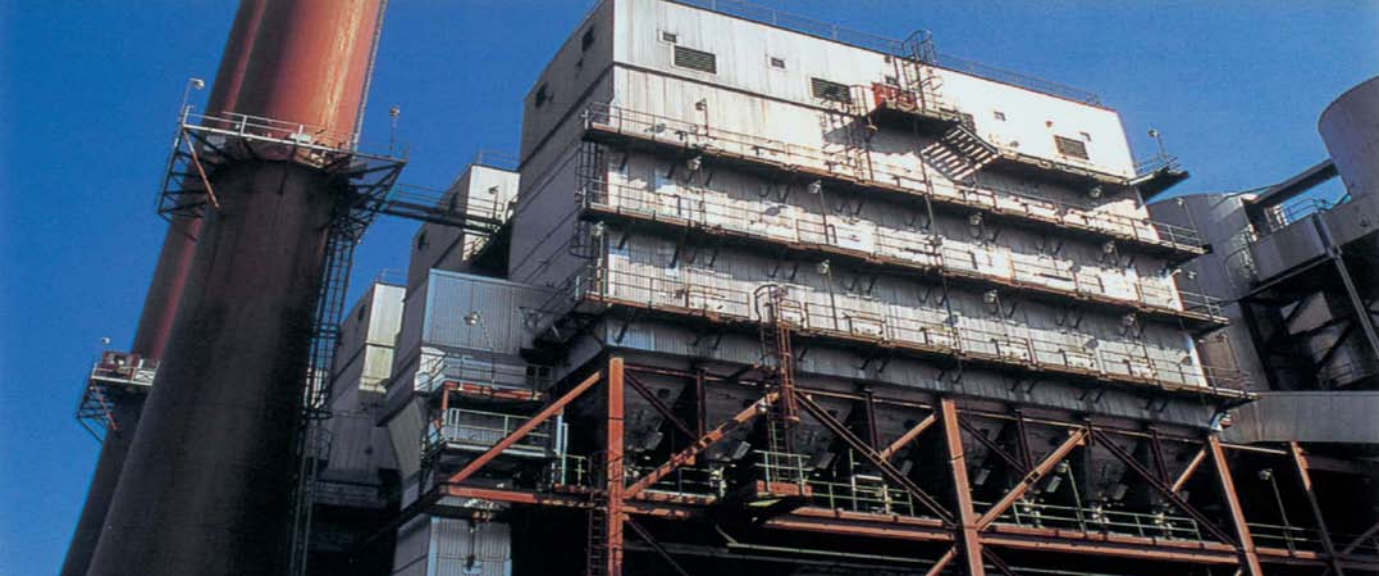


## Southeastern Public Service Authority of Virginia



January 27, 2010

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## SPSA Debt Retirement Plan: Overview

- Southeastern Public Service Authority (“SPSA”) will receive \$150 million upon the closing of the sale of its waste-to-energy assets with Wheelabrator
- As of April, 2010, SPSA will have total debt outstanding of \$218,870,000 to four creditors in a “five lien” structure, as set out on the chart below

Outstanding Debt Prior to Defeasance														
FY	AMBAC		Wachovia		VA Beach		VRA Subordinate		VRA Guaranteed		Total Debt Service		% of Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		Debt Service
2011	-	1,675,388	6,050,000	1,186,862	4,485,000	504,550	4,080,000	2,875,396	-	3,206,251	14,615,000	9,448,446	24,063,446	6.68%
2012	255,000	1,669,140	11,385,000	753,712	6,205,000	459,683	9,260,000	2,679,063	-	3,206,251	27,105,000	8,767,849	35,872,849	12.38%
2013	270,000	1,656,143	5,895,000	398,581	6,455,000	206,900	13,680,000	2,129,956	-	3,206,251	26,300,000	7,597,830	33,897,830	12.02%
2014	285,000	1,642,196	9,480,000	31,167	1,655,000	11,050	14,100,000	1,444,235	-	3,206,251	25,520,000	6,334,899	31,854,899	11.66%
2015	15,935,000	1,236,625	-	-	-	-	2,525,000	1,020,714	8,540,000	3,047,195	27,000,000	5,304,533	32,304,533	12.34%
2016	16,765,000	419,125	-	-	-	-	8,210,000	922,870	9,785,000	2,688,770	34,760,000	4,030,765	38,790,765	15.88%
2017	-	-	-	-	-	-	9,910,000	512,370	27,520,000	1,868,137	37,430,000	2,380,507	39,810,507	17.10%
2018	-	-	-	-	-	-	-	-	26,140,000	623,437	26,140,000	623,437	26,763,437	11.94%
Total	33,510,000	8,298,616	32,810,000	2,370,323	18,800,000	1,182,183	61,765,000	11,584,603	71,985,000	21,052,540	218,870,000	44,488,266	263,358,266	100.00%
% of Total	15.31%	18.65%	14.99%	5.33%	8.59%	2.66%	28.22%	26.04%	32.89%	47.32%	100.00%	100.00%		

*Note: Assumes Wachovia loan will be paid off in equal amounts in 2010 and 2011. Excludes certain maturities for which funds have already been deposited with the Trustee.*

- Mesirow Financial is acting as SPSA’s Financial Advisor with respect to the application, timing and process for employing the sale proceeds to the retirement of SPSA’s outstanding indebtedness

## Debt Retirement: Glossary of Terms

- In examining the Authority's outstanding debt balances, we have found that there are a wide variety of structures that need to be accommodated in any debt retirement program. A listing of SPSA debt by maturity with its associated characteristics can be found on the back of this presentation
- Each maturity of SPSA's debt must be analyzed, since the alternatives (called, defeased, tendered or left outstanding) are determined by the characteristics established when each series of bonds was originally issued
- Debt which is "callable" can be taken away from bondholders simply by paying currently due interest and, in some cases, a small call premium
- Debt which is not "callable" cannot be taken away from holders but must be tendered or "defeased" by the deposit of cash or AAA securities sufficient to pay all principal and interest due on the remaining life of the bond
- "Negative arbitrage" is the term given to the difference between the interest rate earned on deposits to a defeasance account and the interest rate owed on the bond
- A bond with a "make whole" call is characterized by the payment of a premium at the call designed to provide the holder with the full benefit of cash flow payments over time by computing the present value of future debt service payments at a pre-established present value rate (usually a spread to a comparable maturity Treasury rate)

## Debt Retirement Plans: VRA Pro-Rata Scenario

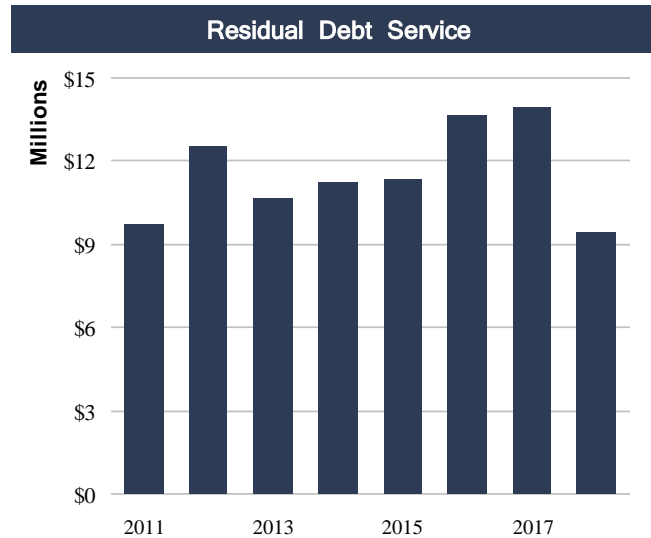
- The VRA has established certain mandatory conditions upon the manner in which SPSA may employ the sales proceeds toward the reduction of SPSA debt. It bases its right to do so on the fact that (i) VRA must approve the sale of any of SPSA’s assets; (ii) VRA currently is a 60% creditor with respect to SPSA’s outstanding loans and (iii) as result of the 2009 debt restructuring, VRA is the only creditor for the 2016, 2017 and 2018 fiscal years (on a cash flow basis)
- According to the VRA, SPSA must deploy the \$150 million of sales proceeds so that:
  - VRA’s overall percentage of SPSA’s debt after the debt retirement plan is not in excess of 60%;
  - The SPSA’s residual debt service after debt retirement is essentially level; and
  - All SPSA communities “guarantee” any VRA debt owed from SPSA after debt retirement plan
- Below is a chart of outstanding debt by lender that results in a 60% share of SPSA debt from VRA and debt service that is essentially level in each fiscal year

Outstanding Debt After Pro-rata Defeasance														
FY	AMBAC		Wachovia		VA Beach		VRA Subordinate		VRA Guaranteed		Total Debt Service		% of Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		Debt Service
2011		588,710	2,125,000	416,706	1,570,000	177,433	2,770,000	974,588	-	1,125,520	6,465,000	3,282,957	9,747,957	8.40%
2012	90,000	586,505	4,000,000	264,524	2,185,000	161,933	3,250,000	883,265	-	1,125,520	9,525,000	3,021,748	12,546,748	12.37%
2013	95,000	581,925	2,070,000	139,805	2,270,000	72,900	3,600,000	690,653	-	1,125,520	8,035,000	2,610,804	10,645,804	10.44%
2014	100,000	577,025	3,325,000	10,932	585,000	3,900	4,955,000	507,024	-	1,125,520	8,965,000	2,224,401	11,189,401	11.64%
2015	5,600,000	434,500	-	-	-	-	885,000	358,244	3,000,000	1,069,645	9,485,000	1,862,389	11,347,389	12.32%
2016	5,890,000	147,250	-	-	-	-	2,880,000	323,950	3,435,000	943,782	12,205,000	1,414,982	13,619,982	15.85%
2017	-	-	-	-	-	-	3,480,000	179,950	9,660,000	655,719	13,140,000	835,669	13,975,669	17.07%
2018	-	-	-	-	-	-	-	-	9,175,000	218,821	9,175,000	218,821	9,393,821	11.92%
Total	11,775,000	2,915,915	11,520,000	831,968	6,610,000	416,167	21,820,000	3,917,674	25,270,000	7,390,047	76,995,000	15,471,770	92,466,770	100.00%
% of Total	15.29%	18.85%	14.96%	5.38%	8.58%	2.69%	28.34%	25.32%	32.82%	47.76%	100.00%	100.00%		

Note: Assumes Wachovia loan will be paid off in equal amounts in 2010 and 2011. Excludes certain maturities for which funds have already been deposited with the Trustee.

## Alternative Proposals: Allocation of Guarantees

- Under current market conditions, the approximate annual level debt service going forward to implement VRA's pro-rata plan would be \$11.5 million (fiscal years 2011 – 2018)



- The SPSA Communities would allocate any required guarantees according to the last three years of usage by tonnage

Tonnage by Municipality					
Municipality	2007 Actual	2008 Actual	2009 Actual	3 Year Average	% of Total
Chesapeake	111,437.00	112,350.00	110,390.00	111,392.33	22.49%
Franklin	4,896.00	4,617.00	4,922.00	4,811.67	0.97%
Isle of Wight	19,956.00	19,703.00	19,458.00	19,705.67	3.98%
Norfolk	86,285.00	84,064.00	82,036.00	84,128.33	16.98%
Portsmouth	55,019.00	51,817.00	45,830.00	50,888.67	10.27%
Southampton County	12,290.00	9,408.00	9,445.00	10,381.00	2.10%
Virginia Beach	147,819.00	144,175.00	158,838.00	150,277.33	30.34%
Suffolk	63,623.00	65,538.00	62,120.00	63,760.33	12.87%
Total	501,325.00	491,672.00	493,039.00	495,345.33	100.00%

## VRA Pro-rata Debt Retirement Plan

- If SPSA Implements the VRA Pro-Rata plan, the annual guarantees would be allocated approximately as follows:

Debt Service Obligation by Municipality*									
FY	Chesapeake	Franklin	Isle of Wight	Norfolk	Portsmouth	Southampton County	Virginia Beach	Suffolk	Total
% Obligation	22.49%	0.97%	3.98%	16.98%	10.27%	2.10%	30.34%	12.87%	
2011	1,306,372	258,324	404,915	1,038,029	711,244	313,357	-	837,867	4,870,108
2012	1,410,632	278,941	437,230	1,120,872	768,008	338,365	-	904,736	5,258,785.11
2013	1,452,850	287,289	450,316	1,154,419	790,993	348,492	-	931,814	5,416,173.23
2014	1,565,667	148,028	346,313	1,202,694	760,669	222,467	1,409,761	931,946	6,587,544.25
2015	1,194,869	51,535	211,453	902,129	545,634	111,571	1,611,930	683,769	5,312,888.76
2016	1,705,356	73,553	301,793	1,287,548	778,747	159,237	2,300,601	975,898	7,582,732.25
2017	3,143,128	135,564	556,232	2,373,069	1,435,301	293,489	4,240,218	1,798,669	13,975,668.50
2018	2,112,670	91,120	373,874	1,595,071	964,745	197,270	2,850,085	1,208,985	9,393,821.25
Total	13,891,544	1,324,354	3,082,125	10,673,829	6,755,342	1,984,248	12,412,596	8,273,683	58,397,721.10

\* Years 2011 - 2014 actual amounts guaranteed reflect reallocation of debt service on outstanding Virginia Beach loan.

- The results set forth above are still approximate; underlying interest rates on defeasance escrows, the number of bonds tendered by their holders, and other factors may still change as this sales and debt retirement process moves forward



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