grant Agreement requires that the District annually provide the Authority with written notice that funds have been, are intended to be, or will not be appropriated to cover the Dedicated Funding Grant for the upcoming Fiscal Year of the Authority. If the District's appropriations process is not completed by July 1, the District is required to provide to the Authority (1) a written explanation as to the reason funds have not been appropriated and confirmation that an amount equal to the Dedicated Funding Grant has been or will be included in the next District fiscal year budget that the Mayor forwards to the Council of the District of Columbia (the "Council") and (2) written assurance that all reasonable efforts will be undertaken to secure the ultimate appropriation of funds in a prompt and timely fashion. If the District becomes aware that funds will not be appropriated in full for the Dedicated Funding Grant, then the District shall notify the Authority within five (5) business days of the action taken by the Council.

Under the District Dedicated Funding Grant Agreement, the Dedicated Funding Grant may be expended by the Authority only for State of Good Repair Capital Projects ("State of Good Repair Capital Projects") in the Authority's then-current approved Capital Improvement Program ("CIP") and capital budget. The District Dedicated Funding Grant Agreement defines State of Good Repair Capital Projects as capital projects for the replacement, rehabilitation, or annual capital maintenance of existing capital assets necessary for Transit System preservation. Additionally, under the District Dedicated Funding Grant Agreement, the Dedicated Funding Grant may be used by the Authority to pay for debt service payments on borrowings designated to address State of Good Repair Capital Projects or critical funding needs for pay-as-you-go (paygo) cash funding for State of Good Repair Capital Projects that are identified in the capital budget or CIP. The Dedicated Funding Grant may not be used for purposes of Transit System expansion or for operating expenses.

Pursuant to and in compliance with the review and approval processes established in the CFA, the Board has adopted the CIP for the period of July 1, 2019 through June 30, 2025 (the "WMATA FY2020-FY2025 CIP"), which is incorporated as a material part of the District Dedicated Funding Grant Agreement. In addition, the CFA is incorporated by reference as if fully stated in the District Dedicated Funding Grant Agreement so as to apply those terms and conditions to the actions of the parties with regard to the Dedicated Funding Grant, except to the extent that the District Dedicated Funding Grant Agreement creates a conflict with the CFA, then the District Dedicated Funding Grant Agreement shall control only for Dedicated Funding Grants provided by the District. The Parties agree that the Authority will adjust the capital projects included in the CIP, according to the process referenced in the CFA, each year within the term of the District Dedicated Funding Grant Agreement on a rolling basis, as required to meet the Authority's ongoing and updated CIP and other capital needs, and for planning the Authority's ongoing and updated CIP and other capital needs for years beyond the term of the District Dedicated Funding Grant Agreement, subject to the availability of funding. If there are unexpended Dedicated Funding Grant funds in the capital budget at the end of any Fiscal Year, the unexpended funds are "rolled over" to the succeeding

¹⁶ The Authority sent the October 1, 2019 and April 1, 2020 invoices on February 14, 2020. The October 1, 2019 payment of \$89,250,000 was received on March 9, 2020. The April 1, 2020 payment was received on that date.

Fiscal Year for programming by the Board through the CFA process as part of the funding for State of Good Repair Capital Projects shown in the capital budget. The unexpended funds shall not reduce funding requirements for the succeeding year's Dedicated Funding Grant to the capital budget, subject to the provisions of the District Dedicated Funding Grant Agreement.

The District Dedicated Funding Grant Agreement requires the Authority to develop, as a part of its annual budget process, a capital budget pursuant to the terms and conditions of the CFA, in accordance with applicable laws and Board policies. Under the CFA, the District agrees to continually pay its proportionate share of debt service payments of any outstanding bonds issued under the 2003 Bond Resolution, as amended. For purposes of compliance with the District Dedicated Funding Grant Agreement, the Authority must apply the budgeting and project identification requirements of the CFA to the Dedicated Funding Grant and state in the capital budget how the Dedicated Funding Grant is proposed to be utilized based on a schedule of projected quarterly cash needs, including an identification of what portion of the Dedicated Funding Grant is a direct capital contribution (or paygo), and what portion is to be budgeted by the Authority to pay debt service on borrowings (to be stated separately in the capital budget) for the current year and each year in the current CIP period. In addition, the Authority must identify the primary purpose of each capital project.

The District Dedicated Funding Grant Agreement requires that, within 45 days after the end of each quarter, the Authority prepare and submit to the District a capital budget/CIP progress report (referred to herein as the "Quarterly Progress Report"). Each Quarterly Progress Report must contain, with respect to each State of Good Repair Project funded by the District Dedicated Funding Grant Agreement and included in the capital budget, (a) the status of the project; (b) a review of the project's scope and schedule changes; (c) the status of acquisition and construction contracts necessary for the implementation of the project; (d) the status of year-to-date expenditures for each project relative to capital budget; (e) the status of all cash and debt sources relative to capital budget, including a break out of District Dedicated Capital Funding Revenues; (f) updated project cash flow projections and program cash requirements; and (g) a comparison of the billed amount to amounts actually expended for the preceding quarter. Each report shall be provided in a quarterly financial report in the same form and with the same level of detail that is required by the CFA.

The District Dedicated Funding Grant Agreement requires the Authority to adhere to the annual budget reconciliation process required by the Capital Funding Agreement or any successor agreement, other applicable law and any other corresponding procedures and to maintain separate and complete accounting records that are consistent with generally accepted governmental accounting principles. In addition, under the District Dedicated Funding Grant Agreement, the Authority also has certain annual reporting requirements relating to capital expenditures, and indirect and overhead costs.

The District Dedicated Funding Grant Agreement allows the Authority to invest unexpended proceeds of the Dedicated Funding Grant and to use the investment earnings for capital expenditures and to pledge such proceeds as security for any debt of the Authority.

The term of the District Dedicated Grant Funding Agreement began on October 1, 2019 and terminates on September 30, 2020. Under the District Dedicated Grant Funding Agreement, the District may, if legally permitted, exercise options to renew the District Dedicated Grant Funding Agreement no more than six (6) times, each for a six (6) year period (each a "Successive Term"), or any fraction of a Successive Term, which taken together with any additional fractions equaling a six (6) year period shall constitute one Successive Term. Any renewal of the District Dedicated Grant Funding Agreement for a Successive Term, or any increase in dedicated grant funding for the CIP, shall be subject to the availability and application of appropriations for that purpose. Under terms of the District Dedicated Grant Funding Agreement, the District and the Authority have agreed to commence discussions to determine if the District will renew the District Dedicated Grant Funding Agreement for a Successive Term not later than March

30, 2020. On March 26, 2020, the Authority sent the District the request letter for renewal of the District Dedicated Grant Funding Agreement. In addition, the District may terminate the District Dedicated Grant Funding Agreement if the Authority fails to apply provided funds as intended under the District Dedicated Grant Funding Agreement or if the Authority expends funds in a manner or for a purpose not authorized by the District Dedicated Grant Funding Agreement. Finally, the District must provide the Authority notice as soon as possible of any proposed change in law that would render the funding contemplated in the District Dedicated Grant Funding Agreement impossible.

The District Dedicated Grant Funding Agreement explicitly states that the District does not guarantee the debt of the Authority, the Commonwealth or Maryland or any obligation of the Authority, the Commonwealth or Maryland. Additionally, notwithstanding any other provisions of the District Dedicated Grant Funding Agreement, all obligations of the District are subject to discretionary annual appropriation and allocation of funds by the Council and shall be consistent with and subject to the anti-deficiency laws applicable to the District. In no circumstance is the District responsible under the District Dedicated Grant Funding Agreement for the dedicated funding commitments or other obligations of the Commonwealth or Maryland. Pursuant to federal and District anti-deficiency laws, the District Dedicated Grant Funding Agreement provides that nothing in the District Dedicated Grant Funding Agreement creates an obligation of the District in anticipation of an appropriation for such purpose, and the District's legal liability for the payment of any amount under the District Dedicated Grant Funding Agreement does not and may not arise or obtain in advance of the lawful availability of appropriated funds for the applicable fiscal year of the District. Finally, the District Dedicated Grant Funding Agreement makes clear that the District Dedicated Grant Funding Agreement does not constitute an indebtedness of the District or an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

State of Maryland

Transportation Trust Fund

On April 25, 2018, Maryland adopted the Maryland Metro/Transit Funding Act (“Maryland Dedicated Revenue Statute”) requiring the Governor to include in Maryland’s budget an appropriation of \$167,000,000 from the revenues available for the Maryland capital program in the Maryland Transportation Trust Fund and for the Maryland Department of Transportation (“MDOT”) to provide an annual grant of at least \$167,000,000 to the Washington Suburban Transit District (“WSTD”) to be used to pay the capital costs of the Authority.¹⁷

On May 20, 2020, Maryland stated that the Maryland Transportation Trust Fund is facing a revenue shortfall during the current fiscal year 2020 of about \$550 million. A revenue shortfall of about \$490 to \$550 million is further projected for fiscal year 2021 due to the COVID-19 pandemic. The shortfalls will be partially offset by CARES Act funding of \$479 million for fiscal years 2020 and 2021. No notice has been provided to the Authority of any impact the revenues shortfalls will have to the \$167 million Dedicated Capital Funding Revenues. The Authority expects to receive its commitment of Dedicated Capital Funding Revenues from Maryland in full, but is uncertain of the extent to which, or the duration of time that, the COVID-19 pandemic, or resulting impacts based on responses to it, will impact Maryland’s revenues available for the Maryland capital program in the future. Maryland’s Board of Public Works approved on May 20, 2020 a budget reduction for fiscal year 2020, which includes a reduction of \$35 million in its contribution to the Authority. This reduction in funding, however, is not related to Maryland’s Dedicated Capital Funding Revenues. The Authority, cannot predict what action Maryland may undertake as a result

¹⁷ Md. Transp. Code §10-205(g)(1).

of its revenue shortfalls. See “INVESTMENT CONSIDERATIONS – COVID-19 Pandemic.” Under Maryland law, after meeting its debt service requirements, MDOT may use the funds in the Maryland Transportation Trust Fund for any lawful purpose related to the exercise of its rights, powers, duties, and obligations.¹⁸ The Maryland Dedicated Revenue Statute provides that such grant to WSTD is in addition to existing appropriations for the benefit of the Authority.¹⁹

Table 4 below shows the historical amount of revenues deposited in the MDOT Transportation Trust Fund for Fiscal Year 2010 through 2019.

TABLE 4
Historical Maryland Transportation Trust Fund Revenues (\$000s)

<u>Fiscal Year</u>	<u>Corporation Income Tax</u>	<u>Fuel Tax</u>	<u>Titling Tax</u>	<u>Sales and Use Tax</u>	<u>Motor Fuel Licenses and Registration</u>	<u>Operating Funds</u>	<u>Investment Income</u>	<u>Other Fees and Revenues</u>	<u>Total</u>
2010	107,293	489,004	434,729	213,254	227,954	388,587	394	183,855	2,045,070
2011	107,379	500,801	470,001	221,842	229,748	390,547	1,004	270,367	2,191,689
2012	143,370	567,431	547,198	19,770	256,350	402,056	2,750	259,226	2,198,151
2013	68,503	651,196	639,011	23,425	298,071	407,187	758	305,608	2,393,759
2014	146,113	723,249	693,422	27,983	305,525	409,952	2,154	310,128	2,618,526
2015	148,949	827,830	744,597	28,424	310,385	414,290	2,090	340,622	2,817,187
2016	167,957	923,216	805,348	28,416	312,771	436,571	3,819	358,097	3,036,195
2017	131,160	981,555	829,305	29,142	316,742	441,420	627	375,500	3,105,451
2018	135,321	987,506	813,673	29,257	317,433	459,912	2,322	348,286	3,093,710
2019	170,452	1,043,835	857,453	31,823	326,555	453,306	2,928	354,242	3,240,595

Source – Maryland Department of Transportation Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2019 (“Taxes Pledged to Bonds and Net Revenues as Defined for Purposes of the Bond Coverage Test Last Ten Fiscal Years,” page 104). The Comprehensive Annual Financial Report contains additional information and footnotes relating to the Transportation Trust Fund revenues.

Maryland Dedicated Funding Grant Agreement

The Authority and Maryland, acting by and through WSTD and MDOT, have entered into a Dedicated Funding Grant Agreement, dated September 26, 2019 (the “Maryland Dedicated Funding Grant Agreement”), which such Maryland Dedicated Funding Grant Agreement provides for the disbursement of the Maryland Dedicated Capital Funding Revenues to WMATA. **The Maryland Dedicated Funding Grant Agreement provides that the commitment or agreement of Maryland required by the Maryland Dedicated Funding Grant Agreement shall be subject to the annual appropriation and allocation of funds and other limitations on expenditures or obligations under the law of Maryland or under other applicable law. Such Maryland Dedicated Funding Grant Agreement shall not constitute an indebtedness of Maryland until funds are duly appropriated.**

The Maryland Dedicated Funding Grant Agreement provides that Maryland is required under Transportation Article §10-205(g) to provide, subject to annual appropriation, an annual grant of at least \$167,000,000 to WSTD to be used to pay capital costs of the Authority. The Maryland Dedicated Funding Grant Agreement notes that the District and the Commonwealth also provide dedicated funding capital

¹⁸ Md. Transp. Code §3-216(d).

¹⁹ Md. Transp. Code §10-205(g)(3).

grants for capital costs and provides that if the Commonwealth or the District reduce the amount of dedicated funding appropriated for the Authority, the Governor may reduce Maryland's appropriation by a proportional amount.

The term of the Maryland Dedicated Funding Grant Agreement began on September 26, 2019, and automatically renews each July 1 unless one party provides written notice requesting to amend or modify such agreement at least 90 Days prior to July 1. No such notice has been given for July 1, 2020. In the event either party determines that the other party to the Maryland Dedicated Funding Grant Agreement is not satisfactorily complying with the terms of the Maryland Dedicated Funding Grant Agreement, the complaining party shall notify the other party in writing of its complaint and the basis for it. The parties agree to use all reasonable efforts to resolve any such issues which arise under or otherwise relate to the Maryland Dedicated Funding Grant Agreement. If the parties, at staff level, cannot resolve such matters through initial discussions within thirty (30) days after receipt of the written notification, then executive level staff of each party shall meet to resolve the matter within sixty (60) additional days. If no satisfactory resolution is achieved, either party may, upon thirty (30) days' notice to the other party, terminate the Dedicated Funding Grant Agreement.

Under the terms of the Dedicated Funding Grant Agreement, the Authority is required to apply Maryland's Dedicated Capital Funding Revenues to items identified in the approved CIP. The approved CIP must contain: (1) the Authority's safety, state of good repair, and financial accountability goals; (2) program priorities; (3) the criteria used to select capital projects for inclusion in the CIP; (4) the manner in which each project was evaluated and ranked; (5) descriptions of capital projects; (6) a list of capital projects, including reimbursable projects and an estimate of program level expenditures for the budget request year, and the five (5) successive planning years, including estimates of future funding requirements for the planning year; (7) for each listed capital project, an indication whether the revenue source anticipated to support that project consists of federal, jurisdictional, other funds or combination thereof; (8) the Authority's estimates of the levels and sources of revenues to be used to fund the projects in the CIP; and (9) a glossary of terms.

Under the terms of the Maryland Dedicated Funding Grant Agreement, the Authority is required to submit, annually by June 1 for the most recently audited Fiscal Year, to MDOT and WSTD, the Authority's: (1) annual independent financial audit and Single Audit; (2) Annual National Transit Database profile; and (3) assessment of safety-critical infrastructure and state of good repair needs.

In addition, the Authority is required to prepare and submit, annually by June 1, for the next to occur Fiscal Year, to MDOT and WSTD its: (1) annual budget, including funding sources for the budget, anticipated debt capacity, and any anticipated cash reserves and dedicated funding debt, if any; (2) policies and procedures for the capital planning process, which includes prioritizing and selecting individual projects based on specific and clearly-stated methodology; (3) annual approved CIP; (4) Debt Policy reviewed and approved by the Board at least annually; (5) asset inventory and condition assessment procedures; and (6) measures to assess capital project investments and measures to gauge performance toward outcomes demonstrating responsible investment of grant funds toward meeting the goals of keeping the Transit System safe and its infrastructure in a state of good repair. The Authority is also required to prepare and submit as available, quarterly updates on the measures to assess capital project investments and measures to gauge performance toward outcomes demonstrating responsible investment of grant funds toward meeting the goals of keeping the Transit System safe and its infrastructure in a state of good repair.

The Maryland Dedicated Funding Grant Agreement also requires the Authority to provide Maryland with monthly reports regarding reprogramming of project budgets into or out of capital projects during the term of the Maryland Dedicated Funding Grant Agreement where such reprogramming results in either: (1) an increase of the total project budget as shown in the CIP; (2) a revision in the scope of a

capital project; (3) a movement of \$5 million or more; or (4) the creation of a new capital project. Each movement of budget between capital projects for cash flow purposes or for schedule adjustments (that do not impact completion date of the applicable project) in an amount of \$1 million to \$5 million during the term of the Maryland Dedicated Funding Grant Agreement shall be reported on a quarterly basis.

Under the terms of the Maryland Dedicated Funding Grant Agreement, the Authority is required to submit, annually by December 31 for the most recently audited Fiscal Year, to MDOT a reconciliation report that addresses expenditures made in excess of the one-year capital budget as follows: (1) for capital projects exceeding approved one-year budget: (a) the amount by which costs exceed projected costs during the completed Fiscal Year; and (b) the total amount that has been expended for the project to date; and (2) for new capital projects added during a Fiscal Year, a purpose and need summary statement that includes: (a) a general description and summary that describes why the project is necessary and satisfies the Authority's safety, state of good repair, and financial accountability goals; (b) the location of the project, including a map of the project limits, project area, or transportation corridor; (c) a summary of how the project meets the selection criteria for inclusion in the CIP; and (d) any other information that the Authority believes would be useful to MDOT and WSTD.

Finally, to ensure MDOT is fully able to carry out its fiduciary duty to Maryland taxpayers, and as a condition of the funds being distributed to WSTD for the Authority, MDOT will conduct a fiscal/compliance audit of the combined dedicated capital funds to ensure they are spent in accordance with the Authority's approved CIP. The Maryland Dedicated Funding Grant Agreement requires that the Authority provide any and all documentation requested by State auditors to fulfill such responsibility and provides that failure to provide requested documentation may result in full or partial withholding of funds.

Maryland does not guarantee the debt of the Authority or any obligation of the Authority. Any bonds issued by the Authority do not constitute a debt or a pledge of the faith and credit of Maryland, MDOT, or WSTD, and neither the faith and credit nor the taxing power of Maryland nor the revenues of MDOT are pledged to payment of bonds issued by the Authority. The issuance of any bonds by the Authority does not directly, indirectly, or contingently obligate, morally or otherwise, Maryland, MDOT, or WSTD. Additionally, notwithstanding any other provisions of the Maryland Dedicated Funding Grant Agreement, all obligations of Maryland are subject to discretionary annual appropriation and allocation of funds by the governing body or other appropriate legislative body and shall be consistent with the anti-deficiency laws applicable to Maryland.

Pursuant to the Maryland Dedicated Revenue Statute, the first quarterly disbursement was to occur on July 1, 2019; however, the Authority received a written notice from MDOT that the disbursement was withheld due to: (i) the expiration of the Capital Funding Agreement between the Authority and Participating Jurisdictions for the CIP; (ii) the need to enter into a legally enforceable Maryland Dedicated Funding Grant Agreement; or (iii) unresolved matters related to a prior audit. The Authority has resolved the stated concerns with the exception of one audit concern, to which the Authority has responded to Maryland and which is being reviewed by MDOT. On October 30, 2019, the Authority and Participating Jurisdictions executed a CFA effective beginning July 1, 2019 through June 30, 2020 pertaining to the use of the funds and proposed capital projects and purposes for the funds and all parties continue to work in good faith towards executing a long-term agreement. Under the CFA, Participating Jurisdictions agree to continually pay its proportionate share of debt service payments of any outstanding bonds issued under the 2003 Bond Resolution, as amended. *See "CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program -- Current and Ongoing Funding."*

On September 27, 2019, the Governor of Maryland announced that he was releasing \$83 million to the Authority. These funds constitute the July 1, 2019 and October 1, 2019 disbursements of Maryland's Dedicated Capital Funding Revenues which were received by the Authority on October 1, 2019. Currently,

all of Maryland's funding due and payable to the Authority for Fiscal Year 2020 has been received by the Authority with the exception of \$35 million that is not payable from Dedicated Capital Funding Revenues withheld by Maryland pending resolution of the aforementioned audit concerns. Maryland is current in its Dedicated Capital Funding Revenue obligations to the Authority.

Commonwealth of Virginia

WMATA Capital Fund

On May 18, 2018, the Commonwealth adopted legislation ("Commonwealth Dedicated Revenue Statutes"), to establish the Washington Metropolitan Area Transit Authority Capital Fund (the "WMATA Capital Fund")²⁰ and to provide for the deposit of certain revenues therein. The WMATA Capital Fund is a special non-reverting fund for the benefit of the Northern Virginia Transportation District ("NVTD") established on the books of the Virginia State Comptroller (the "Comptroller"). All such revenues are required to be paid into the state treasury and credited to the WMATA Capital Fund, and interest on moneys in the WMATA Capital Fund is to remain in and be credited to the WMATA Capital Fund. Any moneys remaining in the WMATA Capital Fund, including interest thereon, at the end of each Fiscal Year shall not revert to the general fund but shall remain in the WMATA Capital Fund.

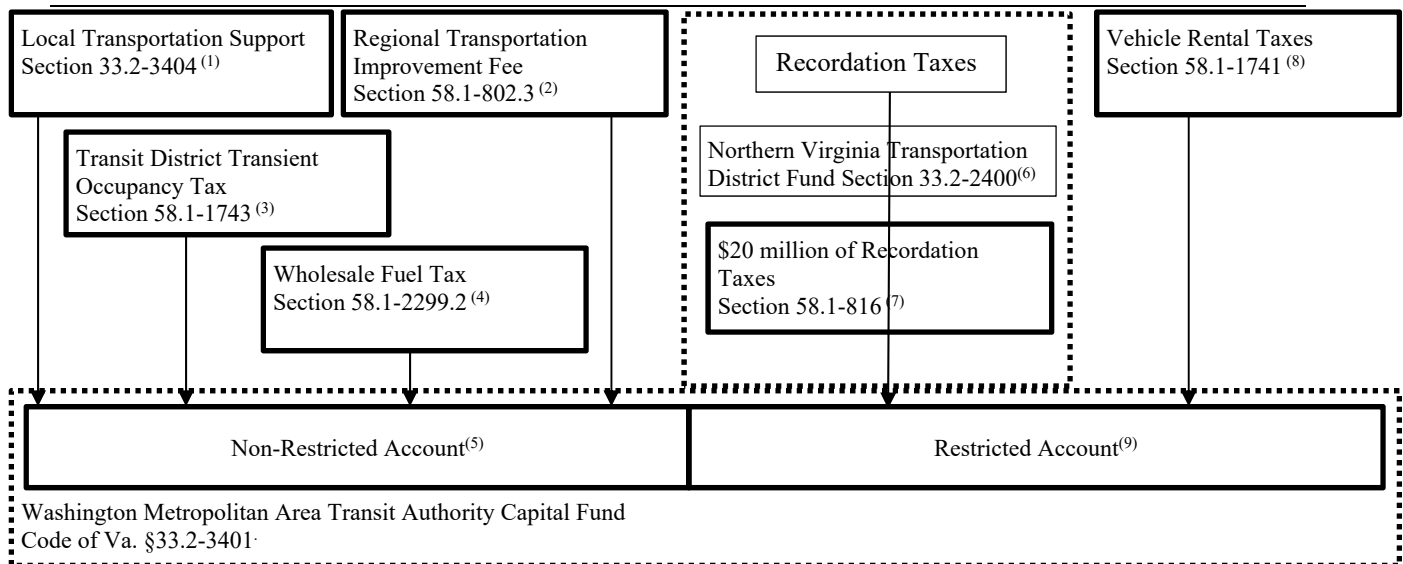
The Commonwealth Dedicated Revenue Statutes require that the Comptroller disburse funds to the Authority on a monthly basis if the Northern Virginia Transportation Commission ("NVTC") has certified to the Comptroller²¹ that it has received: (1) the Authority's annual capital budget; (2) the Authority's annual independent financial audit; (3) the Authority's National Transit Data annual profile; and (4) single audit reports issued in accordance with the Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards (2 C.F.R. Part 200).²² In each year that funds are deposited into the WMATA Capital Fund, NVTC is required to report to the Governor and the Commonwealth of Virginia General Assembly (the "General Assembly") on the performance and condition of the Authority and the Transit System on or before November of that year.

²⁰ Code of Va. §33.2-3401.A.

²¹ Code of Va. §33.2-3401.A.

²² Code of Va. §33.2-3402. Disbursements to WMATA from the Commonwealth Mass Transit Fund for WMATA capital purposes and operating assistance in accordance with §33.2-1526.1 are also conditioned on receipt of these documents from WMATA.

CHART 1
Sources of Commonwealth of Virginia Dedicated Capital Funding Revenues
Washington Metropolitan Area Transit Authority Capital Fund



- (1) Payments by the Counties of Arlington and Fairfax, and Cities of Alexandria, Falls Church and Fairfax (and Loudoun County after the opening of Silver Line) to the Commonwealth of Virginia. See “SOURCES OF PAYMENT OF THE SERIES 2020A BONDS–Dedicated Capital Funding Revenues- *Commonwealth of Virginia.*”
- (2) A portion of real property transfer tax from the local clerk to the Commonwealth of Virginia. See “SOURCES OF PAYMENT OF THE SERIES 2020A BONDS–Dedicated Capital Funding Revenues -*Commonwealth of Virginia.*”
- (3) A 2% tax on the amount of the charge for the occupancy of any room or space, suitable or intended for dwelling, lodging or sleeping purposes, located in Northern Virginia Transportation District is paid by the local treasurer to the Commonwealth of Virginia. See “SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Dedicated Capital Funding Revenues -*Commonwealth of Virginia.*”
- (4) A 1/12 portion of the 2019 increase over the 2018 collection of wholesale fuel taxes is collected by the Commonwealth of Virginia. See “SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Dedicated Capital Funding Revenues -- *Commonwealth of Virginia.*”
- (5) The Revenues deposited into the Non-Restricted Account shall be available for use by WMATA for capital purposes, including for the payment of, or security for, debt service on bonds or other indebtedness of WMATA, or for any other WMATA capital purposes. See “SOURCES OF PAYMENT OF THE SERIES 2020A BONDS -- Dedicated Capital Funding Revenues – *Commonwealth of Virginia.*”
- (6) The part of the Transportation Trust Fund known as the Northern Virginia Transportation District Fund created for the purpose of holding annual collection of recordation taxes attributable to the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William is collected by the local clerk of court and paid to the state treasury.
- (7) Twenty million dollars of taxes imposed under Sections 58.1-801 through 58.1-809 (recording taxes) which are credited to the state treasury and transferred to the Cities of Alexandria, Fairfax, Falls Church for deposit into the Restricted Account. See “SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Dedicated Capital Funding Revenues --*Commonwealth of Virginia.*”
- (8) One-third of vehicle rental taxes collected by the Commonwealth of Virginia. See “SOURCES OF PAYMENT OF THE SERIES 2020A BONDS -- Dedicated Capital Funding Revenues – *Commonwealth of Virginia.*”
- (9) Revenues deposited into the Restricted Account shall be available for use by WMATA for capital purposes other than for the payment of, or security for, debt service on bonds or other indebtedness of WMATA. See CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program – *WMATA Capital Fund- Restricted Account.*”

Pursuant to the Commonwealth Dedicated Revenue Statutes, there have been established two separate, segregated accounts into which certain revenues dedicated to the WMATA Capital Fund are to be deposited into: (1) a Non-Restricted Account, which shall be available for use by the Authority for capital purposes, including for the payment of, or security for, debt service on bonds or other indebtedness of the Authority, including the Series 2020A Bonds, or for any other capital purposes of the Authority (the “Non-Restricted Account”) and (2) a Restricted Account, which shall be available for use by the Authority for capital purposes other than for the payment of, or security for, debt service on bonds or other indebtedness of the Authority (the “Restricted Account”).²³ For further discussion, *see* “CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program – *WMATA Capital Fund- Restricted Account.*”

²³ Code of Va. §33.2-3401.B.

Table 5 shows the sources of the \$154.5 million revenues used to fund the WMATA Capital Fund.^{24,25}

TABLE 5 Commonwealth Dedicated Capital Funding Revenues to WMATA Capital Fund		
Funds	Source of Funding	Approximate Amounts from Dedicated Capital Funding Revenue Source
Non-restricted Account	Local Transportation Funds	approximately \$27.1 million
	Regional Transportation Improvement Fee (“Regional WMATA Capital Fee”) applied as an additional recordation tax of \$0.15/100 on realty located in the Transit Zone	approximately \$44.9 million
	Transient Occupancy Tax of 2 percent (2%) additional tax on hotel rooms located in the Transit Zone	approximately \$29.7 million
	Wholesale Fuel Sales Tax of 1/12 th of funds collected of increase in taxes, interest and civil penalties paid to the Commission	approximately \$22.3 million
Restricted Account⁽¹⁾	Northern Virginia Transportation District Fund transfer	\$20 million
	Motor Vehicle Rental Tax at 1/3 of statewide revenue	approximately \$10 million
		\$154.5 million⁽²⁾

1. Revenues deposited into the Restricted Account are available for use by WMATA for capital purposes other than for the payment of, or security for, debt service on bonds or other indebtedness of WMATA. *See* “CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program – WMATA Capital Fund- Restricted Account.”

2. This calculation may differ slightly due to rounding and approximation.

WMATA Capital Fund - Non-Restricted Account

The Commonwealth Dedicated Revenue Statutes provide that the Non-Restricted Account of the WMATA Capital Fund is to be funded with transfers of revenues from the Northern Virginia Transportation Authority (“NVTA”), a regional WMATA capital fee, an additional transient occupancy tax and a portion of wholesale gasoline taxes. One of the six municipalities of the Commonwealth in the Transit Zone, although not directly obligated for payment of the Dedicated Capital Funding Revenues, has advised the Authority that its future transient occupancy tax payments will be delayed as the result of deferred collections during the COVID-19 shelter-at-home directives. While such delay may be covered by other tax revenues, which fund Dedicated Capital Funding Revenue payments, the Authority expects there has been an adverse effect on such revenues, and is uncertain of the extent to which, or the duration of time

²⁴ Va. Code § 33.2-3401.B.

²⁵ Assumptions provided by Washington Metropolitan Area Transit Authority.

that, the COVID-19 pandemic will impact other municipalities in the Commonwealth, the regional WMATA capital fee, the additional transient occupancy tax and wholesale gasoline taxes or the additional sources of dedicated capital funding sources in the future as described in more detail below. See “INVESTMENT CONSIDERATIONS – COVID-19 Pandemic.”

Local Transportation Support for the Authority. Under the Commonwealth Dedicated Revenue Statutes each county and city that is located in the NVTD and has financial obligations to the Authority is required to make annual payments to the Non-Restricted Account of the WMATA Capital Fund in an amount determined by multiplying \$27.1 million by a fraction, the numerator of which is such local government’s share of capital funding for the Authority and the denominator of which is the total share of capital funding for the Authority for all local governments in the Commonwealth.²⁶ Each locality is required to pay such amount from revenues received from the NVT A or some other source.²⁷ In addition, each locality is required to create a separate, special fund in which all such revenues received from NVT A and all revenues received from an additional tax imposed by the localities on commercial and industrial property located in such localities are to be deposited.²⁸ If a locality has not deposited into its special fund (1) revenues from the additional commercial and industrial property tax pursuant to the maximum tax rate allowed or (2) an amount, from sources other than moneys received from NVT A, that is equivalent to the revenue that the locality would receive if it was imposing the maximum tax, then the amount of revenue distributed to the locality from NVT A shall be reduced by the difference between the amount of revenue that the locality would receive if it was imposing the maximum tax and the amount of revenue deposited into its special fund pursuant to clause (1) or (2), as applicable.²⁹

There has previously been created in the state treasury on the books of the Comptroller a special non-reverting fund for the benefit of Planning District 8, which consists of the NVT A. Such fund is known as the Northern Virginia Transportation Authority Fund (the “NVT A Fund”)³⁰ and is funded with certain additional sales and use tax revenues that are levied in Planning District 8 and dedicated to the NVT A Fund and any other funds that may be appropriated by the General Assembly.³¹ Interest earned on moneys in the NVT A Fund remains in and is credited to the NVT A Fund, and any moneys remaining in the NVT A Fund, including interest thereon, at the end of each Fiscal Year do not revert to the general fund but remain in the NVT A Fund. The various additional sales and use taxes that fund the NVT A Fund, which are collected from customers by retail sellers at the time of sale and subsequently remitted to the Commonwealth either monthly or quarterly, are summarized in the table below.

²⁶ Code of Va. §33.2-3404.A.

²⁷ Code of Va. §33.2-3404.C.

²⁸ Code of Va. §33.2-2510.B.1. Such additional tax is imposed under Code of Va. §58.1-3221.3.

²⁹ Code of Va. §33.2-2510.B.2.

³⁰ Code of Va. §33.2-2509.

³¹ Code of Va. §33.2-2509.

<p style="text-align: center;">TABLE 6 Summary of Various Sales and Use Tax Funding NVTAFund</p>	
Va. Code Ann. §58.1-603.1	In addition to the general Commonwealth sales tax, there is levied and imposed in each county and city located in Planning District 8 a retail sales tax at the rate of 0.70%. Such tax is not levied upon food and personal hygiene products.
Va. Code Ann. §58.1-604.01	In addition to the general Commonwealth use tax, there is levied and imposed in each county and city located in Planning District 8 a retail use tax at the rate of 0.70%. Such tax shall not be levied upon food and personal hygiene products.
Va. Code Ann. §58.1-604.1	In addition to the general Commonwealth use tax, a use tax is levied upon the storage or use of all motor vehicles, machines, machinery, tools or other equipment brought, imported or caused to be brought into the Commonwealth for use in constructing, building or repairing any building, highway, street, sidewalk, bridge, culvert, sewer or water system, drainage or dredging system, railway system, reservoir or dam, hydraulic or power plant, transmission line, tower, dock, wharf, excavation, grading, or other improvement or structure, or any part thereof. The rate of tax is 4.3 percent on all tangible personal property except motor vehicles, which shall be taxed pursuant to the scale of rates for the Commonwealth's general motor vehicle sales and use tax; aircraft, which shall be taxed at the rate of two percent; and watercraft, which shall be taxed at the rate of two percent with a maximum tax of \$1,000. However, the total rate of the Commonwealth use tax in any county or city for which such tax is imposed shall be 5.0 percent on all tangible personal property except motor vehicles, which shall be taxed pursuant to the scale of rates for the Commonwealth's general motor vehicle sales and use tax; aircraft, which shall be taxed at the rate of two percent; and watercraft, which shall be taxed at the rate of two percent with a maximum tax of \$1,000.
Va. Code Ann. §58.1-614	Whenever a retail seller in Planning District 8 makes sales of tangible personal property through vending machines, or in some other manner making collection of the tax impractical, such seller is required to report wholesale purchases for sale at retail from vending machines and is be required to remit an amount based on 6.0 percent of such wholesale purchases

Regional Transportation Improvement Fee. The Commonwealth imposes a fee, delineated as the “regional WMATA capital fee,” on each instrument by which real property in any county or city that is a member of the NVTAFund is conveyed at a rate of \$0.15 for each \$100.³² Such fees are collected by the clerk of court and pursuant to the Commonwealth Dedicated Revenue Statutes are transferred to the Commonwealth treasury as soon as practicable to be deposited into the Non-Restricted Account of the WMATA Capital Fund.

Transportation District Transient Occupancy Tax. The Commonwealth imposes an additional transient occupancy tax at the rate of 2% of the amount of the charge for the occupancy of any room or space occupied in any county or city located in the NVTD.³³ Pursuant to the Commonwealth Dedicated Revenue Statutes, the revenue generated and collected from the tax is deposited by the local treasurer into the state treasury and transferred to the Non-Restricted Account of the WMATA Capital Fund. All county and city treasurers and clerks of courts receiving state moneys are required to deposit promptly all state

³² Code of Va. §58.1-802.3.

³³ Code of Va. §58.1-1743.

moneys and, in the manner directed by the State Treasurer, shall transfer state moneys into an account of the state treasury twice each week.

Table 7 shows historical Regional WMATA Capital Fee and the occupancy tax received by the District for Fiscal Years 2014-2018.

TABLE 7
NVTA Regional WMATA Capital Fee and Transient Occupancy Tax for
WMATA Compact Jurisdictions for FY2014 to FY2018 Per Fiscal Year

	Regional WMATA Capital Fee	Transient Occupancy Tax	Total Revenue
Total FY2014	\$ 32,326,996	\$ 23,001,418	\$ 55,328,414
Total FY2015	\$ 38,118,578	\$ 26,343,436	\$ 64,462,014
Total FY2016	\$ 40,320,544	\$ 26,604,164	\$ 66,924,708
Total FY2017	\$ 42,894,331	\$ 29,246,461	\$ 72,140,792
Total FY2018	\$ 46,068,358	\$ 29,503,494	\$ 75,571,853
Total Revenue	<u>\$ 199,728,808</u>	<u>\$ 134,698,974</u>	<u>\$ 334,427,781</u>

Source: NVTA Financial Report FY2014 to FY2018 & Revenue Summaries; Revised 2/20/2020.

Wholesale Gasoline Tax. The Commonwealth imposes 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 in the NVTD.³⁴ Such tax is imposed on each gallon of fuel, other than diesel fuel, sold by a distributor to a retail dealer for retail sale at a rate of 2.1% percent of the statewide average distributor price of a gallon of unleaded regular gasoline.³⁵ For alternative fuels other than liquid alternative fuels, the Commissioner shall determine an equivalent tax rate based on gasoline gallon equivalency. Such tax is imposed on each gallon of diesel fuel sold by a distributor to a retail dealer for retail sale at a rate of 2.1% of the statewide average distributor price of a gallon of diesel fuel.³⁶ The tax is imposed at the time of sale by the distributor to the retail dealer³⁷ and is paid by the distributor, but the distributor separately states the amount of the tax and adds such tax to the price.³⁸

Such wholesale gasoline tax revenues imposed and collected in the NVTD after subtraction of the direct costs of administration, are deposited each month as follows: (1) one-twelfth (1/12th) of an amount determined by multiplying \$15 million by a fraction, the numerator of which shall be NVTD's share of funding for the commuter rail service jointly operated by the two transportation districts within the metropolitan area and the denominator of which shall be the total funding share for such commuter rail service, is deposited in the Commuter Rail Operating and Capital Fund; (2) pursuant to the Commonwealth Dedicated Revenue Statutes, beginning on July 1, 2019, an amount equal to one-twelfth (1/12th) of the increase in taxes, interest, and civil penalties paid to the Commissioner in Fiscal Year 2019 compared to Fiscal Year 2018, minus any amounts deposited pursuant to the formula set forth in (1) immediately above

³⁴ Code of Va. §58.1-2295.A.1.

³⁵ Code of Va. §58.1-2295.B.1.

³⁶ Code of Va. §58.1-2295.B.2.

³⁷ Code of Va. §58.1-2295.D.

³⁸ Code of Va. §58.1-2295.E.

is deposited in the Non-Restricted Account of the WMATA Capital Fund; and (3) all remaining funds shall be deposited in a special fund entitled the “Special Fund Account of the Transportation District of ...”³⁹

Commonwealth Dedicated Funding Grant Agreement

The Authority and the Commonwealth acting by and through the Virginia Department of Rail and Public Transportation (“DRPT”) have entered into a Commonwealth Dedicated Funding Grant Agreement, dated May 1, 2019 (the “Commonwealth Dedicated Funding Grant Agreement,” together with the District Dedicated Funding Grant Agreement and the Maryland Dedicated Funding Grant Agreement, the “Dedicated Funding Grant Agreements”), which such Commonwealth Dedicated Funding Grant Agreement provides for the disbursement of the Commonwealth Dedicated Capital Funding Revenues from the WMATA Capital Fund to the Authority. **The Commonwealth Dedicated Funding Grant Agreement provides that any commitment or agreement of the Commonwealth required by the Commonwealth Dedicated Funding Grant Agreement is subject to the annual appropriation and allocation of funds and other limitations on expenditures or obligations under the law of the Commonwealth or under other applicable law, and that the Commonwealth Dedicated Funding Grant Agreement does not constitute an indebtedness of the Commonwealth until funds are duly appropriated and allocated and monthly payments become due pursuant to the Commonwealth Dedicated Funding Grant Agreement, nor does it constitute an obligation for which the Commonwealth is obligated to levy or pledge any form of taxation.**

Under the terms of the Commonwealth Dedicated Funding Grant Agreement, subject to allocation and appropriation, and the other requirements contained in the Virginia Code, the Commonwealth is required to provide the Authority annually with written notice that funds have been, are intended to be, or will not be appropriated to cover the estimated annual amount of funding to be disbursed to the Authority by the Commonwealth in accordance with the Commonwealth Dedicated Revenue Statutes (the “Contribution”) for the upcoming Fiscal Year and committing to disburse such Contribution to the Authority per the terms of the Commonwealth Dedicated Funding Grant Agreement. If the Commonwealth’s appropriations process is not completed by June 1, the Commonwealth Dedicated Funding Grant Agreement requires that the Commonwealth provide to the Authority: (i) a written explanation for the failure to make such submissions by June 1 and confirmation that an amount equal to its Contribution has been or will be included in the next fiscal year budget to be considered by the Commonwealth’s fiscal authority; and (ii) written assurances that all reasonable efforts will be undertaken to secure the ultimate appropriation of funds in a prompt and timely fashion. If funds will not be appropriated, then the Commonwealth Dedicated Funding Grant Agreement requires that the Commonwealth notify the Authority within five (5) business days of the fiscal body’s action.

Subject to allocation and appropriation, and the other requirements contained in the Virginia Code, the Commonwealth Dedicated Funding Grant Agreement requires that the Commonwealth disburse one-twelfth (1/12th) of the Contribution to the Authority on a monthly basis, except for the first disbursement. The Commonwealth is required to make the monthly disbursements from the WMATA Capital Fund no later than the 25th day of the following month into the Restricted Account and the Non-Restricted Account, as applicable. If the balance in the WMATA Capital Fund is not sufficient to cover the monthly disbursement amount, the Commonwealth is required to disburse to the Authority the entire balance in the WMATA Capital Fund as of the end of the prior month. The Commonwealth Dedicated Funding Grant Agreement requires that the Commonwealth continue to disburse the entire balance in the WMATA Capital Fund each month until such time as the monthly disbursement has returned to the scheduled 1/12th monthly payment in full, and all prior monthly disbursements have been made whole.

³⁹ Code of Va. §58.1-2299.20.A.

As required by the Commonwealth Dedicated Funding Grant Agreement, on May 14, 2019, the Commonwealth made an initial disbursement of the Contribution to the Authority in an amount equal to \$52,821,988, which amount at that time equaled the lesser of (a) 1/12th of the Contribution times the number of months that would have been paid if the Commonwealth Dedicated Funding Grant Agreement had been executed on July 1, 2018 or (b) the balance of the funds in the WMATA Capital Fund as of March 31, 2019. On May 24, 2020, the Commonwealth made an additional payment of \$14,453,143 to the Authority.

Notwithstanding any other provision of the Commonwealth Dedicated Funding Grant Agreement, if at any time the Commonwealth determines that the funds collected in the WMATA Capital Fund will not be sufficient to pay in full the Contribution, the following shall occur: (a) the Commonwealth shall notify the Authority in writing that the available funds are expected to be insufficient to satisfy the current Contribution amount; (b) the written notification shall include a new Contribution amount; and (c) the remaining monthly payments for that year combined with the payments made prior to notification of the new Contribution amount shall not exceed the new Contribution amount. If such notification occurs, the Authority and the Commonwealth, acting through DRPT, agree to meet with representatives from the State and the District to determine an appropriate course of action with respect to the Authority's annual CIP budget commitments. The Commonwealth Dedicated Funding Grant Agreement provides that under no circumstance will the Commonwealth be obligated under the Commonwealth Dedicated Funding Grant Agreement to pay more than what is contained in the WMATA Capital Fund.

Under the Commonwealth Dedicated Funding Grant Agreement, the percentage of funding provided by the Commonwealth for its share of the Authority's CIP funding pursuant to the Commonwealth Dedicated Funding Grant Agreement is 30.9%. On an annual basis, this percentage shall be applied to no more than \$500 million of the annual Authority CIP each year to calculate the Contribution for that Fiscal Year. For Fiscal Year 2019 only, the Contribution was \$121,300,000.

The Commonwealth Dedicated Funding Grant Agreement provides that nothing contained therein shall be construed to obligate the Commonwealth to have, as of its effective date, funding or an appropriation in the full amount of the Contribution. Subject to allocation and appropriation, the Commonwealth is solely responsible for the Contribution. Under the Commonwealth Dedicated Funding Grant Agreement, the Commonwealth commits, subject to its constitutional or legally equivalent provisions and throughout the term of the Commonwealth Dedicated Funding Grant Agreement, to use all reasonable efforts including, but not limited to, a request by the responsible official to include the Contribution in the Commonwealth's annual proposed budget or other financial submission to its fiscal authority and to pursue all legally available means to secure the necessary and appropriate budget, legislative, appropriation, and allocation actions in order to obtain funding in the full amount of its Contribution.

The term of the Commonwealth Dedicated Funding Grant Agreement began on the May 1, 2019, and automatically renews each July 1 unless one party provides written notice requesting to amend or modify the agreement at least 90 Days prior to July 1. In the event either party determines that the other party is not satisfactorily complying with the terms of the Commonwealth Dedicated Funding Grant Agreement, the complaining party shall notify the other party in writing of its complaint and the basis for it. Each of the Authority and the Commonwealth, acting through DRPT, agree to use all reasonable efforts to resolve any such issues which arise under or otherwise relate to the Commonwealth Dedicated Funding Grant Agreement. If the parties, at staff level, cannot resolve such matters through initial discussions within 30 Days after receipt of the written notification, then executive level staff of each party shall meet to resolve the matter within 60 additional days. If no satisfactory resolution is achieved, either party may, upon 30 days' notice to the other party, terminate the Commonwealth Dedicated Funding Grant Agreement in whole or in part. In the event that the Commonwealth Dedicated Funding Grant Agreement is terminated pursuant to its terms, any amounts remaining on hand at the Authority at the termination of the Commonwealth

Dedicated Funding Grant Agreement, except any amounts incurred but not drawn, shall be credited or refunded to the Commonwealth, as directed by the Commonwealth.

Under the terms of the Commonwealth Dedicated Funding Grant Agreement, the Authority is required to apply the Commonwealth's Contribution to items identified in the approved CIP. The Authority shall not use any proceeds disbursed from the Restricted Account for the payment of, or security for, debt service on bonds or other indebtedness of the Authority, but the Authority may use proceeds disbursed from the Non-Restricted Account for the payment of, or as a pledge of security for, debt service on bonds or other indebtedness of the Authority.

Under the Commonwealth Dedicated Funding Grant Agreement, the Authority is required to provide information to the NVTC. In addition, upon reasonable request, the Authority shall provide information, reports, and other data to NVTC so that NVTC can report to the Governor and the General Assembly by November 1 of each year. Upon reasonable request from DRPT, the Authority must provide information necessary for the Virginia Commonwealth Transportation Board ("CTB") to meet its obligations under Virginia Code §33.2-3400, *et seq.*, and the requirements set forth in the CTB resolution dated September 18, 2018.⁴⁰ At the end of every quarter, the Authority is required to prepare, and submit to the Commonwealth, a report on the Authority's financials of the preceding quarter in the same form as submitted to the Board. The Authority is required to submit the report to the Commonwealth no later than 45 days following the close of the quarter. Such report shall contain a roll forward of the balance in the Restricted Account and the Non-Restricted Account.

The Commonwealth does not guarantee the debt of the Authority or any obligation of the Authority. Notwithstanding any other provisions of the Commonwealth Dedicated Funding Grant Agreement, all obligations of the Commonwealth are subject to discretionary annual appropriation and allocation of funds by the governing body thereof or other appropriate legislative body thereof and shall be consistent with the anti-deficiency laws applicable to the Commonwealth.

⁴⁰ Such resolution provides for the approval of policy and guidelines for implementation and governance and funding reforms for WMATA. Code of Va. §33.2-1526.1, pursuant to Chapter 854 of the 2018 Virginia Acts of Assembly, restructures the Commonwealth Mass Transit Fund so that 53.5% of its funds shall be annually allocated to NVTC for distribution to WMATA on behalf of its local jurisdictions for capital purposes and operating assistance ("Commonwealth Mass Transit Fund WMATA Allocation"), as determined by NVTC. The enactment clauses of Chapter 854 of the 2018 Virginia Acts of Assembly require the CTB to withhold funding available to WMATA pursuant to Code of Va. §33.2-1526.1(C)(3) of the Code of Virginia under the following conditions: (1) the seventh enactment requires the CTB shall withhold 20% of the funds available if (i) any alternate directors participate or take action at an official WMATA Board meeting or committee meeting as Board directors for a WMATA Compact member when both directors appointed by that same WMATA Compact member are present at the WMATA Board meeting or committee meeting or (ii) the WMATA Board of Directors has not adopted bylaws that would prohibit such participation by alternate directors; (2) the eighth enactment requires that, beginning July 1, 2019, the CTB shall withhold 20% of the funds available each year unless (i) WMATA has adopted a detailed CIP covering the current Fiscal Year and, at a minimum, the next five Fiscal Years, and at least one public hearing on such CIP has been held in a locality embraced by the NVTC; and (ii) WMATA has adopted or updated a strategic plan within the preceding 36 months, and at least one public hearing on such plan or updated plan has been held in a locality embraced by the NVTC. The first strategic plan adopted to comply with such requirements shall include a plan to align services with demand and to satisfy the other recommendations included in the report submitted pursuant to Item 436 R of Chapter 836 of the Acts of Assembly of 2017; and (3) the first enactment requires that, in any year that the total Commonwealth operating assistance in the approved WMATA budget increases by more than 3% from the total operating assistance in the prior year's approved WMATA budget, the Board shall withhold an amount equal to 35% of the funds available. The following items shall not be included in the calculation of any WMATA budget increase: (i) any service, equipment, or facility that is required by any applicable law, rule, or regulation; (ii) any capital project approved by the WMATA Board before or after the effective date of this provision; and (iii) any payments or obligations of any kind arising from or related to legal disputes or proceedings between or among WMATA and any other person or entity. In addition, the funds that can be withheld are not the new Dedicated Capital Funding Revenues.

Historical Dedicated Capital Funding Revenues and Virginia Non-Restricted Funds

Commencing in May 2019, the Authority began receiving Dedicated Capital Funding Revenues and Virginia Non-Restricted Funds from the Commonwealth and has received Dedicated Capital Funding Revenues from Maryland and the District as shown on the table below.

TABLE 8
Historical Dedicated Capital Funding Revenues
and Virginia Non-Restricted Funds

Date	Virginia Restricted Funds ⁽¹⁾	Virginia Non- Restricted Funds	Maryland Funds	District of Columbia Funds
May-2019	\$26,416,717	\$67,275,131 ⁽²⁾	-	-
Jun-2019	668,412	16,831,402	-	-
Jul-2019	887,290	9,221,047	-	-
Aug-2019	1,837,480	11,037,520	-	-
Sep-2019	1,019,846	11,855,154	-	-
Oct-2019	1,110,861	11,764,139	\$83,500,000	-
Nov-2019	1,148,804	11,726,196	-	-
Dec-2019	894,707	11,980,293	-	-
Jan-2020	955,749	11,919,251	41,750,000	-
Feb-2020	860,498	12,014,502	-	-
Mar-2020	1,284,765	11,527,429	-	\$89,250,000
Apr-2020	6,973,296	5,964,510	41,750,000	89,250,000
Total ⁽³⁾	\$44,058,425	\$193,116,574	\$167,000,000	\$178,500,000

1. Revenues deposited into the Restricted Account are available for use by WMATA for capital purposes other than for the payment of, or security for, debt service on bonds or other indebtedness of WMATA. *See* “CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program – WMATA Capital Fund- Restricted Account.”

2. On May 14, 2019, the Authority received \$52,821,987.89, and on May 24, 2019, the Authority received \$14,453,143.57.

3. Numbers may not add due to rounding.

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 Participating Jurisdictions for financial support to meet a portion of its operating and capital expenses.

Organization/Board Members/Executive Management

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 of Transportation. 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.

<u>Name of Director</u>	<u>Jurisdiction Represented</u>	<u>Date of Appointment/ End of Term</u>	<u>Occupation</u>
Paul C. Smedberg, Chair	Commonwealth of Virginia	January 2019; no expiration date set on term; serves at the pleasure of the Commonwealth	Former Councilmember, Alexandria City Council
Stephanie Gidigbi, First Vice Chair	District of Columbia	December 2019; term expires June 30, 2021	Director of Policy and Partnerships, National Resources Defense Council Healthy People, Thriving communities Program
Michael Goldman, Second Vice Chair	State of Maryland	July 1, 2017; term expires July 1, 2021	Attorney
Vacant	District of Columbia		
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
Gregory Slater	State of Maryland	July 2019; term expires June 30, 2021	Secretary of Maryland Department of Transportation
Matt Letourneau	Commonwealth of Virginia	January 2019; term expires January 2023	Member of the Loudoun County Board of Supervisors
<u>Alternate Directors</u>			
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	October 2018; term expires June 30, 2022	Director of the District Department of Transportation
Anthony E. Costa	Federal Government	July 2014; serves at the pleasure of the Secretary of the U.S. Department of Transportation	Associate Executive Director for Real Property and Planning, U.S. Department of Veterans Affairs
Devin Rouse	Federal Government	December 27, 2018; term expires at the later of December 26, 2020 or when a replacement is appointed	Director of Passenger Rail Division, FRA
Thomas H. Graham	State of Maryland	May 2019; term expires June 30, 2023	Vice President of People Strategy and Human Resources, Pepco Holdings, Inc
Vacant	State of Maryland		
Walter Alcorn	Commonwealth of Virginia	January 2020; term expires January 2024	Member of the Fairfax County Board of Supervisors
Canek Aguirre	Commonwealth of Virginia	March 2020; term expires February 2024	Member of 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.

Executive 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.

Dennis Anosike, Executive Vice President & 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.

Thomas Webster, Executive Vice President, Strategy, Planning & Program Management. Thomas Webster was appointed to the Authority's Executive Management Team in April 2018. Mr. Webster leads the planning, development and financial management of the Authority's six-year, \$9 billion capital program. He also oversees the development and execution of the Authority's strategic and management plans and leads sustainability and business transformation initiatives. Mr. Webster joined the Authority in 2012 and previously served as Managing Director of the Authority's Office of Management and Budget Services. Prior to joining the Authority, he worked in state and local government in Maryland, including managing Washington Area Transit Programs for the Maryland Department of Transportation and as the transportation program lead for Montgomery County's Office of Management and Budget. Mr. Webster earned a Bachelor of Arts in Policy Studies and History and a Master of Public Administration from Syracuse University's Maxwell School of Citizenship and Public Affairs.

Patricia Y. Lee, Esq., Executive Vice President & General Counsel. Patricia Y. Lee was appointed as General Counsel in July 2016. She came to the Authority with 30 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

ple 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, Vice President & 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.

Sustainability and Environmental Initiatives

The Authority is the largest energy user in the Transit Zone.⁴¹ The Authority will use the proceeds of the Series 2020A Bonds to fund certain Capital Costs that are projected to result in several environmental benefits. The proceeds of the Series 2020A Bonds, with the exception of the Bond proceeds used to fund capitalized interest and costs of issuance, will, in part, be spent on certain Capital Costs identified by the Authority-wide energy audit (the “Energy Audit”) conducted by the Authority in 2017 as efficiency investments and incorporated in the Authority’s first ever 2025 Energy Action Plan (the “Energy Action Plan”) and the CIP. The Energy Action Plan can be found at www.wmata.com/sustainability which further describes such efficiency investments. By 2025, the implementation of the Energy Action Plan is projected to annually reduce the carbon dioxide emissions by 160,000 metric tons, save 750,000 million BTUs of natural gas, and avoid emissions equivalent to taking 35,000 automobiles off of the road for a year.

Annually, until the net proceeds of the Series 2020A Bonds are fully expended, the Authority intends to provide disclosure regarding the Capital Costs expended in connection with implementing the Energy Action Plan. Disclosures will be made through the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board, accessible at www.emma.msrb.org, and the annual disclosure will be made when the Authority provides its Annual Report (defined herein). See “CONTINUING DISCLOSURE” herein. Once all net proceeds of the Series 2020A Bonds are expended and disclosure regarding such expenditure is made, no further disclosures as to expenditure of proceeds will be provided. The Authority has committed to a number of energy efficient investments to advance the Authority’s long-range plan to reduce the Authority’s energy usage and reduce energy and operating costs while promoting sustainability and enhancing the Transit Zone’s quality of life. The Authority may provide reports and updates to this end; however, such reports and updates are provided on a voluntary basis and are not included as part of the Continuing Disclosure Agreement for the Series 2020A Bonds.

Response to the COVID-19 Pandemic

In response to the COVID-19 pandemic and in accordance with its Pandemic Plan, on January 29, 2020, the Authority established its Pandemic Task Force (the “Task Force”) to mitigate health and safety risks associated with the pandemic. Following the pre-existing Plan, the Task Force has progressed through

⁴¹ See www.wmata.com/sustainability.

the first phases of the Pandemic Plan to Phase Three, which requires the close monitoring of the pandemic and implementing precautionary steps to limit the pandemic from affecting the Authority's ability to provide reliable, safe, and affordable public transit. The Task Force actively engages in pandemic response activities in support of the Authority in general and adjusts prior planning to mitigate further spread of the disease, thus minimizing the impact the disease may have on the Authority's ability to effectively function. Members of the Task Force have met regularly with local, state and federal agencies and health authorities, including the Center for Disease Control and Prevention, to share information and coordinate the Authority's response to the COVID-19 pandemic.

During Phase 3 of the Plan, rail ridership is down 94% year-over-year and bus ridership is down 76% year-over-year. Service and schedules have been altered to balance the provision of essential services with the necessary resource conservation including, but not limited to, cleaning key facilities, limiting the use of Authority equipment, and conservation of manpower. Multiple actions have been taken to reduce exposure risks to employees including the use of rear door boarding, deployment of 100 percent (100%) usage of glass shields, closing the first and last cars on rail vehicles, and modifying work systems to practice social distancing.

The Task Force constantly monitors the evolution of the COVID-19 pandemic and is working diligently to strike the appropriate balance of continuing to provide essential services to its riders while safeguarding the health and welfare of its workforce and the public. The Authority will remain in Phase 3 of the Pandemic Plan for the indefinite future. A dedicated sub-group of the Task Force meets daily and the full Task Force meets twice weekly to review the Pandemic Plan, devise strategies, and plan the execution of those strategies.

As prescribed in the fourth and final phase of the Pandemic Plan, the Task Force has developed an orderly Recovery Plan to return to service when public health authorities advise that it is safe to do so. The Recovery Plan is designed to meet the needs of the region while protecting the safety of employees and customers. In coordination with federal, state and local officials as well as public health experts, the Authority is preparing for multiple contingencies and a phased recovery by sharing best practices and monitoring action of peer transit agencies domestically and internationally. The Recovery Plan focuses on five key areas: (1) customers; (2) employees; (3) the Capital Improvement Program; (4) operations; and (5) finance. For customers, the Recovery Plan provides for facilitation of social distancing to gain and maintain public confidence and the acceleration and expansion plans for becoming a contactless experience, among other things. For employees, the Recovery Plan provides for reforming the remote work policy to improve productivity while maintaining accountability and reviewing work schedules to reduce risk of exposure, among other things. For the Capital Improvement Program, the Recovery Plan provides for reviewing safety protocols for employees and contractors working on capital projects and identifying and prioritizing capital projects and programs that allow the Transit System to recover as a safer system, among other things. For operations, the Recovery Plan provides for implementation of cleaning protocols to best protect staff, the implementation of schedules to increase productivity as well as safety, and the improvement of data management systems for more efficient deployment of service and resources, among other things. For finance, the Recovery Plan provides for leveraging operating expense efficiencies to reduce pandemic cost increases, and using CARES Act funding reimbursement to eliminate or reduce operating revenue losses, among other things. *See "FUNDING OF THE OPERATING EXPENSES OF THE TRANSIT SYSTEM – Coronavirus Aid, Relief and Economic Security Act."*

The Recovery Plan also addresses the implementation of pre-planned service levels, which include stabilization, managed re-entry and recovery. Stabilization is similar to the Phase 3 of the Plan, with some increases in bus service. Managed Re-entry and Recovery service levels are subject to regional developments during the summer and fall of 2020. However, neither the Task Force nor the Authority can

predict the duration or extent of the COVID-19 pandemic or another outbreak or pandemic. *See* “INVESTMENT CONSIDERATIONS – COVID-19 Pandemic” below.⁴²

OTHER OUTSTANDING DEBT

As summarized in Table 9 below, the Authority had \$922.820 million of Obligations outstanding as of the date of this Official Statement, all of which are primarily secured by a lien on Gross Revenues, under the Authority’s 2003 Bond Resolution, except that Pre-2018 Bonds (Series 2017A and 2017B) are also secured with a contingent prior claim on the Dedicated Capital Funding Revenues. Additional Obligations of the Authority for Fiscal Year 2020 are summarized in the Table 9 below.

As required by the Capital Funding Agreement, the Participating Jurisdictions agreed to pay debt service for the life of the Pre-2018 Bonds on a quarterly basis in advance of the debt service due date. The following series of bonds secured by Gross Revenues inclusive of Dedicated Capital Funding Revenues of the Authority are currently outstanding: \$197,370,000 Gross Revenue Transit Refunding Bonds, Series 2017A (the “Series 2017A Bonds”); and \$485,530,000 Gross Revenue Transit Bonds, Series 2017B (the “Series 2017B Bonds”), collectively, referred to herein as the “Pre-2018 Bonds.” The Pre-2018 Bonds were issued by the Authority to fund Capital Contributions of certain Participating Jurisdictions that opted into the issuance of debt secured by Gross Revenues of the Authority in lieu of making cash Capital Contributions to the Authority for that Fiscal Year.

In addition to the Pre-2018 Bonds, the Authority currently has outstanding \$239,920,000 Gross Revenue Transit Bonds, Series 2018 (the “Series 2018 Bonds”) which are secured by the Gross Revenues exclusive of the Dedicated Capital Funding Revenues. The Authority also has “364-day” lines of credit with four banks in the aggregate amount of \$350 million, which such lines of credit were previously drawn but were paid in full on May 27, 2020. The Authority’s Board approved the terms of the new/extended lines of credit in the aggregate amount of \$350 million on April 29, 2020. The Authority has closed the new/extended lines of credit with all four banks (one new to the Authority). The lines of credit will expire on May 27, 2021. As of the date of this Official Statement, the Authority has not drawn on its current lines of credit.

Security for Outstanding Gross Revenues Bonds

The Pre-2018 Bonds are secured by a pledge of Gross Revenues under the 2003 Bond Resolution as supplemented by the 2017A Refunding Supplemental Bond Resolution adopted by the Authority on June 22, 2017 in which the Pre-2018 Bond’s Trust Estate therein includes Dedicated Capital Funding Revenues as a subcomponent of the Authority’s Gross Revenues. The 2003 Bond Resolution was subsequently amended by the 2018 Supplemental Bond Resolution adopted on November 15, 2018 to exclude Dedicated Capital Funding Revenues from Gross Revenues, and the Authority’s Board has committed to abstain from issuing further debt secured by Gross Revenues inclusive of Dedicated Capital Funding Revenues under the 2003 Bond Resolution. The Series 2020A Bonds, when issued, which will be subordinate to the Pre-2018 Bonds are referred to herein as the “Bonds.” *See* “SECURITY FOR PAYMENT OF THE SERIES 2020A BONDS – Pledge of the Trust Estate” herein.

The Series 2018 Bonds are currently outstanding and are secured by a pledge of Gross Revenues under the Authority’s 2003 Bond Resolution as amended and supplemented by the 2018 Supplemental

⁴² For more details on the Recovery Plan, *see* <https://www.wmata.com/about/board/meetings/board-pdfs/upload/3A-COVID-19-Recovery-Final-2.pdf>.

Bond Resolution (the “2018 Resolution”) which excludes Dedicated Capital Funding Revenues from the Gross Revenues pledged to the Series 2018 Bonds’ Trust Estate therein.

TABLE 9

Outstanding Gross Revenues Obligations as of the Date of Official Statement

	<u>Amount Outstanding</u>	<u>Final Maturity Date</u>	<u>Security</u>
Series 2017A Bonds	\$197,370,000.00	July 1, 2034	Gross Revenues and Dedicated Capital Funding Revenues
Series 2017B Bonds	\$485,530,000.00	July 1, 2042	Gross Revenues and Dedicated Capital Funding Revenues
Series 2018 Bonds	\$239,920,000.00	July 1, 2043	Gross Revenues
Lines of Credit	\$0.00	May 27, 2021	Gross Revenues and Capital Contributions
Total	\$ 922,820,000.00		

Source: Provided by the Authority.

Source of Funds for Gross Revenues Obligations

As described above, the Pre-2018 Bonds are secured by the pledge of Gross Revenues under the 2003 Bond Resolution, inclusive of the Dedicated Capital Funding Revenues. Under the 2003 Bond Resolution, the Series 2018 Bonds are secured by a pledge of the Gross Revenues, excluding the Dedicated Capital Funding Revenues under the 2018 Resolution.

Gross Revenues consist of (i) Revenues (as described below) exclusive of Lease Related Revenues (as defined in the 2003 Bond Resolution), and Parking Revenues (as defined in the 2003 Bond Resolution), (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. Capital Contributions are amounts 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 such Capital Costs. *See* “THE AUTHORITY – Sources of Funding of Capital Improvement Program.” The Authority is uncertain of the extent to which, or the duration of time that, the COVID-19 pandemic will impact Gross Revenues in the future. *See* “THE AUTHORITY – Response to the COVID-19 Pandemic.”

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. The Authority has experienced and continues to experience a decrease in farebox receipts and is uncertain of the extent to which, or the duration of time that, the COVID-19 pandemic will continue to impact farebox receipts in the future. *See* “THE AUTHORITY – Response to the

COVID-19 Pandemic” and “FUNDING OF THE OPERATING EXPENSES OF THE TRANSIT SYSTEM – Farebox Receipts.”

Payments by the Participating Jurisdictions, including amounts from the Stark-Harris Funding Sources as defined below, are subject to appropriation by each Participating Jurisdiction. *See* “CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program – *Capital Contribution and Current and Ongoing Funding*.” 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”).

FUNDING OF THE OPERATING EXPENSES OF THE TRANSIT SYSTEM

The Authority’s operating 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 revenues from advertising, incidental license and lease fees, and other sources. The balance of the Authority’s budget is provided through operating subsidy payments subject to the three percent (3%) cap from or on behalf of the Participating Jurisdictions with certain legislative exclusions applied in calculating the increase.

Farebox Receipts

The Authority’s current fare 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 expected to recover approximately forty-five percent (45%) of the Transit System’s operating costs through farebox receipts, advertising income, and parking fees. Although Revenues include farebox receipts, capital expenses are not funded by farebox revenues; and farebox revenues are not included as security for the Series 2020A Bonds. Due to the COVID-19 pandemic, the Authority, however, experienced a decrease in farebox receipts of \$28.1 million in March 2020. In April, farebox receipts decreased to \$58.5 million below budget and the Authority continues to experience similar shortfalls in farebox receipts. The Authority is uncertain of the extent to which, or the duration of time that, the COVID-19 pandemic will continue to impact farebox receipts in the future. *See* “THE AUTHORITY – Response to the COVID-19 Pandemic” and “OTHER OUTSTANDING DEBT – Sources of Funds for Outstanding Gross Revenues Obligations.” 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 Authority’s revenues and expenses for Fiscal Year 2019, *see* “CERTAIN AUTHORITY FINANCIAL INFORMATION – Summary of Revenues, Expenses, Net Position and Capital Assets.”

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 (*see* “INVESTMENT CONSIDERATIONS”), 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* “CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program – *Capital Contribution and Current and Ongoing Funding.*”

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* “CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program – *Capital Contribution and Current and Ongoing Funding.*”

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 to determine 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 CAFR Fiscal Years Ended June 30, 2019 and 2018 and “CERTAIN AUTHORITY FINANCIAL INFORMATION – Annual Budgets” for information on state and local funds that the Authority expects to receive from the Participating Jurisdictions in the Approved Fiscal Year 2020 and 2021 Budgets.

Coronavirus Aid, Relief and Economic Security Act

In response to the COVID-19 pandemic, H.R. 748, the Coronavirus Aid, Relief and Economic Security (“CARES”) Act, was enacted on March 27, 2020.⁴³ The CARES Act provides approximately \$25 billion to public transportation agencies to prevent, prepare for and respond to the COVID-19 pandemic.⁴⁴ Such grants have been apportioned in accordance with the provisions of the CARES Act; the Authority’s grant is apportioned as an Urbanized Area Formula Funding Program Grant.^{45,46} Within the \$25 billion described previously, \$1.02 billion in funding was allocated collectively to the Authority and the two other transportation systems located in the metropolitan region with the Authority’s share being \$876.8 million. The Authority’s Board allocated \$109.1 million of the Authority’s share to the local jurisdictions leaving the Authority with approximately \$767.7 million. No assurance can be given that any monies received by the Authority under the CARES Act will be sufficient to meet all of its financial obligations in response to the COVID-19 pandemic.

⁴³ Public Law No. 116-136.

⁴⁴ Public Law No. 116-136.

⁴⁵ The Urbanized Area Formula Funding program (*see* 49 U.S.C. 5307) is used to apportion federal resources available to urbanized areas with a population of 50,000 or more that is designated as such by the U.S. Department of Commerce, Bureau of the Census and to governors for transit capital and operating assistance in urbanized areas and for transportation-related planning.

⁴⁶ Public Law No. 116-136.

CAPITAL IMPROVEMENT PROGRAM

Capital Needs Process

The Approved Fiscal Year 2021-2026 Capital Improvement Program includes a total of \$9.9 billion in planned capital investments over the six-year period for safety and state of good repair. For investments by program, the Approved Fiscal Year 2021-2026 Capital Improvement Program includes (i) railcar investments of approximately \$2.3 billion; (ii) bus and paratransit investments of approximately \$1.5 billion; (iii) station and passenger facilities investments of \$2.1 billion; (iv) rail systems investments of \$0.9 billion; (v) track and structures rehabilitation investments of \$1.0 billion; and (vi) business support investments of \$2.0 billion. The Authority has developed the Fiscal Year 2021-2026 Capital Improvement Program based on the identified needs of the Transit 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. See “SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Dedicated Revenue Statutes.”

Capital Improvement Projects for Fiscal Year 2021

The Approved Fiscal Year 2021-2026 Capital Improvement Program includes \$1.9 billion in capital projects for Fiscal Year 2021 (*see* Table 10). Such projects focus on six investment programs: (i) railcar investments, including acquisition, maintenance and overhaul for portions of the existing legacy fleet and maintenance of facilities; (ii) bus and paratransit vehicles including acquisition and maintenance of the bus and paratransit fleet and facilities; (iii) stations and passenger facilities consisting of platforms, vertical equipment and station systems, with the goal of ensuring safe, clean, reliable, and customer-friendly stations; (iv) rail systems, including upgrade and maintenance of rail propulsion power systems and upgrading signal and communication systems; (v) track and structures rehabilitation, including the maintenance of tunnels and bridges with the goal of maintaining safe and reliable Metrorail track and track infrastructure; and (vi) business support comprised of information technology, police and support services and equipment that support investments in critical operational and business requirements.

TABLE 10
Fiscal Year 2021-2026 Forecast Capital Improvement Program
Financial Plan – Funding Sources⁽¹⁾
(\$ in millions)

<i>(Dollars in Millions)</i>	FY2021 Budget	FY2022 Plan	FY2023 Plan	FY2024 Plan	FY2025 Plan	FY2026 Plan	6 Year Total
Federal							
Federal Formula Programs ⁽²⁾	\$348.2	\$348.2	\$348.2	\$348.2	\$348.2	\$348.2	\$2,089.2
Federal PRIIA ⁽³⁾	\$148.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$148.5
Other Federal Grants	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$20.4
Subtotal, Federal Grants	\$500.1	\$351.6	\$351.6	\$351.6	\$351.6	\$351.6	\$2,258.1
Match to Federal Formula ⁽⁴⁾	\$89.7	\$92.3	\$95.1	\$98.0	\$100.9	\$103.9	\$579.9
System Performance ⁽⁵⁾	\$178.7	\$184.1	\$189.6	\$195.3	\$201.2	\$207.2	\$1,156.1
Subtotal, Match and System Performance	\$268.4	\$276.4	\$284.7	\$293.3	\$302.1	\$311.1	\$1,736.0
State and Local PRIIA ⁽⁶⁾	\$148.5	\$148.5	\$148.5	\$148.5	\$148.5	\$148.5	\$891.0
Other State and Local Funds	\$0.9	\$0.9	\$0.9	\$1.0	\$1.0	\$1.0	\$5.7
Dedicated Funding	\$500.0	\$500.0	\$500.0	\$500.0	\$500.0	\$500.0	\$3,000.0
Debt Utilization	\$368.8	\$554.1	\$349.1	\$287.0	\$321.5	\$341.3	\$2,221.8
Debt Service ⁽⁷⁾	(\$31.1)	(\$52.3)	(\$84.1)	(\$104.2)	(\$121.1)	(\$140.0)	(\$532.8)
Subtotal, State & Local	\$1,255.5	\$1,427.6	\$1,199.1	\$1,125.6	\$1,152.0	\$1,161.9	\$7,321.7
Reimbursable Projects and Planning Projects ⁽⁸⁾	\$88.7	\$109.8	\$36.9	\$41.6	\$3.0	\$3.0	\$283.0
Subtotal, State and Local, including Reimbursable Jurisdictional Projects	\$1,344.2	\$1,537.4	\$1,236.0	\$1,167.2	\$1,155.0	\$1,164.9	\$7,604.7
Grand Total	\$1,844.3	\$1,889.0	\$1,587.6	\$1,518.8	\$1,506.6	\$1,516.5	\$9,862.8

1. Totals may not sum due to rounding.

2. A series of U.S. Department of Transportation grant programs which award funding based on a set formula and without competition between grantees.

3. A federal appropriation directed to WMATA which currently expires after Fiscal Year 2020. Federal legislation to renew the funds provided under the Passenger Rail Investment and Improvement Act (PRIIA) at \$1.5 billion over 10 years is pending; if Federal PRIIA is not renewed, Participating Jurisdictions are anticipated to replace nonrenewed PRIIA funds.

4. Many federal grants require the grantee to share in the cost of capital projects covered by the grant. This line shows the amount of local jurisdiction capital contributions provided to match the federal grant funds.

5. 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 Capital Budget.

6. Under the PRIIA statute, the States are required to collectively match the Federal PRIIA funding.

7. The term “Debt Service” as used here refers to debt service on the bonds secured by Dedicated Capital Funding Revenues only.

8. Jurisdictions occasionally seek WMATA capital improvements which benefit only the sponsoring jurisdiction. In that case, the sponsoring jurisdiction reimburses WMATA for the costs of that improvement.

Source: Approved Fiscal Year 2021 Budget.

Sources of Funding of Capital Improvement Program

The Approved Fiscal Year 2021-2026 Capital Improvement Program, including the Approved Fiscal Year 2021 Capital Budget, totals \$9.9 billion. Table 10 shows funding sources for the Approved Fiscal Year 2021-2026 Capital Improvement Program in the year in which funding is anticipated to be expended. Planned funding for the Approved Fiscal Year 2021-2026 Capital Improvement Program is expected to come from (i) federal formula and PRIIA grants⁴⁷; (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 Capital Funding 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 "CAPITAL IMPROVEMENT PROGRAM – Sources of Funding Capital Improvement Program --Current and Ongoing Funding."*

Dedicated Capital Funding Revenues

The enactment of the Dedicated Revenue Statutes by the States in 2018 provides the States' funding for the Authority's capital projects and purposes through Dedicated Capital Funding Revenues in an additional annual amount of approximately \$500 million beginning in Fiscal Year 2020 provided by the States. *See "SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Dedicated Revenue Statutes."* The Authority has entered into a Dedicated Funding Grant Agreement with each State as detailed above to further outline terms and conditions of providing the Dedicated Capital Funding Revenues, including a prerequisite three percent (3%) cap on the increase of annual operating subsidy paid by Participating Jurisdictions legislatively required by the Commonwealth and Maryland. *See "INVESTMENT CONSIDERATIONS - Three Percent (3%) Cap on Operating Budget Increase."* The limitation on operating subsidy growth provides certain legislative exclusions in calculating the increase. For example, the Authority's Approved Fiscal Year 2020 Budget excludes \$11.5 million for litigation costs, occupational health and safety requirements, and ADA paratransit cost increases in the three percent (3%) cap allowable.

WMATA Capital Fund Restricted Account

In addition to the Non-Restricted Account, the Commonwealth Dedicated Revenue Statutes established the Restricted Account. The Authority shall not use any proceeds disbursed from the Restricted Account for the payment of, or security for, debt service on bonds or other indebtedness of the Authority. The Commonwealth Dedicated Revenue Statutes provide that certain Commonwealth recordation taxes (funded through the NVTDFund as defined below) and a portion of the Commonwealth motor vehicle rental tax be deposited in the Restricted Account of the WMATA Capital Fund. Such recordation taxes and motor vehicle rental tax are described in more detail below.

Commonwealth Recordation Taxes. There has previously been established in the Commonwealth treasury a special non-reverting fund that is a part of the Transportation Trust Fund and known as the Northern Virginia Transportation District Fund (the "NVTDFund"), which consists of transfers of annual collections of the state recordation taxes attributable to the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William (but such dedication does not affect the local recordation taxes), and any other funds appropriated by the General Assembly and designated for the NVTDFund and all interest, dividends, and appreciations that may accrue

⁴⁷ Federal legislation to renew PRIIA at \$1.5 billion over 10 years is pending; in the event that Federal PRIIA is not renewed, Participating Jurisdictions are anticipated to replace nonrenewed PRIIA funds.

thereto.⁴⁸ Pursuant to the Commonwealth Dedicated Revenue Statutes, beginning in Fiscal Year 2019, \$20 million each year shall be transferred from the NVTDFund to the WMATA Capital Fund.⁴⁹

Motor Vehicle Rental Tax. Under Commonwealth law, there is levied throughout the Commonwealth a motor vehicle rental tax at the following rates: (1) four percent (4%) of the gross proceeds from the rental of any motor vehicle, except those with a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more;⁵⁰ (2) in addition to the tax levied under (1) above, a tax of four (4%) percent of the gross proceeds is levied on the rental of any daily rental vehicle;⁵¹ and (3) in addition to all other applicable taxes and fees, a fee of two percent of the gross proceeds is imposed on the rental of any daily rental vehicle.⁵² Such motor vehicle rental taxes are collected by the lessor and are required to be remitted to the Tax Commissioner on or before the twentieth (20th) day of the month following the month in which the gross proceeds from such rental were due. After costs are recovered by the Department of Taxation, the Commonwealth Dedicated Revenue Statutes provide that all moneys collected from the tax levied under (1) above (i.e., four (4%) percent of the gross proceeds from the rental of any motor vehicle, except those with a gross vehicle weight rating or gross combination weight rating of 26,001 pounds or more) at the tax rate in effect on December 31, 1986 are to be paid by the Tax Commissioner into the state treasury and one-third of which is to be deposited into the Restricted Account of the WMATA Capital Fund.⁵³

Capital Contributions

In addition to newly established Dedicated Capital Funding Revenues, the capital development of the Transit System has been financed on a shared basis between the federal government, the States and the Participating Jurisdictions (the “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, which amounts would 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 such 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 such 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 for the payment of debt service on the Authority’s Pre-2018

⁴⁸ Code of Va. §33.2-2400.A. See also Code of Va. §58.1-816, §58.1-802.B and §58.1-814.

⁴⁹ Code of Va. §33.2-2400.D.

⁵⁰ Code of Va. §58.1-1736.A.1.

⁵¹ Code of Va. §58.1-1736.A.2.

⁵² Code of Va. §58.1-1736.A.3.

⁵³ Code of Va. §58.1-1741.A(iii).

Bonds and excluded from the Trust Estate of the Authority pledged to the payment of debt service under the Resolution.

Current and Ongoing Funding

The Authority and the District, Maryland (with WSTD acting for Maryland jurisdictions) and the Participating Jurisdictions located in the Commonwealth entered into a Capital Funding Agreement, requiring the Authority to adopt a six-year capital program each year (each a “Capital Improvement Program”). The Capital Funding Agreement was amended and extended through June 30, 2019. The Authority and the Participating Jurisdictions entered into a 2020 Capital Funding Agreement to fund the Fiscal Year 2020 Capital Improvement Program approved on October 30, 2019. The Authority is working to add Loudoun County as a Participating Jurisdiction with the opening of Silver Line Phase II, and to execute a long-term Capital Funding Agreement for Fiscal Years 2021-2026 with the Participating Jurisdictions including Loudoun County. Each 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 Agreements, 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 2010 Capital Funding Agreement permitted the Authority to issue debt secured by its Gross Revenues to finance all, or a portion of, its then-current Capital Improvement Program. The 2010 Capital Funding Agreement permitted each Participating Jurisdiction to fund its share of an Authority debt financing either through a cash prepayment or a written commitment to make the Annual Debt Service Payments necessary in order for the Authority to pay debt service for the full term of 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.

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.

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

Summary of Revenues, Expenses, Net Position and Capital Assets⁵⁴

Below is a summary of the Authority's financial information based on its audited financial statements for Fiscal Year 2019 which is available at www.emma.msrb.org.

Revenues

Total revenues for Fiscal Year 2019 were \$2.9 billion, a decrease by \$11.7 million or (-0.4%) from Fiscal Year 2018. Operating revenues, which include passenger revenue, totaled \$789.7 million, a decrease of \$10.8 million (-1.4%) in Fiscal Year 2019 compared to Fiscal Year 2018. Such decrease is attributable to a reduction in rail and bus ridership, which amounted to a \$23.6 million decrease in passenger revenues (-3.1%). The decrease in passenger trips was in large part due to safety measures and scheduled state of good repair capital projects undertaken by the Authority and changes in transit ridership behaviors that are consistent with national trends.

Nonoperating revenues for Fiscal Year 2019 were \$20.2 million, an increase of \$5.8 million (40.2%) from the prior year. For Fiscal Year 2019, Federal and jurisdictional subsidies, operating and nonoperating passenger revenues and capital contributions account for 38.6%, 27.8% and 33.6% of total revenues, respectively.

Expenses

Total expenses for Fiscal Year 2019 were \$3.3 billion, an increase of \$463.2 million (16.4%) over Fiscal Year 2018. Operating expenses totaled \$3.1 billion, an increase of \$315.4 million (11.4%). Labor and fringe benefits are the Authority's largest expenses, comprising 41% of total expenses with depreciation as the second largest expense comprising of 30.9% of total expenses.

Net Position

For Fiscal Year 2019, the Authority's net position in the amount of \$8.1 billion decreased by \$382.0 million or 4.5% with current assets decreasing by approximately 25.1% primarily due to the Authority paying off the remaining balance of \$170.0 million on the Series 2016A Gross Revenue Bonds and an early payment of \$9.1 million on the Series 2009A Gross Revenue Bonds. Account receivables decreased by \$30.1 million or 15.2% due primarily to reductions in federal grants receivables of \$59.8 million which was offset by increases in jurisdictional subsidies and other receivables totaling \$27.3 million.

⁵⁴ See CAFR Fiscal Years Ended June 30, 2019 and 2018.

Capital Assets

The Authority's capital assets net balance was \$12.6 billion as of June 30, 2019, an increase of \$161.3 million (1.3%) from Fiscal Year 2018. Such increase is primarily attributable to transit facilities improvements such as station lighting improvements, rail track and rail bridge rehabilitation, traction power upgrades, replacement of escalators and other improvement in safety systems. The Authority completed the purchase and the installation of 196 new 7000 series railcars and 41 new hybrid buses which are now in transit operations. Real estate increased by \$31.1 million or 5.8% due in part to the purchase of property in the District of Columbia for the Authority's new headquarters and office consolidation initiative.

Annual Budget

Budgetary Process

The Authority's annual budget generally consists of two budgets: an operating budget and a capital budget each consisting of reimbursable projects 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 approximately 12-18 months prior to the start of the Fiscal Year. Legislative exemptions under the Dedicated Revenue Statutes are not included in the Authority's operating budget subsidy cap. Each Participating Jurisdiction's operating subsidy as determined pursuant to the Authority's allocation formula determined by Board policy is increased annually by three percent (3%).

To the extent that a Participating Jurisdiction's operating subsidy payment is either greater than or less than 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, the State's Dedicated Revenue, 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 2020 Budget

The Authority's Fiscal Year 2020 annual budget (the "Approved Fiscal Year 2020 Budget") comprised of (i) the operating budget totaling approximately \$1.9 billion (inclusive of the operating reimbursable projects and debt service costs) (the "Approved Fiscal Year 2020 Operating Budget") and (ii) the capital budget totaling \$1.8 billion (inclusive of the capital reimbursable projects) (the "Approved Fiscal Year 2020 Capital Budget"). See "CERTAIN AUTHORITY FINANCIAL INFORMATION – Annual Budgets – Fiscal Year 2021 Budget."

The Approved Fiscal Year 2020 Operating Budget of \$1.9 billion is funded with \$814.4 million of projected operating revenues, primarily from passenger fares, parking fees, and advertising revenues, in addition to jurisdictional operating subsidy contributions. The Approved Fiscal Year 2020 Operating Budget also includes the base budget, subject to a three percent (3%) cap on annual growth to Participating Jurisdiction operational subsidies, new initiatives to attract customers and grow ridership, and costs legislatively excluded from the three percent cap. Legislative exclusions under the Commonwealth and Maryland totaling \$11.5 million cover litigation costs, occupational health and safety requirements and ADA paratransit cost increases. The Fiscal Year 2020 net operating subsidy of the Authority's overall budget is \$1.12 billion, which provides for the personnel, supplies, fuel and propulsion power, and services needed to operate Metrobus, Metrorail, and MetroAccess. Due to the COVID-19 pandemic, Fiscal Year 2020 operating revenues decreased by \$238 million, a (29%) decrease compared to the Approved Fiscal Year 2020 Budget.

The reimbursable portion of the Authority's overall budget is \$79.7 million for both operating and capital, which provides for personnel and services needed for unique or expedited projects requested on behalf of the Participating Jurisdictions and outside partners. The approved operating reimbursable budget is \$9.0 million, and the capital reimbursable budget is \$70.6 million, including \$26.5 million from the Metropolitan Washington Airports Authority ("MWAA") for the Silver Line extension.

The \$1.8 billion Approved Fiscal Year 2020 Capital Budget provides for the assets and infrastructure to support Metrobus, Metrorail, and MetroAccess service. Funding for the capital budget is derived from federal grants, the Participating Jurisdictions, the States, Dedicated Capital Funding Revenues, and the Authority's debt proceeds.

Fiscal Year 2021 Budget⁵⁵

The Authority's Fiscal Year 2021 budget was adopted by the Board on April 20, 2020 (the "Approved Fiscal Year 2021 Budget") and is comprised of (i) the operating budget totaling approximately \$2.0 billion (inclusive of the operating reimbursable projects and debt service costs) (the "Approved Fiscal Year 2021 Operating Budget") and (ii) the capital budget totaling \$1.9 billion (inclusive of the capital reimbursable projects) (the "Approved Fiscal Year 2021 Capital Budget"). The Approved Fiscal Year 2021 Operating Budget of \$2.0 billion is funded with \$831.5 million of projected operating revenues, primarily from passenger fares, parking fees, and advertising revenues, in addition to jurisdictional operating subsidy contributions. The Approved Fiscal Year 2021 Operating Budget includes the base budget, subject to a three percent (3%) cap on annual growth to Participating Jurisdictions' operational subsidies, new initiatives to attract customers and grow ridership, and costs legislatively excluded from the three percent cap. Legislative exclusions under the Commonwealth and Maryland totaling \$87.1 million cover litigation costs, occupational health and safety requirements, ADA paratransit cost increases, and the operating budget portion of the startup costs for Silver Line Phase II. The Fiscal Year 2021 net operating subsidy of

⁵⁵ See Attachments B, C, and G to Resolution No. 20-09.

the Authority's overall budget is \$1.1 billion, which provides for the personnel, supplies, fuel and propulsion power, and services needed to operate Metrobus, Metrorail, and MetroAccess.

The reimbursable portion of the Authority's overall budget is \$96.5 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 \$7.8 million, and the capital reimbursable budget is \$88.7 million, including \$26.6 million from the Metropolitan Washington Airports Authority (MWAA) for the Silver Line extension.

The \$1.9 billion Approved Fiscal Year 2021 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, the States, Dedicated Capital Funding Revenues and the Authority's debt proceeds.

Because the ongoing COVID-19 pandemic has significantly reduced the Transit System's ridership and revenues which are both expected to be significantly below budget going into Fiscal Year 2021, Authority staff has proposed deferring implementation of previously approved service and fare adjustment for six months and taking additional management actions. The Authority estimates that Fiscal Year 2021 revenue will be approximately \$386 million, a decrease of \$438 million (53%) below the previously Approved Fiscal Year 2021 Budget. Such actions include providing the Participating Jurisdictions with a credit of \$135 million against contributions. The expenses that would have been covered by these contributions will, instead, be funded by CARES Act funds. The Board is expected to approve an amendment of the Approved Fiscal Year 2021 Budget on May 28, 2020. The Capital Improvement Program will be revised to address personal safety requirements, accelerate projects that can leverage low ridership/station closures and accelerate safety and state of good repair projects while maintaining worker safety. For additional discussion of the Recovery Plan, *see* "THE AUTHORITY – Response to the COVID-19 Pandemic." Based on the projections, with the expected revenue decline, and the proposed expense reductions, the Authority expects an additional funding need of \$412 million. At the same time, the funding jurisdictions have indicated similar budget pressures as COVID-19 has impacted local tax revenues. To mitigate this impact, staff proposes utilizing \$546.3 million of CARES Act funding in Fiscal Year 2021 to close the Authority's budget shortfall and provide a one-time total subsidy credit of \$135 million allocated back to the funding jurisdictions, as compared to the original Approved Fiscal Year 2021 Budget approved on April 2, 2020. *See* "FUNDING OF THE OPERATING EXPENSES OF THE TRANSIT SYSTEM – Coronavirus Aid, Relief and Economic Security Act."

Table 11 compares results for the Fiscal Year 2018 and the Fiscal Year 2019 and the operating and capital budgets and the components thereof for the Approved Fiscal Year 2020 Budget and the Approved Fiscal Year 2021 Budget. The table includes operating and capital portions of the reimbursable projects budget and such figures are separately broken out.

TABLE 11
Summary of Funding by Program and Source
(\$ in millions)

	Fiscal Year 2018 (Actual)	Fiscal Year 2019 (Actual)	Fiscal Year 2020 (Approved Budget)	Fiscal Year 2021 (Approved Budget)
Operating Budget				
Passenger Fares & Parking	\$732.2	\$710.7	\$723.1	\$722.3
State and Local Funds ⁽¹⁾	1,001.6	1,137.1	1,197.6	1,246.3
Business Revenues	47.8	60.8	54.7	69.2
Reimbursable Funds	7.7	18.0	9.0	7.8
Other Sources	7.0	13.2	36.5	32.2
Subtotal	\$1,796.2	\$1,939.8	\$2,020.9	\$2,077.8
Capital Budget				
Federal Formula/Other Grants	\$401.6	\$345.1	\$361.7	\$351.6
Federal Dedicated Funds (PRIIA) ⁽²⁾	170.8	162.2	148.5	148.5
State and Local Funds Investment ⁽³⁾	399.7	568.4	410.0	417.8
Reimbursable Funds	114.1	64.8	58.0	88.7
Dedicated Revenue/Debt Utilization	197.3	384.0	785.0	868.8
Debt Service on Series 2020A Bonds	0.0	0.0	0.0	(31.1)
Subtotal	\$1,283.5	\$1,524.8	\$1,763.2	\$1,844.3
Total	\$3,079.7	\$3,464.6	\$3,784.1	\$3,922.1

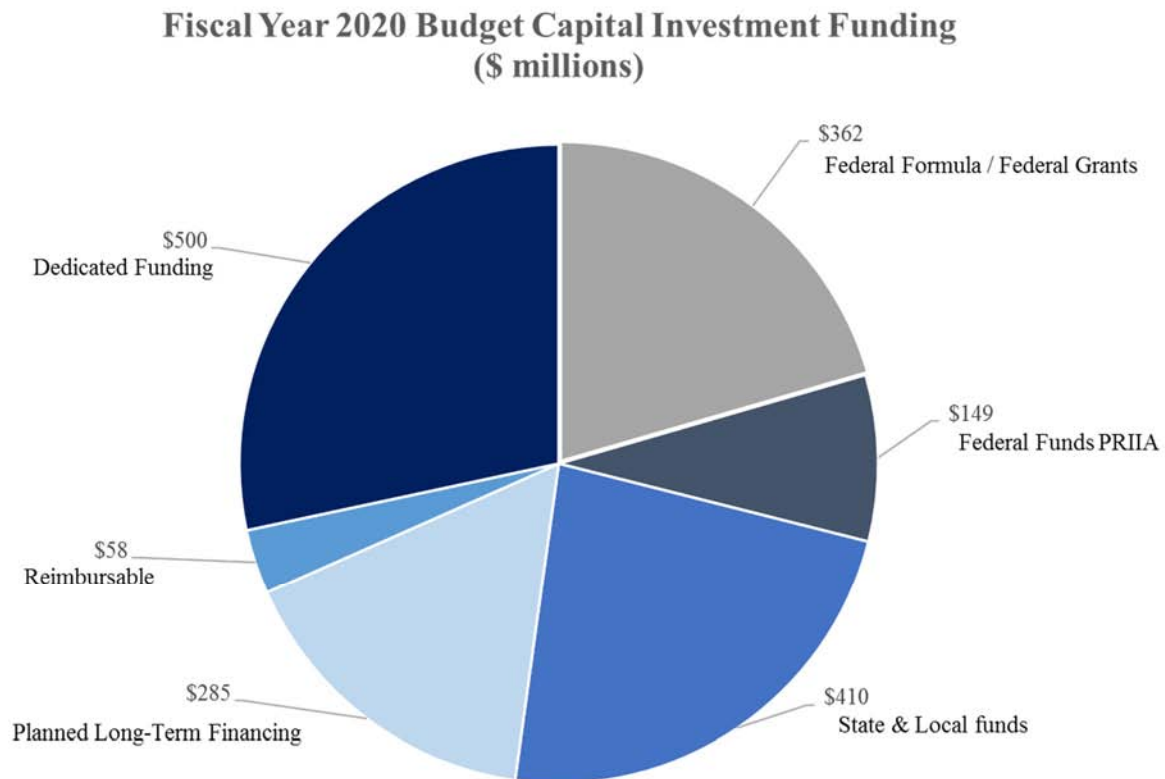
^{1.} Includes the net subsidies from the Participating Jurisdictions and debt service.

^{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 expired at the end of Federal Fiscal Year 2019 or when all \$1.5 billion authorized thereunder is expended. Congress has included PRIIA funding in a stopgap funding bill. In the event that Federal PRIIA is not renewed in the final funding legislation, it is anticipated that the Participating Jurisdictions will replace the funds.

^{3.} Includes the State 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.

Source: See CAFR Fiscal Years Ended June 30, 2019 and 2018 and Approved Fiscal Year 2020 and 2021 Budgets (as amended).

The chart below illustrates the components of the Approved Fiscal Year 2020 Capital Budget, as set forth in Table 11. Percentages may not total 100% due to rounding.



Source: Provided by the Authority.

INVESTMENT CONSIDERATIONS

Introduction

The investor may be aware of news stories 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:

Compliance with Dedicated Funding Grant Agreement Obligations

Reporting Obligations

The Dedicated Revenue Statutes and the related Dedicated Funding Grant Agreements impose a series of reporting obligations on WMATA along with a series of Capital Contribution reductions paid from other than Dedicated Capital Funding Revenues for failure to meet those obligations. Although these reporting obligations are within the control of WMATA and WMATA pledges that it will make good faith reasonable efforts to meet all of those reporting obligations, it is possible that a reporting obligation may not be met. While receipt of the Dedicated Capital Funding Revenues is not directly affected by such a failure to meet a reporting obligation, the failure to do so could affect the completion of capital projects which are partially funded by Dedicated Capital Funding Revenues.

Receipt of a Modified Audit

Under the Maryland Dedicated Revenue Statute, if WMATA receives a modified report on its annual independent audit, Maryland, on behalf of the Participating Jurisdictions located in Maryland, will withhold 35% of the Capital Contributions received by WMATA from other than the Dedicated Capital Funding Revenues until an acceptable corrective plan is submitted to the Authority's Board and the Maryland General Assembly, addressing the reason for the modified audit. While receipt of the Maryland Dedicated Capital Funding Revenues is not directly affected by such a withholding, the withholding could affect the completion of capital projects which are partially funded by Dedicated Capital Funding Revenues.

Terms of the Dedicated Funding Grant Agreements

The Commonwealth Dedicated Funding Grant Agreement began on the May 1, 2019, and the Maryland Dedicated Funding Grant Agreement began on September 26, 2019. Each automatically renews on July 1 of each year unless one party provides written notice requesting to amend or modify the agreement at least 90 Days prior to July 1. The Authority has not received such notice from Maryland nor Commonwealth as of the date of this Official Statement.

The term of the District Dedicated Funding Grant Agreement began on October 1, 2019 and terminates on September 30, 2020. The District may, if legally permitted, exercise options to renew the District Dedicated Funding Grant Agreement no more than six (6) Successive Terms of six (6) years each. Under terms of this Agreement, the District and the Authority have agreed to commence discussions to determine if the District will renew the District Dedicated Funding Grant Agreement for a Successive Term not later than March 30, 2020. The Authority and the District have begun such discussions.

Lack of Impairment Language

None of the Dedicated Funding Grant Agreements contain non-impairment language that would safeguard the integrity of those contracts against unwarranted interference by the States or other parties. No

assurance can be given that these Dedicated Funding Grant Agreements will not be altered by subsequent laws that would change or modify the rights and obligations of investors.

Appropriation Risks

Pursuant to the Dedicated Revenue Statutes, the States provide Dedicated Capital Funding Revenues subject to annual appropriations by the respective applicable governing bodies. Furthermore, the ability of the Participating Jurisdictions to provide subsidies to support the capital and operating budgets of the Authority (which is not security for the Series 2020A Bonds, but which is used to pay, among many other things debt service on the Pre-2018 Bonds) is subject to certain conditions and limitations, for example, receipt of necessary appropriations from the applicable governing bodies. As a practical matter, the Participating Jurisdictions have reliably provided the funding in the amount approved by the Authority's Board each year since the Participating Jurisdictions' funding obligations began over 45 years ago.

Budgeting and Appropriations Process

District of Columbia

The District of Columbia Home Rule Act requires the Mayor to submit to the Council, at such time as the Council directs, an annual budget prepared on the basis that proposed expenditures do not exceed resources. The District's annual budget has two parts: (i) one funded by the federal government and (ii) one funded by the District, which is often referred to as the local funds budget. Following Council approval, each June or July, the Mayor submits to the President a request to include the federally funded part of the District's budget in the federal budget, which is subject to the Congressional appropriation process. Congress is free to alter the federal portion of the District's budget. The Local Budget Autonomy Amendment Act of 2012 (D.C. Law 19 - 321) (the "Budget Autonomy Act") was signed into law on February 15, 2013 and ratified by the District voters in an April 2013 referendum. Such act became effective January 1, 2014, and, thereunder, the District may enact and appropriate its local funds budget without the need for affirmative approval by Congress. The local funds budget legislation is subject to Congressional review for a period of 30 legislative days (i.e., any day in which one or both houses of the U.S. Congress are in session) before it takes effect. Congress has from time to time taken certain actions with regard to the Budget Autonomy Act and held hearings examining Congressional intent in drafting the Home Rule Act and the validity of the Budget Autonomy Act. To date, none of such actions has had an impact on the Budget Autonomy Act and no enacted federal appropriations legislation has included any language repealing the Budget Autonomy Act. The District has followed the budgetary procedures set forth in the Budget Autonomy Act for its budgets for Fiscal Years 2017 through 2020, enacting legislation in June or July of the respective year that permits the District to appropriate its local funds budget, in the event there is a lapse in federal appropriations authority.

State of Maryland

Under Maryland's Constitution, the Governor is responsible for the preparation and introduction of Maryland's annual budget, which is required to be a balanced budget. Passage by the Maryland General Assembly of Maryland's budget is constitutionally prioritized. The Maryland General Assembly may amend the budget to increase or decrease appropriations relating to the legislative and judicial branches, but it may only strike out or reduce executive branch appropriations submitted by the Governor. The Maryland General Assembly must enact a balanced budget.

State expenditures are made pursuant to the appropriations in the annual budget. The various units of State government may, with the Governor's approval, amend the appropriations for particular programs in their individual budgets funded from the General Fund, provided they do not exceed their total General

Fund appropriations as contained in the annual budget. Pursuant to the Maryland Dedicated Revenue Statute, beginning in Fiscal Year 2020, the Governor is required to include in the State budget an appropriation of \$167,000,000 from the revenues available for the State capital program in the Maryland Transportation Trust Fund, which MDOT grants to WSTD to pay the Authority's capital costs. Such funds are not finally appropriated and committed until the General Assembly adopts the State budget.

Commonwealth of Virginia

The Governor is required by statute to present a bill detailing a proposed budget for the next biennium (the "Budget Bill") and a narrative summary of the bill to the General Assembly by December 20th in the year immediately prior to each even-year session. Under constitutional provisions, the Governor retains the right in his review of legislative action on the Budget Bill, to suggest alterations to or to veto appropriations made by the General Assembly. After enactment, the Budget Bill becomes law (the "Appropriation Act"). In the odd-year sessions of the General Assembly, amendments are considered to the Appropriation Act enacted in the previous year. The Governor submits a bill by December 20th, which includes proposed amendments to the current biennial budget. The Appropriation Act enacted in the odd-year session is effective upon passage, whereas the regular biennial Appropriation Act is effective July 1, the beginning of the biennium.

An appropriation for a project or service is initially contained in the Appropriation Act enacted by the General Assembly. Under the Commonwealth's Constitution, no money may be paid out of the Treasury except pursuant to appropriations made by law. No such appropriation may be made which is payable more than two years and six months after the end of the session of the General Assembly at which the appropriation was enacted. Implementation and administration of the provisions of the Appropriation Act are functions of the Governor, assisted by the Secretary of Finance and the Department of Planning and Budget. This process also involves constant monitoring of revenue collections and expenditures to ensure that a balanced budget is maintained. The Appropriation Act requires that if projected revenue collections fall below amounts appropriated, the Governor must reduce expenditures and withhold allotments of appropriations, with the exception of amounts needed for debt service and specified other purposes, to the extent necessary to prevent any expenditure in excess of estimated revenues.

Reciprocity

The Dedicated Revenue Statutes all condition payment of the respective State's Dedicated Capital Funding Revenues on the payment of those revenues by the other two States. Thus, if one State does not appropriate its full share of the Dedicated Capital Funding Revenues, the other two States have the authority to withhold a proportionate share of its Dedicated Capital Funding Revenues, thereby magnifying the impact of the unappropriated funds. If, for instance, the Commonwealth did not pay its full share of the Dedicated Capital Funding Revenues (e.g., due to a decline in tax receipts caused by the COVID-19 pandemic), then both the District and Maryland each would be entitled, but not required, to withhold a proportionate share of their Dedicated Capital Funding Revenues. Due to the negative impact on Dedicated Capital Funding Revenues in relationship with the COVID-19 pandemic, no assurance can be given that the States will individually or collectively be able to pay their respective fair share of the Dedicated Capital Funding Revenues.

Three Percent (3%) Increase Cap in Operating Budget

As a condition of receiving certain federal assistance, a 1980 federal law (Public Law 96-184, enacted January 3, 1980) (the "Stark-Harris Act") requires 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 to establish Stark-Harris Funding Sources to identify certain local revenue sources to be used by such Participating Jurisdiction to meet its contribution of operating subsidies provided to the Authority. Only after such payments from the Stark-Harris Funding Sources are appropriated and transferred to the Authority do such payments from the Participating Jurisdictions become subject to the pledge under the 2003 Bond Resolution (collectively, the “Stable and Reliable Funding Sources”). *See* “SECURITY FOR PAYMENT OF THE SERIES 2020A BONDS - Obligations of the States and Participating Jurisdictions.”

The Authority is funded in part with system operating revenues and jurisdictional operating and capital subsidies. As a component of the KMSRA Plan and in order to provide additional certainty to the Participating Jurisdictions, and pursuant to the Dedicated Revenue 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 three percent (3%) on a year over year basis subject to legislative exceptions for a service, equipment or facility required by any applicable law, rule or regulation; any capital project approved by the Authority’s Board; and any payments or obligations arising from or related to legal disputes or proceedings between WMATA and any other person or entity.^{56 57}

The requirement to contain the operating subsidy increases to three percent (3%) is a new requirement imposed on the Authority by the Dedicated Revenue Statutes. While the statutes have authorized certain exclusions from this calculation such as court orders and compliance action, that do not count against the three percent (3%) cap, failure to comply with the three percent (3%) cap on Participating Jurisdictions results in legislatively withholding up to 35 percent (35%) of revenues other than Dedicated Capital Funding Revenues provided to the Authority by the Commonwealth and Maryland under each’s respective statute. Noncompliance with the operating subsidy three percent (3%) cap, less the allowable exclusions, will result in an aggregate 35 percent (35%) withholding of annual Stable and Reliable Funding Sources for the Authority’s operating and capital expenses provided by the Commonwealth under its Dedicated Revenue Statute.⁵⁸ Pursuant to Maryland’s Dedicated Revenue Statute, noncompliance with the three percent (3%) cap will result in withholding up to 35 percent (35%) of revenues provided by Stark-Harris Funding Sources provided for the Authority’s operating expenses.⁵⁹

The Authority is working to proactively address this new three percent (3%) requirement on the operating subsidies provided by the Participating Jurisdictions 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. *See* “FUNDING OF THE OPERATING EXPENSES OF THE TRANSIT SYSTEM – Farebox Receipts.”

⁵⁶ Code of Va. §33.2-1526.1.J. and Md. Transp. Code §10-205(b)(3)(ii).

⁵⁷ The Virginia General Assembly has passed and sent to the governor a bill to add an additional exception for new service authorized by the Authority’s Board. A similar bill is pending in the Maryland General Assembly. The District Dedicated Revenue Statute does not have the 3% cap.

⁵⁸ Code of Va. §33.2-1526.1.J.

⁵⁹ Md. Transp. Code § 10-205(b)(3).

Timing of Cash Receipts

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 such as fares, lease revenues, etc. are received daily, monthly, semi-annually, or 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. Dedicated Capital Funding Revenues are scheduled for transfer: monthly by the Commonwealth in arrears; semiannually in October and April by the District; and upon Authority invoice by Maryland. 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 to address timing of revenues and other receivables secured by the Capital Contributions and the Gross Revenues excluding Dedicated Capital Funding Revenues. These lines of credit were set to expire on May 27, 2020. The Authority's Board approved the terms of the new lines of credit in the aggregate amount of \$350 million on April 29, 2020. The new lines of credit will expire on May 27, 2021. As of the date of this Official Statement, the Authority has not drawn on its current lines of credit. *See* "OTHER OUTSTANDING DEBT."

COVID-19 Pandemic

COVID-19, the disease caused by the coronavirus, has been declared a pandemic by the World Health Organization. The President of the United States has declared a national emergency due to COVID-19. The District of Columbia, the Commonwealth of Virginia, and the State of Maryland have also declared public health emergencies. All 50 states and the District of Columbia, as well as other U.S. territories, have reported confirmed and presumptive positive cases of COVID-19, which may have a material impact on the Dedicated Capital Funding Revenues and an investment in the Series 2020A Bonds. The spread of COVID-19 has led to various restrictions by international, national, state and local governments, and economic disruptions have occurred and are continuing. On March 30, 2020, the Governors of Maryland and the Commonwealth and the Mayor of the District of Columbia, each announced temporary stay-at-home orders directing all individuals living in the States, with certain limited exceptions, to stay at their place of residence until June 10, 2020 in the Commonwealth, until the termination of the State of Emergency in Maryland, and extended to June 8, 2020 in the District of Columbia. All of these orders may be extended. Quarantine and other "social distancing" measures in affected areas, including the States, undertaken by governmental agencies, businesses, retail establishments, schools and other entities include recommendations and warnings to limit nonessential travel, promote telecommuting and limit public gatherings.

The spread of COVID-19 has and continues to adversely affect local, state, national, and international economies, including retail sales, transportation, travel, leisure, and other economic activity in the States and the Greater Metropolitan Area, which support the Dedicated Capital Funding Revenues. The Authority cannot predict the extent to which, or the duration of time that the implementation of the restrictions imposed by the States and other restrictions implemented on a local, state, national and international level to address the COVID-19 pandemic will impact the local, state and national economies and related governmental tax and fee collections. In the United States and globally, the financial markets (including both the stock and bond markets) have experienced significant declines and volatile activity due to COVID-19 concerns. Accordingly, some or all of these unpredictable circumstances could materially adversely affect or delay the collection of Dedicated Capital Funding Revenues, which the Authority would use to pay debt service on the Series 2020A Bonds. Additionally, there are new and fluid developments on a day-to-day basis regarding the COVID-19 pandemic, including new guidance and restrictions from the Centers for Disease Control and Prevention and various government entities at all levels and, therefore, the Authority cannot predict the long-term impact that the COVID-19 pandemic will have on the Dedicated Capital Funding

Revenues or the Authority. The extent to which the COVID-19 pandemic (or other outbreak) disrupts the local or global economy may adversely impact the Authority, its operations or the Series 2020A Bonds. Financial market volatility may also adversely affect investment returns, including State pension and other post-employment benefit plans.

Cash Flow and Liquidity

Currently, the Authority also has “364-day” lines of credit with four banks in the aggregate amount of \$350 million. These lines of credit were set to expire on May 27, 2020. The Authority’s Board approved the terms of the new lines of credit in the aggregate amount of \$350 million on April 29, 2020. The Authority has closed the lines of credit with four banks (one new to the Authority). The new lines of credit will expire on May 27, 2021. As of the date of this Official Statement, the Authority has not drawn on its current lines of credit. *See* “OTHER OUTSTANDING DEBT.”

WMATA Capital Fund - Restricted Account

Dedicated Capital Funding Revenues do not include those funds in the Commonwealth’s Restricted Account, which are ineligible for use as security for debt. Under the terms of the Commonwealth Dedicated Funding Grant Agreement, the Authority is required to apply the Commonwealth’s Contribution only to items identified in the approved CIP. The Authority may not use any proceeds disbursed from the Restricted Account for the payment of, or security for, debt service on bonds or other indebtedness of the Authority.

LITIGATION

There is no litigation now pending or threatened: (i) to restrain or enjoin the issuance or sale of the Series 2020A Bonds; (ii) questioning or affecting the validity of the Series 2020A 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 2020A Bonds.

The Authority is involved in certain litigation and disputes incidental to its operations. Upon the basis of information presently available, the Executive Vice President and 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.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2020A 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 2020A Bonds and will be in substantially the form set forth as APPENDIX B.

Certain legal matters pertaining to the issuance of the Series 2020A Bonds will be passed upon for the Authority by its Executive Vice President and 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 counsels, Orrick, Herrington & Sutcliffe, LLP and Hardwick Law Firm, LLC.

TAX MATTERS

Series 2020A 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 2020A Bonds (including any original issue discount properly allocable to the owner of a Series 2020A Bond) is excludable from gross income for federal income tax purposes and is excludable from federal alternative minimum taxable income as defined Section 55(b)(2) of the Code. 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 2020A Bonds. Failure to comply with such requirements could cause interest on the Series 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020A 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 2020A Bonds.

Bond Counsel also is of the opinion that, under existing law, interest on the Series 2020A Bonds is exempt from all current Maryland, Virginia and District of Columbia personal income taxes.

The accrual or receipt of interest on the Series 2020A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2020A 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 2020A 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 2020A Bonds.

Original Issue Discount

The Series 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2020A 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 2020A 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 2020A BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2020A BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2020A BONDS.

RATINGS

S&P Global Ratings, a division of S&P Global Inc. (“S&P”), Fitch Ratings, Inc. (“Fitch”), and Kroll Bond Rating Agency (“Kroll”) have assigned ratings to the Series 2020A Bonds of “AA” (with a stable outlook), “AA” (with a negative outlook) and “AA+” (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 2020A 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 2020A 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 2020A Bonds (the “2020 CDA”) to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the “Rule”), promulgated by the United States Securities and Exchange Commission, by providing annual financial information, operating data, and event notices required by the Rule. As described in APPENDIX D, the 2020 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 2020 CDA is December 31 (which is also the deadline under the continuing disclosure agreement for the Series 2017A and 2017B Bonds (the "2017 CDA")) and Series 2018 Bonds (the "2018 CDA"). The Authority's continuing disclosure filings since July 2009 are available at www.emma.msrb.org.

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

	Fiscal Year Ended June 30,	Date Posted on EMMA	Due Date	Days Late	Date of Failure to File Notice
Audited Financial Statements					
	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	---	---
	2018	October 29, 2018	October 31, 2018	---	---
	2019	October 30, 2019	December 31, 2019	---	---
CAFR					
	2014 ⁽¹⁾	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 ⁽²⁾	May 25, 2017
	2017	October 27, 2017	October 31, 2017	---	---
	2018	October 29, 2018	October 31, 2019	---	---
	2019	December 30, 2019	December 31, 2019	---	---
Official Statement Tables					
	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 ⁽²⁾	May 25, 2017
	2017	October 27, 2017	October 31, 2017	---	---
	2018	October 29, 2018	October 31, 2018	---	---
	2019	December 30, 2019	December 31, 2019	---	---

¹ No CAFR prepared.

² 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.

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 2020A Bonds listed on the cover page of this Official Statement, for whom Barclays Capital Inc. is acting as the representative (collectively, the “Underwriters”), have agreed to purchase the Series 2020A Bonds at a purchase price equal to \$692,199,393.26 (reflecting an Underwriters’ discount totaling \$2,680,418.89) pursuant to the Bond Purchase Agreement dated June 3, 2020, by and between 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 2020A Bonds and shall accept delivery of the Series 2020A Bonds from the Authority, subject to certain conditions. Pursuant to the Bond Purchase Agreement, the Underwriters shall purchase all of the Series 2020A Bonds if any are purchased.

The Underwriters may offer and sell the Series 2020A Bonds to certain dealers (including dealers depositing the Series 2020A 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 2020A Bonds. Subsequent to the initial offering, the offering prices and yields for the Series 2020A Bonds may be changed from time to time by the Underwriters. Additionally, in connection with the offering of the Series 2020A Bonds, the Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Series 2020A 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 the Authority’s 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.

A Siebert Williams Shank & Co., LLC affiliate (“Affiliate”), which is a registered investment advisor, has sub-advisory agreements relating to two clients with PFM Asset Management LLC, which is an investment advisor affiliate of PFM Financial Advisors LLC. Affiliate’s business is separate from Siebert Williams Shank & Co., LLC and its employees who cover the Authority are not involved in the activities of Affiliate.

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 Finance 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 Finance Group (“WFBNA”), one of the underwriters of the Series 2020A 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 2020A 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 2020A 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 2020A 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.

The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

In addition, the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the District as underwriters) for the distribution of the Series 2020A Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriters will share a portion of its underwriting compensation or selling concession with such broker-dealers.

MUNICIPAL ADVISORS

PFM Financial Advisors LLC and Frasca Associates, LLC served as independent municipal advisors to the Authority with respect to the sale of the Series 2020A Bonds. The Municipal Advisors assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2020A Bonds and provided other advice. The Municipal Advisors have 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 2020A Bonds, the security for the payment of the Series 2020A 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 or Frasca, Associates LLC, 521 Madison Avenue, Suite 7, New York, NY 10022 (212) 355-4050.

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: /s/ Paul J. Wiedefeld
Name: Paul J. Wiedefeld
Title: General Manager and Chief Executive Officer

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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 Clearing Account, a Revenue Fund, a Proceeds Fund and a Debt Service Fund. The Clearing Account is established in the name of the Authority to be held and administered by the Clearing Account Agent, which shall be a Bank selected by the Authority. The Clearing Account is established for the convenience of the Authority and for the information of the Trustee as to the amounts of Dedicated Capital Funding Revenues being paid by the Signatories to the Authority. Except to the extent otherwise provided in the Resolution, the Clearing Account is not part of the Trust Estate established by the Resolution. So long as any Pre-2018 Bonds are outstanding, no Obligations issued hereunder nor the Trustee shall have any right to any payment from Dedicated Capital Funding Revenues unless and until the Dedicated Capital Funding Revenues shall (a) first be deposited as provided in the 2003 Bond Resolution, and (b) applied as provided in said 2003 Bond Resolution. The Revenue Fund and the Debt Service Fund are held and administered by the Trustee, and the Proceeds Fund is held and administered by the Authority.

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 in addition to the Funds and Accounts established pursuant to the Resolution; the establishment of such Funds, 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 Clearing Agent, 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, including such 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.

Clearing Account, Revenue Fund, Dedicated Capital Funding Revenues and Application Thereof

The Authority shall direct each of the Signatories to pay their respective Dedicated Capital Funding Revenues directly to the Clearing Account Agent to be deposited into the Clearing Account and held uninvested. So long as the Pre-2018 Bonds are outstanding in accordance with their terms, the Clearing Account Agent shall be unconditionally obligated to pay over to the 2003 Trustee, for deposit in the 2003 Dedicated Revenues Account, all Dedicated Capital Funding Revenues as soon as practicable following the receipt thereof, but in no event later than the morning of the Business Day immediately succeeding each date of receipt of Dedicated Capital Funding Revenues by the Clearing Account Agent, and such funds shall first be applied as set forth in the 2003 Bond Resolution. When the Pre-2018 Bonds are no longer outstanding in accordance with their terms, the Clearing Account Agent will transfer the Dedicated Capital Funding Revenues from the Clearing Account to the Trustee as soon as practicable after the receipt thereof. Prior to the retirement of the Pre-2018 Bonds in accordance with their terms, the Pre-2018 Bonds shall have a first right of payment from the Clearing Account and the investment income thereon, if any, in accordance with the terms of the 2003 Bond Resolution. So long as the Pre-2018 Bonds are outstanding in accordance with their terms, none of the Owners of any Obligations nor the Trustee shall have any lien on or right to payment from the Clearing Account or any funds contained in the Clearing Account or any investment income thereon, if any; on and after the date the Pre-2018 Bonds are no longer outstanding in accordance with their terms, the Clearing Account shall automatically and without further act become subject to the lien of the Resolution. The Trustee shall deposit into the Revenue Fund all Dedicated Capital Funding Revenues as soon as practicable after receipt thereof, whether from the 2003 Trustee or from the Clearing Account Agent. The Trustee shall transfer promptly all amounts deposited to the Revenue Fund into the following Funds and Accounts, 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 on the next Debt Service Payment Date;
- (b) 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;
- (c) transfer to the Authority for deposit in the Proceeds Fund as directed in writing by an Authorized Officer of the Authority; and
- (d) 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 (d) of this caption shall be free and clear of the lien and pledge created by the Resolution.

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 30 days prior to the redemption date or such shorter or longer 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 or its 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 securities 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.

Prior to any transfer of an Obligation for which there is no depository providing a book-entry only system (including, but not limited to, the initial transfer outside such book-entry only system), the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

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, 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. Notwithstanding the foregoing, in the event that all or a portion of any Obligations are to be discharged as a result of there being irrevocably deposited with the Trustee Defeasance Securities, the lien of this Resolution with respect to such Obligations or portions thereof will not be released and discharged until the Authority and the Trustee have received a verification of the sufficiency of funds held to discharge such Obligations or portions thereof from an independent certified public accountant. 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 rents, 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 holders of Pre-2018 Bonds and Owners of Obligation Anticipation Notes, Revenue Anticipation Notes and, to the extent provided pursuant to the terms and provisions of the 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 more than 50% 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 more than 50% 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 more than 50% 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 more than 50% 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 and the foregoing provisions of this 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, expenses and liabilities incurred and advances made by the Fiduciaries in the performance of their duties under the Resolution, including reasonable fees of counsel, 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.

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 Clearing Account Agent, 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 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;
- (9) 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;
- (10) 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;

- (11) To authorize the granting of additional funding sources as security for any given Obligations without making such additional funding sources available as security for all succeeding Obligations issued under the Resolution consistent with any limitations applicable to such additional funding sources in existence at the time of issuance of the affected Obligations;
- (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, issued or to be issued, 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 the Pre-2018 Bonds and 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. The Authority shall not issue or incur any obligations or indebtedness secured by any portion of the Trust Estate which is secured on a parity with the lien and pledge established by the 2003 Bond Resolution for the benefit of the Pre-2018 Bonds.

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. The outsourcing of the operation or maintenance of any portion of the Transit System by lease, concession agreement or otherwise shall not be considered to be a cessation of operation or maintenance or a disposition or lease for purposes of this section if the Authority maintains ownership of the property. Further, 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 file a notice of any disposition or lease not exempted by this section 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.

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, Subordinated Contract Obligations or Subordinated

Indebtedness, as determined by the Authority. 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 applied for the purposes described in this caption.

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 or self-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 uploaded, linked or posted on the Authority's website 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 180 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), upload, link or post on the Authority's website, 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 any provider of a Credit Facility (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 eighty (180) days after the end of each Fiscal Year commencing with the Fiscal Year ending after the Fiscal Year in which the 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.

General

The Authority shall do and perform, or cause to be done or performed, all acts and duties 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.

Budgetary Provisions

The Authority shall adopt and upload, link or post on the Authority's website when available 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 and capital budgets, and in each amendment of such budgets, appropriate provisions which acknowledge that the Dedicated Capital Funding Revenues provided for in such budgets or amendments are subject to the pledge and lien established by the Resolution.

Payments by Signatories and Participating Jurisdictions; Compliance with Dedicated Capital Funding Acts

The Authority shall use reasonable efforts to cause the Signatories and Participating Jurisdictions to make payments of their respective Dedicated Capital Funding Revenues and Pre-2018 Jurisdictional Funding Revenues, together with other funds if necessary, so as to provide the amounts required to make the deposits required under the Resolution and the 2003 Bond Resolution; and to this end the Authority shall take all appropriate governmental action, including without limitation, action to obtain assistance and support for its efforts from any and all governmental entities with an interest therein.

The Authority shall use reasonable efforts to comply with the material requirements under the Dedicated Capital Funding Acts and any agreements between the Authority and the Signatories related to the Dedicated Capital Funding Acts.

Direction to Signatories

The direction of the Authority that each of the Signatories pay their respective Dedicated Capital Funding Revenues directly to the Clearing Account Agent for deposit into the Clearing Account shall not be changed or discontinued so long as there are any Obligations Outstanding.

Authorization of the Obligations

The Resolution authorizes Obligations of the Authority designated as "Dedicated 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; (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 Obligations 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; and (iv) if the Obligations are to be designated and issued as Tax-Exempt Obligations, that interest on such Obligations is excludable from gross income under federal income tax laws; 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 a certificate of an Authorized Officer certifying, based on the Authority's records, that Dedicated Capital Funding Revenues for any twelve (12) consecutive months out of the last eighteen (18) months immediately preceding the incurrence or issuance of such Obligations, shall at least equal 400% of the sum of (a) Maximum 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, plus (b) maximum annual aggregate debt service on any outstanding Pre-2018 Bonds issued under the 2003 Bond Resolution 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 Pre-2018 Bonds; provided, however, that for the purpose of the foregoing clause (b), there shall be excluded from the calculation any debt service on the Pre-2018 Bonds to the extent that Gross Revenues as defined and described in the 2003 Bond Resolution were sufficient to pay debt service on Pre-2018 Bonds during such 12-month period; provided, further, that for the first Series of Obligations issued following the date of adoption of the Resolution, the amount of Dedicated Capital Funding Revenues used in this paragraph shall be the projected amount of Dedicated Capital Funding Revenues instead of the actual amount of Dedicated Capital Funding Revenues.

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 and to the application of the proceeds thereof, 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 such Obligations, or (ii) the Dedicated Capital Funding Revenues test summarized under the caption "Special Provisions for Capital Cost Obligations" will be satisfied.

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.

If expressly authorized by the Board of Directors of the Authority, one or more series of Obligations may be issued using both the security afforded under the Resolution and the security provided under the 2003 Bond Resolution provided that such series of Obligations meets the issuance requirements of both the Resolution and the 2003 Bond Resolution. Such Obligations may be issued on a parity basis, a subordinate basis, or a split basis with the Obligations on parity with Obligations issued under one resolution and on a subordinate basis for Obligations issued under the other 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 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. The pledge created by the Resolution, insofar as it relates to any portion of the Trust Estate pledged to the payment of the Pre-2018 Bonds, is (a) subordinate in all respects to the pledge thereof created by the 2003 Bond Resolution to secure the Pre-2018 Bonds, and (b) subject to the covenants and agreements made with the owners of the Pre-2018 Bonds, and, so long as any Pre-2018 Bonds remain outstanding and unpaid, no payment shall be made therefrom whether for interest, principal or premium on any of the Obligations except as and to the extent permitted by the 2003 Bond Resolution. So long as any Pre-2018 Bonds are outstanding, no Obligations issued under the Resolution nor the Trustee shall have any right to any payment from Dedicated Capital Funding Revenues unless and until the Dedicated Capital Funding Revenues shall (A) first be deposited as provided in the 2003 Bond Resolution, and (B) applied as provided in the 2003 Bond Resolution.

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.

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 Authority 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 Authority 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 reimbursements in anticipation of which Revenue Anticipation Notes shall at any time be issued, shall be subordinate to the pledge of any such 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 capital 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, or for any information in any preliminary or final official statement in connection with the issuance of any Obligations or any financial statement required to be delivered or filed in connection with any Obligations, or for the recording, re-recording, filing or re-filing of any financing or continuation statement or other document or instrument, 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 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 upon thirty (30) days' notice 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 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:

2003 Bond Resolution shall mean the Gross Revenue Bond Resolution 2003-53, adopted by the Authority on September 23, 2003, as the same from time to time may be amended or supplemented in accordance with its terms, including without limitation as amended by Resolution 2018-47 (the 2018 Supplemental Bond Resolution Supplementing and Amending Gross Revenue Bond Resolution 2003-53), adopted by the Authority on November 15, 2018.

2003 Dedicated Revenues Account shall mean the Future Dedicated Revenues Account established in Section 504 of the 2003 Bond Resolution.

2003 Trustee shall mean the trustee for the Pre-2018 Bonds appointed pursuant to the terms of the 2003 Bond Resolution. 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 twelve (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 next Debt Service Payment Date, 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 next

Debt Service Payment Date. 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 Dedicated Capital Funding 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 (twelve) 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 under the Contract:

- (1) U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the United States Government;
- (2) debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality, or government-sponsored enterprise (GSE), which include but are not limited to Fannie Mae, Freddie Mac, the Federal Farm Credit System, and the Federal Home Loan Bank;
- (3) U.S. dollar denominated debt obligations of a multilateral organization of governments;
- (4) U.S. dollar denominated corporate notes, bonds, or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity;
- (5) obligations issued or guaranteed by any state, territory, or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality, or other

unit of local government of any U.S. state or territory rated in any of the top three Rating Categories;

- (6) mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise (GSE), including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and REMICs;
- (7) asset-backed securities (ABS) whose underlying collateral consists of loans, leases, or receivables, including but not limited to auto loans/leases, credit card receivables, student loans, equipment loans/leases, or home-equity loans;
- (8) negotiable bank certificates of deposit, deposit notes, or other deposit obligations issued by a nationally or state-chartered bank, credit union, or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution;
- (9) non-negotiable interest-bearing time certificates of deposit, savings accounts, or deposit accounts in banks organized under the laws of this state or in national banks organized under the laws of the United States and doing business in this state, provided that any such deposits are secured or collateralized, if required by state or Federal law;
- (10) interest bearing time certificates of deposit, savings accounts, or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA);
- (11) demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Authority, or bankers' acceptances of depository institutions, including the Trustee or any of its affiliates;
- (12) U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust, or other entity, including both unsecured debt and asset-backed programs rated in the top short-term Rating Category by at least one Rating Agency;
- (13) banker's acceptances issued, drawn on, or guaranteed by a U.S. bank or branch of a foreign bank;
- (14) shares in open-end and no-load money market;
- (15) mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7;
- (16) repurchase agreements with any provider, which agreement is secured by any one or more of the securities described in clauses (a), (b) or (e) 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 (i) or (ii) of the definition thereof, as custodian, that is independent from the provider with whom the repurchase agreement is executed;

- (17) forward delivery agreements (“FDAs”) with any provider who has a rating (at the time the FDA is entered into) of at least A3 by Moody’s or at least A- by S&P or Fitch, or a similar rating by another equivalent national ratings agency; provided, however, that, if any such provider is subsequently downgraded below Baa3 by Moody’s or below BBB- by S&P or Fitch, or a similar rating by another equivalent national ratings agency, such FDA shall no longer qualify as an Authorized Investment;
- (18) guaranteed investment contracts or other structured investments (“GICs”) with any provider who has a rating (at the time the GIC is entered into) of at least A3 by Moody’s or at least A- by S&P or Fitch, or a similar rating by another equivalent national ratings agency; provided, however, that any such GIC shall require that if the provider is subsequently downgraded below A3 by Moody’s or below A- by S&P or Fitch, or a similar rating by another equivalent national ratings agency, the provider shall secure its obligations by posting collateral or converting the GIC into a repurchase agreement; and
- (19) 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 certificate to the Trustee designating the additional investment as an Authorized Investment.

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 Executive Vice President & Chief Financial Officer, the Vice President & Comptroller, the Vice President & 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.

Balloon Obligations shall mean Obligations designated as Balloon Obligations in a Supplemental Resolution and where 25% or more of the principal amount of such Obligations matures on the same date and such portion of the principal amount of such Obligations is not required to be amortized by payment or redemption prior to such date. If any Series of Obligations or any Parity Debt consists partially of Variable Interest Rate Obligations and partially of Obligations bearing interest at a fixed rate, the portion constituting Variable Interest Rate Obligations and the portion bearing interest at a fixed rate shall be treated as separate issues for purposes of determining whether any such Series of Obligations or Parity Debt constitutes Balloon Obligations.

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 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.

Clearing Account shall mean the Account by that name established in the Resolution.

Clearing Account Agent shall mean the Bank selected by the Authority pursuant to the 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 of documents, investor relations website fees, 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 the 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 outside 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 Maximum Annual 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 any Series of Obligations or any Parity Debt constitutes Balloon Obligations, then, for purposes of determining the annual amount payable on account of principal of and interest on such Series of Obligations or Parity Debt, such Series of Obligations or Parity Debt that are or would be Balloon Obligations shall be treated as if the principal amount of such Series of Obligations or Parity Debt were to be amortized in substantially equal annual installments of principal and interest over the lesser of a term of 30 years or the actual term of such Series of Obligations or Parity Debt; and the interest rate used for such computation shall be the rate quoted in the 30-year revenue bond index, or revenue bond index related to the actual term of such Series of Obligations or Parity Debt, as applicable, published by The Bond Buyer no more than two weeks prior to the date of calculation, or if that index is no longer published, another similar index selected by the Authority, or if the Authority fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as such Series of Obligations

or Parity Debt on the date of issuance, or if there are no such Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States of America ranked by assets.

- (4) 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.
- (5) 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.
- (6) 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 Capital Funding Acts shall mean the following legislative enactments: D.C. Code § 1-325.401; Va. Code § 33.2-3401; and Md. Transit Code Ann. § 10-205(g).

Dedicated Capital Funding Revenues shall mean only those funds received by the Authority from the Signatories pursuant to the Dedicated Capital Funding Acts as the same exist as of April 23, 2020. Dedicated Capital Funding Revenues do not include (a) those funds under Va. Code § 33.2-3401.B.1, which are ineligible for use as security for debt, (b) any funds in excess of the respective amounts set forth in the Dedicated Capital Funding Acts as of April 23, 2020, as a result of any amendment to any of the Dedicated Capital Funding Acts unless the Authority amends the Resolution in accordance with its terms to pledge such increased funds as part of the Trust Estate under the Resolution or (c) any other revenues, taxes, charges, assessments or other moneys paid to the Authority.

Defeasance Security means:

- (a) an Authorized Investment as specified in clause (1), (2), or (3) of the definition thereof, which is non-callable and non-prepayable; or
- (b) 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 at least one 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.

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 April 23, 2020, 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.

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.

Maximum Annual Debt Service shall mean, as of any date of calculation, the amount of Debt Service for the current or any future Fiscal Year in which the greatest amount of Debt Service is required.

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 owned or operated by the Authority.

Participating Jurisdiction(s) shall mean and include the District of Columbia, 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 counties of 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, (a) in which the Authority operates the Transit System, and (b) which contributes funds to support the Authority. Loudoun County, Virginia, shall become a Participating Jurisdiction for the Fiscal Year determined by the Board of Directors of the Authority in conjunction with the establishment of an opening date for the Silver Line Metrorail service in Loudoun County.

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 Bonds shall mean the \$197,370,000 Gross Revenue Transit Refunding Bonds, Series 2017A, of the Authority at any time outstanding under the 2003 Bond Resolution, and the \$496,500,000 Gross Revenue Transit Bonds, Series 2017B, of the Authority at any time outstanding under the 2003 Bond Resolution.

Pre-2018 Jurisdictional Funding Sources shall mean 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. Transit Cod Ann. § 10-205(e); 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 No. 1010, dated May 24, 1982; and shall include the funds paid by any Participating Jurisdiction for such purposes in-lieu-of such amounts.

Pre-2018 Jurisdictional Funding Revenues shall mean funds paid by the Participating Jurisdictions from the Pre-2018 Jurisdictional Funding Sources.

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 not lower than the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency means a nationally recognized statistical rating organization.

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 Dedicated Capital Funding 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 the proceeds of which are used for capital or of the Transit System, and issued by the Authority (a) having a final maturity date of not more than two years from the date of issuance, (b) authorized by the Authority only in anticipation of the receipt of reimbursements relating to capital 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, (c) secured in whole or in part by a lien prior to the lien and pledge of the Resolution on such reimbursements and (d) meeting any other requirements of the Resolution.

Revenue Fund means the Revenue Fund by that name established by the Resolution.

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.

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.

Signatory(ies) shall mean and include the District of Columbia, the State of Maryland and the Commonwealth of Virginia.

Sinking Fund Installment means, as of a particular date, any Sinking Fund Installment established pursuant to the Resolution.

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 for capital projects to be funded by Dedicated Capital Funding Revenues 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, collectively, but subject to the terms and provisions of the Resolution, all right, title and interest of the Authority in:

- (1) all Dedicated Capital Funding Revenues;
- (2) the proceeds of the sale of the Obligations;
- (3) all Funds, Accounts and Subaccounts established by the Resolution (other than the Clearing Account, except to the extent provided in the Resolution, and any rebate fund established pursuant to a tax certificate or agreement executed by the Authority in connection with a Series of Obligations and any 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

(4) 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 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.

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APPENDIX B

PROPOSED FORM OF BOND COUNSEL OPINION

June 11, 2020

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

\$545,000,000
Washington Metropolitan Area Transit Authority
Dedicated Revenue Bonds, Series 2020A

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 Dedicated Revenue Bonds, Series 2020A, in the original aggregate principal amount of \$545,000,000 (the “Series 2020A Bonds”). The Series 2020A Bonds are issued pursuant to (1) the Compact and (2) a resolution duly adopted by the Board of Directors of the Authority on April 23, 2020, and entitled “Dedicated Capital Funding Bond Resolution,” as supplemented with respect to the Series 2020A Bonds by a resolution duly adopted by the Board of Directors of the Authority on April 23, 2020, and entitled “2020A Supplemental Bond Resolution” (collectively, the “Resolution”), for the purpose of (a) financing eligible Capital Costs of the Transit System (b) pay capitalized interest of the Series 2020A Bonds and (c) paying certain costs of issuing the Series 2020A Bonds. Capitalized terms used, but not defined, herein shall have the respective meanings assigned thereto in the Resolution.

The Series 2020A Bonds are payable solely from, and are equally and ratably secured solely by, the Trust Estate as defined in the Resolution. The Authority reserves the right to issue additional Obligations or incur Parity Debt on the terms and for the purposes stated in the Resolution. Under the provisions of the Resolution, any Outstanding or additional Obligations or Parity Debt will be subordinate to the Pre-2018 Bonds but on parity with the Series 2020A Bonds as to security and payment from that portion of the Trust Estate constituting Dedicated Capital Funding Revenues.

The Series 2020A Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution and the Certificate of Determination executed in connection with the Series 2020A Bonds.

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 2020A 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 2020A Bonds.

The Authority has covenanted in connection with the Series 2020A Bonds that it will not use any proceeds of the Series 2020A 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 2020A 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 2020A Bonds, and the Series 2020A 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 2020A 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 2020A Bonds is excludable from gross income for federal income tax purposes and is excludable from federal alternative minimum taxable income as defined in Section 55(b)(2) of the Code. 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 2020A Bonds, including covenants to the effect that the Authority will comply with all requirements of the Code and the Regulations that must be satisfied subsequent to the issuance of the Series 2020A 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 2020A Bonds to be includable in gross income for federal income tax purposes retroactive to the date of the issuance of the Series 2020A Bonds.

5. Under existing law, interest on the Series 2020A 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 2020A Bonds or any other matter with respect to the Series 2020A Bonds except as set forth herein. Ownership of the Series 2020A 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 2020A Bonds.

The rights of the owners of the Series 2020A Bonds and the enforceability of the Series 2020A 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 the State, 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 2020A 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 2020A 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 2020A Bonds.

We have examined an executed Series 2020A Bond and in our opinion the form of said Series 2020A 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

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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 2020A Bonds under a book-entry system with no physical distribution of the Series 2020A Bonds made to the public. The Series 2020A 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.

Purchases of the Series 2020A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020A 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 2020A 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 2020A Bonds, except in the event that use of the book-entry system for the Series 2020A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020A 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 2020A 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 2020A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020A 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 2020A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2020A Bonds, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2020A Bonds may wish to ascertain that the nominee holding the Series 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A 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 2020A Bonds (a) payments of principal or redemption price of, or interest on, the Series 2020A Bonds, or (b) confirmation of ownership interests in the Series 2020A 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 2020A 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 2020A Bonds; (e) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2020A Bonds; or (f) any action taken by DTC or its nominee as the registered owner of the Series 2020A Bonds.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated June 11, 2020, is executed and delivered by the Washington Metropolitan Area Transit Authority (the “Authority”) in connection with the issuance and sale of the Authority’s \$545,000,000 Dedicated Revenue Bonds, Series 2020A (the “Bonds”), issued pursuant to the Resolution (as defined in the hereinafter defined 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, 2020, the Authority shall provide to the MSRB no later than December 31, 2020, 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.

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), 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.

(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 historical financial information and operating data with respect to the Authority, substantially similar to the type set forth in Tables 2 and 8 and the financial information and operating data with respect to the Authority, substantially similar to the type set forth in Table 11 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) “Financial Obligation” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of any Financial Obligation in clause (a) or clause (b). The term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(5) “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.

(6) “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.

(7) “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 of the Authority;
- (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;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect holders of the Bonds, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

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.

(8) “Official Statement” means the Official Statement dated June 3, 2020, of the Authority relating to the Bonds.

(9) “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, to the date hereof and 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.

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

(11) “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:

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