District / Pepco Soccer Stadium Land Letter of Intent
December 27, 2013

The following letter of intent (the "Letter of Intent") sets forth the general terms and conditions under which Potomac Electric Power Company ("Pepco") and the District of Columbia (the "District") would enter into an agreement by which the District would acquire approximately 156,463 square feet of land, consisting of Lots 804 and 805 in Square 661 and the northwest portion of Lot 24 in Square 665 (collectively, the "Pepco Land"), for the construction of a soccer stadium. The basic terms of the transaction would have Pepco transfer the Pepco Land to the District in exchange for: (i) one or more parcels of land currently owned by District that are suitable sites on which Pepco can construct upgrades to its transmission and distribution system in the District of Columbia; and/or (ii) cash. To the extent that a swap of property is involved, the transaction may, at Pepco's election, be structured in whole or in part as a like-kind transaction.

1. **Properties:**

   Pepco Land: The Pepco Land is comprised of approximately 156,463 square feet of land located owned by Pepco within Buzzard Point in Southwest Washington, DC. The Pepco Land, which consists of Lots 804 and 805 in Square 661 and the northwest portion of Lot 24 in Square 665, is shown on Exhibit A-1.

   District Properties: Pepco and the District are in discussion with regard to several parcels of land to determine if one or more of the properties are suitable sites for Pepco to construct upgrades to its transmission and distribution infrastructure, including, but not necessarily, limited to transmission and distribution facilities, including conduit, poles, transformers, circuits, substations, and all other overhead and underground equipment and improvements necessary or desirable for the operation of Pepco's electric utility in the District of Columbia and Maryland (those parcels that are determined by Pepco to be suitable for Pepco's intended uses are referred to as the "District Properties"). The District shall work in good faith with Pepco to identify one or more District Properties by January 31, 2014, provided that if no District Properties are identified by that date, the parties shall continue to work with one another to identify suitable District Properties. The District will support and use its best efforts to facilitate and expedite all permit reviews and zoning applications for the construction and installation of Pepco's improvements on District Property.

   Subject to the parties agreeing upon the valuation of the District Properties and the negotiation and execution of a definitive transaction agreement for the transaction ("Definitive Agreement), the District agrees to convey the District Properties to Pepco on terms substantially comparable to the transaction documents for the Pepco Land. The District further agrees to work with Pepco to identify other properties that are available within its inventory that could assist Pepco in meeting its future transmission and distribution facility needs.

   For purposes of this Letter of Intent, each of Pepco Land and District Properties shall be referred to as a "Property" and, together, shall be referred to as the "Properties."

If the parties are not able to identify any properties owned by the District that Pepco determines would be suitable sites for Pepco to construct upgrades to its transmission and distribution infrastructure, the District shall have the option to acquire the Pepco Land for cash.

2. Valuation of the Pepco Land; Other Interests:

The parties agree that the Pepco Land has a value of $40 million and, subject to the negotiation and execution of the Definitive Agreement, Pepco agrees to transfer the Pepco Land to the District for such amount, in land, cash or some combination thereof, together with the following additional consideration:

a. Pepco shall cause to be removed from the Pepco Land the combustion turbines located on the Pepco Land. In exchange for the removal of the combustion turbines, the District shall pay to Pepco or its affiliate $1.0 million.

b. Pepco shall cause to be relocated the western distribution duct bank and associated feeders currently located on the proposed site of the soccer stadium on First Street SW between T Street SW and R Street SW. In exchange for the relocation of the duct bank and associated feeders, the District shall pay to Pepco the estimated cost for the relocation as reasonably determined by Pepco upon completion of Pepco's engineering and grant the easement(s) referred to in item c(i) below.

c. The District shall grant to Pepco (i) easement(s) appropriate to relocate the distribution duct bank and associated feeder referred to in item b above, (ii) easement(s) along First Street SW between T Street SW and R Street SW appropriate for underground transmission and distribution facilities, and (iii) easement(s) on S Street SW between First Street SW and Half Street SW appropriate for underground transmission and distribution facilities as well as for ingress and egress and construction lay down for the maintenance, repair and replacement of utility facilities from time to time.

d. Pepco shall retain an easement(s) appropriate for underground transmission and distribution facilities thirty foot in width across the east side of Parcels 804 and 805.

e. In each case, Pepco and the District shall cooperate in good faith to identify mutually agreeable terms with respect to items a – d above for inclusion as a term of the Definitive Agreement or related agreements, to be effective as of the closing of the transfer of the Pepco Land.

3. Valuation of the District Properties:

With regard to the District Properties, the parties will use third-party appraisals and work in good faith to establish agreed upon valuations for the District Properties by no later than February 28, 2014. In order to facilitate mutual agreement on the value of the District Properties, each party agrees to appoint an appraiser that is reasonably acceptable to the other party (each a "Party-Appointed Appraiser"). Within seven (7) days following execution of this Letter of Intent, the parties shall establish agreed upon valuation instructions (the "Valuation Instructions") and terms for the engagement letter for the Party-Appointed Appraisers. Collectively the two Party-Appointed Appraisers shall select a third third-party appraiser (the "Third Appraiser") and the parties shall

jointly agree upon the terms of the engagement letter for the Third Appraiser. The three appraisers shall constitute the "Land Value Panel" and the Independent Appraiser shall serve as the chairman of the Land Value Panel. The Land Value Panel shall meet as often as its members deem necessary in order to agree upon the valuation of the District Properties.

Each party shall bear the cost of their Party-Appointed Appraiser and the parties shall jointly bear the cost of the Independent Appraiser. The Land Value Panel shall be instructed to use best efforts to submit their written report to the parties no later than February 28, 2014. The parties agree to use the Land Value Panel's estimate of values as the basis of their negotiation with respect to the value of the District Properties.

Neither party, however, shall be bound by the Land Value Panel's determination regarding the value of the District Properties, nor shall either party shall be obligated to enter into the transactions contemplated hereunder unless and until the parties execute and deliver the Definitive Agreement.

To the extent that the finally determined values of the Properties are not equal, the party acquiring the Property with the lower value shall pay the party transferring the Property with the higher value the difference between the values of the Properties in cash at Closing.

4. Closing Date:

Closing shall occur within thirty (30) days of the Council of the District of Columbia's approval of the Definitive Agreement. At closing, good and marketable title to each of the Properties will be transferred to the respective acquirer of such Property.

5. Due Diligence:

During the sixty (60)-day period following execution of this Letter of Intent, the District shall conduct due diligence with respect to the Pepco Land. Pepco shall conduct due diligence with respect to any District Properties. Pepco shall have sixty (60) days to conduct such due diligence from and after the date a District Property is agreed upon. The parties shall negotiate and execute a customary access agreement permitting access to their respective Properties and books and records for due diligence purposes and will provide customary indemnities and insurance relating to their entry onto the Property they are acquiring; provided, however, in the case of Pepco Land, the indemnity and insurance requirements shall not be provided by the District but shall be provided by the contractors engaged by the District to provide due diligence services. The sale of each property will be in its "as is, where is" condition. The District will provide to Pepco copies of all of its due diligence reports with respect to the Pepco Land, including any related to the environmental review of the Pepco Land.

The valuation of the Pepco Land assumes that the soil is contaminated with petroleum products; however, if the District's due diligence indicates the contamination is more extensive or that there is material contamination by hazardous materials other than petroleum products, the parties will seek a mutually agreeable adjustment to the valuation of the Pepco Land. Pepco shall have no liability to the District under the terms of the Definitive Agreement with respect to the condition of the Pepco Land following transfer to the District (including without limitation with respect to any actual or alleged hazardous materials). If the Pepco Land is not conveyed as a result of any actual or alleged hazardous materials or any other reason except for breach of the Definitive Agreement by Pepco,

then neither party shall have any further obligation to the other with respect to the transfer of the Pepco Land.

6. **Schedule:**

The parties shall endeavor to agree upon (i) the form of the Definitive Agreement necessary to implement the transfer of the Pepco Land by no later than February 28, 2014; (ii) the valuation of any District Property within seventy five (75) days after it is selected by Pepco; and (iii) any adjustments to the Definitive Agreement necessary to implement the sale of such District Property within ninety (90) days after it is selected by Pepco. The District shall submit the Definitive Agreement (and any amendments thereto) to the Council of the District of Columbia within fifteen (15) days after the parties have reached agreement with regards thereto.

7. **Council Approval and Anti-Deficiency:**

The Definitive Agreement shall be subject to the approval of the Council of the District of Columbia. The obligations of the District under the Definitive Agreement shall be subject to federal and District Anti-Deficiency Acts. The Definitive Agreement shall provide that the District may require Pepco to repurchase the Pepco Land at the same purchase price set forth in the Definitive Agreement which the District paid to Pepco, if for any reason the Ground Lease for the proposed soccer stadium is terminated prior to July 15, 2014. If the consideration for the Pepco Land included District Properties, Pepco may elect to repurchase the Pepco Land by reconveying the District Properties at the same valuation at which it acquired them, or it may in whole or in part pay a corresponding amount as cash consideration and retain ownership of the District Properties.

8. **Certain Understandings Regarding Future Proceedings**

The parties agree that the valuation process and results described in Section 2 of this Letter of Intent will have no precedential value and shall not be utilized by the District in the case of any subsequent condemnation proceedings involving the Pepco Land.

This Letter of Intent does not create any legally binding obligations on the parties hereto. The parties shall not have any legally binding obligations with respect to the transaction described in this Letter of Intent unless and until (i) the parties shall have approved and executed the Definitive Agreement and (ii) the necessary approvals from the Council of the District of Columbia have been secured. Without limiting the generality of the foregoing, nothing in this Letter of Intent shall be deemed to prohibit the District from disposing of any District Property through auction or otherwise to a person or entity other than Pepco should the parties not enter into the Definitive Agreement contemplated herein.

Notwithstanding the prior paragraph, the terms and conditions of Section 8 of this Letter of Intent will be binding upon the parties for a period of five (5) years following execution of this Letter of Intent.

[SIGNATURES ON THE FOLLOWING PAGE]

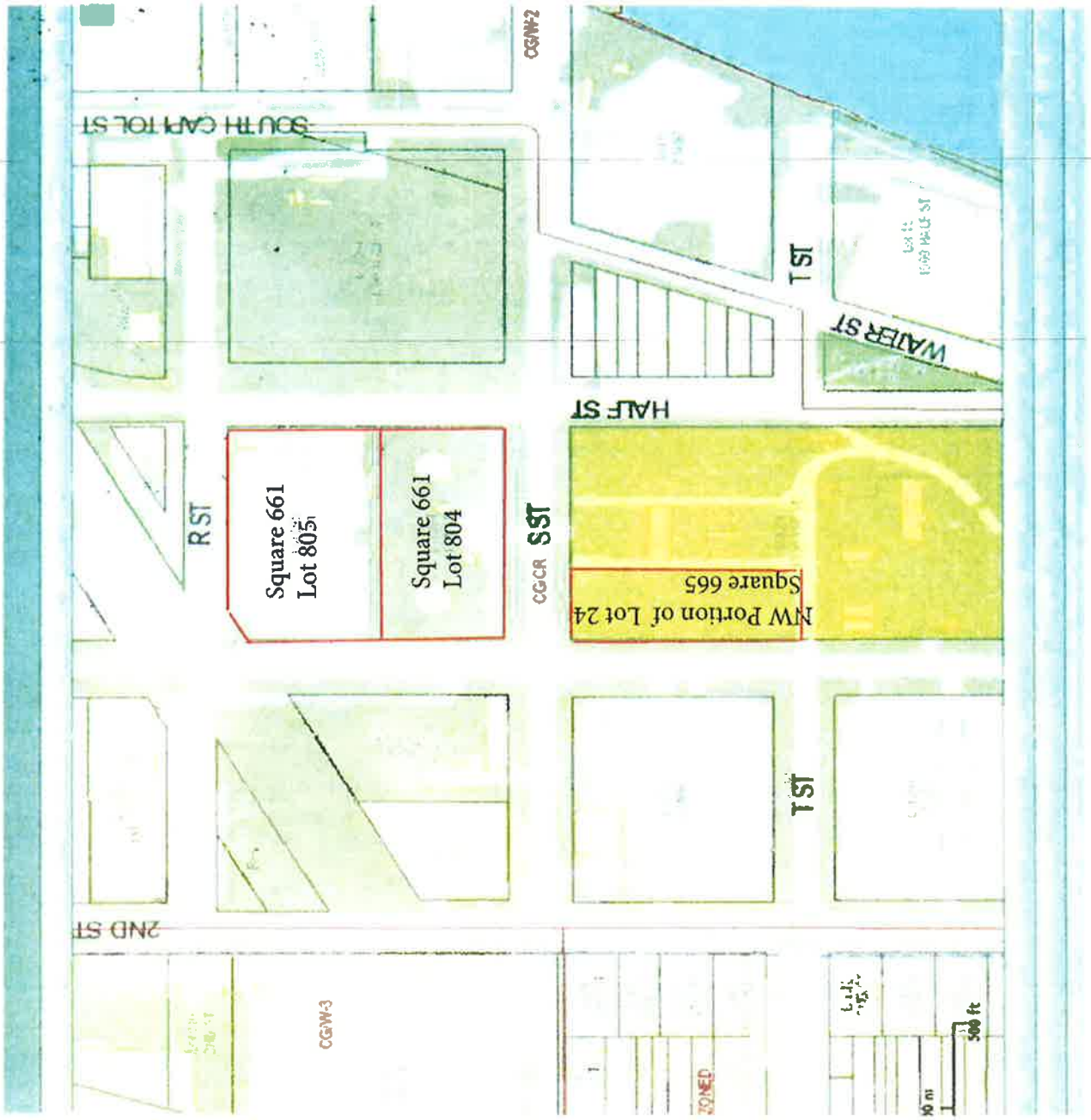
POTOMAC ELECTRIC POWER COMPANY

By: Peter E. Meier
Name: Peter E. Meier
Title: Vice President, Legal Services, Pepco Holdings, Inc
Date: 12/27/2013

THE DISTRICT OF COLUMBIA,
acting by and through the Office of the City Administrator

By:
Name: Allen Y. Lew
Title: City Administrator
Date: 8/02/14

EXHIBIT A-1


CGW-2
SOUTH CAPITOL ST
T ST
WALKER ST
HALF ST
R ST
Square 661
Lot 805
Square 661
Lot 804
CGCR
S ST
NW Portion of Lot 24
Square 665
T ST
2ND ST
CGW-3
500 ft