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SOUTHEASTERN PUBLIC SERVICE AUTHORITY  
OF VIRGINIA

**GUARANTEED SUBORDINATED BOND RESOLUTION**

Adopted May 14, 2009,  
as amended March 24, 2010

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**Authorizing and securing up to**

**\$72,000,000**

**Guaranteed Subordinated Revenue Bonds, Refunding Series 2009 (Taxable)**

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[Restated as of April 29, 2010]

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## **GUARANTEED SUBORDINATED BOND RESOLUTION**

### **The Board of Directors of the Southeastern Public Service Authority of Virginia MAKES THE FOLLOWING FINDINGS OF FACT AND DETERMINATIONS:**

**R-1.** The Southeastern Public Service Authority of Virginia (the “Authority” or “SPSA”) is a public body politic and corporate exercising public and essential governmental functions pursuant to the Virginia Water and Waste Authorities Act, being Chapter 51, Title 15.2, Code of Virginia, 1950, as amended (herein called the “Act”), under a certificate of incorporation issued by the State Corporation Commission.

**R-2.** The cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton (each herein called a “Unit” and all collectively called “Units”) have become members of the Authority pursuant to the provisions of the Act for the purpose of providing for the acquisition, construction, financing, operation and maintenance of a garbage and refuse collection and disposal system which will be a publicly owned and controlled regional project within the meaning of Article VII, Section 10(a)(4) of the Constitution of Virginia.

**R-3.** All of the Units have entered into agreements with the Authority (herein collectively called the “Contracts”) for the acquisition, construction and operation by the Authority of a regional solid waste management, collection, reception, transfer, processing and disposal system (herein called the “Disposal System,” and such Units which have heretofore and any other municipal corporation and county which shall hereafter enter into such an agreement with the Authority are herein collectively called “Contracting Units”), which agreements have provided for the development of the Disposal System and further provide for the Authority to operate such a system and each of the Contracting Units to deliver or cause to be delivered to the Disposal System substantially all of the solid waste (excluding hazardous solid waste) under the control of such Unit and, subject to certain exceptions, to pay the Authority tipping fees for its disposal of such solid waste.

**R-4.** The Contracts contemplate the development of, and the Authority has developed, constructed and operated for 25 years the Disposal System, being comprised of a regional landfill, transfer stations, supporting equipment, rolling stock and ancillary facilities, and a refuse derived fuel plant located on Victory Boulevard, Portsmouth Virginia (the “RDF Plant”).

**R-5.** Effective July 1, 1999, the Authority accepted the transfer from the United States of America of, and has since operated in conjunction with the RDF Plant, a steam electric generating facility capable of burning as its primary fuel both refuse derived fuel produced at the Authority’s RDF Plant and coal (the steam electric generating facility and related facilities located across Victory Boulevard in Portsmouth, Virginia, from the RDF Plant, the “Power Plant System”).

**R-6.** The Authority has heretofore issued (i) bonds (“Senior Bonds”) and parity indebtedness and incurred other obligations (collectively, “1<sup>st</sup> Tier Obligations”) under a resolution adopted on August 16, 1989 (as supplemented, amended and restated, the “Senior Bond Resolution”), (ii) bonds (“2<sup>nd</sup> Tier Obligations” or “Senior Subordinated Bonds”) under the Prior Resolution (as hereinafter defined) and (iii) bonds, notes and other obligations (“Subordinated Obligations”) on a basis subordinate to its Superior Obligations (hereinafter defined) and Senior Subordinated Bonds, and such certificated Superior Obligations and Subordinated Obligations outstanding as of May 1, 2009 are described in Parts I, II and III, respectively, of Exhibit A to this Resolution.

**R-7.** Prior to the effective date of this Resolution, the Authority issued its Senior Subordinated Bonds under the provisions of its resolution adopted February 25, 1998, and amended and restated on February 2, 2000 (the “Prior Resolution”) On May 14, 2009, the Authority amended and restated the Prior Resolution (as amended and restated, the “Senior Subordinated Bond Resolution”), contingent on certain future events including the issuance of the Bonds authorized by this Resolution.

**R-8.** Both the Senior Bond Resolution and the Prior Resolution authorize, and the Senior Subordinated Bond Resolution when and if it becomes effective will authorize, the Authority to issue create and incur other Superior Obligations and Senior Subordinated Bonds, respectively, payable from the gross revenues of the Disposal System ahead of the Bonds authorized by this Resolution (collectively, “Superior Obligations”) or subordinate to the Superior Obligations for any purpose of the Authority in connection with the Disposal System. In the Senior Subordinated Bond Resolution, the Authority has determined to “close the open end” of the Senior Bond Resolution and to covenant not to issue or incur, subsequent to the effective date of such Resolution, any additional Senior Bonds or indebtedness on a parity therewith.

**R-9.** The Virginia Resources Authority, the holder or beneficial owner of all of the outstanding Senior Subordinated Bonds, has offered to purchase from the Authority one series of bonds designated “Guaranteed Subordinated Revenue Bonds, Refunding Series 2009 (Taxable)” (“Guaranteed Subordinated Bonds”), in an aggregate amount not to exceed \$72,000,000 to refund certain outstanding Senior Bonds and other indebtedness on a parity therewith and Senior Subordinated Bonds (collectively, “Debt to be Refunded”), provided that five of the Authority’s members, the Cities of Franklin, Portsmouth and Suffolk and the Counties of Isle of Wight and Southampton, shall severally undertake to guarantee or otherwise assure the full and timely payment of amounts due on such Guaranteed Subordinated Bonds, the lien thereof on the Authority’s Gross Revenues to be immediately junior to the claim thereon of the Senior Subordinated Bonds.

**R-10.** Wachovia Bank, National Association, is the holder of two promissory notes of the Authority in the maximum aggregate principal amount of \$17.2 million in exchange for which the Authority will issue a new promissory note in the maximum aggregate principal amount of \$17.2 million (“Guaranteed Subordinated Promissory Note”) the full and timely

payment of which will be severally guaranteed by the Cities of Chesapeake and Norfolk. The Guaranteed Subordinated Promissory Note will be 4th Tier Subordinated Debt, immediately junior to the Guaranteed Subordinated Bonds,.

**R-11.** The City of Virginia Beach has accepted the Authority's promissory note in the maximum principal amount of \$26,600,000 (the Virginia Beach Note") as evidence of the Authority's obligation to pay such City certain amounts owing to the City under the Ash Disposal Agreement (as herein defined), the payment dates of which have been deferred in accordance with a Forbearance Agreement [[to be] dated as of May [15], 2009] between such City and the Authority, and the lien of the Virginia Beach Note on the Authority's Gross Revenues shall be immediately junior to the claim thereon of the 4th Tier Subordinated Debt and on a parity with the lien of the reimbursement obligations of the Authority to the Units assuring or guaranteeing payment of the Guaranteed Subordinated Bonds and the Guaranteed Subordinated Promissory Note (collectively, 5<sup>th</sup> Tier Subordinated Debt).

**R-12.** The Authority has determined that it is necessary and appropriate to authorize the issuance of Guaranteed Subordinated Bonds, subordinate to the Superior Obligations and to the Senior Subordinated Bonds, but senior to the 4th Tier Subordinated Debt and to the 5th Tier Subordinated Debt, to refund the Debt to be Refunded.

**R-13.** Under the Constitution and laws of the Commonwealth of Virginia, including the Act, the Authority is authorized to adopt this Resolution, to issue the Bonds as hereinafter provided, to apply the proceeds of the Bonds for the purposes hereinbefore stated, and to do or cause to be done all the acts and things herein provided or required to be done as hereinafter covenanted.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Southeastern Public Service Authority of Virginia as follows:

## ARTICLE I.

### DEFINITIONS

**Section 101. Meaning of Words and Terms.** In addition to words and terms elsewhere defined in this Resolution, the following words and terms as used in this Resolution shall have the following meanings, unless some other meaning is plainly intended:

**“1st Tier Debt”** means and includes the Senior Indebtedness of SPSA. 1st Tier Debt is subordinated in right of payment from the Gross Revenues of SPSA to its payment and provision for Operating Expenses.

**“2nd Tier Subordinated Debt”** means and includes the Senior Subordinated Bonds of SPSA. 2nd Tier Subordinated Debt is subordinated in right of payment from the Gross Revenues of SPSA to its payment and provision for Operating Expenses and for 1st Tier Debt.

**“3rd Tier Subordinated Debt”** means and includes the following obligations of SPSA:

(a) its Guaranteed Subordinated Revenue Bonds, Refunding Series 2009 (Taxable) described in R-9 above and issued and secured under this Resolution; and

(b) any refunding bonds or notes permitted by the terms of the obligations described in (a) above to be payable as 3<sup>rd</sup> Tier Subordinated Debt.

3rd Tier Subordinated Debt is subordinated in right of payment from the Gross Revenues of SPSA to its payment and provision for Operating Expenses and for 1<sup>st</sup> Tier Debt and 2nd Tier Subordinated Debt.

**“4th Tier Subordinated Debt”** means SPSA’s Guaranteed Subordinated Promissory Note, described in R-10 above in this Resolution, and any renewal promissory notes, with or without the benefit of any guaranty by a member or members of SPSA or other credit enhancement.

4th Tier Subordinated Debt is subordinated in right of payment from the Gross Revenues of SPSA to its payment and provision for Operating Expenses and for 1<sup>st</sup> Tier Debt, 2nd Tier Subordinated Debt and 3rd Tier Subordinated Debt.

**“5th Tier Subordinated Debt”** means and includes the following obligations of SPSA:

(a) its reimbursement obligations to Guaranteeing Units, or any of them, that shall have made payment of amounts owing by SPSA on its Guaranteed Subordinated Debt and shall by subrogation have become holders thereof;

(b) the Virginia Beach Note; and

(c) any other obligations of SPSA for the payment of Indebtedness or otherwise that shall not constitute Superior Obligations or 3rd Tier Subordinated Debt or 4<sup>th</sup> Tier Subordinated Debt.

5th Tier Subordinated Debt is subordinated in right of payment from the Gross Revenues of SPSA to its payment and provision for Operating Expenses and for 1<sup>st</sup> Tier Debt, 2nd Tier Subordinated Deb, 3rd Tier Subordinated Debt, and 4th Tier Subordinated Debt.

**“Accountant”** means the firm of independent certified public accountants at the time serving as such pursuant to Section 709 of this Resolution.

**“Act”** means the Virginia Water and Waste Authorities Act, being Chapter 51, Title 15.2, Code of Virginia, 1950, as amended, or any successor statute.

**“amortized cost”**, when used with respect to an obligation purchased at a premium above or at a discount below par, means, as of any subsequent date of valuation, the value obtained by dividing the total premium or discount by the number of days remaining to maturity on any such obligation at the time of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of purchase and (i) in the case of an obligation purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount, by adding the product thus obtained to the purchase price.

**“Annual Budget”** means the budget for the Authority for a Fiscal Year adopted by the Authority, as the same may be amended from time to time, adopted in accordance with the provisions of Section 709 of this Resolution.

**“Ash Disposal Agreement”** means the Agreement for the Disposal of Ash and Process Residue, dated August 8, 1984, between the City of Virginia Beach, Virginia, and the Authority, as the same may be supplemented and amended as permitted hereby.

**“Authority”** or **“SPSA”** means the Southeastern Public Service Authority of Virginia, and any successor thereto.

**“Authority Representative”** means each of the persons at the time designated to act on behalf of the Authority in a written certificate furnished to each Depository and the Trustee, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the Authority by its Executive Director, Chairman or Vice-Chairman.

**“Board”** means the board of directors of the Authority as constituted from time to time and defined by the Act, or if said Board shall be abolished, then the board, body or

officer succeeding to the principal functions thereof or to whom the powers of the Authority shall be given by law.

**“Bond Registrar”** means the Bond Registrar at the time serving as such under this Resolution, whether the original or a successor bond registrar.

**“Bonds”** means the Bonds issued under Section 208 of this Resolution and any Refunding Bonds unless the context otherwise requires.

**“Business Day”** means any day, other than a Saturday or Sunday, on which commercial banks (including the Bond Registrar and the Depository) are open for business in New York, New York or in the State and on which the New York Stock Exchange is open.

**“Closing”** means any date on which a Series of Bonds are delivered against payment therefor.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Consulting Engineer”** means the independent individual or firm, at the time retained by the Authority, to discharge the functions of the Consulting Engineer described in Section 714 of this Resolution. The Consulting Engineer shall not be an employee of the Authority or of any Unit.

**“Contracted Services”** means services rendered or facilities provided to the Authority in respect of the Disposal System, or for the performance for or on behalf of the Authority of functions similar to those provided by the Disposal System, from a specific project, projects or systems, pursuant to a contract, whether a financing lease, a service agreement or other arrangement.

**“Contracting Units”** means those Units which at any particular time are parties to Contracts with the Authority.

**“Contracts”** means, collectively, the several agreements for the use and support of the Disposal System, between the Authority and the Contracting Units, as the same may be supplemented and amended as permitted hereby.

**“Cost of Contracted Services”** means the payments to be made by the Authority for Contracted Services which shall consist of three elements: (i) a **“Debt Service Component”** which shall consist of that part of the payment for Contracted Services for which the Authority is obligated to pay and which shall have been determined in writing in an Officer’s Certificate at the time the Authority commits to receive such Contracted Services to be for the purpose of paying a fixed charge or the principal or interest, or both, on the obligations of the person providing the Contracted Services directly or indirectly associated with rendering the Contracted Services (whether or not any such

Contracted Services are at the time being provided), (ii) the **“Operating Component”** which shall consist of that portion of the payment for Contracted Services (but only if such Contracted Services are at the time being provided) for which the Authority is obligated to pay, which is not included as a Debt Service Component and which shall constitute an Operating Expense of the Disposal System and (iii) the **“Remaining Component”** which shall consist of the remaining portion of the payment for Contracted Services for which the Authority is obligated to pay and which is not a Debt Service Component or an Operating Component. The Service Fee shall be an Operating Component of the Cost of Contract Services. All other amounts payable by the Authority under the Service Agreement shall be a Remaining Component of the Cost of Contracted Services.

**“Deposit Day”** means the twelfth (12th) day of each month on which a withdrawal from the General Account is required to accomplish the transfers required by Section 505 of this Resolution and any other day designated for all of the Authority’s Superior Obligations as may be prescribed in a resolution of the Authority. A Series Resolution may provide for one or more other Deposit Days in a month or months.

**“Depository”** means the one or more banks or trust companies authorized under the laws of the United States of America or the State that shall meet the requirements of Section 1403 and shall have been designated by the Authority by resolution as a depository of money pursuant to the provisions of this Resolution.

**“Disposal System”** means the existing waste disposal system of the Authority and all additions, extensions, and improvements thereto, and any renewals or replacements thereof, acquired, constructed or operated by or on behalf of the Authority for the reception, transfer, processing or disposal of solid waste, less any portions of the Disposal System sold or otherwise disposed of in accordance with the provisions of this Resolution; provided, however, that, effective on the WTE Sale Date, the Disposal System shall not include the WTE Facilities.

**“Event of Default”** means with respect to this Resolution each of those events set forth in Section 801 of this Resolution.

**“Executive Director”** means the Executive Director or the Deputy Executive Director of the Authority, or if there is no Executive Director or Deputy Executive Director, then any person designated by the Board or authorized by the by-laws of the Authority to perform the functions of the Executive Director.

**“Fiscal Year”** means the period commencing on the first day of July of any year and ending on the last day of June of the following year, unless the Authority notifies the Depository and the Bond Registrar in writing of a change in such period, in which case the Fiscal Year shall be the 12-month period set forth in such notice.

**“Forbearance Agreement”** means the agreement of that name described in R-11.

**“General Account”** means the General Account so designated by Section 504 of this Resolution.

**“Government Obligations”** means (i) direct obligations of, or obligations the timely payment of the principal of and the interest on which are unconditionally and fully guaranteed by, the United States of America and (ii) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, (a) which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state or territory thereof in the capacity of custodian, (b) the owner of the proportionate interest is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations, and (c) the underlying obligations are held in safekeeping in a special account, segregated from the custodian’s general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

**“Gross Revenues”** means (a) all payments, proceeds, rates, fees, charges, rents and all other income derived by or for the Authority for the use of and for the services and facilities furnished by or from the operation or ownership of the Disposal System and all other income derived by the Authority from the operation or ownership of the Disposal System and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, including payments received pursuant to the Contracts and for refuse derived fuel and other products of the Disposal System and any portion thereof, (b) any proceeds of use and occupancy or business interruption insurance, and (c) the income from the investment under the provisions of this Resolution of the moneys held for the credit of the various funds and accounts created under this Resolution, but shall not include the proceeds of any insurance, other than as mentioned above, or any gifts, grants, donations or contributions or borrowed funds. “Guaranty Payments” with respect to the Guaranteed Subordinated Debt and payments by any Insurer or other Credit Provider with respect to debt service on any Bonds shall not constitute Gross Revenues. Any lump sum payment or prepayment received by the Authority shall be reserved by the Authority in the General Account and disbursed from the General Account, and recognized as Gross Revenues, monthly over the appropriate accrual period. Amounts owing the Authority under the terms of the Service Agreement but netted against the Service Fee shall not be recognized as “Gross Revenues.”

**“Guaranteed Senior Subordinated Debt”** means, collectively, the Authority’s bonds issued and outstanding under the Senior Subordinated Bond Resolution immediately following the sale of the Waste to Energy Facilities on the WTE Sale Date.

**“Guaranteed Subordinated Debt”** means the Authority’s Guaranteed Subordinated Revenue Bonds, Refunding Series 2009 (Taxable) issued and outstanding

under the Guaranteed Subordinated Bond Resolution, immediately following the sale of the Waste to Energy Facilities on the WTE Sale Date.

**“Guaranteed Subordinated Revenue Bonds Subaccount”** means the Guaranteed Subordinated Revenue Bond Subaccount created and so designated by Section 504 of this Resolution.

**“Guarantors”** means the eight Units that have severally guaranteed, for the benefit of VRA, the Authority’s Guaranteed Senior Subordinated Debt and Guaranteed Subordinated Debt pursuant to the terms of a Guaranty Agreement.

**“Guaranty Agreement”** means the agreement by which the Guarantors have agreed severally to guarantee the full and timely payment of the principal of and interest on the Guaranteed Senior Subordinated Debt and Guaranteed Subordinated Debt.

**“Holder”** means a person in whose name a Bond (or one or more predecessor bonds) is registered in the registration books provided for in Section 206 of this Resolution.

**“Indebtedness”** means (a) the debt service components of the cost of Contracted Services, (b) all other indebtedness of the Authority relating to the Disposal System or the Power Plant System and payable from Gross Revenues and (c) all installment sales and capital lease obligations relating to the Disposal System and payable from Gross Revenues and incurred or assumed by the Authority. For avoidance of doubt, the term Indebtedness shall specifically include the Authority’s reimbursement obligation to any Guaranteeing Unit and the Virginia Beach Note and may be modified by subsequent resolution of the Authority to the extent necessary to provide for the inclusion in said term of obligations of the Authority to reimburse any provider of any credit facility in respect of such Indebtedness.

**“Interest Payment Date”** means April 1 and October 1; provided, however, that Interest Payment Date may mean in respect of Bonds constituting Variable Rate Bonds or Optional Tender Bonds, if so provided in a Series Resolution, such other date or dates provided therein or permitted thereby.

**“Investment Obligations”** means Government Obligations and, to the extent from time to time permitted by the laws of the State, (A) the obligations of (i) Export-Import Bank, (ii) Government National Mortgage Association, (iii) Federal Housing Administration, (iv) Farmers Home Administration, (v) the United States Postal Service and (vi) any other agency or instrumentality of the United States of America now or hereafter created which obligations are backed by the full faith and credit of the United States of America, (B) the obligations of (i) Federal National Mortgage Association, (ii) Federal Intermediate Credit Banks, (iii) Federal Banks for Cooperatives, (iv) Federal Land Banks, and (v) Federal Home Loan Banks, (C) Defeased Municipal Obligations, (D) negotiable certificates of deposit and negotiable bank deposit notes of domestic banks

and domestic offices of foreign banks with a rating of at least A-1 by S&P and P-1 by Moody's for maturities of one year or less, and a rating of at least AA by S&P and Aa by Moody's for maturities over one year and not exceeding five years, (E) any overnight, term or open repurchase agreement for Government Obligations or obligations described in clauses (A) and (B) above that is with (i) a bank or trust company (including any Trustee appointed as in this Resolution provided, the Depository and their affiliates) that has a combined capital, surplus and undivided profits of not less than \$50,000,000, or (ii) a subsidiary trust company whose combined capital, surplus and undivided profits, together with that of its parent State bank or bank holding company, as the case may be, is not less than \$50,000,000, or (iii) a financial institution or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation ("SIPC") or with a dealer or parent holding company that is rated in one of the three highest rating categories by Moody's and S&P (without regard to gradations such as "plus" or "minus") and as to which the fair market value of such agreements, together with the fair market value of the repurchase agreement securities, exclusive of accrued interest, shall be valued daily and maintained at an amount at least equal to the amount invested in the repurchase agreements; provided, however, that (1) such obligations purchased must be transferred to such Trustee or Depository (who shall not be the provider of the collateral) or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations, (2) as to which failure to maintain the requisite collateral levels will require such Trustee or Depository, as the case may be, or its agent to liquidate the securities immediately, (3) as to which such Trustee or Depository, as the case may be, has a perfected, first priority security interest in the securities, and (4) as to which the securities are free and clear of third-party liens, and in the case of an SIPC broker, were not acquired pursuant to a repurchase or reverse repurchase agreement, (F) bankers' acceptances drawn on and accepted by commercial banks (which may include the Depository and any Trustee appointed as provided in this Resolution having a combined capital, surplus and undivided profits of at least \$100,000,000, (G) commercial paper rated at the time of acquisition by the Trustee or a Depository hereunder in the highest rating category by Moody's and S&P (without regard to any gradations or refinements such as "plus" or "minus"), (H) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured to their maturities by an insurer the bonds insured by which are rated at the time of acquisition hereunder by Moody's and S&P in one of the two highest rating categories (without regard to any numerical or other gradations or refinements such as "plus" or "minus"), (I) obligations of state or local government municipal bond issuers that are rated by Moody's and S&P in one of the two highest rating categories (without regard to any numerical or other gradations or refinements such as "plus" or "minus"), (J) open-end investment funds registered under the Investment Companies Act of 1940, as amended, the authorized investments by which are permitted by the terms of this Resolution, (K) investments pursuant to the Government Non-Arbitrage Act, Article 7.1, Chapter 14, Title 2.1, Code of Virginia, 1950, as amended, and (L) any other investment permitted by Chapter 18 ("Investment of Public Funds"),

Title 2.1, Code of Virginia, 1950, as amended. Any investment in a repurchase agreement shall be considered to mature on the date the party providing the repurchase agreement is obligated to repurchase the Investment Obligations. Any investment in obligations described above may be made in the form of an entry made on the records of the issuer of or the securities depository with respect to the particular obligation.

**“Navy Contract”** means the Refuse Derived Fuel Service Contract, entered into as of July 24, 1984, between the United States of America, Department of the Navy, and the Authority, as the same shall be amended from time to time in accordance with the provisions of Article XII hereof. Effective on the WTE Sale Date, the Service Provider and the Authority have agreed that the Service Provider will assume the Authority’s role under the Navy Contract and the Authority shall be released from the Navy Contract when the Navy agrees to a novation such that the Navy Contract is effectively terminated as to the Authority.

**“Net Accrued Debt Service”** means, for any period for any Indebtedness, the sum of the principal and interest accreted and accrued on such Indebtedness in accordance with this Resolution or such Indebtedness, less any debt service, described in a certificate of the Executive Director delivered to the Trustee, for which the proceeds of Indebtedness has been set aside and pledged to the payment thereof and any investment income realized in the applicable period and required or permitted by the terms of the applicable security instrument, this Resolution or the Senior Bond Resolution, to be credited against the debt service otherwise payable from Net Revenues.

**“Net Revenues”** means for any period the amount of the excess of Gross Revenues accrued in such period by the Authority over the Operating Expenses incurred by it during such period.

**“Net Revenues Available for Debt Service”** means the Net Revenues remaining to the credit of the General Account after making the transfers, payments and deposits in respect of Superior Obligations and available for application in accordance with Section 505(1) and (2).

**“Operating Expenses”** means for any period the Authority’s reasonable and necessary current expenses for the operation, repair and maintenance of the Disposal System, as determined in accordance with generally accepted accounting principles and as further defined in the Senior Bond Resolution. Operating Expenses shall also include the Operating Component of the Cost of Contracted Services and specifically shall include payments owing on the service agreement to the extent that such payments constitute the Operating Component of the Cost of Contracted Services.

**“Outstanding”** means all Bonds which have been authenticated and delivered by the Bond Registrar under this Resolution, except:

- (i) Bonds paid or redeemed or delivered to or acquired by the Depository or the Bond Registrar for cancellation;
- (ii) Bonds deemed to have been paid in accordance with Article XIII of this Resolution; and
- (iii) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Resolution;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Authority or any other obligor upon the Bonds or the Contracts shall be disregarded and deemed not to be Outstanding, and except that, in determining whether the Trustee, the Depository or the Bond Registrar shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee, the Depository or the Bond Registrar, as the case may be, knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee or the Depository or Bond Registrar the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Authority or any other obligor upon the Bonds or the Contracts.

**“Power Plant System”** means the existing electric power generating plant located at the Norfolk Naval Shipyard in Portsmouth, Virginia, and its related facilities, but excluding the RDF Plant that is adjacent to, but across Victory Boulevard from, the power plant.

**“RDF Plant”** means the Refuse Derived Fuel Plant located on Victory Boulevard in Portsmouth, Virginia, across the street from the Power Plant System, where SPSA converts municipal solid waste and other processible materials into a refuse derived fuel for combustion in the Power Plant System.

**“Resolution”** or **“Guaranteed Subordinated Resolution”** means this resolution, adopted by the Authority on May 14, 2009, as the same may be supplemented and amended as permitted hereby.

**“Secretary-Treasurer”** means the Secretary and Treasurer of the Authority, or if the offices of Secretary and Treasurer of the Authority shall not at the time be held by the same person, then the Secretary of the Authority or if there is no Secretary or if the Secretary is incapable of performing his duties, then the Executive Director or any person designated by the Board or authorized by the by-laws of the Authority to perform the functions of the Secretary.

**“Senior Bond Resolution”** means the resolution of the Authority authorizing the “Bonds” and “Parity Indebtedness” as defined and referred to therein, adopted on August

16, 1989 and amended and restated on April 28, 1993, as supplemented and amended as permitted thereby.

**“Senior Indebtedness”** means Senior Bonds and Parity Indebtedness (as defined in the Senior Bond Resolution).

**“Senior Subordinated Bond Resolution”** means the bond resolution entitled “A Resolution Authorizing the Issuance of up to \$7,500,000 Senior Subordinated Revenue Refunding Bonds, Series 1 by the Southeastern Public Service Authority of Virginia and bonds on a parity therewith; providing for the payment of the principal of and interest on such bonds; and providing for the rights of the holders thereof,” as adopted February 25, 1998, amended and restated on February 2, 2000, and further contingently amended on May 14, 2009, and as further supplemented and amended as permitted thereby.

**“Senior Subordinated Bonds”** means bonds issued and secured under the Senior Subordinated Bond Resolution. Senior Subordinated Bonds are 2<sup>nd</sup> Tier Debt.

**“Series Resolution”** means a resolution adopted by the Authority, supplemental to this Resolution and in conformity with the provisions of Article XI hereof and any certificate of the Chairman of the Authority, or such person as the Authority may designate, fixing terms, conditions and other details of a Series of Bonds in accordance with the delegation of power to do so hereunder or under a Supplemental Resolution.

**“Service Agreement”** means the Service Agreement dated as of September 9, 2009 between the Authority and the Service Provider, as supplemented and amended.

**“Service Fee”** means the net fee payable by the Authority pursuant to Section 8 of the Service Agreement.

**“Service Provider”** means Wheelabrator Technologies, Inc. or any affiliate to which it shall assign its rights and responsibilities under the Service Agreement.

**“Sinking Fund Requirement”**, as applied to the term Bonds of any Series and maturity for any Fiscal Year, means the principal amount fixed or computed for such Fiscal Year as hereinafter set forth for the retirement of such term Bonds by purchase or redemption.

The Sinking Fund Requirements for the term Bonds of each Series and maturity therefor shall be initially the respective principal amounts for each principal payment date as fixed in the Series Resolution relating to the issuance of the Bonds of such Series. The Sinking Fund Requirements for the term Bonds of each maturity of a Series shall begin on the principal payment date determined by the Authority and shall end with the principal payment date immediately preceding the maturity of such term Bonds.

If at the close of any principal payment date the total principal amount of the term Bonds of any maturity of each Series retired by purchase or redemption or called for redemption under the provisions of this Resolution on or prior to such principal payment date shall be in excess of the total amount of the Sinking Fund Requirements for the term Bonds of such maturity and Series on such principal payment date, then the total amount of the Sinking Fund Requirements for the term Bonds of such maturity and Series for all subsequent principal payment dates shall be reduced in such manner as the Authority shall determine.

**“Solid Waste Disposal System Fund”** means the Solid Waste Disposal System Fund so designated by Section 503 of this Resolution.

**“Special Record Date”** for the payment of any Defaulted Interest on Bonds means a date fixed by the Trustee pursuant to Section 203 of this Resolution.

**“State”** means the Commonwealth of Virginia.

**“Subordinated Obligations”** means any other obligations of the Authority secured by and payable from moneys deposited to the credit of any subaccount in the Subordinated Obligations Account or from the General Account after the deposits to the credit of the Guaranteed Subordinated Revenue Bonds Subaccount under this Resolution. 4<sup>th</sup> Tier Subordinated Debt and 5<sup>th</sup> Tier Subordinated Debt are Subordinated Obligations.

**“Superior Indebtedness”** means collectively Senior Indebtedness and Senior Subordinated Bonds.

**“Superior Obligations”** means collectively those obligations and other items, including Operating Expenses, deposits in respect of debt service on Superior Indebtedness and any deficiencies in the Senior Reserve Account, contemplated by the second paragraph of Section 505 of this Resolution and payable from the General Account under the terms of the Senior Bond Resolution and the Senior Subordinate Bond Resolution prior to the transfers required by the third paragraph of said Section 505. 1<sup>st</sup> Tier Debt and 2<sup>nd</sup> Tier Subordinated Debt are Superior Obligations.

**“Trustee”** means the bank, banking association or trust company appointed pursuant to Section 901 hereof. So long as SPSA shall not be in default under this Resolution, the Trustee under this Resolution and the trustee under the Senior Bond Resolution and the Senior Subordinated Bond Resolution may be the same.

**“Unit”** means one, and **“Units”** means two or more, of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, and any other municipal corporation, county or other public body which shall become a member of the Authority.

**“Virginia Beach Note”** means SPSA’s Promissory Note issued to the City of Virginia Beach, in the maximum principal amount of \$26,600,000, and described in R-11 above in this Resolution.

**“WTE Facilities”** means the power plant located on Victory Boulevard in Portsmouth, Virginia and the refuse derived fuel (RDF) processing plant located across Victory Boulevard from the power plant, excluding, however, the following: the RDF plant tipping floor, the scalehouses and the access roads, all as described in Section 2.02(a),(b) and (c) of the Schedules to, and on the terms provided in, the Purchase and Sale Agreement dated as of September 9, 2009 between the Authority and the Service Provider, as the same may be amended.

**“WTE Sale Date”** means the date on which the Authority sells to the Service Provider and the Service Provider purchases from the Authority its WTE Facilities and the Service Agreement becomes effective.

**Section 102. Rules of Construction.** (a) Unless the context otherwise indicates, words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders and words importing the singular shall include the plural and vice versa. Unless the context shall otherwise indicate, the words “Bond”, “owner”, “Holder” and “person” shall include the plural as well as the singular number.

(b) Where the character or amount of any asset, liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purpose hereof for any certificate or executed and delivered in accordance with or pursuant to this Resolution, the same shall be done in accordance with generally accepting accounting principles of such agreement, document or certificate; provided, however, whenever the context makes clear that the requirement is that cash, or its equivalent, be available to meet indebtedness, computations regarding such requirement shall be computed on a cash basis, and not in accordance with generally accepted accounting principles.

(c) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(d) Provisions calling for the redemption of Bonds or the calling of Bonds for redemption do not mean or include the payment of Bonds at stated maturity.

[End of Article I]

## ARTICLE II.

### ISSUANCE OF THE BONDS

**Section 201. Limitation on Issuance of Bonds.** No Bonds may be issued under the provisions of this Resolution except in accordance with the provisions of this Article.

**Section 202. Form and Numbering of Bonds.** Unless otherwise provided in a Series Resolution, the definitive Bonds are issuable in fully registered form in denominations of \$5,000 or any whole multiple thereof. The definitive Bonds issued under the provisions of this Article shall be substantially in the form set forth in Exhibit B, with such appropriate variations, omissions and insertions as may be necessary or appropriate to conform to the provisions of this Resolution. All Bonds shall be appropriately numbered and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or of any securities exchange on which the Bonds may be listed or any usage or requirement of law with respect thereto.

**Section 203. Details of Bonds.** The details of the Bonds authorized by Section 208 hereof shall be as provided in such Section.

Unless otherwise provided in a Series Resolution, Refunding Bonds shall be dated, shall bear interest until their payment, such interest to the respective maturities of the Bonds being payable, unless otherwise provided in a Series Resolution providing for the issuance of a particular Series of Bonds, semi-annually on January 1 and July 1 in each year, and shall be stated to mature (subject to the right of prior redemption), all as hereinafter provided.

Unless otherwise provided in a Series Resolution, each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated on an Interest Payment Date in which event it shall bear interest from such Interest Payment Date or (b) authenticated prior to the first Interest Payment Date in which event it shall bear interest from its date; provided, however, that if at the time of authentication of any Refunding Bond interest is in default, such Bond shall bear interest from the date to which interest has been paid.

Unless otherwise provided in a Series Resolution, the Bonds shall be executed with the manual signatures or facsimile signatures of the Chairman or the Vice Chairman of the Authority and of the Executive Director of the Authority and a facsimile of the official seal of the Authority shall be impressed or imprinted thereon.

In case any officer whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery, and also any Bonds may bear the facsimile signatures of,

or may be signed by, such persons as at the actual time of the execution of such Bonds shall be the proper officers to sign such Bonds although at the date of such Bonds such persons may not have been such officers.

Both the principal of and the interest on the Bonds shall be payable in any coin or currency of the United States of America which is legal tender on the respective dates of payment thereof for the payment of public and private debts. The principal of all Bonds shall be payable at the principal office of the Bond Registrar. Payment of the principal of all Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable or if the registered owner of all the Bonds shall be the same, payment of the principal of the Bonds prior to their maturity date as such principal becomes due and payable may at the request of such owner in writing be made by wire transfer to the account specified in writing to the Bond Registrar without presentation and surrender.

A. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid by check mailed to the person in whose name that Bond (or one or more predecessor bonds) is registered at the close of business on the Regular Record Date (as defined in the form of the Bonds in Exhibit B to this Resolution) for such interest specified in the provisions of this Resolution or if the registered owner of all the Bonds shall be the same, payment of interest on the Bonds, which is so payable, and is so punctually paid or duly provided for, on any such Interest Payment Date may at the request of such owner in writing be made by wire transfer to the account specified in writing to the Bond Registrar.

Subject to the foregoing provisions of this Section, each Bond delivered under this Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date, that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

**Section 204. Authentication of Bonds.** Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinabove set forth, duly executed by the Bond Registrar, shall be entitled to any benefit or security under this Resolution. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication on the Bond shall have been duly executed by the Bond Registrar, and such certificate of the Bond Registrar upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The Bond Registrar's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized signatory of the Bond Registrar, but it shall not be necessary that the same signatory sign the certificate of authentication on all of the Bonds that may be issued hereunder at any one time.

**Section 205. Exchange of Bonds.** Bonds, upon surrender thereof at the principal office of the Bond Registrar, together with an assignment duly executed by the Holder or his attorney

or legal representative in such form as shall be satisfactory to the Bond Registrar, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of Bonds of the same maturity, of any denomination or denominations authorized by this Resolution, bearing interest at the same rate, and in the same form as the registered Bonds surrendered for exchange.

The Authority shall make provision for the exchange of the Bonds at the principal office of the Bond Registrar.

**Section 206. Registration of Transfer of Bonds.** The Bond Registrar shall keep books for the registration and registration of transfer of Bonds as provided in this Resolution. The Bond Registrar shall evidence acceptance of the duties, obligations and responsibilities of Bond Registrar by execution of the certificate of authentication on the Bonds.

The transfer of any Bonds may be registered only upon the books kept for the registration of transfer of Bonds at the principal office of the Bond Registrar upon surrender thereof to the Bond Registrar together with an assignment duly executed by the Holder or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such registration of transfer, the Authority shall execute and the Bond Registrar shall authenticate and deliver in exchange for such Bonds a new registered Bond or Bonds, registered in the name of the transferee, of any denomination or denominations authorized by this Resolution, in the aggregate principal amount equal to the principal amount of such Bond surrendered or exchanged, of the same maturity and bearing interest at the same rate.

In all cases in which Bonds shall be exchanged or the transfer of Bonds shall be registered hereunder, the Authority shall execute and the Bond Registrar shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Bond Registrar. No service charge shall be made for any registration of transfer or exchange of Bonds, but the Authority and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Bonds.

**Section 207. Ownership of Bonds.** The Authority, the Trustee, any Depository, the Bond Registrar and any agent of the Authority, the Trustee, any Depository and the Bond Registrar, may treat the person in whose name any Bond is registered on the books of the Authority kept by the Bond Registrar pursuant to Section 206 hereof as the Holder of such Bond for the purpose of receiving payment of principal of and premium, if any, and interest on, such Bond, and for all other purposes whatsoever, whether or not such Bond be overdue, and, to the extent permitted by law, neither the Authority, the Trustee, any Depository, the Bond Registrar nor any such agent shall be affected by any notice to the contrary.

**Section 208. Authorization of Bonds.**

(a) There is hereby initially authorized and to be issued, at one time, under and secured by this Resolution, Guaranteed Subordinated Bonds of the Authority in substantially the

form set forth in Exhibit B to this Resolution, which shall be in an aggregate maximum principal amount of up to Seventy-Two Million Dollars (\$72,000,000) and designated “Guaranteed Subordinated Revenue Bonds, Refunding Series 2009 (Taxable),” for the purpose of providing funds, together with other available funds, (a) to refund the Debt to be Refunded and (b) to pay the costs of issuance incidental thereto.

(b) The Series 2009 Bonds shall be sold to the Virginia Resources Authority (“VRA”) pursuant to the Series 2009 Financing Agreement and the Local Bond Sale Agreement between the VRA and the Authority. The definitive Series 2009 Bonds shall be issued as a single registered bond without coupons, shall be dated appropriately, shall be numbered R2009-1 and shall be registered in the name, or for the account, of the VRA in accordance with the Series 2009 Financing Agreement.

(c) The forms and terms of the VRA Documents, which forms have been presented to this Board, are hereby approved. The Executive Director or the Chairman is hereby authorized to execute and deliver the VRA Documents. The Series 2009 Bonds and the VRA Documents shall be executed with such changes in the forms thereof as he deems appropriate and in the best interests of the Authority.

(d) The Series 2009 Bonds shall be issued in such aggregate principal amount, mature in the principal installments on the dates, shall bear interest at the rates, shall be sold at the purchase price and shall be subject to redemption prior to maturity, all as determined upon sale of the Series 2009 Bonds to the VRA. Approval of the aggregate principal amount, the amounts and the maturity dates of the principal installments, the interest rates, the purchase price and the redemption provisions in accordance herewith is hereby delegated to the Executive Director or the Chairman, which approval shall be evidenced by his execution of the VRA Documents.

(e) The Series 2009 Bonds shall be executed with the manual or facsimile signature of the Chairman or Vice Chairman of the Authority, attested to by the Secretary, any Assistant Secretary or any other officer of the Authority and the seal of the Authority shall be impressed, or a facsimile of the seal of the Authority shall be placed, on the Series 2009 Bonds. The Series 2009 Bonds shall be authenticated by the Bond Registrar for the Series 2009 Bonds and shall be delivered to or for the account of the VRA.

(f) Subject to the standards and guidelines elsewhere set forth below in this Section 208, the Chairman, the Vice Chairman, and the Executive Director of the Authority are hereby authorized to exercise the duties hereby delegated to them, or any of them, by this Resolution in such manner as they determine to be in the best interests of the Authority. Such officers are further authorized to execute and deliver such instruments and certificates confirming the exercise of such duties as they deem appropriate. Authority staff and the Authority’s counsel are authorized to provide operational and financial disclosure information of the Authority for use by the VRA in connection with financing the purchase of the Series 2009 Bonds.

(g) Subject to the provisions of the Financing Agreement, after first setting aside an amount sufficient for the payment of the expenses incident to the issuance of the Series 2009 Bonds, the proceeds of the Series 2009 Bonds shall be applied as provided in the Series Certificate.

(h) Prior to or simultaneously with the delivery of the Series 2009 Bonds by the Trustee to or upon the order of VRA as the purchaser thereof, there shall be filed with the Trustee the following:

(i) a copy, certified by the Secretary or any Assistant Secretary of the Authority, of this Resolution;

(ii) a certificate of an Authorized Representative (a "Series Certificate") fixing the details of the Series 2009 Bonds;

(iii) a fully executed counterpart of the Guaranty Agreement;

(iv) opinions of counsel for each of the Guaranteeing Units to the effect that such Guaranteeing Unit has duly authorized, executed and delivered the Guaranty Agreement and such Guaranteeing Unit has thereby pledged its full faith and credit, and is absolutely and unconditionally obligated, to make the payments required by the Guaranty Agreement in accordance with its terms; provided, however, that counsel for Southampton County may qualify such opinion to the effect that the payment obligation of such County under the Guaranty Agreement is subject to the appropriation by its Board of Supervisors of funds from which such payment obligation may be met.

(v) evidence, satisfactory to the Trustee, that the Debt to be Refunded is no longer outstanding under the terms of the Senior Bond Resolution or the Senior Subordinated Bond Resolution or Prior Resolution, whichever is applicable, such evidence to include (A) a receipt, signed by an authorized officer of the holder of the portion of the Debt to be Refunded held by such holder, acknowledging receipt in full of all amounts owing on such Debt, or (B) a copy of a report of a firm of independent public accountants or financial consultants to the effect that as a result of the deposit of the proceeds of the Series 2009 Bonds and any other available funds, there is on deposit to the credit of an irrevocable escrow an amount of cash and Defeasance Obligations sufficient to defease to maturity or redeem on the date or dates fixed by the Authority the portion of the Debt to be Refunded not described in clause (A) above, accompanied by an opinion of Bond Counsel, to the effect that such Debt to be Refunded is no longer outstanding under the applicable resolution; and

(vi) an opinion or opinions of the counsel of the Authority to the effect that (i) this Resolution has been duly adopted pursuant to the Act and the issuance of the Series 2009 Bonds has been duly and validly authorized and all conditions precedent to the delivery of the Series 2009 Bonds have been fulfilled, (ii) no provision of this Resolution or of such Bonds results in or constitutes a default under any agreement, indenture or other instrument of which such Counsel has knowledge and to which the Authority is a party or by which the Authority is

or may be bound, and (iii) the Authority has full and lawful authority to operate and maintain the Disposal System as provided in this Resolution.

When (i) the documents mentioned in paragraphs (a) to (h), inclusive, of this Section shall have been filed with the Trustee and (ii) the Series 2009 Bonds shall have been executed and authenticated as required by this Resolution, the Authority shall deliver such Bonds to the Trustee and the Trustee shall deliver such Bonds at one time to or upon the order of the VRA as the purchaser thereof, but only upon payment to the Trustee of the purchase price of such Bonds so delivered.

Simultaneously with the delivery of the Series 2009 Bonds and the deposit of said proceeds with the Trustee, the proceeds (including accrued interest) of said Bonds shall be applied by the Trustee as provided in the Series Certificate.

**Section 209. Additional Bonds.** [Reserved]

**Section 210. Refunding Bonds.** Series of refunding Bonds of the Authority (“Refunding Bonds”) may be issued from time to time under and secured by this Resolution, subject to the conditions hereinafter provided in this Section, for the purpose of providing funds, with any other available funds, for refunding prior to their maturity or maturities, including the payment of any redemption premium thereon, or for paying at their maturity or maturities, all or any part of the outstanding Bonds of any Series, for paying the interest to accrue thereon to the date fixed for their redemption or payment and any expenses in connection with such refunding.

Before any such Series of Refunding Bonds shall be issued under the provisions of this Section, the Authority shall adopt a resolution or resolutions authorizing the issuance of such Refunding Bonds, fixing the amount thereof and describing the Indebtedness to be redeemed or paid. Such Series of Refunding Bonds shall be appropriately designated, shall be dated and numbered, shall be stated to mature on such date or dates and in such principal amount or amounts, shall bear interest at a rate or rates, payable on such dates, and shall be made redeemable at such time and prices (subject to Article III of this Resolution), all as may be provided by the applicable Series Resolution.

Such Refunding Bonds shall be deposited with the Bond Registrar for authentication, but before such Refunding Bonds shall be delivered by the Bond Registrar, there shall be filed with the Bond Registrar the following:

(a) a copy, certified by the Secretary-Treasurer of the Authority, of the Series Resolution adopted by the Authority providing for the issuance of such Refunding Bonds, approving the sale of such Series of Refunding Bonds to the purchasers thereof and directing the delivery of such Series of Refunding Bonds to or upon the order of the purchasers upon payment of the purchase price therein set forth and the accrued interest thereon;

(b) a certificate of an Authorized Representative of the Authority to the effect that the Net Accrued Debt Service on the Bonds outstanding immediately after the issuance of such

Series of Refunding Bonds is less in each future Fiscal Year than was the Net Accrued Debt Service on the Bonds outstanding immediately prior the issuance of such Series of Refunding Bonds; and

(c) an opinion of the counsel for the Authority to the effect that (i) the Series Resolution authorizing such Series of Refunding Bonds has been duly adopted pursuant to the Act and the issuance of such Bonds has been duly and validly authorized and all conditions precedent to the delivery of such Refunding Bonds have been fulfilled; (ii) no provision of such Series of Refunding Bonds or the Series Resolution authorizing such Series of Refunding Bonds results in or constitutes a default under any agreement, indenture or other instrument to which the Authority is a party or by which the Authority is or may be bound; and (iii) such Series of Refunding Bonds have the same benefit of the guaranty described in R-9 as did the Bonds to be refunded by such Series of Refunding Bonds.

When (i) the documents mentioned in clauses (a), (b) and (c) and the preceding paragraph of this Section shall have been filed with the Trustee, and (ii) the Refunding Bonds described in the Series Resolution mentioned in clause (a) of this Section shall have been executed by the Authority and authenticated by the Bond Registrar upon the request of the Authority, as required by this Resolution, the Bond Registrar shall deliver such Bonds, at one time to or upon the order of the purchasers thereof, but only upon payment to the Authority of the purchase price of such Bonds and the accrued interest thereon. The Authority and the Bond Registrar shall be entitled to rely upon such Series Resolution as to the names of the purchasers, the names of the Bond Registrar, Depository and Paying Agents, for such Series of Refunding Bonds, the Sinking Fund Requirements, if any, for the term Bonds, if any, the interest rate or yield of each of such Series of Refunding Bonds and the amount of such purchase price. The Authority shall not deliver such Series of Refunding Bonds unless in the determination of an Accountant the proceeds (excluding accrued interest) of such Series of Refunding Bonds, together with any other money deposited with the Bond Registrar for such purpose, and the interest that shall accrue upon any Government Obligations acquired with such proceeds and other moneys, shall be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Indebtedness to be refunded and the interest that will accrue thereon to the respective redemption and maturity dates of the Indebtedness to be refunded.

**Section 211. Temporary Bonds.** Until definitive Bonds are ready for delivery, there may be executed, and upon request of the Authority, the Bond Registrar shall authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, typewritten, printed, engraved or lithographed temporary Bonds, in the form of fully registered Bonds in the denomination (except as otherwise provided in a Series Resolution) of \$5,000 and any whole multiple thereof, substantially of the tenor of the Bonds set forth in this Resolution and with such appropriate omissions, insertions and variations as may be required.

Until definitive Bonds are ready for delivery, any temporary Bond may, if so provided by the Authority by resolution, be exchanged at the principal office of the Bond Registrar, without charge to the Holder thereof, for an equal aggregate principal amount of temporary fully

registered Bonds of authorized denominations, of like tenor, of the same maturity and bearing interest at the same rate.

If temporary Bonds shall be issued, the Authority shall cause the definitive Bonds to be prepared and to be executed and delivered to the Bond Registrar, and the Bond Registrar, upon presentation to it at its principal office of any temporary Bond, shall cancel the same and authenticate and deliver in exchange therefor at the place designated by the Holder, without charge to the Holder thereof, a definitive Bond or Bonds of an equal aggregate principal amount, of the same maturity and bearing interest at the same rate as the temporary Bond surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefit and security of this Resolution as the definitive Bonds to be issued and authenticated hereunder.

**Section 212. Mutilated, Destroyed, Stolen or Lost Bonds.** In case any Bond secured hereby shall become mutilated or be destroyed, stolen or lost, the Authority shall cause to be executed, and the Bond Registrar shall authenticate and deliver, a new Bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond destroyed, stolen or lost, and the Holder shall pay the reasonable expenses and charges of the Authority and the Bond Registrar in connection therewith and, in case of a Bond destroyed, stolen or lost, the Holder shall file with the Bond Registrar evidence satisfactory to it and to the Authority that such Bond was destroyed, stolen or lost, and of his ownership thereof, and shall furnish the Authority and the Bond Registrar indemnity satisfactory to them.

Every Bond issued pursuant to the provisions of this Section in exchange or substitution for any Bond which is mutilated, destroyed, stolen or lost shall constitute an additional contractual obligation of the Authority, whether or not the destroyed, stolen or lost Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits hereof equally and proportionately with the Bonds and any and all other Bonds duly issued under this Resolution. All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, stolen or lost Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

[End of Article II]

### **ARTICLE III.**

#### **REDEMPTION**

**Section 301. Redemption.** (a) The Bonds of any Series issued under the provisions of this Resolution may be made subject to redemption, as a whole and in part and at such times and prices, as may be provided in the Series Resolution providing for the issuance of such Bonds.

(b) In addition, any term Bonds are required to be redeemed to the extent of the Sinking Fund Requirements, if any, therefor established by the Series Resolution providing for the issuance thereof.

[End of Article III]

**ARTICLE IV.**

[RESERVED]

[End of Article IV]

**ARTICLE V.**

**REVENUES AND FUNDS**

**Section 501. The Contracts, the Navy Contract and the Ash Landfill Agreement.**

(a) The Authority covenants and agrees that it will not suffer, permit or take any action or do anything or fail to take any action or fail to do anything which may result in the termination of any Contract so long as Bonds are Outstanding; that it will fulfill its obligations and will require the Units to perform punctually their duties and obligations under the Contracts and will otherwise administer the Contracts in accordance with their respective terms to assure the timely payment of all amounts payable by the Contracting Units thereunder, all in accordance with the terms of the Contracts; that it will not execute or agree to any change, amendment or modification of or supplement to any Contract except by supplemental contract duly executed by the applicable Unit or Units and the Authority and upon the further terms and conditions set forth in Article XII of this Resolution; and that, except as provided in said Article XII, it will not agree to any abatement, reduction, abrogation, waiver, diminution or other modification in any manner or to any extent whatsoever of the obligation of any Contracting Unit under its Contract to meet its obligations as provided in such Contract.

(b)(i) The Authority covenants and agrees that it will not suffer, permit or take any action or do anything or fail to take any action or fail to do anything which may result in the termination of the Navy Contract so long as Bonds are Outstanding; that it will fulfill its obligations and it will enforce the obligations of the United States of America under the Navy Contract; and that it will not execute or agree to any change, amendment or modification of or supplement to the Navy Contract except by supplemental contract duly executed by the parties thereto and upon the further terms and conditions set forth in Article XII of this Resolution.

(ii) The provisions of Section 501(b)(i) shall be deemed to have been repealed contingent upon and effective on the WTE Sale Date.

(c) Subject in all respects to the provisions of the Forbearance Agreement, the Authority covenants and agrees (i) that it will fulfill its obligations and it will enforce the obligations of the City of Virginia Beach, Virginia under the Ash Disposal Agreement, (ii) that it will not execute or agree to any change, amendment or modification of or supplement to the Ash Disposal Agreement except by supplemental contract duly executed by the parties thereto and upon the further terms and conditions set forth in Article XII of this Resolution, and (iii) that, except as provided in said Article XII, it will not agree to any abatement, reduction, abrogation,

waiver, diminution or other modification in any manner or to any extent whatsoever of the obligation of the City of Virginia Beach, Virginia under the Ash Disposal Agreement to meet its obligations as provided in such Agreement.

**Section 502. Rate Covenant.** The Authority further covenants that it will at all times fix, charge and collect reasonable rates and charges for the use of, and for the services and facilities furnished by, the Disposal System and that from time to time, and as often as it shall appear necessary, it will adjust such rates and charges so that the Net Revenues in each Fiscal Year be sufficient to provide, together with any other funds available therefor, during such Fiscal Year an amount at least equal to one hundred percent (100%) of the Net Accrued Debt Service in such Fiscal Year on all outstanding Indebtedness and any other obligations of the Authority payable from Net Revenues.

The Authority further covenants that, subject to the provisions of Section 714(b), if the moneys available for the payment of the sum of the amounts set forth in the preceding paragraph shall be less than the amount required for any Fiscal Year, it will revise the rates and charges for the services and facilities furnished by the Disposal System, including the tipping fees payable under the Contracts, and, if necessary, it will revise its plan of operation in relation to the collection of bills for such services and facilities, so that such deficiency will be made up before the end of the next ensuing Fiscal Year. Should any deficiency not be made up in such next ensuing Fiscal Year, the requirement therefor shall be cumulative and the Authority shall continue to revise such rates until such deficiency shall have been completely made up.

**Section 503. Annual Budget.** The Authority covenants that it will adopt for each Fiscal Year budgets of Gross Revenue and Operating Expenses and capital expenditures, which budgets may be amended from time to time, all as provided by Section 712 hereof.

The Authority further covenants that the amount expended for Operating Expenses in any Fiscal Year will not exceed the reasonable and necessary amount thereof, and that it will not expend any amount for maintenance, repair and operation of the Disposal System in excess of the total amount provided for Operating Expenses in the Annual Budget. Nothing in this Section contained shall limit the amount which the Authority may expend for Operating Expenses in any Fiscal Year provided any amounts expended therefor in excess of the total amount provided in the Annual Budget shall be received by the Authority from some source other than the Gross Revenues of the Disposal System and the Authority shall not make any reimbursement therefor from such Gross Revenues.

**Section 504. Establishment of Fund and Accounts.** The Authority has heretofore by resolution established a special fund designated “Southeastern Public Service Authority of Virginia Solid Waste Disposal System Fund” (herein called the “Solid Waste Disposal System Fund”) and certain accounts therein, including the “Southeastern Public Service Authority of Virginia Solid Waste Disposal System Subordinated Obligations Account” (herein called the “Subordinated Obligations Account”), all of which are hereby continued. The moneys in the

Solid Waste Disposal System Fund shall be held by or for the benefit of the Authority and applied as hereinafter provided.

The Authority has heretofore by resolution established with a Depository the “Southeastern Public Service Authority of Virginia Solid Waste Disposal System General Account” (herein called the “General Account”) which is hereby continued. The moneys in the General Account shall be applied as hereinafter provided.

There is hereby established within the Subordinated Obligations Account a special subaccount designated the “Southeastern Public Service Authority of Virginia Solid Waste Disposal System Guaranteed Subordinated Bonds Subaccount” (herein called the “Guaranteed Subordinated Bonds Subaccount”).

The money in each of said fund, accounts and subaccounts shall be held in trust and applied as hereinafter provided.

**Section 505. Funds Received.** All Gross Revenues received by the Authority shall be deposited in the General Account. The moneys to the credit of the General Account shall be deposited with and held by a Depository for the account of the Authority and, pending the withdrawal of moneys from such Account and the deposit thereof with the Trustee as hereinafter in this Section provided, such moneys shall not be subject to any lien or charge in favor of the Bondholders.

Moneys held to the credit of the General Account may be used by the Authority for any lawful purpose. The Authority may, without limitation, appropriate and pay such moneys for, or pledge such moneys to the payment of, Operating Expenses, and bonds, notes or other obligations incurred with respect to, and any costs and expenses related to the construction, replacement, renewal or improvement of the Disposal System, including without limitation, the Authority’s Superior Obligations under the Senior Bond Resolution and the Senior Subordinated Bond Resolution, and the obligation of the Authority to make the deposit required by the next paragraph shall in all respects be subordinate and inferior to Superior Obligations, including Operating Expenses. Nothing in this Resolution shall be construed in any way as limiting the ability of the Authority, and the Authority is hereby expressly authorized, to create other subaccounts within the Subordinated Obligations Account and to authorize the deposit to the credit thereof of any legally available moneys then held to the credit of the General Account and the moneys held to the credit of such subaccounts may be expressly applied and pledged to the payment of obligations of the Authority and the maintaining of reserves therefor after the deposit of moneys to the credit of the Senior Subordinated Obligations Subaccount.

Subject to the foregoing, monthly, on or before each Deposit Day, subsequent to making the withdrawals required in respect of Superior Obligations but prior to making any withdrawal from the General Account for Subordinated Obligations, the Authority shall withdraw from the General Account any legally available moneys then held to the credit of such Account and transfer to the Trustee for credit to the Guaranteed Subordinated Obligations Subaccount an amount not less than the amount sufficient in the aggregate to permit the Depository to deposit,

in the following order and subject to credits as provided in this Article V and taking into account the then current balance to the credit of such Subaccount, as directed in writing by an Authority Representative, the sum of

(1) one-sixth (1/6th) of the interest which has accrued and will accrue on Bonds during the then current interest period; provided, however, that except as specified above, the amount so deposited on account of the then current interest requirement on each Deposit Day after the delivery of the Bonds of any Series under the provisions of this Resolution up to and including the Deposit Day immediately preceding the first Interest Payment Date thereafter of the Bonds of such Series shall be that amount which when multiplied by the number of such deposits will be equal to the amount of such current interest requirement respecting such Bonds during such first interest period; and

(2) one-twelfth (1/12th) of the amount of the principal requirement which will accrue prior to the next principal payment date provided, however, that if there are less than twelve (12) Deposit Days prior to the first principal payment date, the amount so to be deposited in respect of the first principal payment shall be that amount which when multiplied by the number of such remaining deposits will be equal to the first principal payment.

If the amount deposited in any month to the credit of the Guaranteed Subordinated Obligations Subaccount shall be less than the amount required to be deposited under the foregoing provisions of this Section, the requirement therefor shall be nonetheless cumulative and the amount of the deficiency in any month shall be added to the amount otherwise required to be deposited on the next Deposit Day.

If the Series Resolution authorizing any Series of Bonds shall provide that the interest is payable otherwise than semiannually on April 1 or October 1 of each year or that the principal or Sinking Fund Requirements are payable otherwise than on April 1 or October 1, then the Authority shall provide in such Series Resolution for such deposits to the Subaccount mentioned in clauses (1) and (2) above as shall be necessary to accrue evenly and to ensure the sufficiency of the required deposits to make timely payment of the debt service on such Bonds.

If any Series of Bonds is secured by a credit facility, the Trustee shall establish a separate account or subaccount within the Guaranteed Subordinated Obligations Subaccount corresponding to the source of moneys for each deposit made into any of such account(s) so that the Depository may at all times ascertain the source and date of deposit of the funds in each such account(s). In particular, the Trustee shall establish a separate account or subaccount within the Guaranteed Subordinated Obligations Subaccount and credit to such account or subaccount any and all payments received from the Guarantors pursuant to the Guaranty Agreement for application in accordance with the provisions of Section 506. Such funds shall be invested by the Trustee, without any further direction, in Investment Obligations described in (J) of such definition (provided such open end investment funds are primarily invested in Investment

Obligations described in (A) and/or (B) and/or (C) of such definition) pending their application to pay principal or interest on the Bonds.

If the Trustee receives funds from one or both Guaranteeing Units pursuant to Section 506, it shall establish, deposit such funds to the credit of, a special account or subaccount within the Guaranteed Subordinated Obligations Subaccount.

**Section 506. Application of Moneys in Guaranteed Subordinated Subaccount.** Except as otherwise provided in this Resolution, moneys in the Guaranteed Subordinated Obligations Subaccount shall be used solely for the payment of the principal of and premium, if any, and the interest on the Bonds and the Depository shall on each interest payment date withdraw from such moneys and transfer to the Bond Registrar who shall remit by mail or by wire transfer in accordance with the provisions of the Bonds and Section 203 hereof to each registered owner the amounts required for paying the interest on the Bonds on such date and on each principal payment date the Depository shall withdraw from such moneys and transfer to the Bond Registrar who shall set aside in trust the amounts required for paying the principal of and premium, if any, on the Bonds due on such date.

**Section 507. Moneys Held in Trust.** All moneys that the Depository shall have withdrawn from the Guaranteed Subordinated Obligations Subaccount or shall have received from any other source and set aside or transferred to the Bond Registrar for the purpose of the Bonds or paying any of the Bonds hereby secured, either at the maturity thereof or by purchase or call for redemption, or for the purpose of paying interest on the Bonds, shall be held in trust for the respective Holders. Any moneys that are so set aside or transferred and that remain unclaimed by the Holders for a period of three (3) years after the date on which such Bonds have become payable shall be paid to the Authority, or to such successor as may then be entitled by law to receive the same, and thereafter the Holders shall look only to the Authority, or to such successor, as the case may be, for payment and then only to the extent of the amounts so received, without any interest thereon, and the Depository and the Bond Registrar shall have no responsibility with respect to such money.

**Section 508. Cancellation.** All Bonds paid, redeemed or purchased, either at or before maturity, shall be delivered to the Bond Registrar when such payment, redemption or purchase is made, and such Bonds shall be cancelled. The Bond Registrar shall certify to the Authority the details the Bonds so cancelled. The Bonds cancelled under any of the provisions of this Resolution shall be destroyed by the Bond Registrar, which shall execute a certificate in triplicate, describing the Bonds so destroyed, and one executed certificate shall be filed with each of the Authority and the Depository and one executed certificate shall be retained by the Bond Registrar.

**Section 509. Disposition of Account Balances.** After provision shall be made for the payment of all Outstanding Bonds issued under this Resolution, including the interest thereon, and for the payment of all other obligations, expenses and charges required to be paid under or in connection with this Resolution, and assuming the existence of no other indentures or other

agreements imposing a continuing lien on the balances hereinafter mentioned, the Depository and the Bond Registrar shall pay all amounts in any Account and Subaccount then held by either of them under this Resolution to the Authority; provided, however, that if a continuing lien has been imposed on any such balance by another bond order, indenture, resolution or agreement, the Depository and the Bond Registrar shall pay such balance to such person as such bond order, indenture, resolution or agreement shall provide.

[End of Article V]

## ARTICLE VI.

### DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS, INVESTMENT OF FUNDS, AND COVENANT AS TO ARBITRAGE

**Section 601. Security for Deposits.** Any and all moneys deposited with the Depository and the Bond Registrar under the provisions of this Resolution shall, to the extent provided herein, be trust funds under the terms hereof and shall not be subject to any lien or attachment by any creditor of the Authority. Such moneys shall be held in trust and applied in accordance with the provisions of this Resolution.

All moneys deposited with the Depository hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured, for the benefit of the Authority and the Holders, either (i) by lodging with a bank or trust company chosen by the Depository or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit, as collateral security, Government Obligations or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States or applicable State law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (ii) if the furnishing of security as provided in clause (i) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Bond Registrar to give security for the deposit of any moneys with it for the payment of the principal of or the redemption premium or the interest on the Bonds, or for the Depository to give security for any moneys that shall be represented by obligations purchased under the provisions of this Article as an investment of such moneys.

All moneys deposited with the Depository shall be credited to the particular account or subaccount to which such moneys belong.

**Section 602. Investment of Moneys.** Moneys held for the credit of all accounts or subaccounts shall be continuously invested and reinvested at the direction of the Authority Representative.

Moneys held for the credit of the Guaranteed Subordinated Obligations Subaccount shall, as nearly as may be practicable, be invested and reinvested in Investment Obligations which shall mature, or which shall be subject to redemption at the option of the holder thereof, not later than the respective dates when the moneys held for the credit of said Account or Subaccount will be required for the purposes intended.

Subject to the provisions and restrictions of any instrument securing any Superior Obligations and except as otherwise provided herein, moneys held for the credit of the General Account shall be invested and reinvested in any Investment Obligations that shall mature, or that shall be subject to redemption at the option of the holder thereof, at the times required.

Investment Obligations acquired with moneys and credited to any Account or Subaccount held by or under the control of the Depository shall, while so held, be deemed at all times to be part of such Account or Subaccount in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized upon the disposition or maturity of such investment shall be credited to or charged against such Account or Subaccount. The Depository shall sell at the best price obtainable or reduce to cash a sufficient amount of such Investment Obligations whenever it shall be necessary so to do in order to provide moneys to make any payment or transfer of moneys from any such Account or Subaccount. The Depository shall not be liable or responsible for any loss resulting from any such investment.

Whenever a payment or transfer of moneys from one Account or Subaccount established pursuant to Article V of this Resolution to another is permitted or required, such payment or transfer may be made in whole or in part by transfer of one or more Investment Obligations at a value determined in accordance with this Article, provided that the Investment Obligations transferred are those in which moneys of the receiving Account or Subaccount could be invested at the date of each transfer.

**Section 603. Valuation.** For the purpose of determining the amount on deposit to the credit of any such Account or Subaccount, obligations maturing or subject to redemption at the option of the holder thereof in more than ten years in which money in such Account or Subaccount shall have been invested shall be valued at the market value or the amortized cost thereof, whichever is lower, and obligations maturing or subject to redemption at the option of the holder thereof in ten years or less in which money in such Account or Subaccount shall have been invested shall be valued at the amortized cost thereof.

The Depository shall value the Investment Obligations in the Accounts or Subaccounts established under this Resolution twelve (12) business days prior to each Interest Payment Date. In addition, the Investment Obligations shall be valued by the Depository at any time requested by the Authority Representative on reasonable notice (which period of notice may be waived or reduced by the Depository); provided, however, that the Depository shall not be required to value the Investment Obligations more than once in any calendar month.

**Section 604. Tax Covenant.** The Authority covenants that it will comply with the provisions of the Internal Revenue Code of 1986, as amended, to the extent necessary so that interest on the Bonds will remain exempt from existing Federal income taxes to which it is not subject on the date of the issuance of such Bonds.

[End of Article VI]

## ARTICLE VII.

### GENERAL COVENANTS AND REPRESENTATIONS

**Section 701. Payment of Principal, Interest and Premium.** The Authority shall cause to be paid, when due, the principal of (whether at maturity, by call for redemption or otherwise) and the premium, if any, and the interest on the Bonds at the places, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning thereof.

The Gross Revenues of the Authority, subject in all respects to the prior payment therefrom of Operating Expenses and other Superior Obligations, are hereby pledged to the payment of the principal of and redemption premium, if any, and interest on the Bonds, as provided in this Resolution. The Bonds are payable solely from Net Revenues Available for Debt Service derived by the Authority from the ownership and operation of the Disposal System (and other moneys in the accounts and subaccount established hereunder and the investment earnings thereon), as provided in this Resolution. Except as otherwise provided in the Guaranty Agreement, the Bonds issued under this Resolution shall not be secured by a pledge of the full faith and credit of the State or of any political subdivision thereof, including the Authority, or be deemed to create an indebtedness of the State or any political subdivision thereof, including the Authority, but shall be payable solely from the revenues and receipts provided for their payment under this Resolution.

**Section 702. Covenant to Perform.** The Authority shall faithfully perform at all times all of its covenants, undertakings and agreements contained in this Resolution and in the Bonds executed, authenticated and delivered hereunder. The Authority represents that it is duly authorized under the Constitution and laws of the State, particularly the Act, to issue the Bonds authorized hereby and to adopt this Resolution and pledge the Net Revenues Available for Debt Service of the Disposal System, in the manner and to the extent herein set forth as security for the Bonds; that all action on its part for the issuance of the Bonds and the adoption of this Resolution has been duly and effectively taken; and that such Bonds in the hands of the Holders thereof are and will be valid and enforceable limited obligations of the Authority according to their terms.

**Section 703. Covenant as to the Guaranty Agreement.** The Authority covenants that it will fulfill its obligations under the Guaranty Agreement. Specifically, the Authority shall give notice to the Trustee and VRA in the event that any deposit required by Section 505(1) and (2) is not made in full on or before the applicable Deposit Day and in such case the amount of the deficiency. Likewise, the Authority shall give further notice to the Trustee and VRA in the event that subsequent such Deposit Day the Authority shall have made a payment to the Trustee sufficient for the Trustee to cure all or any portion of the deficiency described in the prior deficiency notice.

**Section 704. Construction.** The Authority covenants that it will cause the capital improvements to the Disposal System in conformity with law and all requirements of all governmental authorities having jurisdiction and of this Resolution.

**Section 705. Use and Operation of Disposal System.** The Authority covenants that it will maintain and enforce reasonable rules and regulations governing the use of the Disposal System and the operation thereof, that all conditions of employment and all compensation, salaries, fees and wages paid by it in connection with the maintenance, repair and operation of the Disposal System will be reasonable, that no more persons will be employed by it than are necessary, that all persons employed by it will be qualified for their respective positions, that it will maintain and operate the Disposal System in an efficient and economical manner, that, from Gross Revenues and from any other available moneys, it will at all times maintain the same in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements, and that it will, in a manner not inconsistent with this Resolution, comply, subject to the right to contest, with all valid acts, rules, regulations, orders and directives of any legislative, executive, administrative or judicial body applicable to the Disposal System.

**Section 706. Payment of Lawful Charges.** The Authority covenants that, except as provided in this Resolution, it will not create or suffer to be created any lien or charge upon the Disposal System or upon the Gross Revenues, other than the lien created by this Resolution, but at all times subject to the provisions of Section 505 hereof, and that, from such Gross Revenues or other available funds, it will pay all taxes and assessments, or payments in lieu thereof, or other municipal or governmental charges lawfully levied or assessed upon the Authority or the Disposal System or the Gross Revenues, and that it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Disposal System or the Gross Revenues; provided, however, that nothing in this Section contained shall require the Authority to pay or cause to be discharged, or make provision for, any such tax, assessment, lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

**Section 707. Insurance.** The Authority covenants that it will maintain a practical insurance program, with reasonable terms, conditions, provisions and costs, which the Authority determines (i) will afford adequate protection against loss caused by damage to or destruction of the Disposal System or any part thereof and (ii) will include reasonable liability insurance on all of the Disposal System for bodily injury and property damage resulting from the construction or operation of the Disposal System.

**Section 708. No Inconsistent Action.** The Authority covenants that none of the Gross Revenues will be used for any purpose which is inconsistent with the provisions of this Resolution and that no contract or contracts will be entered into or any action taken by it which shall be inconsistent with the provisions of this Resolution.

**Section 709. Records and Audits.** The Authority covenants that it will keep the Accounts of the Disposal System separate from all other funds and accounts, if any, of the Authority, and that it will keep accurate records and accounts of all expenditures relating to the Disposal System and of the Gross Revenues collected and the application of such Gross Revenues. Such records and accounts shall be open at all reasonable times to the inspection of the Bank, the Trustee and the Holders of the Bonds.

The Authority further covenants that within ninety (90) days after the close of each Fiscal Year it will cause an audit to be made of its books and accounts relating to the Disposal System for the preceding Fiscal Year by an Accountant. The opinion of the Accountant accompanying such audit shall state that the examinations were made in accordance with generally accepted auditing standards and that the financial statements have been presented in conformity with generally accepted accounting principles. In the event that for any reason beyond its control the Authority is unable to obtain the foregoing opinion as to compliance with generally accepted auditing standards, or in the event that the Authority is able to obtain such opinion as to conformity with generally accepted accounting principles, and is taking all reasonable and feasible actions to obtain such opinion as to subsequent Fiscal Years, the Authority shall be deemed to be in compliance with the provisions of this Section if, in lieu of the opinion required above, such opinion states the reasons for such noncompliance or nonconformity.

The cost of the reports and audits referred to in this Section shall be treated as Operating Expenses.

**Section 710. Contracts, Leases and Other Agreements.** Subject to the provisions of Sections 604, 713 and 717 of this Resolution, the Authority may lease, as lessor, all or any part of the Disposal System, or contract or agree for the performance by others of Contracted Services on or in connection with the Disposal System or any part thereof, for any lawful purpose; provided, that:

(a) each such lease, contract or agreement, or any amendment or rescission thereof, shall not be inconsistent with the provisions of this Resolution,

(b) the Authority shall remain fully obligated and responsible under this Resolution to the same extent as if such lease, contract or agreement, or any amendment or rescission thereof, had not been executed, and

(c) if, the amount payable to or by the Authority in the then current or any subsequent Fiscal Year under any such lease, contract or agreement, or any amendment or rescission thereof, shall exceed 5% of the Gross Revenues of the Authority for the preceding Fiscal Year, then, the Authority shall expressly determine by resolution, and shall obtain a statement from the Consulting Engineer affirming such determination, that such lease, contract or agreement, or amendment or rescission thereof, does not materially impair the ability of the Authority to meet its covenant set forth in Section 502 of this Resolution.

**Section 711. Covenant Against Sale or Encumbrance and Exceptions thereto.** The Authority covenants that, except as in this Section and Sections 710 and 717 of this Resolution otherwise permitted, and subject to the provisions of Section 604 hereof, it will not sell, exchange or otherwise dispose of or encumber the Disposal System or any part thereof.

The Authority may from time to time sell, exchange or otherwise dispose of any equipment, motor vehicles, machinery, fixtures, apparatus, tools, instruments or other movable property if it determines that such articles are no longer needed or are no longer useful in connection with the Disposal System, and the proceeds thereof shall be applied to the replacement of the properties so sold, exchanged or disposed of or shall be transferred in accordance with the provisions of the Senior Bond Resolution, all as directed in a certificate of the Authority.

The Authority may from time to time sell, exchange or otherwise dispose of (but not lease, contract or agree for the use thereof except as permitted under Section 710 of this Resolution) any other property of the Disposal System if it determines by resolution:

(a) that such property is no longer needed or is no longer useful in connection with the Disposal System, or

(b) that the sale, exchange or other disposition thereof would not materially adversely affect the operating efficiency of the Disposal System,

and the proceeds, if any, thereof shall be applied in accordance with the provisions of the Senior Bond Resolution, or, if all Senior Indebtedness shall have been retired, then in accordance with the provisions of the Senior Subordinated Bond Resolution, or, if all Senior Subordinated Bonds shall have been retired, all as directed in a certificate of the Authority.

**Section 712. Budgets and Covenants as to Operating Expenses.** The Authority covenants that on or before the 15th day of May, 2010 and of each Fiscal Year thereafter it will prepare with respect to the Disposal System a preliminary budget of Gross Revenues and Operating Expenses and a preliminary budget of capital expenditures for the ensuing Fiscal Year and file copies of each such preliminary budget with the Trustee.

The Authority further covenants that on or before the last day in such Fiscal Year it will finally adopt the Annual Budget of Gross Revenues and Operating Expenses and the budget of capital expenditures for the ensuing Fiscal Year (which budgets together with any amendments thereof or supplements thereto as hereinafter permitted being herein sometimes collectively called the "Annual Budget"). Copies of the Annual Budget shall be filed with the Trustee.

If for any reason the Authority shall not have adopted the Annual Budget before the first day of any Fiscal Year, the preliminary budget for such Fiscal Year or, if there is none, the budget for the preceding Fiscal Year, shall, until the adoption of the Annual Budget, be deemed to be in force and shall be treated as the Annual Budget under the provisions of this Section.

The Authority may at any time adopt an amended or supplemented Annual Budget for the remainder of the then current Fiscal Year, and when so adopted the Annual Budget as so amended or supplemented shall be treated as the Annual Budget under the provisions of this Section. Copies of any such amended or supplemental Annual Budget shall be filed with the Trustee.

If the Authority has adopted a project budget extending beyond one Fiscal Year, the capital expenditures covered by such project budget need not be covered by the Annual Budget except that such Annual Budget shall contain a reference to any such project budget.

**Section 713. Service Contracts.** (a) The Authority may enter into agreements for Contracted Services for the benefit of the Disposal System (in this Section called “Service Contracts”).

(b) The Authority covenants that it will faithfully fulfill all lawful requirements of all Service Contracts and that it will require all other parties thereto to fulfill their lawful obligations thereunder.

(c) Anything in this Resolution to the contrary notwithstanding, the Authority’s covenants applicable to the Disposal System set forth in this Resolution shall be applicable to the facilities, products and services to which the Authority shall be entitled under Service Contracts only to the extent that the Authority may reasonably and practicably fulfill such covenants as a matter of contract right or that the Authority may legally enforce the covenants of other parties thereto.

**Section 714. Consulting Engineer.** (a) The Authority covenants that it will, for the purpose of performing and carrying out the duties imposed on the Consulting Engineer by this Resolution, employ an independent engineer or engineering firm or corporation having a nationwide and favorable reputation for skill and experience in such work. R.W. Beck and Associates, Waltham, Massachusetts, are now employed by the Authority as such Consulting Engineer.

(b) In addition to the duties elsewhere in this Resolution assigned to the Consulting Engineer, it shall annually prepare and deliver to the Authority and the Trustee, on or before April 1 of each year, a report regarding the Disposal System and containing its recommendations concerning the proper maintenance, repair and operation of the Disposal System during the following Fiscal Year, any necessary changes in the services to be provided through the Disposal System during the following Fiscal Year, any additions, improvements or renewals or replacements that should be made during the following Fiscal Year, the estimated Gross Revenues necessary for such purposes, and any necessary revisions to the tipping fees. If in any Fiscal Year the Net Revenues Available for Debt Service are less than the amount required by Section 502, the Authority will direct the Consulting Engineer to make recommendations with respect to the revision of its tipping fees, improvements to or changes in the operations of the Disposal System or the services rendered by the Authority through the Disposal System. If the Authority implements the recommendations of the Consulting Engineer

and thereafter the Net Revenues Available for Debt Service fail in the succeeding Fiscal Year to equal the amount required by Section 502, such failure shall not, in and of itself, constitute an Event of Default.

**Section 715. Subordinate Indebtedness.** The Authority may, at any time or from time to time, issue or incur Subordinate Indebtedness for any purpose of the Authority in connection with the Disposal System, including, without limitation, the financing of a all or any part of the Cost of acquisition and installation of capital improvements to the Disposal System or any other item of “Cost” as defined in section 15.2-5101 of the Act or the refunding of any Subordinate Indebtedness or all or any of the Bonds or any Outstanding Bonds or Senior Indebtedness. Such Subordinate Indebtedness shall be payable out of and may be secured by a pledge of such amounts in the Subordinated Obligations Account as may from time to time be available therefor, provided that any such payment or pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the pledge and lien created under this Resolution as security for the Bonds.

**Section 716. [Repealed].**

**Section 717. No Additional Indebtedness under the Senior Bond Resolution.** The Authority irrevocably covenants for the benefit of the Holders under this Resolution that it will not, subsequent to the effective date of this Resolution, issue or otherwise incur any Senior Bonds or Parity Indebtedness under the Senior Bond Resolution; provided, however, that nothing in this Section 717 shall impair the obligation of the Authority to the holders of its Senior Bonds or Parity Indebtedness or under any credit facility related thereto existing as of the effective date of this Resolution.

[End of Article VII]

## ARTICLE VIII.

### EVENTS OF DEFAULT AND REMEDIES

**Section 801. Events of Default.** Each of the following events is hereby declared an Event of Default:

(a) payment of any installment of interest on the Bonds shall not be made when the same shall become due and payable; or

(b) payment of the principal or of the redemption premium, if any, of the Bonds shall not be made when the same shall become due and payable, whether at maturity or by proceedings for redemption or pursuant to any Sinking Fund Requirement or otherwise; or

(c) the principal of any Superior Obligations (excluding Operating Expenses) shall have been declared immediately due and payable;

(d) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in this Resolution or any resolution supplemental hereto and such default shall continue for ninety (90) days or such further time as may be granted in writing by the Trustee after receipt by the Authority of a written notice from the Trustee specifying such default and requiring the same to be remedied; provided, however, that no Event of Default under the provisions of this paragraph (d) shall occur so long as the Authority is in good faith acting to remedy the default and such default is, in the opinion of the Trustee, curable by such remedial action, or

(e) the Authority shall: (i) become insolvent or the subject of insolvency proceedings; or (ii) be unable, or admit in writing its inability, to pay its debts as they mature; or (iii) make a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; or (iv) file a petition or other pleading seeking reorganization, composition, readjustment or liquidation of assets, or requesting similar relief; or (v) apply to a court for the appointment of a receiver for any of its assets; or (vi) have a receiver or liquidator appointed for any of its assets (with or without the consent of the Authority) and such receiver shall not be discharged within 90 consecutive days after his appointment; or (vii) become the subject of an "order for relief" within the meaning of the United States Bankruptcy Code; or (viii) file an answer to a creditor's petition admitting the material allegations thereof for liquidation, reorganization, readjustment or composition or to effect a plan or other arrangement with creditors or fail to have such petition dismissed within 60 consecutive days after the same is filed against the Authority.

The foregoing provisions of subsection (d) of this section are subject to the provisions of Section 714(b) and the following limitations: if by reason of *force majeure*, the Authority is unable in whole or in part to carry out any of its agreements herein contained, the failure of the Authority to carry out any such agreements, other than the obligations on the part of the Authority contained in Sections 502 and 707 of this Resolution, shall not be deemed an Event of Default

during the continuance of such inability, including a reasonable time for the removal of the effect thereof.

The term “*force majeure*” shall mean any cause, circumstance or event that is not reasonably foreseeable and that is not within the control of the Authority, including, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; war; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; droughts; floods; washouts; arrests; restraint of government and people; explosions, breakage, malfunction of or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; or shortages of or inability to obtain labor, materials, supplies or transportation.

The Authority agrees, however, to use its best efforts to remedy with all reasonable dispatch any force majeure preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Authority, and the Authority shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Authority unfavorable to the Authority.

The Authority shall give the Bond Registrar, the Depository and the Trustee notice of all events of which it is aware that either constitute Events of Default under this Resolution or, upon notice by or to the Authority or the passage of time, would constitute Events of Default hereunder.

**Section 802. Acceleration of Maturities.** Upon the happening and continuance of any Event of Default specified in Section 801, then and in every such case the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall, by a notice in writing to the Authority, declare the principal of the Bonds or of all of the Bonds then Outstanding (if not then due and payable), respectively, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or this Resolution to the contrary notwithstanding but subject to the provisions of Section 813 hereof; provided, however, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Resolution, moneys shall have accumulated in the Guaranteed Subordinated Obligations Subaccount sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all the Bonds then Outstanding (except the principal of the Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Interest Payment Date) and sufficient to satisfy the Sinking Fund Requirements of the then current Fiscal Year, and the charges, compensation, expenses, disbursements, advances and liabilities of the Depository, the Bond Registrar and the Trustee, if any, and all other amounts then payable by the Authority

hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee or with the Depository, and every other default known to the Depository, Trustee or Bond Registrar in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or this Resolution (other than a default in the payment of the principal of Bonds then due and payable only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and if so directed by the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding shall, by written notice to the Authority, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

**Section 803. Enforcement of Remedies.** Upon the happening and continuance of an Event of Default specified in Section 801 of this Article, then and in every such case the Trustee may proceed, and upon the written request of the Holders of not less than a majority in aggregate principal amount of any Bonds then Outstanding, the Trustee shall proceed to protect and enforce its rights and the rights of the Holders under the laws of the State or under this Resolution by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under this Resolution, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any Event of Default becoming and remaining due from the Authority for principal, interest or otherwise under any of the provisions of this Resolution or of the Bonds, together with interest on overdue payments of principal at the rate or rates of interest payable on the Bonds Outstanding and all costs and expenses of collection and of all proceedings hereunder, without prejudice to any other right or remedy of the Trustee or of the Holders and to recover and enforce any judgment or decree against the Authority, but solely as provided herein, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from money available for such purposes), in any manner provided by law, the money adjudged or decreed to be payable.

**Section 804. Pro Rata Application of Funds.** Anything in this Resolution to the contrary notwithstanding, if at any time the moneys in the Guaranteed Subordinated Obligations Subaccount shall not be sufficient to pay the interest on or the principal of the Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities under the provisions of Section 802), such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as provided in this Section.

(a) If the principal of all the Bonds shall not have become or shall not have been declared due and payable, all such moneys shall be applied

first: to the payment to the persons entitled thereto of all installments of interest on the Bonds then due and payable in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified therein;

second: to the payment to the persons entitled thereto of the unpaid principal of the Bonds which shall have become due and payable (other than principal installments of the Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Resolution), in the order of their due dates, with interest on the principal amount of the Bonds at the respective rates specified therein from the respective dates upon which the Bonds became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of the Bonds due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified therein; and

third: to the payment of interest on and the principal of the Bonds, all in accordance with the provisions of Article V.

(b) If the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied

first: to the payment to the persons entitled thereto of all installments of interest on the Bonds due and payable on or prior to maturity, if any, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified therein, and then to the payment of any interest due and payable after maturity on the Bonds, ratably, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

second: to the payment of the principal of the Bonds, ratably, to the persons entitled thereto, without preference or priority of any Bond over any other Bond.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 802 then, subject to the provisions of paragraph (b) of this Section in the event that the

principal of all the Bonds shall later become due and payable or be declared due and payable, the moneys remaining in and thereafter accruing to the Guaranteed Subordinated Obligations Subaccount shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for such application and the likelihood of additional moneys becoming available for such application in the future, the deposit of such moneys with the Bond Registrar, or otherwise setting aside such moneys, in trust for the proper purpose shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to any Holder of Bonds or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless another date is deemed more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee or the Bond Registrar shall give such notice as it may deem appropriate of the fixing of any such date and shall not be required to make payment to the Holder of any Bond until such Bond shall be surrendered to the Trustee or the Bond Registrar for appropriate endorsement, or for cancellation if fully paid.

**Section 805. Effect of Discontinuance of Proceedings.** If any proceeding taken by Trustee or Holders on account of any Event of Default shall have been discontinued or abandoned for any reason, then and in every such case, the Authority, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no proceeding had been taken.

**Section 806. Control of Proceedings by Holders.** Anything in this Resolution to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall be in accordance with law and the provisions of this Resolution.

**Section 807. Restrictions Upon Actions by Individual Holders.** Except as provided in Section 812 of this Article, no Holder shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust hereunder or for any other remedy hereunder unless such Holder previously shall have given to the Trustee and to the Authority written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders shall have made a written request of the Trustee, after the right to exercise such powers or right of action, as the case may be, shall

have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceedings in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Resolution or to any other remedy hereunder. Notwithstanding the foregoing provisions of this Section and without complying therewith, the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Holders hereunder. It is understood and intended that, except as otherwise above provided, no one or more Holders shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder except in the manner provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders and that any individual rights of action or other right given to one or more of such Holders by law are restricted by this Resolution to the rights and remedies herein provided.

**Section 808. Enforcement of Rights of Action.** All rights of action (including the right to file proof of claim) under this Resolution or under the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Holders hereby secured, and any recovery of judgment shall be for the equal benefit of the Holders.

**Section 809. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

**Section 810. Delay Not a Waiver.** No delay or omission by the Trustee or any Holder in the exercise of any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein; and every power or remedy given by this Resolution to the Trustee and to the Holders may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Holders of not less than a majority in principal amount of the Bonds then Outstanding shall, waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Resolution or before the completion of the enforcement of any subsequent default or defaults or impair any rights or remedies consequent thereon.

**Section 811. Notice of Default.** The Bond Registrar shall mail to all Holders at their addresses as they appear on the registration books written notice of the occurrence of any Event of Default set forth in Section 801 of this Article within thirty (30) days after the Bond Registrar shall have notice of the same, pursuant to the provisions of Section 906 of this Resolution, that any such Event of Default shall have occurred.

**Section 812. Right to Enforce Payment Unimpaired.** Nothing in this Article shall affect or impair the right of any Holder to enforce the payment of the principal of and the interest on his Bond or the obligation of the Authority to pay the principal of and the interest on each Bond to the Holder thereof at the time and place in said Bond expressed.

**Section 813. Subordination.** Notwithstanding any other provision of this Resolution to the contrary:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Authority, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the holders of all Superior Obligations then outstanding shall be entitled to receive payment in full of all principal and interest due on all such Superior Obligations in accordance with the provisions of resolutions or other instruments authorizing their issuance before the Trustee and the Holders of the Bonds are entitled to receive any payment from the Net Revenues or other moneys pledged to the Bonds on account of principal (and premium, if any) or interest upon the Bonds.

(2) In the event that the Bonds are declared due and payable before their stated maturity because of the occurrence of an Event of Default (under circumstances when the provisions of paragraph (1) above shall not be applicable), the holders of all Superior Obligations outstanding at the time the Bonds become due and payable because of such occurrence of such an Event of Default shall be entitled to receive payment in full of all principal and interest on all such Superior Obligations before the Holders of the Bonds are entitled to receive any accelerated payment from the Net Revenues and other moneys pledged to the Bonds of principal (and premium, if any) or interest upon the Bonds.

(3) If any event of default with respect to the Superior Obligations shall have occurred and be continuing (under circumstances when the provisions of paragraph (1) above shall not be applicable), the holders of all such Superior Obligations then outstanding shall be entitled to receive payment in full of all principal and interest on all such Obligations as the same become due and payable before the Holders of the Bonds are entitled to receive, subject to the provisions of paragraph (5) below, any payment from the Net Revenues and other moneys pledged to the Bonds under this Resolution of principal (and premium, if any) or interest upon the Bonds.

(4) No holder of Superior Obligations shall be prejudiced in his right to enforce subordination of the Bonds by any act or failure to act on the part of the Authority.

(5) The provisions of paragraphs (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the holders of the Superior Obligations on the one hand, and the Holders of Bonds on the other hand, and nothing herein shall impair, as between the Authority and the Holders of the Bonds, the obligation of the Authority, which shall be unconditional and absolute, to pay to the Holders of the Bonds the principal thereof and premium, if any, and interest on the Bonds, respectively, in accordance with their terms, nor shall anything herein prevent the Holders of the Bonds from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under paragraphs (1), (2), (3) and (4) above of the holders of the Superior Obligations to receive cash, property or securities from the Net Revenues and other moneys pledged to such Superior Obligations otherwise payable or deliverable to the Holders of the Bonds; and insofar as the Bond Registrar, Depository or Trustee is concerned, the foregoing provisions shall not prevent the application of any moneys deposited with the Bond Registrar, Depository or Trustee for the purpose of the payment of or on account of the principal (and premium, if any) and interest on the Bonds if it did not have written notice or actual knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

[End of Article VIII]

## ARTICLE IX.

### CONCERNING THE DEPOSITORY, THE BOND REGISTRAR AND THE TRUSTEE

**Section 901. Acceptance of Duties.** U.S. Bank National Association, in the City of Richmond, Virginia, is hereby appointed as Trustee and Bond Registrar under this Resolution. Prior to the issuance of Bonds under the provisions of this Resolution, the Authority shall obtain from a duly authorized officer of said bank a written acceptance of the duties, obligations and trusts imposed upon said bank by this Resolution. The Trustee, any Depository and Bond Registrar undertake to perform such duties and only such duties as are specifically set forth in this Resolution, and no implied covenants or obligations shall be read into this Resolution against the Trustee, Depository or Bond Registrar.

None of the provisions contained in this Resolution shall require the Trustee, Bond Registrar or Depository to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

**Section 902. Trustee, Depository and Bond Registrar Not Liable for Failure of Authority to Act.** The Trustee, Depository and Bond Registrar shall not be liable or responsible because of the failure of the Authority or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Authority or because of the loss of any money arising through the insolvency or the act or default or omission of any other Depository in which such money shall have been deposited under the provisions of this Resolution. The Trustee, Depository and Bond Registrar shall not be responsible for the application of any of the proceeds of the Bonds or any other money deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Resolution. The immunities and exemptions from liability of the Trustee, the Depository and the Bond Registrar hereunder shall extend to their directors, officers, employees and agents.

**Section 903. Compensation and Indemnification of Trustee, Depository and Bond Registrar.** Subject to the provisions of any contract between the Authority and the Trustee or the Depository or the Bond Registrar relating to compensation, the Authority shall pay reasonable compensation for all services performed by them hereunder and also all their reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and the performance of its powers and duties hereunder and shall indemnify and save the Trustee, the Depository or the Bond Registrar harmless against any liabilities that it may incur in the proper exercise and performance of its powers and duties hereunder.

**Section 904. Semi-Annual Statements from Trustee.** It shall be the duty of the Trustee, on or before the 15th day of January and July in each year, beginning with July 15,

1998, to file with the Authority a statement setting forth in respect of the preceding calendar six-month period:

(a) the amount withdrawn or transferred by it and the amount deposited with it on account of each account or subaccount held by it under the provisions of this Resolution,

(b) the amount on deposit with it at the end of such semi-annual period in each such account or subaccount,

(c) a brief description of all obligations held by it as an investment of money in each such account or subaccount, or

(d) any other information that the Authority may reasonably request.

All records and files pertaining to the Bonds in the custody of the Trustee shall be open at all reasonable times to the inspection of the Authority and its agents and representatives.

**Section 905. Trustee, Depository and Bond Registrar May Rely on Certificates.** If at any time it shall be necessary or desirable for the Trustee, the Depository or the Bond Registrar to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, Depository or the Bond Registrar, and in any case in which this Resolution provides for permitting of taking any action, the Trustee, the Depository or the Bond Registrar may rely upon any certificate required or permitted to be filed with it under the provisions of this Resolution, and any such certificate shall be evidence of such fact or protect the Trustee, the Depository or the Bond Registrar in any action that it may or may not take or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact. Except as otherwise provided in this Resolution, any request, notice, certificate or other instrument from the Authority to the Trustee, the Depository or the Bond Registrar shall be deemed to have been signed by the proper party or parties if signed by any Authority Representative, and the Trustee, the Depository or the Bond Registrar may accept and rely upon a certificate signed by any Authority Representative as to any action taken by the Authority.

**Section 906. Notice of Default.** Except upon the happening of any Event of Default specified in clauses (a) and (b) of Section 801 of this Resolution, the Trustee shall not be obliged to take notice or be deemed to have notice of any Event of Default under this Resolution, unless specifically notified in writing of such Event of Default by the Authority, the Bond Registrar or the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding.

**Section 907. Depository and Bond Registrar Not Responsible for Recitals.** The recitals, statements and representations contained herein and in the Bonds shall be taken and construed as made by and on the part of the Authority and not by the Trustee, the Depository or the Bond Registrar, and the Trustee, the Depository and the Bond Registrar assume and shall be under no responsibility for the correctness of the same.

**Section 908. The Trustee, Depository and Bond Registrar Protected in Relying on Certain Documents.** The Trustee, the Depository and the Bond Registrar shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Resolution, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Resolution, or upon the written opinion of any attorney, engineer or accountant believed by the Trustee, the Depository or the Bond Registrar to be qualified in relation to the subject matter, and the Depository or the Bond Registrar shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument. None of the Trustee, the Depository and the Bond Registrar shall be under any obligation to see to the recording or filing of this Resolution or, except as otherwise expressly provided herein or in the Guaranty Agreement, to the giving to any person of notice of the provisions hereof.

**Section 909. Trustee May Deal in Bonds.** The bank or trust company acting as Trustee under this Resolution, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued under and secured by this Resolution, may join in any action that any bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee or a Depository under this Resolution, may engage or be interested in any financial or other transaction with the Authority, and may maintain any and all other general banking and business relations with the Authority with like effect and in the same manner as if the Trustee were not a party to this Resolution; and no implied covenant shall be read into this Resolution against the Trustee in respect of such matters.

**Section 910. Resignation and Removal of Trustee Subject to Appointment of Successor.** No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 913 of this Article.

**Section 911. Resignation of Trustee.** The Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing to be given to the Authority and to be mailed to all owners of Bonds, not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee hereunder if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts hereof.

**Section 912. Removal of Trustee.** The Trustee may be removed at any time, with or without cause, at the election of the Authority; provided that no Event of Default has occurred and is continuing at the time of such election.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing filed with the Authority executed by the owners of not less than a majority in principal

amount of the Bonds hereby secured and then Outstanding. A facsimile copy of each such instrument shall be delivered promptly by the Authority to the Trustee. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Resolution with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Authority pursuant to resolution or of the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding under this Resolution.

**Section 913. Appointment of Successor Trustee.** If at any time hereafter the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, the Authority shall appoint a Trustee to fill such vacancy. The Authority shall cause notice of any such appointment to be mailed to all owners of Bonds.

At any time within one year after any such vacancy shall have occurred, the owners of a majority in principal amount of the Bonds hereby secured and then Outstanding, by an instrument or concurrent instruments in writing, executed by such bondholders and filed with the Authority, may appoint a successor Trustee that shall supersede any Trustee theretofore appointed by the Authority. Facsimile copies of each such instrument shall be delivered promptly by the Authority to the predecessor Trustee and to the Trustee so appointed by the Bondholders.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within ten (10) days after the vacancy shall have occurred, the owner of any Bond outstanding hereunder or any retiring Trustee may apply to any court of competent jurisdiction within the State to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed shall be a bank or trust company duly authorized to exercise corporate trust powers, a member of the Federal Deposit Insurance Corporation and subject to examination by federal or state authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000).

**Section 914. Successor Trustee.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the Authority, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities, powers and trusts and subject to all the duties and obligations, of its predecessor; but such predecessor shall, nevertheless, on the written request of its successor or of the Authority, and upon payment of the expenses, charges and other disbursements of such predecessor that are payable pursuant to the provisions of Section 903 of this Article, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities, powers and trusts of such predecessor hereunder;

and every predecessor Trustee shall deliver all property and moneys held by it hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will on request be executed, acknowledged and delivered by the Authority.

Notwithstanding any of the foregoing provisions of this Article, any bank or trust company having power to perform the duties and execute the trusts of this Resolution and otherwise qualified to act as Trustee hereunder with or into which the bank or trust company acting as Trustee may be merged or consolidated, or to which the assets and business of such bank or trust company may be sold, shall be deemed the successor of the Trustee.

**Section 915. Co-Trustee.** It is the intention of the Authority that the Trustee shall not be required to act at any time if such Trustee has a conflict of interest in performing its duties hereunder and that there shall be no violation of any laws of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of a conflict of interest or in case of litigation under this Resolution, and in particular in case of the enforcement of any remedies upon the occurrence of an Event of Default, it may be necessary that the Trustee appoint an additional individual or institution as an additional, separate, or Co-Trustee, and in such case the Trustee is authorized to do so. The following provisions apply to the Trustee and to any additional or Co-Trustee:

In the event the Trustee, in its sole opinion, has or may have a conflict of interest or in the event by reason of any present or future law of any jurisdiction the Trustee is denied or restricted in the rights to exercise any of the powers, rights or remedies herein granted to the Trustee or to hold title to the property in trust as herein granted or to take any other action that may be necessary or desirable in connection therewith, each and every trust, remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest, lien, privilege, obligation and duty expressed or intended by this Resolution or any Supplemental Resolution to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in any separate Trustee or Co-Trustee but only to the extent necessary to enable such separate Trustee or Co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate Trustee or Co-Trustee shall run to and be enforceable by any of them.

Should any instrument in writing from the Authority be required by any separate Trustee or Co-Trustee for more fully and certainly vesting in and confirming to him or it the trusts, remedies, powers, rights, claims, demands, causes of action, immunities, estates, titles, interests, liens, privileges, obligations and duties hereby vested in the Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate Trustee or Co-Trustee, or a successor to any of them, shall die, become incapable of acting, resign or be removed, all the trusts, powers, rights, claims, demands, causes of action, immunities, estates, titles, interests, liens, privileges, obligations and duties of

such separate Trustee or Co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Trustee or Co-Trustee.

[End of Article IX]

**ARTICLE X.**

**EXECUTION OF INSTRUMENTS BY THE HOLDERS,  
PROOF OF OWNERSHIP OF THE BONDS, AND DETERMINATION  
OF CONCURRENCE OF HOLDERS**

**Section 1001. Execution of Instruments by Holders.** Any request, direction, consent or other instrument in writing required or permitted by this Resolution to be signed or executed by any Holder may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Holders or their attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the Authority with regard to any action taken by either under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual, such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.

(b) The ownership of the Bonds shall be proved by the registration books kept under the provisions of Section 206 of this Resolution.

Nothing contained in this Article shall be construed as limiting the Authority to such proof, it being intended that the Authority may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of any Holder shall bind every future Holder of the same Bond in respect of anything done by the Trustee in pursuance of such request or consent.

Notwithstanding any of the foregoing provisions of this Section, the Authority shall not be required to recognize any person as a Holder or to take any action at his request unless such Bond shall be deposited with it.

[End of Article X]

## ARTICLE XI.

### SUPPLEMENTAL RESOLUTIONS

**Section 1101. Supplemental Resolutions without Consent.** The Authority, from time to time and at any time, may adopt such resolutions supplemental hereto as shall be consistent with the terms and provisions of this Resolution (which supplemental resolutions shall thereafter form a part hereof):

(a) to cure an ambiguity or formal defect or omission, or to correct or supplement any provision herein that may be inconsistent with any other provision herein, or

(b) to grant to, or confer upon the Trustee and the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee and the Holders, or

(c) to add to the conditions, limitations and restrictions thereafter to be observed by the Authority under the provisions of this Resolution, or

(d) to add to the conditions, limitations and restrictions on the incurring or issuance of Superior Obligations or of Additional Bonds or Refunding Bonds under this Resolution or other conditions, limitations and restrictions thereafter to be observed by the Authority under the provisions of this Resolution, or

(e) to provide for the issuance of Additional Bonds and Refunding Bonds, to provide for coupon Bonds if then permitted, to provide for the issuance of coupon and uncertificated Bonds, and to provide for such other related matters as may be required or contemplated by or appropriate under this Resolution, including by way of example, and not limitation, one or more reserves for debt service for such Bonds or maintenance of the System, or

(f) [Repealed], or

(g) to add to the covenants and agreements of the Authority in this Resolution other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power herein reserved to or conferred upon the Authority or,

(h) to make provision for the issuance of Capital Appreciation Bonds and other Bonds the interest on which is not payable in a fixed amount and to exchange an obligation payable with respect to Bonds outstanding under this Resolution for an obligation to a counterparty in a transaction authorized by the provisions of Section 15.2-5135, Code of Virginia 1950, as amended, or

(i) to make any changes that may be required by (1) any rating agency rating any Series of the Bonds and to the extent necessary to prevent any then current ratings of said agencies in respect of such Bonds from being reduced or withdrawn or (2) any credit bank or any

insurer to the extent such changes, in the opinion of the Authority, would not materially adversely affect the interest of the Holders whose Bonds are not secured by the credit facility or bond insurance policy that requires such changes, or

(j) to make any other change that is not, in the judgment of the Authority, expressed in a resolution filed with the Trustee, materially adverse to the interest of the Holders of the Bonds or any of them.

Not more than thirty (30) days following the adoption of any supplemental resolution (except a supplemental resolution entered into pursuant to paragraph (e) above fixing the details of any Series of Bonds issued to the extent such supplemental resolution does not amend this Resolution in a manner other than as permitted by this Section as to which no notice need be given) for any of the purposes of this Section the Authority shall cause a notice of the proposed adoption of such supplemental resolution to be mailed, first class, postage prepaid, to all Holders. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the office of the Authority for inspection by all Holders. A failure on the part of the Authority to mail the notice required by this Section shall not affect the validity of such supplemental resolution.

**Section 1102. Modification of Resolutions with Consent.** Subject to the terms and provisions contained in this Section, and not otherwise, the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding that will be affected by a proposed supplemental resolution shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption by the Authority of such resolution or resolutions supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that nothing herein contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a pledge or lien on the moneys credited to the Guaranteed Subordinated Obligations Subaccount other than the pledge and lien created by this Resolution, or (d) a preference or priority of any Bond over any other Bond, or (e) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental resolution, or (f) a change in the subordination provisions of Section 715 hereof. Nothing herein contained, however, shall be construed as making necessary the approval by the Holders of the adoption and acceptance of any supplemental resolution as authorized in Section 1101 of this Article.

If at any time the Authority shall determine that it is desirable to adopt any supplemental resolution for any of the purposes of this Section, the Authority shall cause notice of the proposed execution of such supplemental resolution to be mailed, first class, postage prepaid, to all Holders. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the Authority for inspection. The Authority shall not, however, be subject to any liability to any Holder by reason of its failure to mail the notice

required by this Section, and any such failure shall not affect the validity of such supplemental resolution when approved and consented to as provided in this Section.

Whenever, at any time within three years after the date of the first mailing of such notice, the Authority shall receive an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding that are affected by a proposed supplemental resolution, which instrument or instruments shall refer to the proposed supplemental resolution described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Authority may adopt such supplemental resolution in substantially such form, without liability or responsibility to any Holder, whether or not any particular such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding that are affected by a proposed supplemental resolution at the time of the execution of such supplemental resolution shall have consented to and approved the execution thereof as herein provided, no Holder shall have any right to object to the adoption of such supplemental resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Authority from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any supplemental resolution pursuant to the provisions of this Section, this Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Authority, the Trustee, the Depository, the Bond Registrar, and all Holders shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Resolution as so modified and amended.

**Section 1103. Exclusion of Bonds.** Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding Bonds for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this Article or Article XIII, and the Authority as holder of such Bonds shall not be entitled to consent or take any other action provided for in this Article or Article XIII.

**Section 1104. 2009 Financing Agreement.** The provisions of this Article respecting the rights of the Authority to supplement and amend this Resolution are in all respects subject to the provisions of the Financing Agreement between VRA and the Authority respecting the Bonds issued under the provisions of Section 208 of the Resolution.

[End of Article XI]

## ARTICLE XII.

### SUPPLEMENTS TO CONTRACTS AND ASH DISPOSAL AGREEMENT

**Section 1201. Supplemental Contracts and Supplements to Ash Disposal Agreement without Holder Consent.** The Authority and any Contracting Unit and the Authority and the City of Virginia Beach, Virginia may, from time to time and at any time, consent to such contracts, supplemental or amendatory to its Contract, the Navy Contract and the Ash Disposal Agreement, respectively, as shall not be inconsistent with the terms and provisions of this Resolution,

(a) to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in the Contract or in any supplemental contract or in the Ash Disposal Agreement or in any supplement to the Ash Disposal Agreement, or

(b) to grant to the Authority for the benefit of the Trustee and the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Authority, or

(c) to make any other change in, or waive any provision of, the Contracts or the Ash Disposal Agreement, provided only that the ability of the Authority to comply with the provisions of Section 502 of this Resolution shall not thereby be materially adversely affected.

**Section 1202. Supplemental Contracts and Supplements to Ash Disposal Agreement with Holder Consent.** Except for supplemental or amendatory contracts provided for in Section 1201 of this Article, the Authority shall not consent to any supplemental or amendatory contract respecting any Contract and the Ash Disposal Agreement, respectively, unless notice of the proposed execution of such supplemental or amendatory contract shall have been given and the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have consented to and approved the execution thereof, all as provided for in Section 1102 of this Resolution in the case of supplemental or amendatory resolutions.

[End of Article XII]

## **ARTICLE XIII.**

### **DEFEASANCE**

**Section 1301. Defeasance.** (a) If the Authority shall pay or cause to be paid the principal of and premium, if any, and interest on all Bonds Outstanding hereunder, together with all other sums payable hereunder by the Authority, then and in that case the rights, title and interest of the Holders in and to the estate pledged to them under this Resolution shall cease, terminate and become void, and the Bonds shall cease to be entitled to any lien, benefit or security under this Resolution. In such event, the Depository shall turn over to the Authority any surplus in the Guaranteed Subordinated Obligations Subaccount and all balances remaining in any other funds or accounts other than moneys held for the redemption or payment of the Bonds; otherwise this Resolution shall be, continue and remain in full force and effect.

(b) If the Authority shall pay or cause to be paid to the Holders of less than all of the Outstanding Bonds the principal of and premium, if any, and interest on such Bonds, or such portions thereof, which is and shall thereafter become due and payable upon such Bonds, or such portions thereof, such Bonds, or such portions thereof, shall cease to be entitled to any lien, benefit or security under this Resolution.

(c) Any Outstanding Bond (or any portion thereof) shall be deemed to have been paid for the purposes of subsection (a) or (b) of this Section when (i) there shall have been deposited with the Depository or Bond Registrar either moneys in an amount which, or Government Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys in an amount which, together with the moneys, if any, deposited with or held by the Depository or Bond Registrar available therefor, shall be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on said Bond (or portion thereof) on or prior to the redemption date or maturity date thereof, as the case may be, (ii) in case said Bond (or portion thereof) has been selected for redemption in accordance with the provisions hereof prior to its maturity, the Authority shall have given to the Bond Registrar irrevocable instructions to give in accordance with the provisions of Article III hereof notice of redemption of such Bond (or portion thereof), (iii) in the event said Bond is not to mature or be redeemed within the next succeeding sixty (60) days, the Authority shall cause notice to the Holder of the Bond (or portion thereof) to be given stating that moneys or Government Obligations have been deposited with the Depository as provided in this Article XIII and that said Bond (or portion thereof) is deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal thereof and premium, if any, and interest thereon and (iv) satisfactory provisions shall have been made for the payment of the Trustee's, the Depository's and Bond Registrar's fees and expenses, and all fees and expenses payable by the Authority in connection with the defeasance of the Bond.

(d) The moneys and Government Obligations deposited with the Depository or Bond Registrar pursuant to this Section and all payments of principal or interest on any such

Government Obligations shall not be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on the Bonds (or portions thereof) deemed to have been paid in accordance with this Section.

(e) If the Bonds (or portions thereof) are deemed to have been paid in accordance with the provisions of this Article by reason of the deposit with the Depository or Bond Registrar of moneys or Government Obligations, no amendment to the provisions of this Section which would adversely affect the Holders of such Bonds (or portions thereof) shall be made without the consent of each Holder affected thereby.

(f) All money and Government Obligations held pursuant to this Article shall be held in trust and applied to the payment, when due, of the Bond (or portions thereof) payable therewith.

(g) Bonds paid by an insurer pursuant to a bond insurance policy shall not be deemed to have been paid and shall continue to be due and owing until paid by or on behalf of the Authority in accordance with the terms of this Resolution.

(h) The provisions of this Article XIII may be modified with respect to Bonds of any Series that constitute variable rate Bonds and/or optional tender Bonds.

[End of Article XIII]

## ARTICLE XIV.

### MISCELLANEOUS PROVISIONS

**Section 1401. Effect of Dissolution of Authority.** In the event the Authority for any reason shall be dissolved or its legal existence shall otherwise be terminated, all of the covenants, stipulations, obligations and agreements contained in this Resolution by or on behalf of or for the benefit of the Authority shall bind or inure to the benefit of the successor or successors of the Authority from time to time and any officer, board, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law, and the term “Authority” as used in this Resolution shall include such successor or successors.

**Section 1402. Effect of Covenants.** All covenants, stipulations, obligations and agreements of the Authority contained in this Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the Authority to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall bind or inure to the benefit of the successor or successors thereof from time to time and any officer, board, body or commission to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

Except as otherwise provided in this Resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the Authority by the provisions of this Resolution shall be exercised or performed by the Authority, or by such other officers, board, body or commission as may be required by law to exercise such powers or to perform such duties.

No covenant, stipulation, obligations or agreement herein contained shall be deemed to be a covenant, stipulation, obligation or agreement of any member, agent or employee of the Authority in his individual capacity, and neither the members of the Authority nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

**Section 1403. Successorship of Bond Registrar and Depository.** Any bank or trust company with or into which the Trustee, Bond Registrar or Depository may be merged or consolidated, or to which the assets and business of the Trustee, Bond Registrar or Depository may be sold, shall be deemed the successor of such Trustee, Bond Registrar or Depository for the purposes of this Resolution. If the position of the Trustee, Bond Registrar or Depository shall become vacant for any reason, the Authority, provided sufficient funds are available to pay all costs and expenses, if any, reasonably incurred by the Authority in connection therewith, shall appoint a bank, trust company or national banking association that has a combined capital, surplus and undivided profits not less than \$50,000,000 or (ii) a subsidiary trust company under the Trust Subsidiary Act, Title 6.1, Chapter 2, Article 3.1, Code of Virginia, 1950, as amended, whose parent State bank or bank holding company has undertaken to be responsible for the acts

of such subsidiary trust company pursuant to the provisions of Section 6.1-32.7(a) of the Trust Subsidiary Act, or any successor provision of law, and whose combined capital, surplus and undivided profits, together with that of its parent State bank or bank holding company, as the case may be, is not less than \$50,000,000, to fill such vacancy within thirty (30) days after the Authority receives notice of such vacancy.

**Section 1404. Manner of Giving Notice.** All notices, demands and requests to be given to or made hereunder by the Authority or the Trustee shall be given or made in writing and shall be deemed to be properly given or made if sent by United States registered mail, return receipt requested postage prepaid, addressed as follows:

(a) As to the Authority --

Southeastern Public Service Authority  
of Virginia  
723 Woodlake Drive  
Chesapeake, Virginia 23320-1346  
Attention: Executive Director

(b) As to the Trustee and Bond Registrar --

U.S. Bank National Association  
1021 East Cary Street, Suite 1850  
Richmond, VA 23219  
Attn: Corporate Trust Services  
Telephone: 804-771-7934  
Facsimile: 804-771-7940

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by telegram or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change sent by United States registered mail, postage prepaid, to the other parties by the party effecting the change.

Any notice given under this Resolution by the Authority to the Trustee or by the Trustee to the Authority shall also be given to VRA and each of the Guaranteeing Units, at their respective addresses set forth in the Guaranty Agreement, by the party giving such notice,

All documents received by the Depository or Bond Registrar under the provisions of this Resolution, or photographic copies thereof, shall be retained in its possession until this

Resolution shall be released under the provisions of Section 1301 of this Resolution, subject at all reasonable times to the inspection of the Authority, the Trustee and any Holder and the agents and representatives thereof.

**Section 1405. Substitute Mailing.** If, because of the temporary or permanent suspension of postal service, the Authority or the Trustee, the Depository or the Bond Registrar shall be unable to mail any notice required to be given by the provisions of this Resolution, the Authority or the Trustee or the Depository or the Bond Registrar shall give notice in such other manner as in the judgment of the Authority or the Trustee or the Depository or the Bond Registrar shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirement for the mailing thereof.

**Section 1406. Authority, Trustee, Depository, Bond Registrar, and Holders Alone Have Rights under Resolution.** Except as herein otherwise expressly provided, nothing in this Resolution, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the Trustee, the Depository, the Bond Registrar, the Authority and the Holders, any right, remedy or claim, legal or equitable, under or by reason of this Resolution or any provision hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the Depository, the Authority, the Trustee, the Bond Registrar and the Holders.

**Section 1407. Effect of Partial Invalidity.** In case any one or more of the provisions of this Resolution or of the Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Resolution or the Bonds, but this Resolution and the Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Bonds or this Resolution shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Authority to the full extent permitted by law.

**Section 1408. Effect of Covenants.** All covenants, stipulations, obligations and agreements of the Authority contained in this Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the Authority to the full extent permitted by the Constitution and laws of the State. This Resolution is adopted with the intent that the laws of the State shall govern its construction.

**Section 1409. No Recourse Against Members, Officers or Employees of Authority.** No recourse under, or upon, any statement, obligation, covenant, or agreement contained in this Resolution; or in the Bonds hereby secured; or in the Resolution; or in any document or certification whatsoever; or under any judgment obtained against the Authority or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member,

officer or employee, as such, of the Authority either directly or through the Authority or otherwise, for the payment for or to the Authority or any receiver of either of them, or for or to any Holder or otherwise, of any sum that may be due and unpaid upon the Bonds. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment for, or to, the Authority or any receiver of either of them, or for, or to, any Holder or otherwise, of any sum that may remain due and unpaid upon the Bonds hereby is hereby expressly waived and released as an express condition of, and in consideration for, the execution of this Resolution and the issuance of the Bonds.

**Section 1410. Expenses Payable under Resolution.** All expenses incurred in carrying out this Resolution shall be payable solely from funds derived by the Authority from the Disposal System. Anything in this Resolution to the contrary notwithstanding, the performance by the Authority of all duties and obligations imposed upon it hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants, agreements and promises made by it hereunder, and the liability of the Authority for all warranties and other covenants herein shall be limited solely to the money and revenues derived from the Disposal System, and from moneys attributable to the proceeds of Bonds, or the income from the temporary investment thereof, and, to the extent herein, the proceeds of insurance, sale and condemnation awards; and the Authority shall not be required to effectuate any of its duties, obligations, powers or covenants except from, and to the extent of, such moneys, revenues, proceeds, and income.

**Section 1411. Dealing in the Bonds.** The Depository and the Bond Registrar and their respective directors, officers, employees or agents, and any officer, employee or agent of the Authority, may in good faith, buy, sell, own, hold and deal in the Bonds and components thereof and may join in any action which the Trustee and any Holder may be entitled to take with like effect as if such bank or trust company were not the Bond Registrar or the Depository under this Resolution or as if such officer, employee or agent of the Authority did not serve in such capacity.

**Section 1412. Payments Due on Sundays and Holidays.** In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Sunday or a legal holiday or not a business day, then payment of interest or principal and premium, if any, need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption or the Interest Payment Date and no interest on such payment shall accrue for the period after such date.

**Section 1413. Headings.** Any heading preceding the text of the several articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for the convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect.

**Section 1414. Further Authority.** The officers of the Authority and other agents or employees of the Authority are hereby authorized to do all acts and things required of them by this Resolution for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds, this Resolution and any other documents executed and delivered in connection therewith.

**Section 1415. VRA Agreements.** Each of the drafts of the Financing Agreement and the Local Bond Sale Agreement, both with VRA, and the Escrow Agreement with VRA and U.S. Bank National Association, in the form presented at the meeting at which this Resolution is adopted is hereby approved, and the Chair, the Vice-Chair and/or the Executive Director are hereby authorized to execute and deliver each such agreement in substantially such form, with such changes as the officer or officers of the Authority executing the same may approve, the execution and delivery thereof being conclusive evidence of such approval.

**Section 1416. Resolution Effective.** This Resolution shall take effect immediately upon its adoption.

**Section 1417. Patriot Act Requirements.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, the Trustee is required to ask for documentation to verify its formation and existence as a legal entity. The Trustee may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

Restated by the Southeastern Public Service Authority of Virginia this 29<sup>th</sup> day of April, 2010.

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Executive Director of the Southeastern  
Public Service Authority of Virginia

(Seal)  
Attest:

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Secretary

## Exhibit A

### *SPSA's Certificated Indebtedness as of May 1, 2009*

#### Part I. Senior Indebtedness.

(i) Senior Revenue Bonds, Series 1993A (Regional Solid Waste System), issued in the original principal amount of \$147,250,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$24,950,000, due July 1, \$12,170,000 2009 and \$12,780,000 2010.

(ii) Senior Revenue Refunding Bonds, Series 1998 (Regional Solid Waste System), issued in the original principal amount of \$33,535,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$33,535,000 due July 1 \$15,935,000 2014 and \$16,765,000 2015.

(iii) Senior Revenue Refunding Bonds, Series 2004A (Regional Solid Waste System), issued in the original principal amount of \$39,390,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$39,390,000, due April 1, \$12,895,000 2011, \$13,570,000 2012 and \$12,925,000 2013.

(iv) Senior Revenue Refunding Bonds, Series 2004B (Regional Solid Waste System), issued in the original principal amount of \$1,360,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$1,360,000, due April 1, 2013.

(v) Senior Parity Revenue Bonds, Series 2007A AMT (Regional Solid Waste System), issued in the original principal amount of \$25,145,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$25,145,000 due July 1 \$1,460,000 2009, \$2,975,000 2010, \$5,335,000 2011, \$5,895,000 2012 and \$9,480,000 2013, including SPSA's obligations to Wachovia Bank, National Association, under a related Reimbursement Agreement between SPSA and the bank.

(vi) Senior Parity Revenue Bonds, Series 2007B Taxable (Regional Solid Waste System), issued in the original principal amount of \$5,865,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$4,340,000 due July 1, 2009, including SPSA's obligations to Wachovia Bank, National Association, under a related Reimbursement Agreement between SPSA and the bank.

(vii) Senior Parity Revenue Bonds, Series 2008A AMT (Regional Solid Waste System), issued in the original principal amount of \$12,100,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$12,100,000 due October 9, 2011,

#### Part II. Senior Subordinated Bonds

(i) Senior Subordinated Revenue Bonds, Series 6 (Tax-exempt), issued in the original principal amount of \$11,030,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$5,770,000 due April 1 \$2,940,000 2010 and \$2,830,000 2011.

(ii) Senior Subordinated Revenue Bonds, Series 8 (Taxable), issued in the original principal amount of \$3,400,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$2,155,000, due April 1, \$215,000 2010, \$230,000 2011, \$245,000 2012, \$260,000 2013, \$275,000 2014, \$290,000 2015, \$310,000 2016 and \$330,000 2017.

(iii) Senior Subordinated Revenue Bonds, Series 9 (Tax-exempt), issued in the original principal amount of \$15,155,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$8,010,000 due April 1, \$1,460,000 2010, \$1,565,000 2011, \$1,595,000 2012, \$1,660,000 2013 and \$1,730,000 2014.

(iv) Senior Subordinated Revenue Bonds, Series 10 (Taxable), issued in the original principal amount of \$3,000,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$1,525,000 due April 1, \$285,000 2010, \$265,000 2011, \$310,000 2012, \$325,000 2013 and \$340,000 2014.

(v) Senior Subordinated Revenue Refunding Bonds, Series 11 (Tax-exempt), issued in the original principal amount of \$39,350,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$30,570,000 due April 1, \$2,060,000 2010, \$2,125,000 2011, \$2,200,000 2012, \$2,315,000 2013, \$2,430,000 2014, \$2,525,000 2015, \$8,210,000 2016 and \$8,705,000 2017.

(vi) Senior Subordinated Revenue Bonds, Series 12 (Tax-exempt), issued in the original principal amount of \$13,650,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$5,550,000 due October 1 \$1,795,000 2009, \$1,845,000 2010 and \$1,910,000 2011.

(vii) Senior Subordinated Revenue Bonds, Series 13 (Taxable), issued in the original principal amount of \$3,390,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$1,395,000 due October 1 \$445,000 2009, \$465,000 2010 and \$485,000 2011.

(viii) Senior Subordinated Revenue Bonds, Series 14 (Tax-exempt), issued in the original principal amount of \$13,060,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$7,875,000 due October 1 \$1,440,000 2009, \$1,505,000 2010, \$1,570,000 2011, \$1,640,000 2012 and \$1,720,000 2013.

(ix) Senior Subordinated Revenue Bonds, Series 15 (Taxable), issued in the original principal amount of \$2,300,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$1,385,000 due October 1 \$255,000 2009, \$265,000 2010, \$280,000 2011, \$285,000 2012 and \$300,000 2013.

(x) Senior Subordinated Revenue Bonds, Series 16 (Tax-exempt), issued in the original principal amount of \$14,245,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$14,245,000 due October 1, \$2,380,000 2011, \$5,780,000 2012 and \$6,085,000 2013.

(xi) Senior Subordinated Revenue Bonds, Series 17 (Taxable), issued in the original principal amount of \$3,495,000 and outstanding as of May 1, 2009 in the aggregate principal amount of \$3,495,000 due October 1, \$585,000 2011, \$1,415,000 2012 and \$1,495,000 2013.

(xii) Senior Subordinated Bond in the principal amount of \$25,609,906 due February 3, 2010 that serves to evidence SPSA's contingent reimbursement obligation to Wachovia Bank, National Association in the event that its letter of credit payable to the Virginia Department of Environmental Quality to provide "financial assurance" of SPSA's obligations to DEQ is drawn upon.

### Part III. Subordinate Obligations

(i) The indebtedness of SPSA to Wachovia Bank, National Association, evidenced by a promissory note in the principal amount of \$4,000,000 dated September 30, 2009 and due, if not prepaid or accelerated, on September 29, 2010

(ii) The indebtedness of SPSA to Wachovia Bank, National Association, evidenced by a promissory note in the principal amount of \$13,200,000 dated October 10, 2009 and due, if not prepaid or accelerated, on September 9, 2010. In certain events, the holder of the note has the right to demand the exchange thereof for a senior subordinated bond issued under the Senior Subordinated Resolution and having the same terms as the note surrendered.

EXHIBIT B

Form of Bond

United States of America

Commonwealth of Virginia

**SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA  
GUARANTEED SUBORDINATED REVENUE BOND  
REFUNDING SERIES 2009 (TAXABLE)**

No. \_\_\_\_\_

\$ \_\_\_\_\_

**DATED DATE**

\_\_\_\_\_, 2009

**FINAL MATURITY DATE**

\_\_\_\_\_, 20\_\_

**Registered Owner:**

**Principal Amount:** \_\_\_\_\_ Million \_\_\_\_\_ Thousand Dollars

**Southeastern Public Service Authority of Virginia** (the “Authority”), a public body politic and corporate of the Commonwealth of Virginia (the “State”) duly created pursuant to the Act (hereinafter mentioned), for value received, promises to pay, but solely from the sources and in the manner hereinafter provided, to the Registered Owner hereof, or his registered assigns or legal representative, the Principal Amount set forth above and interest thereon. The Principal Amount shall be due and payable in annual installments on the dates and in the amounts listed on Schedule I attached hereto. Interest on such installments shall be due and payable from the dated date listed above on each [April 1 and October 1, commencing October 1, 2009] until each such installment is paid and computed on the basis of a year of 360 days and twelve 30-day months at the rates set forth in Schedule I.

Subject to the provisions of the Financing Agreement dated as of June 1, 2009, as amended (the “Financing Agreement”), between the Virginia Resources Authority (“VRA”) and the Authority, so long as this Bond is held by VRA or the Trustee (as defined in the Financing Agreement), interest is payable by check or draft mailed to the registered owner of this Bond at the address that appears on the 15<sup>th</sup> day of the month preceding each interest payment date on the registration books kept by the Registrar. Principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America. In case the date fixed for the payment of principal of, interest on or the redemption of this Bond shall not be a Business Day

(as defined below), then payment of principal, premium, if any, and interest need not be made on such date, but may be made on the next succeeding Business Day, and, if made on such next succeeding Business Day, no additional interest shall accrue for the period after such maturity date or date fixed for the payment of interest or redemption. “Business Day” means any Monday, Tuesday, Wednesday, Thursday or Friday on which commercial banking institutions generally are open for business in New York and Virginia.

If any failure of the Authority to pay all or any portion of any required payment of the principal of, premium, if any, or interest on this Bond results in a withdrawal from VRA’s Capital Reserve Fund, the Senior Reserve Fund, the Operating Reserve Fund and/or a drawing on any CRF Credit Facility or the Senior DSRF Credit Facility (each as defined in the Financing Agreement), the interest rates applicable to this Bond shall be increased to interest rates sufficient to reimburse the Capital Reserve Fund, the Senior Indebtedness Service Reserve Fund and/or the Operating Reserve Fund for any foregone investment earnings on the funds withdrawn therefrom and/or pay any interest, fees or penalties assessed by the CRF Credit Provider or the Senior DSRF Provider (each as defined in the Financing Agreement) as a result of the drawing on the CRF Credit Facility or the Senior DSRF Credit Facility. The increment of interest payable pursuant to the increase in rates shall be referred to as “Supplemental Interest.” The Authority’s obligation to pay Supplemental Interest shall commence on the date of VRA’s withdrawal of funds from the Capital Reserve Fund, the Senior Indebtedness Service Reserve Fund and/or the Operating Reserve Fund or the drawing on the CRF Credit Facility or the Senior DSRF Credit Facility occasioned by the Authority’s failure to pay a required payment or portion thereof as described above (the “Supplemental Interest Commencement Date”). The Authority’s obligation to pay Supplemental Interest shall terminate on the date on which the Authority remedies such failure to pay by making all payments required but outstanding since the date of such failure to pay (the “Supplemental Interest Termination Date”). From the Supplemental Interest Commencement Date to the Supplemental Interest Termination Date, Supplemental Interest shall be due and payable on the regularly scheduled interest payment dates provided for in this Bond. As soon as reasonably possible after the Supplemental Interest Commencement Date and before the next regularly scheduled interest payment date provided for in this Bond, VRA shall deliver to the Authority a certificate as to the increase in interest rates and the amount of Supplemental Interest. The certificate shall set forth in reasonable detail the basis for the increase in the interest rates and the manner of calculation of the increase and the amount of Supplemental Interest. Such certificate shall be conclusive (absent manifest error) as to the interest rate increase and amount of Supplemental Interest set forth therein. In determining the interest rate increase and the amount of Supplemental Interest, VRA may use any reasonable averaging and attribution methods.

This Bond is a single bond representing a duly authorized series of revenue bonds of the Authority, designated “Guaranteed Subordinated Revenue Bonds, Series 2009” (the “Series 2009 Bonds”), issued under a bond resolution adopted by the Authority on May 14, 2009 (said resolution, as restated and as further supplemented and amended as permitted thereby, being hereinafter referred to as the “Resolution”). The Bond is being issued to provide funds, together with other available funds, to (i) to refund certain outstanding indebtedness of the Authority and

(ii) pay the costs of issuing the Bond. U.S. Bank National Association, a bank corporation having trust powers duly organized under the laws of the United States, with its principal corporate trust office in Richmond, Virginia, has been appointed Trustee and Registrar under the Resolution.

The Authority has covenanted not to issue or otherwise incur any Bonds under the Guaranteed Subordinated Bond Resolution or under the Senior Subordinated Bond Resolution (as therein defined); provided, however, that the Authority reserves the right to issue additional bonds and allonges thereto in accordance with the provisions of Section 208 of the Senior Subordinated Bond Resolution.

In April 2010, the Authority, with the consent of the Virginia Resources Authority as the registered owner of this Bond and the Trustee, sold its refuse derived fuel processing system and its power plant (both referred to in the preceding paragraph) to a private party for consideration the cash component of which is being applied to the prepayment of a portion of the principal of this Bond (the remaining principal being reflected on Schedule 1) and other debt of the Authority and entered into a service agreement with the private party by the terms of which agreement the private party is, for a fee, to accept, process and dispose of solid waste delivered by the Authority. The Authority had acquired the power plant from the United States Navy in 1999 and operated it as a system separate and apart from the Disposal System. The private party, in lieu of the Authority, will continue to operate the refuse derived fuel processing system and the power plant and sell steam to the Navy and electricity to the market as had the Authority subsequent to its acquisition of the power plant and the related modifications to the contract with the Navy mentioned in the preceding paragraph.

This Bond is a limited obligation of the Authority. The Bonds are payable from the “Net Revenues Available for Debt Service” of the Authority derived from its “Disposal System” and deposited to the credit of the “Guaranteed Subordinated Obligations Subaccount” under the Resolution. The Bonds are subordinate to Superior Obligations and certain parity indebtedness of the Authority to the extent and as provided in the Resolution. The Bonds shall not be deemed to constitute a debt of the State or of any political subdivision thereof. Neither the State nor the Authority shall be obligated to pay the Bonds or the interest thereon except from the Net Revenues Available for Debt Service of the Disposal System, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or, subject to the following paragraph, of any political subdivision thereof is pledged as security for the payment of the principal of, premium, if any, or interest on this Bond.

Seven members of the Authority, the City of Chesapeake, the City of Franklin, the County of Isle of Wight, the City of Norfolk, the City of Portsmouth, the City of Suffolk, and the City of Virginia Beach pursuant to the provisions of Article VII, Section 10(a)(4) of the Constitution of Virginia and Chapter 544, Virginia Acts of Assembly, 1977, as amended and reenacted by Chapter 872, Virginia Acts of Assembly, 1983, and the County of Southampton, pursuant to Virginia Code Section 15.2-5114.9, have undertaken severally in accordance with the terms of a Guaranty Agreement with the Authority and the Trustee to guarantee to the Trustee

and its assigns the full and timely of the principal and interest on the Series 2009 Bonds. Such Guaranty Agreement and a related Reimbursement Agreement provide that such eight members will be subrogated to the rights of the Trustee to the extent of any payments made by such members pursuant to such Guaranty Agreement, but the terms of such subrogation provide that their rights of reimbursement for such payments are subordinate to the rights of the Registered Owner of this Bond to receive payment from the revenues of the Authority and further subrogated by the terms of such Guaranty Agreement, Reimbursement Agreement and the Resolution.

Reference is made to the Resolution for a more complete statement of the provisions thereof and of the rights and duties of the Authority, the Trustee, the Bond Registrar, the Depository (as defined in the Resolution) and the bondholders. By the purchase and acceptance of this Bond, the Registered Owner hereof signifies assent to all of the provisions of the aforementioned Resolution.

This Bond is issuable as a fully registered bond. At the principal corporate trust office of the Bond Registrar, in the manner and subject to the limitations and conditions provided in the Resolution, Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same series maturity, of any authorized denomination or denominations and bearing interest at the same rate. The transfer of this Bond is registrable by the Registered Owner hereof in person or by his attorney or legal representative at the corporate trust office of the Bond Registrar, but only in the manner and subject to the limitations and conditions provided in the Resolution and upon surrender and cancellation of this Bond. Upon any such registration of transfer, the Authority shall execute and the Bond Registrar shall authenticate and deliver in exchange for this Bond a new Bond or Bonds, registered in the name of the transferee, of any authorized denomination or denominations, in an aggregate principal amount equal to the principal amount of this Bond, of the same series and maturity and bearing interest at the same rate. No service charge shall be made for any registration of transfer or exchange of Bonds, but the Authority and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Bonds.

This Bond is subject to refunding, prepayment or redemption in accordance with the terms of the Financing Agreement.

The owner of this Bond shall have no right to enforce the provisions of the Resolution or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Resolution, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Resolution.

Modifications or alterations of the Resolution, or any resolution supplemental thereto, may be made only to the extent and in the circumstances permitted by the Resolution.

This Bond is issued with the intent that the laws of the Commonwealth of Virginia shall govern its construction.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of this Bond have happened, exist and have been performed as so required.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Resolution until it shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, the Southeastern Public Service Authority of Virginia has caused this Bond to be signed by its Chairman and its \_\_\_\_\_, its seal to be affixed hereto, and this Bond to be dated the \_\_\_\_ day of June , 2009.

SOUTHEASTERN PUBLIC SERVICE  
AUTHORITY OF VIRGINIA

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

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

(SEAL)

CERTIFICATE OF AUTHENTICATION

This Bond is one of the bonds of the Series designated in and issued under the provisions of the within-mentioned Resolution.

U.S. BANK NATIONAL ASSOCIATION,  
Bond Registrar

By: \_\_\_\_\_  
Authorized Signatory

Date of authentication:  
\_\_\_\_\_

**Schedule I**

**Debt Service Schedule\***

<u>Date</u>	<u>Principal Payment</u>	<u>Interest Rate</u>
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\* Preliminary – subject to change.

Form of Assignment

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ [Please Print or Typewrite Name and Address of Transferee] the within Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed\* by: \_\_\_\_\_

\* Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Bond Registrar which requirements will include membership or participation in STAMP or such other “signature guarantee program” as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.