



COMMISSION MEETING MINUTES  
January 26, 2016

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Name	Title	Present for Item Nos.
Lakdawala, Vishnu K.	Commission Chair	Absent
Elofson, Frederick N.	Commission Vice-Chair	1-19
Bredemeyer, Arthur C.	Commissioner	Absent
Glenn, Michael E.	Commissioner	1-19
Levenston, Jr., Willie	Commissioner	1-19
Lynch, Maurice P.	Commissioner	1-19
Rodriguez, Stephen C.	Commissioner	3-19
Rotkis, Susan M.	Commissioner	1-19

1. **AWARDS AND RECOGNITION**

**Action:** No action required.

**Brief:** Mr. Henifin introduced Ms. Lauren Zuravnsky, who joined the Engineering Department this month as a North Shore Project Manager. A licensed Professional Engineer in the Commonwealth of Virginia, Lauren was previously employed by a consulting engineering firm in Richmond. She graduated from Villanova University and received her master's degree from Virginia Tech. Lauren is very active in the Virginia Water Environment Association and currently chairs the National Student Design competition at WEFTEC.

**Attachment:** None

**Public Comment:** None



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2. **CONSENT AGENDA**

**Action:** Approve the items listed in the Consent Agenda.

**Moved:** Maurice Lynch **Ayes:** 5  
**Seconded:** Michael Glenn **Nays:** 0

**Brief:**

- a. Approval of minutes from previous meeting.
- b. Rejection of Bids
  - 1. [Lynnhaven and Western Trunk Force Main Chlorine Injection Vault Demolitions](#)
- c. Task Orders
  - 1. [Aquifer Replenishment System Concept Feasibility Evaluation](#) \$1,951,000
  - 2. [Army Base Treatment Plant Non-Potable Water \(NPW\) Piping Modifications](#) \$342,049
  - 3. [Atlantic Treatment Plant Thermal Hydrolysis Process and Atlantic Treatment Plant Fats, Oil and Grease \(FOG\) Receiving Station](#) \$1,411,525
  - 4. [Hampton Trunk Sewer Extension Division B - Claremont Force Main Replacement](#) \$228,714
- d. Contract Change Orders
  - 1. [Biosolids Hauling](#) \$140,000
  - 2. [Providence Road Interim Pressure Reducing Station](#) \$67,680
- e. Sole Source
  - 1. [Eaton Variable Frequency Drive \(VFD\)](#)
  - 2. [Financial Management System \(FMS\) Software Maintenance](#)



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3. [Rodney Hunt-Fontaine Flow Control Sluice Gate Hoist](#)
4. [JWC Environmental Channel Grinder](#)
5. [Kruger, Inc. K3 Bio-Film Carrier Media](#)
6. [StackVision Server Migration and Data Controllers Upgrade](#)

**Item(s) Removed for Discussion:** None

**Attachment #1:** [Consent Agenda](#)

**Public Comment:** None



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3. **SERIES 2016 SUBORDINATE WASTEWATER REVENUE BONDS – FIXED RATE AND VARIABLE RATE RESOLUTION**

**Action:** Approve the terms and conditions of the resolution authorizing the issuance of one or more series of subordinate wastewater revenue bonds, series 2016, in an amount not to exceed \$400 million and authorize the General Manager to execute same, substantially as presented, together with such changes, modifications and deletions as the General Manager may deem necessary.

**Moved:** Willie Levenston **Ayes:** 6  
**Seconded:** Stephen Rodriguez **Nays:** 0

**Brief:** Although the bond market remains very volatile, interest rates continue to be at historically low levels. The attached [resolution](#) authorizes HRSD to issue fixed rate subordinate revenue bonds in an amount sufficient to finance HRSD’s capital improvement program, to pay-off the existing draws under the Line of Credit. The resolution also authorizes HRSD to issue subordinate revenue bonds for the purpose of refunding existing senior obligations for debt service savings.

In addition, staff is planning to tender the existing \$25 million in existing variable rate demand bonds and issue \$50 million of new variable rate demand bonds, which will result in \$25 million in new money proceeds. HRSD will continue to provide self-liquidity through the Total Return Strategy, which had a balance of \$122 million on December 31, 2015.

In the next bond issue, HRSD will be a majority subordinate lien bond holder for a brief moment, which allows us to amend our Subordinate Lien Trust agreement. One of the major changes in the Amended Subordinate Trust is modifying the definition of Operating Expenses to be consistent with the HRSD’s Financial Policy that was updated in March 2015. As part of the Regional Wet Weather Management Plant (RWWMP), HRSD will be performing work on Locality assets that it does not own. Under Generally Accepted Accounting Principles (GAAP), this requires that the expenditures on Locality assets be expensed rather than capitalized, which negatively impacts our debt service coverage ratio. In the Amended Subordinate Trust, the definition of Operating Expenses will exclude any expenses related to Locality assets as approved by the Commission, which will alleviate issues with the debt service coverage calculation. Other changes include increasing the minimum legal debt service coverage to 1.2 times and making some modernization and clarification changes. As part of the Plan of Finance, HRSD



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plans to issue all new fixed rate debt at the subordinate level under the Amended Subordinate Trust.

Interest rates continue to be at record low levels and escrow efficiencies have improved with the recent Federal Reserve rate hike, creating potential refunding opportunities. HRSD's Financial Policy regarding bond refundings requires a minimum of three percent net present value savings and consideration of a weighted average refunding efficiency of seventy percent or greater. Due to the current market conditions, staff is recommending pursuing refunding candidates with a five percent net present value savings and a weighted average refunding efficiency of 60 percent or greater. Since the net present value represents actual savings and the efficiency is a probabilistic number, staff believes pursuing refundings with a higher net present value savings and a slightly lower than policy efficiency score is a sound strategy. In addition, pursuing refundings in conjunction with a new money deal is very cost-effective as the additional bond counsel and financial advisory fees are relatively low.

The following bond documents are provided:

- a. [Resolution authorizing the issuance and award of one or more series of HRSD Wastewater Revenue Bonds, Series 2016;](#)
- b. [Third Supplemental Trust Agreement, by and between HRSD and the Trustee, relating to the 2016 Fixed Rate Bonds;](#)
- c. [Fourth Supplemental Trust Agreement, by and between HRSD and the Trustee relating to the 2016 Variable Rate Bonds;](#)
- d. [Preliminary Official Statement of HRSD;](#)
- e. [Bond Purchase Agreement, by and between HRSD and Merrill Lynch, Pierce Fenner & Smith Incorporated, as representative of the underwriters;](#)
- f. [Bond Purchase Agreement, by and between the HRSD and J.P. Morgan Securities LLC, in its capacity as the 2016 Variable Rate Underwriter;](#)
- g. [Remarketing Agreement, between the District and J.P. Morgan Securities LLC, relating to the 2016 Variable Rate Bonds;](#)



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- h. [Continuing Disclosure Agreement, the form of which appears as Appendix E to the Preliminary Official Statement and a version of which will be delivered in connection with each of the 2016 Fixed Rate Bonds and 2016 Variable Rate Bonds;](#)
- i. [Escrow Deposit Agreement, by and between the District and a national banking association or similar bank or trust company qualified to do business in the Commonwealth, which will be delivered if the District issues any 2016 Bonds to refund the Refunding Candidates;](#)
- j. [Amended Trust Agreement.](#)

Certain information in these documents cannot be completed until the bonds are priced. As a result of current, favorable market conditions, HRSD plans to accelerate the timing of the bond issue to price the week of February 1, 2016. These documents have been reviewed by bond, local and underwriter's counsels.

**Discussion Summary:** There is a risk that future rating downgrades could occur as additional bonds are issued. Our financial plan and policies have been developed to provide adequate funding to meet our regulatory and infrastructure reinvestment needs, not to ensure a particular credit rating from the rating agencies. In addition to the refunding of existing debt, the new money portion of these bonds are issued to meet financial obligations within the next 12 months. Additional bonds will be required to meet future regulatory obligations. Additional rate increases beyond these already in our plan will not be necessary for this bond issue.

**Attachment #2:** [Bond Documents](#)

**Public Comment:** None



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### 4. INTERIM FINANCING LINE OF CREDIT AGREEMENT AGREEMENT AND RESOLUTION TO AMEND

**Action:** Approve the terms and conditions of the amended agreement with Bank of America and authorize the General Manager to execute same, substantially as presented, together with such changes, modifications and deletions as the General Manager may deem necessary.

**Moved:** Michael Glenn **Ayes:** 6  
**Seconded:** Willie Levenston **Nays:** 0

**Agreement Description:** On October 27, 2015, the Commission approved a resolution to establish a \$90 million line of credit with Bank of America as an interim financing program to fund the Capital Improvement Program. As part of the Plan of Finance, the line of credit will be paid with proceeds from the February 2016 Fixed Rate bond sale. This amendment will reduce the available line of credit from \$90 million to \$1 million to leave it open, which will reduce the 0.15 percent unutilized fee. By leaving the line of credit open, staff can avoid bond counsel and financial advisory fees and the time to procure a new line of credit. The amendment extends the maturity of the line from June 30, 2015 to June 30, 2016.

When the 2016 bond proceeds are used by early 2017, staff has the flexibility to either expand the line of credit through another Commission resolution, obtain financing from the Virginia Resources Authority or issue fixed rate bonds depending on market conditions. In addition, the amended agreement eliminates the waiver of a jury trial.

The attached credit [agreement](#) between HRSD and Bank of America outlines the terms and conditions for the amended letter of credit. The attached [resolution](#) authorizes the General Manager to enter into the credit agreement. Both documents have been reviewed by HRSD legal counsel.

**Discussion Summary:** Staff explored other options such as establishing a commercial paper program or joining another local Virginia government group's program. Issuing a line of credit agreement was the more cost effective option at this time. Staff will continue to re-evaluate options in the future.

**Attachment #3:** [Agreement and Resolution](#)

**Public Comment:** None



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5. **MASTER FINANCING AGREEMENT  
AGREEMENT AND RESOLUTION**

**Action:** Approve the terms and conditions of the Master Financing Agreement with the Virginia Resources Authority (VRA) and authorize the General Manager to execute same, substantially as presented, together with such changes, modifications and deletions as the General Manager may deem necessary.

**Moved:** Willie Levenston **Ayes:** 6  
**Seconded:** Michael Glenn **Nays:** 0

**Agreement Description:** The proposed Master Financing Agreement with the VRA is intended to cover new and supersede existing VRA financing agreements. In addition, the new agreement will outline the mechanism to migrate existing VRA senior debt to the subordinate level.

The VRA is a large holder of HRSD's senior debt. On December 8, 2015, the VRA Board approved a resolution to move the VRA senior lien debt to the amended and restated subordinate lien trust once the senior lien is legally closed. Staff anticipates all outstanding senior lien debt, aside from the Series 2009 Build America Bonds, will be defeased or refunded and, therefore, transferred to the subordinate lien by Fiscal Year-2025. Staff will leave the senior lien open for emergency purposes only.

As part of the Plan of Finance, staff will be issuing all new fixed rate debt at the subordinate level under the amended Subordinate Lien Trust. As early as FY-2020, the subordinate debt outstanding will be greater than the senior debt outstanding. When this occurs, we will work with the ratings agencies to converge our ratings, which means that our senior and subordinate ratings will be the same. Currently, the subordinate bonds are rated one notch below the senior bonds.

The VRA senior lien debt will move to the subordinate lien once the following conditions are met:

1. There are no existing defaults under the provisions of any HRSD debt; and
2. The Virginia Department of Environmental Quality provides necessary consent to amend load documents; and
3. HRSD's existing senior Trust Agreement is legally closed to additional bonds; and



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4. HRSD maintains at least a AA- or equivalent by two nationally recognized statistical ratings organizations on the subordinate lien; and
5. HRSD issues no additional senior lien debt; and
6. HRSD adheres to its currently adopted financial policy total debt service coverage minimum of 1.4 times; and
7. HRSD has substantially amortized or defeased its outstanding senior lien bonds such that the total par amount outstanding under the senior lien is less than \$150 million.
8. If conditions 1 - 6 are met (and condition 7 is not), VRA's Executive Director will have full authority to effectuate a pro rata migration in order to maintain the current ratio of HRSD to VRA debt at the senior lien.

The pro rata allocation of outstanding VRA to HRSD debt at the senior lien will be maintained at 16.5 percent per fiscal year, which is the current ratio of outstanding VRA to HRSD debt at the senior lien.

Another key change is that the new VRA agreement will allow HRSD staff to make the determination that the necessary land ownership is deemed sufficient for projects greater than \$5 million. The previous agreement required that HRSD's wastewater system be on land that HRSD owned or had a perpetual easement.

The attached [agreement](#) between HRSD and the VRA outlines the terms and conditions. The attached [resolution](#) authorizes the General Manager to enter into the attached agreement. The attachments have been reviewed by HRSD legal counsel.

**Attachment #4:** [Agreement and Resolution](#)

**Public Comment:** None









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9. **URBANNA TREATMENT PLANT STRUCTURAL MODIFICATIONS  
INITIAL APPROPRIATION**

**Action:** Appropriate total project funding in the amount of \$274,000.

<b>Moved:</b>	Maurice Lynch	<b>Ayes:</b>	6
<b>Seconded:</b>	Willie Levenston	<b>Nays:</b>	0

**CIP Project:** MP012600

**Project Description:** This project is to rehabilitate the above-ground carbon steel aeration tanks and secondary clarifiers at the Urbanna Treatment Plant. The project will include installing new structural steel members for vertical wall support, replacing the top 18-inches of steel that is currently pitted with holes and coating the interior of the tanks with epoxy.

<b>Schedule:</b>	Bid	January 2016
	Construction	September 2015
	Project Completion	April 2016

**Attachment:** None

**Public Comment:** None



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10. **YORK RIVER TREATMENT PLANT  
ENVIRONMENTAL STUDIES AND HABITAT ENHANCEMENT  
INITIAL APPROPRIATION**

**Action:** Appropriate total project funding in the amount of \$1,000,000.

**Moved:** Willie Levenston

**Ayes:** 5

**Seconded:** Susan Rotkis

**Nays:** 0

**Abstained:** Maurice Lynch

**CIP Project:** YR013140

**HRSD Estimate:** \$1,000,000

**Project Description:** As part of the York River Treatment Plant Outfall and Diffuser Modifications project, the Governor of Virginia is requiring a study in collaboration with HRSD, Virginia Marine Resources Commission (VMRC), Virginia Department of Health Division of Shellfish Sanitation (VDH DSS), Virginia Institute of Marine Science (VIMS) and the University of North Carolina - Chapel Hill - Institute of Marine Science (UNC) ([see attachment](#)). Two primary goals are: (a) create a one-acre oyster brood stock sanctuary reef in the lower York River, and (b) examine alternative and/or additive methodologies which improve the Commonwealth's ability to accurately determine shellfish condemnation zones necessary to preserve public health in waters adjacent to wastewater treatment facilities.

**Funding Description:** Total cost is estimated at \$1,000,000, based on input from VMRC, VIMS and UNC. Specific research contracts for the modeling services, analytical support and oyster reef construction will be negotiated upon approval of this request.

**Schedule:** Study February 2016 – December 2018  
Project Completion December 2018

**Discussion Summary:** Such a study has not been performed previously so the findings are likely to be of great interest to marine scientists.

**Attachment #5:** [Letter](#)

**Public Comment:** None



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11. **CAPITAL IMPROVEMENT PROGRAM (CIP)  
QUARTERLY UPDATE**

**Action:** No action required.

**Brief:** Implementing the CIP continues to be a significant challenge as we address numerous regulatory requirements and the need to replace aging infrastructure. Staff will provide a briefing describing the status of the CIP, financial projections, projects of significance and other issues affecting the program.

**Discussion Summary:** CIP expenditures for Fiscal Year-2016 remain on track. Of the \$161 million spent in calendar year 2015, \$30-40 million was for the Virginia Initiative Plant improvement project. The Engineering staff continues to work with consultants to obtain estimates near the midpoint of bids; however, it is very difficult to plan for changes in scope that may arise due to unknown conditions. We estimate that HRSD CIP projects provided jobs for approximately 870 people in 2015 in addition to the opportunities provided for suppliers, vendors and others involved in the design and construction industry.

**Attachment #6:** [PowerPoint Presentation](#)

**Public Comment:** None



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### 12. EPA CONSENT DECREE ANNUAL PUBLIC MEETING

**Action:** No action required.

**Brief:** The Consent Decree with EPA requires that we hold an annual informational meeting open to the public and the localities we serve. The meeting is intended to provide an update on compliance activities and status of all activities related to the Consent Decree. The meeting will be held at 1:30 p.m. on January 26, 2016, following the regular Commission meeting at the North Shore Operations Center. Staff will provide the Commission an overview of the materials to be presented at that meeting.

**Discussion Summary:** The term “level of service,” refers to the peak hourly sewer flow and pressure that the regional system can convey while maintaining adequate capacity during a wet weather event. The Alternative Analysis Report, which is due in August, will establish level of service during 2-year, 5-year and 10-year rain events. The level of service will drive the cost of improvements.

**Attachment #7:** [PowerPoint Presentation](#)

**Public Comment:** None

### 13. UNFINISHED BUSINESS

Mr. Henifin said arrangements have been made for Commissioners Glenn and Lynch to participate in a site visit to Orange County to learn about its aquifer recharge project.

Discussions continue with Surry officials regarding their interest in joining HRSD.

At the December Commission meeting, Commissioner Elofson was nominated to apply for the scholarship sponsored by the Water Environment Federation, the National Association of Clean Water Agencies and the Water Environment Research Foundation to attend the 2016 Singapore International Water Week, July 10-14, 2016. Commissioner Elofson is now unable to attend so Commissioner Rotkis will apply for the scholarship.

### 14. NEW BUSINESS - None



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15. **COMMISSIONER COMMENTS**

Commissioner Rodriguez thanked Mr. Henifin for his outstanding presentation to the Chesapeake Chamber of Commerce on the Dominion Corridor and HRSD's proposed sustainable water recycling initiative.

16. **PUBLIC COMMENTS NOT RELATED TO AGENDA - None**

17. **INFORMATIONAL ITEMS**

**Action:** No action required.

**Brief:** The items listed below were presented for information.

- a. [Management Reports](#)
- b. [Strategic Planning Metrics Summary](#)
- c. [Effluent Summary \(Monthly and Annual\)](#)
- d. [Air Summary \(Monthly and Annual\)](#)

**Attachment #8:** [Informational Items](#)

**Public Comment:** None

18. **RECESS**

19. **WORK SESSION – Fiscal Year-2017 Annual Budget Preparation**

Staff presented a summary of the recent credit rating agency review, development of the financial forecast and proposed rates for the FY-2017 budget. Staff will revise the financial forecast with revenue increases of 9 percent in 2017 and 2018 to improve coverage, especially in the 2020-2025 timeframe.

**Action:** No action is required.

**Attachment #9:** [PowerPoint Presentation](#)

**Public Comment:** None



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**Announcements:**

- HRSD's annual meeting to review the status of the Regional Wet Weather Management Plan will be held today at 1:30 pm.
- HRSD will receive the 2016 Inside Business Hall of Fame Award during the Elizabeth River Project's January 28, 2016 recognition luncheon to be held at the Founders Inn.

**Next Commission Meeting Date: MONDAY, February 29, 2016** at the HRSD South Shore Operations Complex, 1434 Air Rail Avenue, Virginia Beach, VA 23455

**Meeting Adjourned:** 11:30 a.m.

SUBMITTED:

APPROVED:

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Jennifer L. Cascio  
Secretary

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Frederick N. Elofson  
Vice-Chair

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ATTACHMENT #1

AGENDA ITEM 2. – Consent Agenda

## CONSENT AGENDA ITEM 2.b.1. – January 26, 2016

**Subject:** Lynnhaven and Western Trunk Force Main Chlorine Injection Vault  
Demolitions  
Rejection of Bids

**Recommended Action:** Reject all bids submitted for the Lynnhaven and Western Trunk Force Main Chlorine Injection Vault Demolition Project.

**CIP Project: CE010000**

Budget	\$247,000
Previous Expenditures and Encumbrances	(\$34,592)
Available Balance	\$212,407

**Type of Procurement:** Competitive Bid

Bidder	Bid Amount
Gaston Brothers Utilities, LLC	\$60,150
Shaw Construction Corporation	\$252,552
T.A. Sheets General Contractors, Inc.	\$548,000

**HRSD Estimate:** \$200,000

**Contract Description:** The Lynnhaven Trunk Force Main Chlorine Injection Vault Demolition project would remove the obsolete force main access vault located on the Lynnhaven Trunk Force Main. The vault is located under the dedicated right turn lane, 200 feet east of Joint Expeditionary Base Little Creek-Fort Story Gate 3. The removal of the vault wall will require excavation to extend into a through lane on Shore Drive.

During evaluation of bids, the apparent low responsive bidder was determined to be non-responsible. Gaston Brothers Utilities, LLC requested to withdraw their bid due to omissions in their bid estimate. The amounts of the second and third responsive and responsible bidders are greater than the funds appropriated for the project.

HRSD recommends rejection of all bids. HRSD has re-evaluated the risk and value of this project, and will be discussing with the United States Environmental Protection Agency (USEPA) the elimination of this work from the Phase I Rehabilitation Action Plan.

<b><u>Schedule:</u></b>	PER	May 2015
	Design	July 2015
	Bid	November 2015
	Construction	October 2015
	Project Completion	December 2015

## CONSENT AGENDA ITEM 2.c.1. – January 26, 2016

**Subject:** Aquifer Replenishment System Concept Feasibility Evaluation  
Task Order (>\$200,000)

**Recommended Action:** Approve a task order with CH2M HILL Engineers, Inc. in the amount of \$1,951,000.

**CIP Project: GN015700**

Budget	\$3,000,000
Previous Expenditures and Encumbrances	(\$399,016)
Available Balance	\$2,600,984

<b>Contract Status:</b>	<b>Amount</b>
Original Contract with CH2M HILL	\$386,312
Total Value of Previous Task Orders	\$12,162
Requested Task Order	\$1,951,000
Total Value of All Task Orders	\$1,963,162
Revised Contract Value	\$2,349,474
Engineering Services as % of Construction	N/A

**Project Description:** The Commission approved this CIP project at the July 22, 2014 meeting. This study will evaluate the feasibility of using clean water for aquifer replenishment to sustainably protect groundwater supplies, reduce nutrients discharged to the Chesapeake Bay, mitigate land subsidence, block saltwater intrusion, support economic development, increase available oyster grounds and provide drought resilience for more than 25 percent of all Virginians. As we continue to treat water to higher and higher standards, our final product, essentially purified water, is far too valuable to waste by discharging into local waterways. Using this valuable resource to replenish the aquifer in Eastern Virginia provides significant environmental benefits to a broad spectrum of issues critical to Virginia's future prosperity. Productive use of this resource is a sustainable strategy that will ensure future generations inherit clean waterways and are able to keep them clean.

**Task Order Description:** This task order includes several tasks to further advance our understanding of the project elements including pilot testing, water quality evaluations, well development and testing, groundwater modeling and public outreach. A meeting was held to discuss the project and scope of services on January 11, 2016. A fee of \$1,951,000 was negotiated for Phase 2B.

**Analysis of Cost:** This cost is in agreement with similar efforts from other firms and the rates used are in accordance with the General Engineering Services annual contract with CH2M HILL.

**Schedule:** Phase 2 August 2015  
Project Completion June 2017

## CONSENT AGENDA ITEM 2.c.2. – January 26, 2016

**Subject:** Army Base Treatment Plant Non-Potable Water (NPW) Piping Modifications Task Order (>\$200,000)

**Recommended Action:** Approve a task order with T.A. Sheets General Contractors, Inc. under the contract for Sewer Repairs and On-Call Services in the amount of \$342,049.

**CIP Project: AB010100**

Budget	\$124,521,000
Previous Expenditures and Encumbrances	(\$112,769,687)
Available Balance	<u>\$11,751,313</u>

<b>Contract Status:</b>	<b>Amount</b>
Total Value of Previous Task Orders	\$71,505
Requested Task Order	\$342,049
Total Value of All Task Orders	\$413,554

**Project Description:** T.A. Sheets will replace the existing NPW piping at the Army Base Treatment Plant from the NPW pump stations to the Methanol Storage and Feed Facility (MSFF). This work is required to provide adequate flow to the MSFF fire suppression system. T.A. Sheets will perform the work through their unit price contract. The project team did not award this work to the Phase III Improvements contractor because he proposed an unreasonably high price and desired additional contract time. The work must be completed expeditiously, because methanol cannot be used onsite until this piping work is complete and the fire suppression system has passed the fire marshal's inspection. The certificate to operate is contingent upon operation using methanol.

**Task Order Description:** This task order will provide replacement of the existing NPW piping from the NPW pump stations to the MSFF.

**Analysis of Cost:** The cost for this task order is based on the unit costs defined in the blanket purchase order awarded to T.A. Sheets in 2013.

**Schedule:**

Construction	January 2015
Project Completion	March 2015

## CONSENT AGENDA ITEM 2.c.3. – January 26, 2016

**Subject:** Atlantic Treatment Plant Thermal Hydrolysis Process and Atlantic Treatment Plant Fats, Oils and Grease Receiving Station Task Order (>\$200,000)

**Recommended Action:** Approve a task order with HDR Engineering, Inc. in the amount of \$1,411,525.

**CIP Project: AT013500**

Budgets	\$39,281,000
Previous Expenditures and Encumbrances	(\$11,957,695)
Available Balances	<u>\$27,323,305</u>

**CIP Project: AT012910**

Budgets	\$3,392,000
Previous Expenditures and Encumbrances	(\$774,267)
Available Balances	<u>\$2,617,733</u>

<b>Contract Status:</b>	<b>Amount</b>
Original Contract with HDR	\$1,525,308
Total Value of Previous Task Orders	\$5,915,499
Requested Task Order	\$1,411,525
Total Value of All Task Orders	\$7,327,024
Revised Contract Value	\$8,852,332
Engineering Services as % of Construction	29.5%

**Project Description:** The Commission approved this CIP project at the November 26, 2013 meeting. The purpose of implementing Thermal Hydrolysis Process (THP) and Fats, Oils and Grease (FOG) Receiving Station at the Atlantic Treatment Plant is to improve cake dewaterability and produce a Class A biosolids product by processing through the Cambi THP System, which will provide the following:

- Flexibility- prepare for FOG and Biosolids Receiving
- Expandability – increased load
- Economy – resource efficiency, use existing infrastructure
- Integrate seamlessly into plant
- Odor neutrality

**Task Order Description:** This task order will amend the design services scope and fee to incorporate project changes that have occurred since the design phase kickoff including adding a new Pre-Dewatering Building instead of using the existing Administration Building, providing variable frequency drives for the Cambi equipment, relocating the FOG receiving facility, procuring two centrifuges, mirroring the Cambi Programmable Logic Controller (PLC) in the Distributed Control System (DCS), changing from a water-tube boiler to a fire-tube boiler, and modifying the cable trays.

**Analysis of Cost:** Based on the hourly rates included in the contract with HDR Engineering, Inc., a fee has been negotiated based upon the anticipated hours required to perform the additional design services.

<b><u>Schedule:</u></b>	PER	December 2013
	Design	January 2015
	Bid	June 2017
	Construction	September 2017
	Project Completion	February 2021

CONSENT AGENDA ITEM 2.c.4. – January 26, 2016

**Subject:** Hampton Trunk Sewer Extension Division B - Claremont Force Main Replacement  
Task Order (>\$200,000)

**Recommended Action:** Approve a task order with Whitman Requardt and Associates, LLP (WR&A) in the amount of \$228,714.

**CIP Project: BH012700**

Budget	\$5,388,000
Previous Expenditures and Encumbrances	(\$55,694)
Available Balance	\$5,332,306

<b>Contract Status:</b>	<b>Amount</b>
Original Contract with WR&A	\$54,501
Total Value of Previous Task Orders	\$0
Requested Task Order	\$228,714
Total Value of All Task Orders	\$228,714
Revised Contract Value	\$283,215
Engineering Services as % of Construction Estimate	6.7%

**Project Description:** The Commission approved this CIP project at the January 27, 2015 meeting. This project will replace approximately 2,900 linear feet of 34-inch reinforced concrete pipe and 930 linear feet of fiberglass pipe beginning just west of Buxton Avenue in Hampton, Virginia to the Claremont Avenue Pump Station in Newport News, Virginia. A topographic survey was completed by Draper Aden in 2009. The Preliminary Engineering Report was completed by WR&A in December 2015. A bid delay of 12 months is included in the project schedule due to CIP funding priorities.

**Task Order Description:** This task order will provide design phase engineering services for Hampton Trunk Sewer Extension Division B - Claremont Force Main Replacement.

**Analysis of Cost:** The cost for this task order is based on a negotiated Scope and Fee with WR&A and is in agreement with similar efforts from other firms.

<b>Schedule:</b>	PER	December 2015
	Design	September 2016
	Bid	September 2017
	Construction	September 2018
	Project Completion	December 2018

## CONSENT AGENDA ITEM 2.d.1. – January 26, 2016

**Subject:** Biosolids Hauling  
Contract Change Order (>25% or \$50,000)

**Recommended Action:** Approve a change order with AG Nutrients, Inc. in the amount of \$140,000.

Budget	\$215,420
Previous Expenditures and Encumbrances	(\$207,402)
Available Balance	\$8,018

<b>Contract Status:</b>	Amount	Cumulative % of Contract
Original Contract with AG Nutrients, Inc.	\$215,420	
Total Value of Previous Change Orders	\$50,000	23%
Requested Change Order No. 2	\$140,000	
Total Value of All Change Orders	\$190,000	88%
Revised Contract Value	\$405,420	

Time (Additional Calendar Days)		0
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**Change Order Description:** This change order is a result of changed conditions to the original contract for biosolids hauling from the Nansemond Treatment Plant to the Boat Harbor Treatment Plant Incinerator. When load testing was conducted to ensure Boat Harbor met new incinerator requirements, limits were placed on the amount of biosolids this plant could receive. All excess biosolids were diverted during testing to McGill for composting, requiring extra trucks and hauling.

Also, if a plant processes more than three loads per day, a second truck is required. Increased processing has been needed occasionally to accommodate normal operations.

**Analysis of Cost:** The cost of this change order is based on the need for more trucks to haul biosolids than originally budgeted.

## CONSENT AGENDA ITEM 2.d.2. – January 26, 2016

**Subject:** Providence Road Interim Pressure Reducing Station  
Contract Change Order (>25% or \$50,000)

**Recommended Action:** Approve a change order with Tidewater Utility Construction, Inc. (TUC) in the amount of \$67,680.

**CIP Project: AT011410**

Budget	\$4,212,000
Previous Expenditures and Encumbrances	(\$3,993,200)
Available Balance	\$ 218,800

<b>Contract Status:</b>	Amount	Cumulative % of Contract
Original Contract with TUC	\$2,628,562	
Total Value of Previous Change Orders	\$717,787	27%
Requested Change Order No. 6	\$67,680	
Total Value of All Change Orders	\$785,467	30%
Revised Contract Value	\$3,414,029	

Time (Additional Calendar Days)	0
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**Project Description:** The Commission approved this CIP project at the September 28, 2010 meeting. The project is an interim pressure reducing station for short term use until the Regional Wet Weather Management Plan is complete and includes replacement of yard piping, valves and associated appurtenances.

**Change Order Description:** This change order includes an increase of \$67,680 to the contract value and includes a reconciliation of unit price item quantities, additional electrical work, replacement of standard sump pumps, testing of the connections to suction and discharge piping, and installation of monitoring wells.

**Analysis of Cost:** The Engineer prepared an independent estimate of costs and recommends approval of these changes. Additional funding is not required. Approval is required because the cumulative value of all change orders exceeds 25 percent of the original contract value.

<b>Schedule:</b>	PER	September 2010
	Design	March 2011
	Bid	May 2013
	Construction	January 2014
	Project Completion	February 2016

CONSENT AGENDA ITEM 2.e.1. – January 26, 2016

**Subject:** Eaton Variable Frequency Drive (VFD)  
Sole Source (>\$10,000)

**Recommended Action:** Approve Eaton VFDs for use at the Atlantic Treatment Plant.

**Sole Source Justification:**

- Compatibility with existing equipment or systems is required
- Support of a special program in which the product or service has unique characteristics essential to the needs of the program
- Product or service is covered by a patent or copyright
- Product or service is part of standardization program to minimize training for maintenance and operation, and parts inventory
- Only known source

**Details:** Product includes the Eaton VFD only. The VFD panels were installed during the 2010 expansion of the Atlantic Treatment Plant. Due to the size of the panels and configuration of existing controls and wiring in the panels, no other VFD will fit. These VFDs control the plant's four final effluent pumps and are critical to operation.

CONSENT AGENDA ITEM 2.e.2. – January 26, 2016

**Subject:** Financial Management System (FMS) Software Maintenance  
Sole Source (>\$10,000)

**Recommended Action:** Approve FMS Software Maintenance for use by Finance.

**Sole Source Justification:**

- Compatibility with existing equipment or systems is required
- Support of a special program in which the product or service has unique characteristics essential to the needs of the program
- Product or service is covered by a patent or copyright
- Product or service is part of standardization program to minimize training for maintenance and operation, and parts inventory
- Only known source

**Details:** Service agreement includes annual licensing, maintenance and support for HRSD's historical financial information. The software provides the accessibility, full functionality and data retrieval of HRSD's general ledger and accounts payable detail and reports. Access to the data in the legacy system is required for at least one more year.

CONSENT AGENDA ITEM 2.e.3. – January 26, 2016

**Subject:** Rodney Hunt-Fontaine Flow Control Sluice Gate Hoist  
Sole Source (>\$10,000)

**Recommended Action:** Approve Rodney Hunt-Fontaine hoist portion of the flow control sluice gate for use at Boat Harbor Treatment Plant.

**Sole Source Justification:**

- Compatibility with existing equipment or systems is required
- Support of a special program in which the product or service has unique characteristics essential to the needs of the program
- Product or service is covered by a patent or copyright
- Product or service is part of standardization program to minimize training for maintenance and operation, and parts inventory
- Only known source

**Details:** Product includes the hoist portion and associated components of a flow control sluice gate. This purchase is for replacement of sluice gate hoists on the primary clarifiers. This is the first four of 36 hoists that will be replaced over the next several years.

CONSENT AGENDA ITEM 2.e.4. – January 26, 2016

**Subject:** JWC Environmental Channel Grinder  
Sole Source (>\$10,000)

**Recommended Action:** Approve a JWC Environmental Channel Grinder for use at the Bridge Street Pump Station Replacement.

**CIP Project:** BH011600

**Sole Source Justification:**

- Compatibility with existing equipment or systems is required
- Support of a special program in which the product or service has unique characteristics essential to the needs of the program
- Product or service is covered by a patent or copyright
- Product or service is part of standardization program to minimize training for maintenance and operation, and parts inventory
- Only known source

**Details:** One JWC Environmental Channel Grinder is to be furnished including: channel grinder, power pack and controls, spare parts, shop drawings, operations and maintenance manuals, field assistance, and instruction of HRSD personnel. The JWC Environmental Channel Grinders have been installed at the majority of the HRSD Pump Stations. The negotiated cost, along with the JWC Terms and Conditions, will be included in the Bridge Street Pump Station Replacement construction contract for purchase by the contractor.

CONSENT AGENDA ITEM 2.e.5. – January 26, 2016

**Subject:** Kruger, Inc. K3 Bio-Film Carrier Media  
Sole Source (>\$10,000)

**Recommended Action:** Approve Kruger, Inc. K3 Bio-Film Carrier Media to be installed as part of the James River Treatment Plant Centrate Equalization Improvements Project.

**CIP Project:** JR012900

**Sole Source Justification:**

- Compatibility with existing equipment or systems is required
- Support of a special program in which the product has unique characteristics essential to the needs of the program
- The product is covered by a patent or copyright
- The product is part of standardization program to minimize training for maintenance and operation, and parts inventory
- Only known source

**Details:** As part of this project, Pre-Aeration Tanks II and III are being converted to Centrate Equalization Tanks so that Integrated Fixed Film Activated Solids (IFAS) Tank I can be utilized for its intended purpose. As such, new K3 Bio-Film Carrier Media must be purchased and installed in the tank after it is no longer being used for centrate storage and prior to being used as an IFAS tank for nutrient removal. The proposed media is the same media currently being used in the other eight IFAS tanks and uniformity among all nine tanks is required.

CONSENT AGENDA ITEM 2.e.6. – January 26, 2016

**Subject:** StackVision Server Migration and Data Controllers Upgrade  
Sole Source (>\$10,000)

**Recommended Action:** Approve StackVision Server Migration and Data Controllers Upgrade for use at HRSD.

**Sole Source Justification:**

- Compatibility with existing equipment or systems is required
- Support of a special program in which the product or service has unique characteristics essential to the needs of the program
- Product or service is covered by a patent or copyright
- Product or service is part of standardization program to minimize training for maintenance and operation, and parts inventory
- Only known source

**Details:** Product and service includes the purchase of Environmental Systems Corporation (ESC) 8864 Data Controllers to be installed at the five incinerator plants on their Continuous Emissions Monitoring Systems (CEMS). ESC will remotely perform engineering services to include the installation and configuration of the ESC StackVision software, migration of the database and perform the server cut-over to new servers.

HRSD COMMISSION MEETING MINUTES  
January 26, 2016

ATTACHMENT #2

AGENDA ITEM 3. – Series 2016 Subordinate Wastewater Revenue Bonds – Fixed Rate and Variable Rate Resolution

- a. [Resolution authorizing the issuance and award of one or more series of HRSD Wastewater Revenue Bonds, Series 2016;](#)
- b. [Third Supplemental Trust Agreement, by and between HRSD and the Trustee, relating to the 2016 Fixed Rate Bonds;](#)
- c. [Fourth Supplemental Trust Agreement, by and between HRSD and the Trustee relating to the 2016 Variable Rate Bonds;](#)
- d. [Preliminary Official Statement of HRSD;](#)
- e. [Bond Purchase Agreement, by and between HRSD and Merrill Lynch, Pierce Fenner & Smith Incorporated, as representative of the underwriters;](#)
- f. [Bond Purchase Agreement, by and between the HRSD and J.P. Morgan Securities LLC, in its capacity as the 2016 Variable Rate Underwriter;](#)
- g. [Remarketing Agreement, between the District and J.P. Morgan Securities LLC, relating to the 2016 Variable Rate Bonds;](#)
- h. [Continuing Disclosure Agreement, the form of which appears as Appendix E to the Preliminary Official Statement and a version of which will be delivered in connection with each of the 2016 Fixed Rate Bonds and 2016 Variable Rate Bonds;](#)
- i. [Escrow Deposit Agreement, by and between the District and a national banking association or similar bank or trust company qualified to do business in the Commonwealth, which will be delivered if the District issues any 2016 Bonds to refund the Refunding Candidates;](#)
- j. [Amended Trust Agreement.](#)
- k. [PowerPoint Presentation \(for agenda items 3, 4 and 5\)](#)

*Hampton Roads Sanitation District*  
*Resolution of*  
*January 26, 2016*

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HAMPTON ROADS SANITATION DISTRICT COMMISSION

\*\*\*\*\*

A RESOLUTION  
AUTHORIZING THE ISSUANCE AND AWARD OF  
ONE OR MORE SERIES OF HAMPTON ROADS SANITATION DISTRICT  
SUBORDINATE WASTEWATER REVENUE BONDS, SERIES 2016

Adopted January 26, 2016

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## Resolution

### Resolution Authorizing the Issuance and Award of One or More Series of Hampton Roads Sanitation District Subordinate Wastewater Revenue Bonds, Series 2016

**WHEREAS**, the Hampton Roads Sanitation District (the "District") was duly created under and pursuant to Chapter 407 of the Acts of Assembly of Virginia of 1940, and the Hampton Roads Sanitation District Commission (the "Commission"), created by said Chapter 407, is the governing body of the District; and

**WHEREAS**, by virtue of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the "Act"), the Commission is authorized and empowered:

(a) to construct, improve, extend, enlarge, reconstruct, maintain, equip, repair and operate a wastewater treatment system or systems, either within or without or partly within and partly without the corporate limits of the District;

(b) to issue, at one time or from time to time, revenue bonds, notes or other obligations of the District payable solely from the special funds provided under the authority of the Act and pledged for their payment, for the purpose of paying the cost of a wastewater treatment system or systems and extensions and additions thereto, and providing funds for any other authorized purpose of the Commission, and

(c) to fix, revise, charge and collect rates, fees and other charges for the use of, and for the services and facilities furnished or to be furnished by, any such wastewater treatment system; and

**WHEREAS**, as provided by the Act, the District is constituted a political subdivision of the Commonwealth of Virginia and established as a governmental instrumentality to provide for the public health and welfare; and

**WHEREAS**, the Commission has previously authorized the execution and delivery of a Trust Agreement, dated as of March 1, 2008 (as the same may be supplemented and further supplemented and amended from time to time, the "Senior Trust Agreement"), between the District and The Bank of New York, as Trustee (The Bank of New York Mellon Trust Company, N.A., as successor in interest to The Bank of New York, the "Senior Trustee"), to secure the payment of Senior Obligations (as defined in the Senior Trust Agreement) of the District, such Senior Obligations being payable from the Net Revenues (as defined in the Senior Trust Agreement) of the District; and

**WHEREAS**, the Senior Trust Agreement permits the issuance of Subordinated Indebtedness (as defined in the Senior Trust Agreement), the payment on which will be, in all cases, subordinate and junior in right of payment to the prior payment in full of the Senior Obligations; and

**WHEREAS**, to secure the payment of and provide for the issuance of such Subordinated Indebtedness, the Commission authorized the execution and delivery of a Trust Agreement, dated as of October 1, 2011 (the “Trust Agreement”), between the District and The Bank of New York Mellon, as Trustee (in such capacity, the “Trustee”), to provide for the issuance Subordinate Indebtedness (as defined in the Trust Agreement);

**WHEREAS**, the Commission has determined to provide for the issuance under the Trust Agreement, one or more series of Bonds of the District, which Bonds may be delivered at one or more times, in the aggregate principal amount of not to exceed Four Hundred Million Dollars (\$400,000,000) (the “2016 Bonds”) for the purpose of providing funds, together with other available funds, to (i) to finance a portion of the costs of its 2016-2025 Capital Improvement Program, (ii) to refund certain Senior Obligations, Bonds and Junior Obligations (each as defined in the Trust Agreement) (collectively, the “Refunding Candidates”) and (iii) pay certain expenses incurred in connection with the issuance of the 2016 Bonds by the District;

**WHEREAS**, the Commission has determined that a portion of the Bonds may be issued as fixed-rate Bonds (the “2016 Fixed Rate Bonds”) and a portion of the Bonds may be issued as variable rate demand bonds (the “2016 Variable Rate Bonds”);

**WHEREAS**, on the earlier to occur of the date of delivery of the 2016 Fixed Rate Bonds and the date of delivery of the 2016 Variable Rate Bonds, the Commission will execute and deliver an Amended and Restated Trust Agreement (the “Amended Trust Agreement”), which will contain certain amendments to the Trust Agreement;

**WHEREAS**, the beneficial owners of the 2016 Bonds will purchase such Bonds expressly subject to the Amended Trust Agreement;

**WHEREAS**, the Commission has determined to sell the 2016 Variable Rate Bonds through a negotiated underwriting with J.P. Morgan Securities LLC (the “2016 Variable Rate Underwriter”);

**WHEREAS**, the Commission has determined to sell the 2016 Fixed Rate Bonds through a negotiated underwriting with Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for a group of underwriters, including itself (collectively, the “2016 Fixed Rate Underwriters” and, together with the 2016 Variable Rate Underwriter, the “Underwriters”); and

**WHEREAS**, there have been presented at this meeting draft copies of the following documents relating to the issuance and sale of the 2016 Bonds:

(a) a Third Supplemental Trust Agreement (the “Third Supplemental Trust Agreement”), by and between the District and the Trustee, relating to the 2016 Fixed Rate Bonds;

(b) a Fourth Supplemental Trust Agreement (the “Fourth Supplemental Agreement” and, together with the Third Supplemental Agreement, the “Supplemental Agreements”), by and between the District and the Trustee, relating to the 2016 Variable Rate Bonds;

(c) a Preliminary Official Statement of the District, a version of which will be delivered in connection with each of the 2016 Variable Rate Bonds and 2016 Fixed Rate Bonds, with such changes as may be approved in accordance with Section 9 hereof (the "Preliminary Official Statement");

(d) a Bond Purchase Agreement (the "Fixed Rate Bond Purchase Agreement"), by and between the District and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the 2016 Fixed Rate Underwriters;

(e) a Bond Purchase Agreement (the "Variable Rate Bond Purchase Agreement" and, together with the Fixed Rate Bonds Purchase Agreement, the "Bond Purchase Agreements"), by and between the District and J.P. Morgan Securities LLC, in its capacity as the 2016 Variable Rate Underwriter;

(f) a Remarketing Agreement (the "Remarketing Agreement"), between the District and J.P. Morgan Securities LLC (in such capacity, the "Remarketing Agent"), relating to the 2016 Variable Rate Bonds;

(g) a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), the form of which appears as Appendix E to the Preliminary Official Statement and a version of which will be delivered in connection with each of the 2016 Fixed Rate Bonds and 2016 Variable Rate Bonds;

(h) an Escrow Deposit Agreement (the "Escrow Deposit Agreement"), by and between the District and a national banking association or similar bank or trust company qualified to do business in the Commonwealth, which will be delivered if the District issues any 2016 Bonds to refund the Refunding Candidates identified in the second paragraph of Section 6; and

(i) the Amended Trust Agreement;

**Now, Therefore, the HAMPTON ROADS SANITATION DISTRICT COMMISSION DOES HEREBY RESOLVE, as follows:**

**Section 1. Definitions.** Capitalized words and terms used in this Resolution and not defined herein shall have the same meanings in this Resolution as such words and terms are given in the Trust Agreement and the Supplemental Agreements.

**Section 2. Authorization of Bonds.** In order to provide funds required to finance a portion of the costs of its Capital Improvement Program Costs, refund certain Bonds and Junior Obligations and pay certain expenses incurred in connection with the 2016 Bonds by the District and pursuant to the authority granted to it by the Act, the District hereby authorizes the issuance at one or more times and in one or more series of Hampton Roads Sanitation District Subordinate Wastewater Revenue Bonds, Series 2016\_ (the blank to be completed with an appropriate letter to identify the Series), in an aggregate principal amount not to exceed Four Hundred Million (\$400,000,000), dated as of such date, maturing on such dates in such years not later than thirty-five (35) years from their date of issuance and in such principal amounts and bearing interest at such rates, all as determined by the Chairman of the Commission, Vice

Chairman of the Commission, the General Manager of the District and the Director of Finance of the District (each, a "Delegate"), any of whom may act, prior to the execution of each Bond Purchase Agreement and evidenced, in the case of the 2016 Fixed Rate Bonds, in the Fixed Rate Bond Purchase Agreement and the Third Supplemental Agreement, and, in the case of the 2016 Variable Rate Bonds, in the 2016 Variable Rate Bond Purchase Agreement and the Fourth Supplemental Agreement.

The Commission hereby determines that the issuance of the 2016 Bonds will be in the best interests of the District.

The 2016 Fixed Rate Bonds shall be issued as fully registered bonds in denominations of \$5,000 or any whole multiple thereof and the 2016 Variable Rate Bonds shall be issued as fully registered bonds in denominations of \$100,000 and integral multiple of \$5,000 in excess thereof, or, in each case, in any other denominations determined by the Delegates. The 2016 Bonds shall be issuable in book-entry form as provided in the Trust Agreement. Payments of principal of, premium, if any, and interest on (and in the case of the 2016 Variable Rate Bonds, the purchase price of) the Bonds shall be forwarded by the Bond Registrar to the registered owners of the 2016 Bonds in such manner as is set forth in the Trust Agreement.

**Section 3. Redemption.** A Delegate is hereby authorized to determine the optional redemption provisions of a series of the 2016 Bonds, if any, as such Delegate, in consultation with Public Financial Management, Inc., Financial Advisor to the District (the "Financial Advisor"), in writing, may deem advisable, and the Delegate may, with the advice of the advice of the Financial Advisor, provide that such series of the 2016 Bonds shall not be subject to optional redemption before their respective maturities. A Delegate may further determine that any term 2016 Bonds shall be subject to mandatory sinking fund redemption at a redemption price of 100% and shall have such amortization requirements as determined by such Delegate. All such determinations by a Delegate shall be determined by prior to the execution of the related Bond Purchase Agreement.

**Section 4. Application of Bond Proceeds.** The proceeds of the 2016 Bonds shall be applied as provided in Section 3.1 of the Third Supplemental Agreement, with respect to the 2016 Fixed Rate Bonds, and Section 6.1 of the Fourth Supplemental Agreement, with respect to the 2016 Variable Rate Bonds.

**Section 5. Authorization of Basic Documents.** The forms, terms and provisions of each of the Supplemental Agreements, the Bond Purchase Agreements, the Remarketing Agreement, the Continuing Disclosure Agreement and the Escrow Deposit Agreement (collectively, the "Basic Documents") are hereby approved in all respects, and the District Representatives (hereinafter defined) are hereby authorized and directed to execute and deliver the Basic Documents in substantially the forms presented to this meeting, together with such changes, modifications and deletions as such District Representatives, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the District.

**Section 6. Refunding Candidates.** For business purposes, including the facilitation of securing the approval of the requisite percentage of beneficial owners of the Bonds outstanding

under the Trust Agreement, the District intends to refund the District's Subordinate Wastewater Revenue Bonds, Series 2011. In addition, the District intends to pay all or a portion of the obligations due and owing under that certain Credit Agreement, dated as of October 30, 2015 (the "Credit Agreement"), by and between the District and Bank of America, N.A., which obligations constitute a Junior Obligation under the Trust Agreement. A Delegate is authorized, in consultation with the Financial Advisor, to provide that the Credit Agreement remain outstanding following the issuance of the 2016 Bonds if such action is advantageous to the District.

A Delegate is further authorized to determine such Refunding Candidates, other than those described in the immediately preceding paragraph which need not meet the criteria set forth below, to be refunded with the proceeds of a series of the 2016 Bonds (such Refunding Candidates, the "Refunded Bonds") based on the following criteria: based on a determination by the Financial Advisor, in writing, if any of the Refunding Candidates are to be refunded, the aggregate net present value debt service savings achieved as a result of refunding such Refunding Candidates with the proceeds of the 2016 Bonds shall be equal to at least three percent (3%) of the par amount of the Refunded Bonds.

**Section 7. Execution of Bonds.** The form of the 2016 Bonds set forth in the Trust Agreement is hereby approved in all respects, and the Chairman or Vice Chairman and the Secretary or any Assistant Secretary of the Commission are hereby authorized and directed to execute, by manual or facsimile signature as provided in such form of the 2016 Bonds, and to deliver to the Bond Registrar for authentication on behalf of the District, the 2016 Bonds in definitive form, with such changes, modifications and deletions as they, with the advice of counsel, may deem necessary, appropriate and consistent with the Trust Agreement and the Third Supplemental Agreement, in the case of the 2016 Variable Rate Bonds, and the Fourth Supplemental Agreement, in the case of the 2016 Fixed Rate Bonds; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the District.

**Section 8. Authorization and Delivery of the Bonds.** Upon their execution in the form and manner set forth in the Trust Agreement, each series of 2016 Bonds shall be deposited with the Bond Registrar for authentication, and the Bond Registrar is hereby authorized and directed to authenticate such series of 2016 Bonds and, upon the due and valid execution of the Basic Documents, the Trustee shall cause the Bond Registrar to deliver such series of 2016 Bonds to The Depository Trust Company, New York, New York, for the account of the Underwriters, in accordance with and subject to the provisions of Section 209 of the Trust Agreement.

**Section 9. Official Statements.** The form of the Preliminary Official Statement is hereby approved, and a Delegate is hereby authorized to approve the terms of and publish a Preliminary Official Statement, one with respect to the 2016 Fixed Rate Bonds and one with respect to the 2016 Variable Rate Bonds with such changes as are appropriate to reflect the differences between such 2016 Bonds, describing the 2016 Bonds in substantially the same form as the Preliminary Official Statement presented to this meeting and deem "final" such Preliminary Official Statement for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended; and a Delegate is hereby authorized to execute an official statement (the "Official Statement") in substantially the form of the deemed "final" Preliminary Official Statement, together with such changes, modifications and deletions as such Delegate, with the

advice of counsel, may deem necessary or appropriate; and the District hereby approves and authorizes the distribution and use of copies of the Official Statement and the Basic Documents in connection with such sale

**Section 10. Additional Underwriters.** A Delegate is hereby authorized to select additional underwriters, provided such underwriters responded to the District's most recent request for proposals for underwriting services, for the underwriting syndicate for the 2016 Fixed Rate Bonds, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated will serve as representative, and to create an underwriting syndicate for the 2016 Variable Rate Bonds, for whom J.P. Morgan Securities LLC would serve as representative.

**Section 11. District Representatives.** Each of the Chairman of the Commission, Vice Chairman of the Commission, General Manager and Director of Finance are hereby appointed a District Representative within the meaning of such term under the Trust Agreement, with full power to carry out the duties set forth therein. Any one or more of the District Representatives may act for and on behalf of the District.

**Section 12. Securities Depository.** The Depository Trust Company, New York, New York, is hereby appointed as the initial Securities Depository for the Bonds, with Cede & Co., a nominee thereof, being the initial Securities Depository Nominee and initial registered owner of each series of the 2016 Bonds.

**Section 13. Amended Trust Agreement.** A Delegate is hereby authorized to execute and deliver the Amended Trust Agreement in the name of the District on the earlier to occur of the date of delivery of the 2016 Fixed Rate Bonds and the date of delivery of the 2016 Variable Rate Bonds. The Amended Trust Agreement so executed and delivered may be in the form of an amended and restated Trust Agreement.

**Section 14. Further Actions.** The Delegates and the District Representatives are each authorized and directed (without limitation except as may be expressly set forth herein) to take such action and to execute and deliver any such documents, certificates, undertakings, agreements or other instruments as they, with the advice of counsel, may deem necessary or appropriate to effectuate the transactions contemplated by the Basic Documents, the Trust Agreement and the Official Statement.

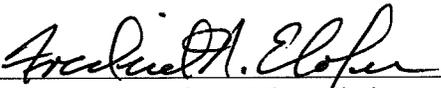
**Section 15. Delegates' Certificate.** Each Delegate may execute a Certificate or Certificates evidencing the determinations made or other actions carried out pursuant to the authority granted in this Resolution, and any such Certificate shall be conclusive evidence of the actions or determinations as stated therein.

**Section 16. Rate Schedule.** In compliance with Section 22 of the Act, incorporated herein the same as if set forth verbatim herein is the current "Rate Schedule For all Wastewater and Associated Charges effective July 1, 2015" for the use of, and for the services and facilities furnished or to be furnished by, the wastewater disposal system or systems and the wastewater improvements, for which the 2016 Bonds are to be issued. Such schedule appears in full on the District's website, [www.hrsd.com](http://www.hrsd.com).

**Section 17. Effective Date.** This Resolution shall take effect immediately upon its passage.

[END OF RESOLUTION]

**Adopted by the Hampton Roads Sanitation District Commission on January 26, 2016.**

  
Frederick N. Elofson, Vice-Chairman

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THIRD SUPPLEMENTAL TRUST AGREEMENT

by and between

HAMPTON ROADS SANITATION DISTRICT

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Trustee

Dated as of February 1, 2016

Securing

[\$PAR]

Subordinate Wastewater Revenue Bonds  
Series 2016A

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**THIS THIRD SUPPLEMENTAL TRUST AGREEMENT**, dated for convenience of reference as of February 1, 2016 (“Supplemental Trust Agreement”), by and between

**HAMPTON ROADS SANITATION DISTRICT,**

a political subdivision of the Commonwealth of Virginia, by Hampton Roads Sanitation District Commission, the governing body of said District, and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**

a national banking association duly incorporated and validly existing under the laws of the United States of America and having a corporate trust office in Richmond, Virginia, which is authorized under such laws to exercise trust powers and is subject to examination by federal authority (said banking corporation and any bank or trust company becoming successor Trustee under this Supplemental Trust Agreement being hereinafter sometimes called the “Trustee”), supplements the Trust Agreement, dated as of October 1, 2011 (the “Original Trust Agreement”), as amended and restated as of the date hereof (the “Amended and Restated Trust Agreement”), between the District and The Bank of New York Mellon Trust Company, N.A. (the Amended and Restated Trust Agreement, as amended and supplemented from time to time, the “Trust Agreement”),

**WITNESSETH:**

**WHEREAS**, the Hampton Roads Sanitation District (the “District”) was duly created under and pursuant to Chapter 407 of the Acts of Assembly of Virginia of 1940, and the Hampton Roads Sanitation District Commission (the “Commission”), created by said Chapter 407, is the governing body of the District; and

**WHEREAS**, by virtue of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (said Chapter 66 as so amended being hereinafter sometimes called the “Enabling Act”), the Commission is authorized and empowered:

(a) to construct, improve, extend, enlarge, reconstruct, maintain, equip, repair and operate a wastewater treatment system or systems, either within or without or partly within and partly without the corporate limits of the District,

(b) to issue, at one time or from time to time, revenue bonds, notes or other obligations of the District payable solely from the special funds provided under the authority of the Enabling Act and pledged for their payment, for the purpose of refunding the outstanding bonds, including the payment of any redemption premium thereon, paying the cost of a wastewater treatment system or systems and extensions and additions thereto, and providing funds for any other authorized purpose of the Commission, and

(c) to fix, revise, charge and collect rates, fees and other charges for the use of, and for the services and facilities furnished or to be furnished by, any such wastewater treatment system; and

**WHEREAS**, the Commission has previously executed and delivered a Master Trust Indenture, dated as of December 1, 1993, as amended and restated March 1, 2008 (as supplemented and as further amended and supplemented from time to time, the “Senior Trust Agreement”), between the District and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (in such capacity, the “Senior Trustee”) pursuant to which District may provide for issuance and incurrence of Senior Obligations (as defined in the Trust Agreement); and

**WHEREAS**, Section 705 of the Senior Trust Agreement permits the issuance of Subordinated Indebtedness (as defined in the Senior Trust Agreement) subject to the conditions recited therein; and

**WHEREAS**, on October 20, 2011, the Commission executed and delivered the Original Trust Agreement to provide for the issuance of Parity Obligations payable solely from the Net Revenues Available for Debt Service derived by the District from its Wastewater System and the money attributable to proceeds of the Bonds and the income from the investment thereof and, coincident with the delivery of the Trust Agreement, determined to execute and deliver a First Supplemental Trust Agreement, dated as of October 1, 2011, to authorize and secure under the Trust Agreement revenue bonds of the District in the aggregate principal amount of Twenty-five Million Dollars (\$25,000,000) (the “2011 Bonds”) for the purpose of providing funds, together with other available funds, to (i) provide funds required to finance a portion of the costs of its 2011-2020 Capital Improvement Program and (ii) pay certain expenses incurred in connection with the issuance of the 2011 Bonds by the District; and

**WHEREAS**, the Commission has determined to provide for the issuance under the Trust Agreement at this time of revenue bonds of the District in the aggregate principal amount of \_\_\_\_\_ Dollars (\$[PAR]) (the “2016A Bonds”) for the purpose of providing funds, together with other available funds, to (i) provide funds required to finance a portion of the costs of its 2016-2025 Capital Improvement Program, (ii) pay in full the District’s obligations under that certain Credit Agreement, dated as of October 30, 2015 (the “Credit Agreement”), by and between the District and Bank of America, N.A. and (iii) pay certain expenses incurred in connection with the issuance of the 2016A Bonds by the District; and

**WHEREAS**, the District is entering into this Supplemental Trust Agreement for the purpose of fixing the details of the 2016A Bonds; and

**WHEREAS**, the Trustee has accepted the trusts created by this Supplemental Trust Agreement and in evidence thereof has joined in the execution hereof;

**NOW, THEREFORE, THIS SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:** that in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of 2016A Bonds by the Holders (as defined in the Trust Agreement) thereof, and also for and in consideration of the sum of One Dollar in hand paid by the Trustee at or before the execution and delivery of this Supplemental Trust Agreement, and for other good and valuable consideration, the receipt whereof is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which 2016A Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who

shall from time to time be or become Holders thereof, and to secure the payment of all 2016A Bonds at any time issued and Outstanding under this Supplemental Trust Agreement and the interest thereon according to their tenor, purport and effect, and to secure the performance and observance of all the covenants, agreements and conditions, express or implied, therein and herein contained, the Commission has executed and delivered this Supplemental Trust Agreement in the name of and on behalf of the District, and has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Holders, from time to time, of 2016A Bonds, or any part thereof, as follows:

(end of Preamble)

## ARTICLE I.

### DEFINITIONS

**Section 1.1 Meaning of Words and Terms.** In addition to words and terms defined in the Original Trust Agreement, which words and terms are used herein as therein defined, or elsewhere in this Supplemental Trust Agreement, the following words and terms as used in this Supplemental Trust Agreement shall have the following meanings, unless some other meaning is plainly intended.

**“Closing”** means the date on which this Supplemental Trust Agreement becomes legally effective, the same being the date on which the 2016A Bonds are delivered against payment therefor.

**“Defeasance Obligations”** means noncallable (i) Government Obligations, (ii) Obligations issued or guaranteed by any of the following: (1) Federal Home Loan Bank System, (2) Export-Import Bank of the United States, (3) Federal Financing Bank, (4) Government National Mortgage Association, (5) Federal Home Loan Mortgage Company, (6) Federal Housing Administration, (7) Private Export Funding Corp, (8) Federal National Mortgage Association, (9) Federal Farm Credit Bank, (10) Resolution Funding Corporation, and (11) Rural Economic Community Development Administration (formerly, Farmers Home Administration), (iii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, and commonly known as “interest strips” of the Resolution Funding Corporation, (iv) Defeased Municipal Obligations, and (v) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian.

**“Defeased Municipal Obligations”** means obligations of state or local government municipal bond issuers which are rated the highest rating by at least two of the three Rating Agencies, meeting the following conditions:

(i) (A) such obligations cannot be redeemed prior to maturity or (B) the Trustee has been given irrevocable instructions concerning their call for redemption, and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations that may be applied only to interest, principal, and premium payments on such obligations;

(iii) the principal of and interest on such Government Obligations (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations serving as security for the obligations are held by an escrow agent or trustee; and

(v) such Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

**“Interest Payment Date”** means each [February 1 and August 1], beginning [August] 1, 2016, to and including [\_\_\_\_\_] 1, 20\_\_.

**“Principal Payment Date”** means August 1 of each of the years set forth in the tables in Section 2.1 below.

**“Regular Record Date”** means the fifteenth day (whether or not a business day) of the calendar month next preceding each Interest Payment Date.

**“Tax Certificate”** means the certificate, including the exhibits thereto, of that name delivered by the District in connection with the issuance of the 2016A Bonds.

**Section 1.2 Rules of Construction.** This Supplemental Trust Agreement shall have the same rules of construction as are provided for the Trust Agreement in its Section 102. Any provision of this Supplemental Trust Agreement referring to actions to be taken by the District shall be deemed to refer to the Commission to the extent that the Enabling Act authorizes the Commission to take such action instead of the District.

(end of Article I)

**ARTICLE II.**

**DETAILS OF THE 2016A BONDS**

**Section 2.1 Details of 2016A Bonds.** The 2016A Bonds shall be issued in accordance with and secured by the Trust Agreement, including in particular the provisions of Section 209 of the Original Trust Agreement, as supplemented by this Supplemental Trust Agreement, as Current Interest Bonds in the aggregate principal amount of \$[PAR] for the purposes set forth in Sections 209 of the Original Trust Agreement and the Preamble of this Supplemental Trust Agreement, shall be dated their date of delivery, shall be designated “Subordinate Wastewater Revenue Bonds, Series 2016A,” shall be numbered R-1 and upwards, shall be issued in substantially the form set forth in the Preamble to the Trust Agreement, shall bear interest (based on a 360-day year consisting of twelve 30-day months) from their dated date until their payment, such interest to the maturity thereof being payable semi-annually on the Interest Payment Dates, February 1 and August 1 in each year, commencing August 1, 2016, at the following rates, and shall be stated to mature on August 1, as the case may be, in the following years and amounts:

Due  
August 1

**Section 2.2 Optional Redemption.** From any available moneys, the District may, at its option, redeem prior to their respective maturities, in whole or in part, the 2016A Bonds stated to mature on and after August 1, 20\_\_, on any date beginning August 1, 20\_\_, at a redemption price of par, together with interest accrued to the date fixed for redemption.

**Section 2.3 Mandatory Redemption.** The 2016A Bonds due on August 1, 20\_\_ and August 1, 20\_\_ are term bonds subject to mandatory sinking fund redemption on August 1 in the following years in the following principal amounts (“Sinking Fund Requirements”) at a redemption price equal to par, together with interest accrued to the date of redemption:

Series 2016 Term Bonds due August 1, 20\_\_

<u>Year</u>	<u>Sinking Fund Requirement</u>
-------------	---------------------------------

\$

†

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† Unamortized balance at maturity.

Series 2016 Term Bonds due August 1, 20\_\_

<u>Year</u>	<u>Sinking Fund Requirement</u>
	\$0

†

---

† Unamortized balance at maturity.

In the event of a partial optional redemption or purchase of any such term 2016A Bonds, the Trustee shall credit the principal amount of such term 2016A Bonds so purchased or redeemed against the Sinking Fund Requirements for the remaining term 2016A Bonds outstanding of the same maturity in such amounts and in such years as the District in its sole discretion shall direct.

**Section 2.4 Selection of 2016A Bonds to be Redeemed.** The 2016A Bonds shall be redeemed only in the minimum denomination authorized in Section 202 of the Trust Agreement or in whole multiples of such minimum denomination. In selecting 2016A Bonds for redemption, the Trustee shall treat each 2016A Bond as representing the number of 2016A Bonds that is obtained by dividing the principal amount of such 2016A Bond by the minimum denomination authorized by this Supplemental Trust Agreement. If less than all of the 2016A Bonds of a particular maturity shall be called for redemption, the particular 2016A Bonds or portions of 2016A Bonds to be redeemed shall be selected by the Trustee by such method as the Trustee in its sole discretion shall determine.

**Section 2.5 Redemption Notice.** At least thirty (30), but not more than ninety (90), days before the redemption date of any 2016A Bonds, whether such redemption be in whole or in part, optional or mandatory, the Trustee shall cause a notice of such redemption, in the name of the District, to be mailed, certified mail, return receipt requested to all Holders owning 2016A Bonds to be redeemed in whole or in part, but any defect in such notice or the failure so to mail any such notice to any Holder owning any 2016A Bonds shall not affect the validity of the proceedings for the redemption of any other 2016A Bonds. Each such notice shall set forth the 2016A Bonds or portions thereof to be redeemed, the date fixed for redemption, the redemption price to be paid, and if less than all the 2016A Bonds shall be called for redemption, the maturities of the 2016A Bonds to be redeemed and, if less than all of the 2016A Bonds of any one maturity then outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such 2016A Bonds to be redeemed and, in the case of 2016A Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any 2016A Bond is to be redeemed in part only, the notice of redemption shall state also that on or after the redemption date, upon surrender of such 2016 Bond, a new 2016A Bond in principal amount equal to the unredeemed portion of such 2016A Bond and of the same maturity will be issued.

**Section 2.6 Effect of Calling for Redemption.** On the date fixed for redemption, notice having been mailed in the manner and under the conditions hereinabove provided, the 2016A Bonds or portions thereof called for redemption shall become due and payable at the redemption price provided therefor, plus accrued interest to such date; provided, however, that the District may direct that the notice of an optional redemption, but not any mandatory redemption, may state that the call for redemption is expressly conditioned on there being on deposit with the Trustee on the redemption date sufficient moneys to effect the redemption at the applicable redemption price plus accrued interest, if any, and if such moneys shall not be so on deposit, the call for redemption shall be deemed cancelled, void and of no effect and all 2016A Bonds called for such redemption shall remain outstanding and if presented for payment, such 2016A Bonds shall be returned forthwith to their registered owners. If money or Government Obligations, or a combination of both, sufficient to pay the redemption price of the 2016A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Bond Registrar in trust for the Holders of 2016A Bonds to be redeemed, interest on the 2016A Bonds called for redemption shall cease to accrue after the date fixed for redemption; such 2016A Bonds shall cease to be entitled to any benefits or security under this Supplemental Trust Agreement or to be deemed outstanding; and the Holders of such 2016A Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption. 2016A Bonds and portions of 2016A Bonds for which irrevocable instructions to pay or to call for redemption on one or more specified dates have been given to the Trustee and the Bond Registrar in form satisfactory to them shall not thereafter be deemed to be outstanding under this Supplemental Trust Agreement and shall cease to be entitled to the security of or any rights under the Trust Agreement as supplemented by this Supplemental Trust Agreement, other than rights to receive payment of the redemption price thereof and accrued interest thereon, to be given notice of redemption in the manner provided in Section 2.5, and, to the extent hereinafter provided, to receive 2016A Bonds for any unredeemed portions of 2016A Bonds if money or Defeasance Obligations, or a combination of both, sufficient to pay the redemption price of such 2016A Bonds or portions thereof, together with accrued interest thereon to the date upon which such 2016A Bonds are to be paid or redeemed, are held in separate accounts by the Trustee or the Bond Registrar in trust for the holders of such 2016A Bonds.

**Section 2.7 Redemption of Portion of 2016A Bonds.** If a portion of an outstanding 2016A Bond shall be selected for redemption, the Holder thereof or his attorney or legal representative shall present and surrender such 2016A Bond to the Bond Registrar for payment of the principal amount thereof so called for redemption and the redemption premium, if any, on such principal amount, and the District shall execute and the Bond Registrar shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the 2016A Bond so surrendered, a 2016A Bond of the same maturity and bearing interest at the same rate.

**Section 2.8 Cancellation.** 2016A Bonds so redeemed, presented and surrendered shall be cancelled upon the surrender thereof.

**Section 2.9 Use of Defeasance Obligations to Redeem 2016A Bonds.** For purposes of this Article, Defeasance Obligations shall be deemed to be sufficient to pay or redeem 2016A Bonds on a specified date if the principal of and the interest on such Defeasance Obligations,

when due, will be sufficient to pay on such date the redemption price of, and the interest accruing on, such 2016A Bonds to such date.

(end of Article II)

**ARTICLE III.**

**APPLICATION OF THE PROCEEDS  
OF THE 2016A BONDS**

**Section 3.1 Creation of Subfunds.** For purposes of convenience and to enable the District to track the proceeds from the sale of the 2016A Bonds, the Trustee shall establish the following Subfunds within the 2011 Trust Agreement Issuance Fund (the “Issuance Fund”) and 2011 Trust Agreement Construction Fund (the “Construction Fund”) created pursuant to Article IV of the Original Trust Agreement:

- (1) within the Issuance Fund, the Series 2016A Issuance Subfund; and
- (2) within the Construction Fund, the Series 2016A Construction Subfund.

The creation of such Subfunds shall not be deemed to create a preference in favor of the holders of the 2016A Bonds with respect to amounts on deposit therein.

**Section 3.2 Application of the Proceeds of the 2016A Bonds.** Simultaneously with the delivery of the 2016A Bonds, the proceeds of the 2016A Bonds shall be applied by the Trustee as follows:

- (1) to the credit of the Series 2016A Issuance Subfund, the amount of \$\_\_\_\_\_;
- (2) to the credit of the Series 2016A Construction Subfund, the amount of \$\_\_\_\_\_; and
- (3) the balance of the proceeds, \$\_\_\_\_\_, shall be delivered to the Bank of America, N.A., as payment in full of amounts due and owing under the Credit Agreement.

(end of Article III)

## ARTICLE IV.

### TAX COVENANTS

**Section 4.1 Covenant as to Arbitrage.** The District agrees that money on deposit in any fund or account maintained in connection with the 2016A Bonds, whether or not such money was derived from the proceeds of the sale of the 2016A Bonds or from any other sources, and whether or not the 2016A Bonds are Outstanding hereunder, (i) will not be used in a manner that would cause the 2016A Bonds to be, and (ii) will be used in a manner that will cause the 2016A Bonds not to be, “arbitrage bonds” within the meaning of Section 148 of the Code and applicable regulations thereunder. The District shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Trustee agrees that, to the extent that it exercises discretion over the investment of funds, money on deposit in any fund or account maintained in connection with the 2016A Bonds, whether or not such money was derived from the proceeds of the sale of the 2016A Bonds or from any other sources, and whether or not the 2016A Bonds are Outstanding hereunder, will not be used in a manner that the Trustee actually knows would cause the 2016A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable regulations thereunder; and, to that end, to the extent that it exercises discretion over the investment of funds, the Trustee shall not knowingly violate the requirements of Section 148 of the Code and any applicable regulations thereunder. The Trustee shall be protected in relying upon any investment instruction of the District given in compliance with the provisions of this Supplemental Trust Agreement and the Tax Certificate relative to the 2016A Bonds. In the event the District is of the opinion that it is necessary to restrict or limit the yield on the investment of money held by the Trustee pursuant to this Supplemental Trust Agreement, or to use such money in certain manners, in order to avoid the 2016A Bonds being considered “arbitrage bonds” within the meaning of Section 148 of the Code and the regulations thereunder as such may be applicable to the 2016A Bonds at such time, the District may issue to the Trustee a written certificate to such effect and appropriate instructions, in which event the Trustee shall take such action as is necessary to restrict or limit the yield on such investment or to use such money in accordance with such certificate and instructions, irrespective of whether the Trustee shares such opinion. The Trustee shall be required to take such action only if the District or a District Representative shall specify the specific Investment Obligations in which the Trustee is to invest money in order to effect the restriction or limitation provided for in the preceding sentence.

**Section 4.2 Exclusion From Gross Income Covenant.** The District covenants that it will not take any action that will, or fail to take any action which failure will, cause interest on the 2016A Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder.

**Section 4.3 Payment of Rebate.** The District shall cause to be paid, at the times described in the Tax Certificate, the Rebate Requirement (as defined in the Tax Certificate) to the United States Government. The obligation of the District to make such payments shall survive the termination of this Supplemental Trust Agreement.

(end of Article IV)

## ARTICLE V.

### DEFEASANCE

**Section 5.1 Release of this Supplemental Trust Agreement.** When (a) the 2016A Bonds secured hereby shall have become due and payable in accordance with their terms or otherwise as provided in this Supplemental Trust Agreement, the whole amount of the principal and the interest so due and payable upon all 2016A Bonds shall be paid, (b) if the 2016A Bonds shall not have become due and payable in accordance with their terms, the Trustee or the Bond Registrar shall hold, sufficient money or Defeasance Obligations, or a combination of money and Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest on, all 2016A Bonds then Outstanding to the maturity date or dates of such 2016A Bonds and (c) sufficient funds shall also have been provided or provision made for paying all other obligations payable hereunder by the District, then and in that case the right, title and interest of the Trustee in the funds and accounts mentioned in this Supplemental Trust Agreement shall thereupon cease, determine and become void and, on demand of the District and upon being furnished with an opinion, in form and substance satisfactory to the Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of this Supplemental Trust Agreement have been satisfied, the Trustee shall release this Supplemental Trust Agreement and shall execute such documents to evidence such release as may reasonably be required by the District and, subject to the provisions of the Trust Agreement, shall turn over to the District any surplus in, and all balances remaining in, all funds and accounts. Otherwise, this Supplemental Trust Agreement shall be, continue and remain in full force and effect; provided, that, in the event Defeasance Obligations shall be deposited with and held by the Trustee or the Bond Registrar as hereinabove provided, (a) the Trustee shall nevertheless retain such rights, powers and privileges under this Supplemental Trust Agreement as may be necessary and convenient in respect of the 2016A Bonds for the payment of the principal and interest for which such Defeasance Obligations have been deposited, and (b) the Bond Registrar shall retain such rights, powers and privileges under this Supplemental Trust Agreement as may be necessary and convenient for the registration, transfer and exchange of 2016A Bonds.

(1) All money and Defeasance Obligations held by the Trustee (or the Bond Registrar) pursuant to this Section shall be held in trust and applied to the payment, when due, of the obligations payable therewith. If the District shall pay or cause to be paid to the Owners of less than all of the Outstanding 2016A Bonds the principal of and interest on such 2016A Bonds, or such portions thereof, which is and shall thereafter become due and payable upon such 2016A Bonds, or such portions thereof, such 2016A Bonds, or such portions thereof, shall cease to be entitled to any lien, benefit or security under this Supplemental Trust Agreement.

(2) Any Outstanding 2016A 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 Trustee or any other Depository either money in an amount which, or Defeasance Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide money in an amount which, together with the money, if any, deposited with or held by the Trustee or any Depository or Paying Agent and available therefor, shall be sufficient to pay when due the principal of and interest due and to become due on such

2016 Bond (or portion thereof) on or prior to the maturity date thereof, (ii) in the event such 2016 Bond is not to mature within the next succeeding sixty (60) days, the District shall have given the Trustee irrevocable instructions to give notice to the Owner of such 2016 Bond (or portion thereof) stating that money or Defeasance Obligations have been deposited with the Trustee or any other Depository as provided in this Article V and that such 2016 Bond (or portion thereof) is deemed to have been paid in accordance with this Article and stating the maturity date upon which money is to be available for the payment of the principal thereof and interest thereon and (iii) provisions satisfactory to the Trustee shall have been made for the payment of the Trustee's and the Bond Registrar's fees and expenses, and any Paying Agent's or other Depository's fees and all fees and expenses payable by the District in connection with the defeasance of such 2016 Bond.

(3) The money and Defeasance Obligations deposited with the Trustee or any other Depository pursuant to this Section and all payments of principal or interest on any such Defeasance 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 interest on the 2016A Bonds (or portions thereof) deemed to have been paid in accordance with this Section.

(4) If 2016A 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 Trustee or any other Depository of moneys or Defeasance Obligations, no amendment to the provisions of this Section which would adversely affect the Owners of such 2016A Bonds (or portions thereof) shall be made without the consent of each Owner affected thereby.

(5) All money and Defeasance Obligations held pursuant to this Article shall be held in trust and applied to the payment, when due, of the 2016A Bonds (or portions thereof) payable therewith.

(end of Article V)

## ARTICLE VI.

### MISCELLANEOUS

**Section 6.1 Manner of Giving Notice.** All notices, demands and requests to be given to or made hereunder by the District 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 District—

Hampton Roads Sanitation District  
1434 Air Rail Avenue  
Virginia Beach, Virginia 23455  
Attention: General Manager

(b) As to the Trustee—

The Bank of New York Mellon Trust Company, N.A.  
525 William Penn Place, 38th Floor  
Pittsburgh Pennsylvania, 15259  
Attention: Corporate Trust Department

(c) As to the Bond Registrar—

The Bank of New York Mellon Trust Company, N.A.  
525 William Penn Place, 38th Floor  
Pittsburgh Pennsylvania, 15259  
Attention: Corporate Trust Department

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by telegram, telecopy 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.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture or any other document reasonably relating to the Bonds sent by the District by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the District shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee instructions by e-mail or facsimile (or instructions by a similar electronic method) and the Trustee, in its discretion, elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District assumes all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee,

including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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.

All documents received by the Trustee under the provisions of this Supplemental Trust Agreement, or photographic copies thereof, shall be retained in its possession until this Supplemental Trust Agreement shall be released under the provisions of Section 5.1 of this Supplemental Trust Agreement, subject at all reasonable times to the inspection of the District and any Holder and the agents and representatives thereof.

**Section 6.2 Substitute Mailing.** If, because of the temporary or permanent suspension of postal service, the District or the Trustee shall be unable to mail any notice required to be given by the provisions of this Supplemental Trust Agreement, the District or the Trustee shall give notice in such other manner as in the judgment of the District or the Trustee shall most effectively approximate mailing (but, if by unsecured facsimile or electronic transmission, then in compliance with and subject to the provisions of Section 6.1 above) and the giving of notice in such manner shall for all purposes of this Supplemental Trust Agreement be deemed to be in compliance with the requirement for the mailing thereof.

**Section 6.3 Parties, Bond Registrar and Holders Alone Have Rights under Trust Agreement.** Except as herein otherwise expressly provided, nothing in this Supplemental Trust Agreement, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the Trustee, the Bond Registrar, the District and the Holders, any right, remedy or claim, legal or equitable, under or by reason of this Supplemental Trust Agreement or any provision being intended to be and being for the sole and exclusive benefit of the Trustee, the District, the Bond Registrar and the Holders.

**Section 6.4 Effect of Partial Invalidity.** In case any one or more of the provisions of this Supplemental Trust Agreement or the 2016A Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Supplemental Trust Agreement or the 2016A Bonds, but this Supplemental Trust Agreement and the 2016A 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 2016A Bonds or this Supplemental Trust Agreement 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 Commission or the District to the full extent permitted by law.

**Section 6.5 Effect of Covenants.** All covenants, stipulations, obligations and agreements of the District contained in this Supplemental Trust Agreement shall be deemed to be covenants, stipulations, obligations and agreements of the District to the full extent permitted by the Constitution and laws of the State. This Supplemental Trust Agreement is adopted with the intent that the laws of the State shall govern its construction.

**Section 6.6 No Recourse Against Members, Officers or Employees of Commission or District.** No recourse under, or upon, any statement, obligation, covenant, or agreement contained in this Supplemental Trust Agreement, or in any 2016A Bond hereby secured, or in any document or certification whatsoever, or under any judgment obtained against the Commission or the District 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 Commission or the District, either directly or through the Commission or the District, respectively, or otherwise, for the payment for or to, the Commission or the District 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 any such 2016 Bond. 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 Commission or the District 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 2016A Bonds hereby secured, is hereby expressly waived and released as an express condition of, and in consideration for, the execution of this Supplemental Trust Agreement and the issuance of the 2016A Bonds.

**Section 6.7 Dealing in 2016A Bonds.** The Trustee and the Bond Registrar and their directors, officers, employees or agents may in good faith, buy, sell, own, hold and deal in any 2016A Bonds issued under the provisions of this Supplemental Trust Agreement and may join in any action which any Holder may be entitled to take with like effects as if such Trustee were not a Trustee and such bank or trust company were not the Bond Registrar under this Supplemental Trust Agreement.

**Section 6.8 Legal Holidays.** In any case where the date of maturity of principal of and interest on the 2016A Bonds shall be on a day on which banking institutions at the place of payment are authorized by law to remain closed, then payment of such principal and interest need not be made on such date but may be made on the next succeeding day not a day on which banking institutions are authorized by law to remain closed with the same force and effect as if made on the date of maturity, and in the case of such payment, no interest shall accrue for the period from and after such date.

**Section 6.9 Effect of Amendment.** Pursuant to Section 1102 of the Original Trust Agreement, on the date hereof, the District requested that the Trustee enter into supplemental trust agreement, in the form of the Amended and Restated Trust Agreement, pursuant to which the District proposes to modify, alter, add to and amend the Original Trust Agreement. Notice of the nature of such proposed Amended and Restated Trust Agreement was provided to the Holders of the Bonds Outstanding under the Original Trust Agreement as provided in Section 1102 of the Original Trust Agreement and notice of the changes to be effected by the Amended and Restated Trust Agreement has been provided to the proposed Holders of the 2016A Bonds in the Official Statement relating to the 2016A Bonds, dated January \_\_, 2016.

By their purchase thereof, the Holders of the 2016A Bonds expressly consent to the amendments proposed in the Amended and Restated Trust Agreement, provided that the amendments to the Original Trust Agreement set forth in the Amended and Restated Trust

Agreement will not become effective until the date on which Holders of not less than a majority of the aggregate principal amount of Bonds then Outstanding (the “Effective Date”).

**Section 6.10 Multiple Counterparts.** This Supplemental Trust Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

**Section 6.11 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 convenience of reference and shall not constitute a part of this Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

**Section 6.12 Further Authority.** The officers of the Commission or the District, attorneys, engineers and other agents or employees of the Commission or the District are hereby authorized to do all acts and things required of them by this Supplemental Trust Agreement and the Agreement for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the 2016A Bonds and this Supplemental Trust Agreement.

**IN WITNESS WHEREOF**, the Hampton Roads Sanitation District has caused these presents to be signed in its name and on its behalf and attested by its duly authorized officers and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on behalf by its duly authorized officer, all as of the 1<sup>st</sup> day of February, 2016.

HAMPTON ROADS SANITATION DISTRICT

(Seal)

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

Chairman

Hampton Roads Sanitation District Commission

Attest:

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

Secretary

Hampton Roads Sanitation District Commission

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee

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

Authorized Officer

(Seal)

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FOURTH SUPPLEMENTAL TRUST AGREEMENT

by and between

HAMPTON ROADS SANITATION DISTRICT

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Trustee

Dated as of February 1, 2016

Securing

[\$PAR]

Variable Rate Subordinate Wastewater Revenue Bonds  
Series 2016B

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**THIS FOURTH SUPPLEMENTAL TRUST AGREEMENT**, dated for convenience of reference as of February 1, 2016 (“Supplemental Trust Agreement”), by and between

**HAMPTON ROADS SANITATION DISTRICT,**

a political subdivision of the Commonwealth of Virginia, by Hampton Roads Sanitation District Commission, the governing body of said District, and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**

a national banking association duly incorporated and validly existing under the laws of the United States of America and having a corporate trust office in Pittsburgh, Pennsylvania, which is authorized under such laws to exercise trust powers and is subject to examination by federal authority (said banking corporation and any bank or trust company becoming successor Trustee under this Supplemental Trust Agreement being hereinafter sometimes called the “Trustee”), supplements the Trust Agreement, dated as of October 1, 2011 (the “Original Trust Agreement”), as amended and restated as of the date hereof (the “Amended and Restated Trust Agreement”), between the District and The Bank of New York Mellon Trust Company, N.A. (the Amended and Restated Trust Agreement, as amended and supplemented from time to time, the “Trust Agreement”),

**WITNESSETH:**

**WHEREAS**, the Hampton Roads Sanitation District (the “District”) was duly created under and pursuant to Chapter 407 of the Acts of Assembly of Virginia of 1940, and the Hampton Roads Sanitation District Commission (the “Commission”), created by said Chapter 407, is the governing body of the District; and

**WHEREAS**, by virtue of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (said Chapter 66 as so amended being hereinafter sometimes called the “Enabling Act”), the Commission is authorized and empowered:

(a) to construct, improve, extend, enlarge, reconstruct, maintain, equip, repair and operate a wastewater treatment system or systems, either within or without or partly within and partly without the corporate limits of the District,

(b) to issue, at one time or from time to time, revenue bonds, notes or other obligations of the District payable solely from the special funds provided under the authority of the Enabling Act and pledged for their payment, for the purpose of refunding the outstanding bonds, including the payment of any redemption premium thereon, paying the cost of a wastewater treatment system or systems and extensions and additions thereto, and providing funds for any other authorized purpose of the Commission, and

(c) to fix, revise, charge and collect rates, fees and other charges for the use of, and for the services and facilities furnished or to be furnished by, any such wastewater treatment system; and

**WHEREAS**, the Commission has previously executed and delivered a Master Trust Indenture, dated as of December 1, 1993, as amended and restated March 1, 2008 (as supplemented and as further amended and supplemented from time to time, the “Senior Trust Agreement”), between the District and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (in such capacity, the “Senior Trustee”) pursuant to which District April provide for issuance and incurrence of Senior Obligations (as defined in the Trust Agreement); and

**WHEREAS**, Section 705 of the Senior Trust Agreement permits the issuance of Subordinated Indebtedness (as defined in the Senior Trust Agreement) subject to the conditions recited therein; and

**WHEREAS**, on October 20, 2011, the Commission executed and delivered the Original Trust Agreement to provide for the issuance of Parity Obligations payable solely from the Net Revenues Available for Debt Service derived by the District from its Wastewater System and the money attributable to proceeds of the Bonds and the income from the investment thereof and, coincident with the delivery of the Trust Agreement, determined to execute and deliver a First Supplemental Trust Agreement, dated as of October 1, 2011, to authorize and secure under the Trust Agreement revenue bonds of the District in the aggregate principal amount of Twenty-five Million Dollars (\$[PAR]) (the “2011 Bonds”) for the purpose of providing funds, together with other available funds, to (i) provide funds required to finance a portion of the costs of its 2011-2020 Capital Improvement Program and (ii) pay certain expenses incurred in connection with the issuance of the 2016B Bonds by the District; and

**WHEREAS**, the Commission has determined to provide for the issuance under the Trust Agreement at this time of revenue bonds of the District in the aggregate principal amount of \_\_\_\_\_ Dollars (\$[PAR]) (the “2016B Bonds”) for the purpose of providing funds, together with other available funds, to (i) provide funds required to finance a portion of the costs of its 2016-2025 Capital Improvement Program, (ii) refund, in advance of their maturity, the 2016B Bonds and (iii) pay certain expenses incurred in connection with the issuance of the 2016B Bonds by the District; and

**WHEREAS**, the District is entering into this Supplemental Trust Agreement for the purpose of fixing the details of the 2016B Bonds; and

**WHEREAS**, the Trustee has accepted the trusts created by this Supplemental Trust Agreement and in evidence thereof has joined in the execution hereof;

**NOW, THEREFORE, THIS SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:** that in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of 2016B Bonds by the Holders (as defined in the Trust Agreement) thereof, and also for and in consideration of the sum of One Dollar in hand paid by the Trustee at or before the execution and delivery of this Supplemental Trust Agreement, and for other good and valuable consideration, the receipt whereof is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which 2016B Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Holders thereof, and to secure the payment of all 2016B

Bonds at any time issued and Outstanding under this Supplemental Trust Agreement and the interest thereon according to their tenor, purport and effect, and to secure the performance and observance of all the covenants, agreements and conditions, express or implied, therein and herein contained, the Commission has executed and delivered this Supplemental Trust Agreement in the name of and on behalf of the District, and has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Holders, from time to time, of 2016B Bonds, or any part thereof, as follows:

(end of Preamble)

## ARTICLE I.

### DEFINITIONS

**Section 1.1 Meaning of Words and Terms.** Terms defined in the Trust Agreement, except as otherwise defined herein, and in the Preamble of this Supplemental Trust Agreement as used in this Supplemental Trust Agreement have the meanings assigned to them in the Trust Agreement and the Preamble, respectively. In addition, the following terms shall have the following meanings in this Supplemental Trust Agreement:

“**Additional Funding Amount**” has the meaning given such term in Section 3.5(d) hereof.

“**Alternate Credit Facility**” means a Credit Facility issued in accordance with Section 5.1 hereof which replaces a Credit Facility then in effect.

“**Authorized Denominations**” means with respect to any (i) Long-Term Period, \$5,000 and any integral multiple thereof and (ii) Weekly Period, \$100,000 and any integral multiple of \$5,000 in excess of \$100,000.

“**Bond Counsel**” means an attorney-at-law or a firm of attorneys of nationally recognized standing in matters pertaining to the validity of bonds issued by states and their political subdivisions and the exclusion from gross income for federal income tax purposes of interest thereon, duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia and acceptable to District and not unacceptable to the Trustee.

“**Bond Purchase Fund**” means the Series 2016B Bond Purchase Fund established pursuant to Section 3.5(a).

“**Book-Entry Form**” or “**Book-Entry System**” means a form or system, as applicable, under which physical Bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as Bondholder, with the physical 2016B Bond certificates held by and “immobilized” in the custody of the Securities Depository, and the book-entry system maintained by and the responsibility of others than the Issuer or the Trustee is the record that identifies and records the transfer of the interests of the owners of book-entry interests in those Bonds.

“**Business Day**” means, with respect to the 2016B Bonds, any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions located in the Commonwealth of Virginia or the City of New York, the Designated Offices of the Trustee, the Tender Agent or the Paying Agent or the Principal Office of the Credit Facility Provider (or, in the case of a foreign bank, the licensed branch thereof which has issued, or will honor draws upon, any such Credit Facility), if any, are located are authorized or required by law or executive order to close or (ii) a day on which the New York Stock Exchange or the principal office of the Remarketing Agent is closed.

“**Closing**” means the date on which this Supplemental Trust Agreement becomes legally effective, the same being the date on which the 2016B Bonds are delivered against payment therefor.

“**Conversion**” means a conversion of all or a portion of the 2016B Bonds from one Interest Rate Mode to another Interest Rate Mode, including from one Long-Term Interest Rate Period to another Long-Term Interest Rate Period, in accordance with the terms and provisions of this Supplemental Trust Agreement.

“**Conversion Date**” means the date on which any Conversion becomes effective.

“**Credit Facility**” means any liquidity support or credit enhancement provided by any letter of credit delivered pursuant to Section 5.1 or any other means of credit enhancement delivered by the District to the Trustee.

“**Credit Facility Account**” means the account of that name established in the 2016B Bond Purchase Fund pursuant to Section 3.5(a).

“**Credit Facility Bonds**” means 2016B Bonds purchased with money provided under (or otherwise obtained pursuant to the terms of) a Credit Facility, but excluding 2016B Bonds no longer considered to be Credit Facility Bonds in accordance with the terms of the applicable Credit Facility.

“**Credit Facility Provider**” means the issuer of any Credit Facility or any Alternate Credit Facility.

“**Custodian Agreement**” means any custodian agreement entered into in connection with the delivery of a Credit Facility.

“**Date of Issuance**” means March \_\_, 2016.

“**Defeasance Obligations**” means noncallable (i) Government Obligations, (ii) Obligations issued or guaranteed by any of the following: (1) Federal Home Loan Bank System, (2) Export-Import Bank of the United States, (3) Federal Financing Bank, (4) Government National Mortgage Association, (5) Federal Home Loan Mortgage Company, (6) Federal Housing Administration, (7) Private Export Funding Corp, (8) Federal National Mortgage Association, (9) Federal Farm Credit Bank, (10) Resolution Funding Corporation, and (11) Rural Economic Community Development Administration (formerly, Farmers Home Administration), (iii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, and commonly known as “interest strips” of the Resolution Funding Corporation, (iv) Defeased Municipal Obligations, and (v) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and

existing under the laws of the United States of America or any state thereof in the capacity as custodian.

**“Defeased Municipal Obligations”** means obligations of state or local government municipal bond issuers which are rated the highest rating by at least two of the three Rating Agencies, meeting the following conditions:

(i) (A) such obligations are not to be redeemed prior to maturity or the Trustee has been given irrevocable instructions concerning their call for redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations that may be applied only to interest, principal, and premium payments on such obligations;

(iii) the principal of and interest on such Government Obligations (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations serving as security for the obligations are held by an escrow agent or trustee; and

(v) such Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

**“Designated Office”** of the Trustee and the Tender Agent means the designated offices of the Trustee and the Tender Agent, respectively, which offices at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by this Supplemental Trust Agreement is located at The Bank of New York Mellon Trust Company, N.A., 525 William Penn Place, 38th Floor, Pittsburgh, Pennsylvania, 15259, and at the date of acceptance by the Tender Agent of the duties and obligations imposed on the Tender Agent by this Supplemental Trust Agreement is The Bank of New York Mellon Trust Company, N.A., 525 William Penn Place, 38th Floor, Pittsburgh, Pennsylvania, 15259.

**“District Purchase Account”** means the account of that name established in the Bond Purchase Fund pursuant to Section 3.5(a).

**“DTC”** means The Depository Trust Company, New York, New York, its successors and their assigns or if The Depository Trust Company or its successor or assign resigns from its functions as depository for the 2016B Bonds, any other Securities Depository which agrees to follow the procedures required to be followed by a Securities Depository in connection with the 2016B Bonds and which is selected by the District.

**“Electronic Notice”** means, subject to the provisions of Section 918 of the Trust Agreement, notice transmitted by facsimile transmission or any other electronic method acceptable to both the sending and receiving party and receipt of which by the receiving party is subject to confirmation by the sending party.

**“Eligible Bonds”** means any 2016B Bonds other than Credit Facility Bonds or 2016B Bonds owned by, for the account of, or on behalf of the District. The Trustee may assume that a 2016B Bond which is not registered in the name of the District is not owned by, for the account of, or on behalf of the District in the absence of written notice from the District to the contrary.

**“Favorable Opinion of Bond Counsel”** means an opinion of Bond Counsel addressed to the District and the Trustee and stating, unless otherwise specified herein, that the action proposed to be taken is authorized or permitted by the laws of the Commonwealth of Virginia, the Trust Agreement and this Supplemental Trust Agreement and such action will not adversely affect the exclusion from gross income of interest on the 2016B Bonds for federal income tax purposes.

**“Fixed Rate Conversion Date”** the date the 2016B Bonds begin to bear interest for a Long-Term Interest Period which extends to the Maturity Date of such Series 2016B Bonds.

**“Funding Amount”** has the meaning given such term in Section 3.5(c) hereof.

**“Immediate Termination Date”** means the date on which a Credit Facility Provider’s obligation to advance funds or purchase 2016B Bonds under a Credit Facility terminates immediately in accordance with its terms.

**“Interest Accrual Date”** means (i) with respect to any Weekly Period, the first day thereof and, thereafter, each Interest Payment Date (whether or not a Business Day) in respect thereof, (ii) with respect to any Long-Term Period, the first day thereof and, thereafter, each Interest Payment Date (whether or not a Business Day) in respect thereof, other than the last such Interest Payment Date.

**“Interest Payment Date”** means (a)(i) if the Interest Rate Mode is the Weekly Period, the first Business Day of each month and (ii) if the Interest Rate Mode is the Long-Term Period, each May 1 and November 1, provided, however, that if any such May 1 or November 1 which is a Conversion Date for Conversion to the Weekly Rate, is not a Business Day, then the first Business Day immediately succeeding such May 1 or November 1, as applicable, and (b) the Conversion Date or the effective date of a change to a new Long-Term Rate Period for such Bond. In any case, the final Interest Payment Date shall be the maturity date.

**“Interest Rate Mode”** means the Long-Term Period and the Weekly Period.

**“Interest Rate Period”** means a Weekly Interest Rate Period or a Long-Term Interest Rate Period.

**“Long-Term Bonds”** means, on any date, all 2016B Bonds that on such date bear interest at Long-Term Interest Rates as provided in Section 2.1(e).

**“Long-Term Conversion Date”** means the date on which the 2016B Bonds begin to bear interest at a Long-Term Interest Rate pursuant to the provisions of Section 2.1(e) and such term shall include the Fixed Rate Conversion Date.

**“Long-Term Interest Rate”** means the non-variable interest rate per annum on Long-Term Bonds determined from time to time as provided in Section 2.1(e).

**“Long-Term Interest Rate Period”** means each period during the Long-Term Period for which a particular Long-Term Interest Rate is in effect.

**“Long-Term Period”** means the entire period during which 2016B Bonds constitute Long-Term Bonds, which Long-Term Period shall be comprised of one or more Long-Term Interest Rate Periods, during which Long-Term Interest Rates are in effect.

**“Maximum Interest Rate”** means, for all 2016B Bonds, the lesser of (i) 12% per annum and (ii) the maximum rate permitted by law.

**“MSRB”** means the Municipal Securities Rulemaking Board, its successors and assigns. Notices to be delivered hereunder to the MSRB shall be delivered via the MSRB’s Electronic Municipal Market Access system.

**“Noticed Termination Date”** means the date on which a Credit Facility Provider’s obligation to advance funds or purchase 2016B Bonds under a Credit Facility terminates as stated in the Credit Facility Provider’s notice of termination delivered pursuant to the Credit Facility due to a default under specified sections of the Credit Facility, which date of termination shall be thirty (30) days (or such longer period as is specified in the Credit Facility) after the date of receipt by the Trustee of such notice; provided, however, that Noticed Termination Date shall not include an Immediate Termination Date or date of suspension of a Credit Facility.

**“Principal Payment Date”** means August 1, 2046.

**“Purchase Date”** has the meaning given such term in Section 3.5(c) hereof.

**“Purchase Price”** has the meaning given such term in Section 3.5(c) hereof.

**“Purchased Bonds”** has the meaning given such term in Section 3.5(c) hereof.

**“Regular Record Date”** means (i) with respect to any 2016B Bonds bearing interest at a Weekly Interest Rate, the Business Day immediately preceding the related Interest Payment Date, (ii) with respect to any 2016B Bonds, the Purchase Date, (iii) with respect to any 2016B Bonds bearing interest at a Long-Term Interest Rate, the fifteenth day of the month immediately preceding the month in which such Interest Payment Date falls.

**“Remarketing Agent”** means J.P. Morgan Securities, LLC, and its successor or successors as provided in Section 4.4. “Principal Office” of the Remarketing Agent

means the office or offices designated in writing to the Trustee, the Tender Agent, the Paying Agent, the Credit Facility Provider, if any, and the District.

**“Remarketing Agreement”** means the Remarketing Agreement, dated as of February 1, 2016, between the District and the Remarketing Agent, as the same may be amended from time to time, and any remarketing agreement between the District and a successor Remarketing Agent.

**“Remarketing Proceeds Account”** means the account of that name established in the Purchase Fund pursuant to Section 3.5(a).

**“SIFMA Swap Index”** means The Securities Industry and Financial Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or otherwise designated by The Securities Industry and Financial Market Association; provided, however, that, if such index is no longer provided by Municipal Market Data, Inc. or its successor, the “SIFMA Swap Index” shall mean such other reasonably comparable index selected by the Remarketing Agent.

**“Tax Certificate”** means the certificate, including the exhibits thereto, of that name delivered by the District in connection with the issuance of the 2016B Bonds.

**“Tender Agent”** means The Bank of New York Mellon, N.A. “Designated Office” and “Delivery Office” of the Tender Agent means the office or offices thereof designated in writing to the Trustee, the District, the Credit Facility Provider, if any, and the Remarketing Agent, which initially is the Designated Office of the Trustee.

**“Undelivered Bonds”** has the meaning given such term in Section 3.6 hereof.

**“Weekly Bonds”** means, on any date, 2016B Bonds that bear interest at Weekly Interest Rates as provided in Section 2.04.

**“Weekly Interest Rate”** means the interest rate per annum on Weekly Bonds determined on a weekly basis as provided in Section 2.04.

**“Weekly Interest Rate Period”** means each weekly period during the Weekly Period for which a particular Weekly Interest Rate is in effect.

**“Weekly Period”** means the entire period during which 2016B Bonds constitute Weekly Bonds, which Weekly Period shall generally be comprised of multiple Weekly Interest Rate Periods, during which Weekly Interest Rates are in effect.

**Section 1.2 Rules of Construction.** This Supplemental Trust Agreement shall have the same rules of construction as are provided for the Trust Agreement in its Section 102. Any provision of this Supplemental Trust Agreement referring to actions to be taken by the District shall be deemed to refer to the Commission to the extent that the Enabling Act authorizes the Commission to take such action instead of the District.

(end of Article I)

## ARTICLE II.

### DETAILS OF THE 2016B BONDS

#### Section 2.1 Details of 2016B Bonds.

(a) *General.* The 2016B Bonds shall be issued in accordance with and secured by the Trust Agreement, including in particular the provisions of Section 208 thereof, as supplemented by this Supplemental Trust Agreement, as Current Interest Bonds and as Variable Rate Indebtedness in the aggregate principal amount of \$[PAR] for the purposes set forth in Section 208 of the Trust Agreement and the Preamble of this Supplemental Trust Agreement, shall be dated their Date of Issuance, issued in fully registered form in Authorized Denominations, shall be numbered R-16B-1 and upwards, and shall be stated to mature on August 1, 2046.

(b) *Interest; Interest Rates.*

(1) Each 2016B Bond shall bear interest from the last Interest Payment Date to which interest has accrued and has been paid or duly provided for, or if no interest has been paid or duly provided for, from the Date of Issuance until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions of this Supplemental Trust Agreement, whether upon maturity, redemption or otherwise.

(2) Interest on the Subordinate 2016B Bonds shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. If any Interest Payment Date is not a Business Day, interest shall be payable on the next succeeding Business Day with no additional amount of interest. The interest rate or rates borne by the Bonds shall not exceed the lesser of the Maximum Interest Rate and the maximum interest rate permitted by the Credit Facility, if any. Interest on 2016B Bonds while they accrue interest at the Weekly Rate shall be computed upon the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Interest on 2016B Bonds while they accrue interest at the Long-Term Rate shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

(3) The initial interest rate for the 2016B Bonds and the determination for the 2016B Bonds of the Weekly Interest Rate and the Long-Term Interest Rate by the Remarketing Agent for the 2016B Bonds shall be conclusive and binding upon the District, the Trustee, the Remarketing Agent and the holders of such 2016B Bonds.

(c) *Initial Interest Rate; Subsequent Interest Rates.*

(1) The initial Interest Rate Mode for the 2016B Bonds shall be the Weekly Period, and the initial Weekly Interest Rate Period shall commence on and include the Date of Issuance and shall end on \_\_\_\_\_, 2016. The 2016B Bonds shall initially bear interest from their Date of Issuance for such initial Weekly Interest Rate Period at the Weekly Rate of 0.\_\_\_\_%.

(2) In the manner hereinafter provided, the term of 2016B Bonds in each Interest Rate Mode will generally be divided into consecutive Interest Rate Periods during each of which such 2016B Bonds shall bear interest at the Weekly Interest Rate or Long-Term Interest Rates, as may be applicable for the specific Interest Rate Mode.

(d) *Weekly Period.*

(1) Determination of Weekly Interest Rates. During a Weekly Period, the Weekly Bonds shall bear interest at the Weekly Interest Rate for each Weekly Interest Rate Period, which shall be determined by the Remarketing Agent by no later than 5:00 p.m. New York City time on Wednesday of each week during such Weekly Period, or if such day shall not be a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for a Weekly Period shall be determined on or prior to the first day of such Weekly Period and shall apply to the period commencing on the first day of such Weekly Period and ending on the next succeeding Wednesday (whether or not a Business Day). Thereafter, each Weekly Interest Rate shall apply to the period commencing on Thursday (whether or not a Business Day) and ending on the next succeeding Wednesday (whether or not a Business Day), unless such Weekly Period shall end on a day other than Wednesday, in which event the last Weekly Interest Rate for such Weekly Period shall apply to the period commencing on Thursday (whether or not a Business Day) preceding the last day of such Weekly Period and ending on the last day of such Weekly Period. The Weekly Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the 2016B Bonds, would enable the Remarketing Agent to sell such 2016B Bonds on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. Subject to the provisions of Section 2.1(f)(4), in the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to 110% of the SIFMA Swap Index on the day such Weekly Interest Rate would otherwise be determined as provided herein for such Weekly Interest Rate Period.

(2) Conversion to Weekly Interest Rate. Subject to Section 2.1(f), at any time, the District, by written direction to the Trustee, the Credit Facility Provider (if any) and the Remarketing Agent (if any), may elect that the 2016B Bonds shall be converted to bear interest at a Weekly Interest Rate. Such direction of the District shall specify (i) the proposed effective date of such Conversion to a Weekly Period, which date shall be (1) a Business Day not earlier than the thirtieth (30th) day following the second Business Day after receipt by the Trustee of such direction and (2) in the case of a Conversion from a Long-Term Period, the day immediately following the last day of the then-current Term Interest Rate Period otherwise would be subject to optional redemption pursuant to Section 2.2(b) if such Conversion did not occur; and (ii) the date of delivery for such 2016B Bonds to be purchased on the effective date of such Conversion to a Weekly

Period. In addition, such direction shall be accompanied by a letter of Bond Counsel that it expects to be able to render a Favorable Opinion of Bond Counsel on the Conversion Date to the Weekly Period and by a form of the notice to be mailed by the Trustee to the Holders of the 2016B Bonds as provided in Section 2.1(d)(3). During each Weekly Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of any Conversion to another Interest Rate Mode, the interest rate borne by the Bonds shall be a Weekly Interest Rate.

(3) Notice of Conversion to Weekly Interest Rate. The Trustee shall give notice by first-class mail of a Conversion to a Weekly Period to the Holders of the 2016B Bonds not less than thirty (30) days prior to the proposed effective date of such Weekly Period, with a copy to the Remarketing Agent, if any, and the MSRB. Such notice shall state (i) that the interest rate on such 2016B Bonds will be converted to a Weekly Interest Rate unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee, the District, and the Remarketing Agent as to such Conversion on the effective date of such Conversion, (ii) the proposed effective date of such Weekly Period, and (iii) that the 2016B Bonds are subject to mandatory tender for purchase on such proposed Conversion Date regardless of whether any or all conditions precedent to the Conversion are met, and setting forth the applicable Purchase Price and the place of delivery for purchase of such 2016B Bonds.

(e) *Long-Term Period.*

(1) Determination of Long-Term Interest Rates. During the Long-Term Period, the Term Bonds shall bear interest at the Long-Term Interest Rate for each Long-Term Interest Rate Period. The Long-Term Interest Rate shall be determined by the Remarketing Agent on a Business Day no later than the Long-Term Conversion Date. Subject to the provisions of Section 2.1(e)(4), the Long-Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the 2016B Bonds, would enable the Remarketing Agent to sell the 2016B Bonds on such date at a price equal to the principal amount thereof. If, for any reason, the Long-Term Interest Rate is not so determined for the Long-Term Interest Rate Period by the Remarketing Agent on or prior to the first day of such Long-Term Interest Rate Period, then the 2016B Bonds shall bear interest at the Weekly Interest Rate as provided in Section 2.1(d), and shall continue to bear interest at a Weekly Interest Rate determined in accordance with Section 2.1(d) until the interest rate on such 2016B Bonds shall have been converted to a Long-Term Interest Rate as provided herein.

(2) Conversion to or Continuation of Long-Term Interest Rate. (a) Subject to Section 2.1(f), at any time, the District, by written direction to the Trustee, the Credit Facility Provider (if any) and the Remarketing Agent (if any) may elect that the 2016B Bonds shall be converted to bear interest at a Long-Term Interest Rate. Such direction of the District (i) shall specify the proposed effective date of such Conversion to a Long-Term Period, which date shall be (a) a Business Day not earlier than the thirtieth (30th) day following the second Business Day after receipt by the Trustee of such direction or (b) in the case of a Conversion from one Long-Term Interest Rate Period to another Long-Term Interest Rate Period, the day immediately following the last day of the then-

current Long-Term Interest Rate Period or a day on which such 2016B Bonds otherwise would be subject to optional redemption pursuant to Section 2.2(b) if such Conversion did not occur, and (ii) with respect to any such Long-Term Period, may specify redemption prices and redemption periods different than those set forth in this Supplemental Trust Agreement, if approved by Bond Counsel as provided in Section 2.1(e)(2)(b).

The last day of the Long-Term Period shall be determined by the District, such determination to be set forth in written notice delivered to the Remarketing Agent and the Trustee, on a Business Day not later than the Long-Term Conversion Date (which last day shall be either the day immediately prior to the Maturity Date, or a day which both immediately precedes a Business Day and is at least one hundred eighty-one (181) days after the effective date thereof).

(b) The direction of the District described in Section 2.1(e)(2)(a) shall be accompanied by a letter of Bond Counsel that it expects to be able to render a Favorable Opinion of Bond Counsel on the Long-Term Conversion Date and by a form of the notice to be mailed by the Trustee to the holders of the 2016B Bonds as provided in Section 2.1(e)(3). During the Long-Term Interest Rate Period commencing and ending on the dates so determined and during each successive Long-Term Interest Rate Period, if any, so determined, the interest rate borne by such 2016B Bonds shall be a Long-Term Interest Rate.

(c) If, by the second Business Day prior to the twenty-ninth (29th) day prior to the last day of any Long-Term Interest Rate Period which ends on a day other than the day immediately preceding the Maturity Date of the 2016B Bonds, the Trustee shall not have received notice of District's election that, during the next succeeding Interest Rate Period, the 2016B Bonds shall bear interest at a Weekly Interest Rate or a Long-Term Interest Rate, the next succeeding Interest Rate Period for the 2016B Bonds shall be a Weekly Interest Rate Period until such time as the interest rate on such 2016B Bonds shall be converted to a Long-Term Interest Rate as provided in this Article II.

(3) Notice of Conversion to or Continuation of Long-Term Interest Rate. The Trustee shall give notice of a Conversion to a (or the establishment of another) Long-Term Interest Rate Period to the holders of the 2016B Bonds not less than thirty (30) days prior to the proposed effective date of such Long-Term Interest Rate Period. Such notice shall state (i) that the interest rate on the 2016B Bonds shall be converted to, or continue to be, a Long-Term Interest Rate unless Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel to the Trustee, the District and the Remarketing Agent as to such Conversion on the effective date of such Conversion, (ii) the proposed effective date of such Long-Term Interest Rate Period, and (iii) that the 2016B Bonds are subject to mandatory tender for purchase on such proposed Conversion Date regardless of whether any or all conditions precedent to the Conversion are met, and setting forth the applicable Purchase Price and the place of delivery for purchase of the 2016B Bonds.

(4) Premium or Discount. Notwithstanding the provisions of Section 2.1(e)(1), the Long-Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the interest rate which, if borne by the 2016B Bonds, would enable the Remarketing Agent based on its reasonable expectations to sell the 2016B Bonds at a price that will result in the lowest net interest cost for the 2016B Bonds, after taking into account any premium or discount at which 2016B Bonds are sold by the Remarketing Agent, provided that:

(a) The Remarketing Agent certifies to the Trustee and the District that the sale of the 2016B Bonds at the interest rate and premium or discount specified by the Remarketing Agent is reasonably expected to result in the lowest net interest cost for the 2016B Bonds on the Long-Term Conversion Date;

(b) The District consents in writing to the sale of the 2016B Bonds by the Remarketing Agent at such premium or discount;

(c) In the case of 2016B Bonds to be sold at a discount, either (a) a Credit Facility is in effect with respect to the 2016B Bonds and provides for the purchase of the 2016B Bonds at such discount or (b) the District agrees to transfer to the Trustee on the Long-Term Conversion Date, in immediately available funds, for deposit in the Purchase Account, an amount equal to such discount;

(d) On or before the date of the determination of the Long-Term Interest Rate, the District delivers to the Trustee and the Remarketing Agent a letter of Bond Counsel to the effect that Bond Counsel expects to be able to render a Favorable Opinion of Bond Counsel on the Long-Term Conversion Date; and

(e) On or before the Long-Term Conversion Date, a Favorable Opinion of Bond Counsel shall have been received by the Trustee and confirmed to District and the Remarketing Agent.

(f) Notice of Conversion. (1) In the event that the District shall elect to convert the interest rate on the 2016B Bonds to a Weekly Interest Rate or a Long-Term Interest Rate, as provided in Section 2.1(d)(2) or 2.1(e)(2), respectively, then the written direction furnished by the District as required by such Sections shall be made by registered or certified mail, or by Electronic Notice.

(2) Notwithstanding anything in this Article II, in connection with any proposed Conversion of the 2016B Bonds from one Interest Rate Mode to another Interest Rate Mode, the District shall have the right to deliver to the Trustee, the Remarketing Agent (if any) and the Credit Facility Provider (if any) on or prior to 10:00 a.m. New York City time on the second Business Day preceding the effective date of any such Conversion, a notice to the effect that the District elects to rescind its election to implement any such Conversion. If the District rescinds its election to implement any such Conversion, then the Interest Rate Mode shall not be converted and the 2016B Bonds shall continue to bear interest at the Weekly Interest Rate or Long-Term Interest

Rate, as the case may be, as in effect immediately prior to such proposed Conversion (provided, that the period of any such continuing Long-Term Interest Rate Period shall be one year). If notice of any such Conversion has been mailed to the Holders as provided in Section 2.1(d)(3) or Section 2.1(e)(3) and subsequent thereto the District rescinds its election to implement such Conversion, then the 2016B Bonds to have been converted shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in Section 3.2.

(3) No Conversion from one Interest Rate Mode to another shall take effect under this Supplemental Trust Agreement unless each of the following conditions, to the extent applicable, shall have been satisfied.

(a) The Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such Conversion.

(b) In the case of any Conversion with respect to which there shall be no Credit Facility in effect to provide funds for the purchase of such 2016B Bonds on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of such 2016B Bonds at the Purchase Price (unless the District, in its sole discretion, elects to transfer to the Trustee the amount of such deficiency on or before the Conversion Date).

(4) If any condition to the Conversion shall not have been satisfied, then the Interest Rate Period on the 2016B Bonds shall not be converted and the 2016B Bonds shall continue to bear interest at the Weekly Interest Rate or Long-Term Interest Rate, as the case may be, as in effect immediately prior to such proposed Conversion (provided, that the period of any such continuing Long-Term Interest Rate Period shall be one year), and the 2016B Bonds shall continue to be subject to mandatory tender for purchase on the date that would have been the effective date of the Conversion as provided in Section 3.2.

(5) Notwithstanding anything in this Article II to the contrary, in connection with the Conversion from a Long-Term Period that would require the mandatory tender for purchase of 2016B Bonds at a purchase price greater than the principal amount thereof as provided in Section 3.2, the District, as a condition to implementing a Conversion in the Interest Rate Mode, shall deliver to the Trustee prior to the date of the Conversion, immediately available funds for the purpose of paying such premium, unless the Credit Facility, if any, then in effect with respect to such 2016B Bonds provides for the payment of such premium.

**Section 2.2 Optional Redemption.**

(a) Weekly Bonds are subject to redemption prior to their stated maturity, at the option of the District upon written notice delivered to the Trustee (unless waived by the Trustee) at least twenty-five (25) days prior to the date fixed for redemption, in whole or in part (in such amounts as may be specified by the District), on any date at a redemption price equal to the principal amount of such 2016B Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

(b) The 2016B Bonds, while any Long-Term Interest Rate is in effect with respect thereto, are subject to redemption prior to their stated maturity, at the option of the District upon written notice delivered to the Trustee (unless waived by the Trustee) at least thirty-five (35) days prior to the date fixed for redemption, in whole or in part, in such amounts as may be specified by the District, on the first day of any Long-Term Interest Rate Period at a redemption price equal to the amount of such 2016B Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium, and thereafter, during the periods specified below (or if approved by Bond Counsel, during the periods and at the Redemption Prices specified in a notice of the District to the Trustee prior to the commencement of such Long-Term Interest Rate Period) in whole or in part on any date, at the redemption prices (expressed as a percentage of principal amount) hereinafter indicated or specified in the notice of the District to the Trustee, plus accrued interest, to the date fixed for redemption:

<u>Length of Long-Term Interest Rate Period (expressed in years)</u>	<u>Redemption Price</u>
Greater than or equal to 15 years	Tenth anniversary of the commencement of Long-Term Interest Rate Period
Less than 15, and greater than or equal to 10 years	Seventh anniversary of the commencement of Long-Term Interest Rate Period
Less than 10, and greater than or equal to 5 years	Third anniversary of the commencement of Long-Term Interest Rate Period
Less than 5 years	Bonds not subject to optional redemption

**Section 2.3 Mandatory Redemption.** The 2016B Bonds are term bonds subject to mandatory sinking fund redemption on February 1 in the following years in the following principal amounts (“Sinking Fund Requirements”) at a redemption price equal to par, together with interest accrued to the date of redemption:

Series 2016B Term Bonds due February 1, 20\_\_

<u>Year</u>	<u>Sinking Fund Requirement</u>
	\$

†

† Unamortized balance at maturity.

Series 2016B Term Bonds due February 1, 20\_\_

<u>Year</u>	<u>Sinking Fund Requirement</u>
	\$0

†

† Unamortized balance at maturity.

Except as otherwise provided in Section 2.4 below, in the event of a partial optional redemption or purchase of any such term 2016B Bonds, the Trustee shall credit the principal amount of such term 2016B Bonds so purchased or redeemed against the Sinking Fund Requirements for the remaining term 2016B Bonds outstanding of the same maturity in such amounts and in such years as the District in its sole discretion shall direct.

**Section 2.4 Selection of 2016B Bonds to be Redeemed.** The 2016B Bonds shall be redeemed only in Authorized Denominations. In selecting 2016B Bonds for redemption, the Trustee shall treat each 2016B Bond as representing the number of 2016B Bonds that is obtained by dividing the principal amount of such 2016B Bond by the minimum denomination authorized by this Supplemental Trust Agreement. If less than all of the 2016B Bonds of a particular maturity shall be called for redemption, the particular 2016B Bonds or portions of 2016B Bonds to be redeemed shall be selected by the Trustee by such method as the Trustee in its sole discretion shall determine; provided, however that 2016B Bond shall be redeemed in the following order of priority:

FIRST: Any 2016B Bonds which are Credit Facility Bonds; and

SECOND: Any other 2016B Bonds.

**Section 2.5 Redemption Notice.** At least thirty (30), but not more than ninety (90), days (except in the case of the redemption of 2016B Bonds bearing interest at a Weekly Interest Rate, in which case not less than twenty (20) days and not more than forty-five (45) days) before the redemption date of any 2016B Bonds, whether such redemption be in whole or in part, optional or mandatory, the Trustee shall cause a notice of such redemption, in the name of the District, to be mailed, certified mail, return receipt requested to all holders owning 2016B Bonds to be redeemed in whole or in part, to the Remarketing Agent, if any, and to the MSRB, but any defect in such notice or the failure so to mail any such notice to any holder owning any 2016B Bonds shall not affect the validity of the proceedings for the redemption of any other 2016B Bonds. Each such notice shall set forth the 2016B Bonds or portions thereof to be redeemed, the date fixed for redemption, the redemption price to be paid, and if less than all the 2016B Bonds shall be called for redemption, the maturities of the 2016B Bonds to be redeemed and, if less

than all of the 2016B Bonds of any one maturity then outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such 2016B Bonds to be redeemed and, in the case of 2016B Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any 2016B Bond is to be redeemed in part only, the notice of redemption shall state also that on or after the redemption date, upon surrender of such 2016B Bond, a new 2016B Bond in principal amount equal to the unredeemed portion of such 2016B Bond and of the same maturity will be issued. In addition, any notice of optional redemption given pursuant to this section may be rescinded by written notice given to the Trustee by the District no later than five (5) Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given pursuant to this section.

**Section 2.6 Effect of Calling for Redemption.** On the date fixed for redemption, notice having been mailed in the manner and under the conditions hereinabove provided, the 2016B Bonds or portions thereof called for redemption shall become due and payable at the redemption price provided therefor, plus accrued interest to such date; provided, however, that the District may direct that the notice of an optional redemption, but not any mandatory redemption, may state that the call for redemption is expressly conditioned on there being on deposit with the Trustee on the redemption date sufficient money to effect the redemption at the applicable redemption price plus accrued interest, if any, and if such money shall not be so on deposit, the call for redemption shall be deemed cancelled, void and of no effect and all 2016B Bonds called for such redemption shall remain outstanding and if presented for payment, such 2016B Bonds shall be returned forthwith to their registered owners. If money or Government Obligations, or a combination of both, sufficient to pay the redemption price of the 2016B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Bond Registrar in trust for the Holders of 2016B Bonds to be redeemed, interest on the 2016B Bonds called for redemption shall cease to accrue after the date fixed for redemption; such 2016B Bonds shall cease to be entitled to any benefits or security under this Supplemental Trust Agreement or to be deemed outstanding; and the Holders of such 2016B Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption. 2016B Bonds and portions of 2016B Bonds for which irrevocable instructions to pay or to call for redemption on one or more specified dates have been given to the Trustee and the Bond Registrar in form satisfactory to them shall not thereafter be deemed to be outstanding under this Supplemental Trust Agreement and shall cease to be entitled to the security of or any rights under the Trust Agreement as supplemented by this Supplemental Trust Agreement, other than rights to receive payment of the redemption price thereof and accrued interest thereon, to be given notice of redemption in the manner provided in Section 2.4, and, to the extent hereinafter provided, to receive 2016B Bonds for any unredeemed portions of 2016B Bonds if money or Defeasance Obligations, or a combination of both, sufficient to pay the redemption price of such 2016B Bonds or portions thereof, together with accrued interest thereon to the date upon which such 2016B Bonds are to be paid or redeemed, are held in separate accounts by the Trustee or the Bond Registrar in trust for the holders of such 2016B Bonds.

**Section 2.7 Redemption of Portion of 2016B Bonds.** If a portion of an outstanding 2016B Bond shall be selected for redemption, the Holder thereof or his attorney or legal representative shall present and surrender such 2016B Bond to the Bond Registrar for payment

of the principal amount thereof so called for redemption and the redemption premium, if any, on such principal amount, and the District shall execute and the Bond Registrar shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the 2016B Bond so surrendered, a 2016B Bond of the same maturity and bearing interest at the same rate.

**Section 2.8 Cancellation.** 2016B Bonds so redeemed, presented and surrendered shall be cancelled upon the surrender thereof.

**Section 2.9 Use of Defeasance Obligations to Redeem 2016B Bonds.** For purposes of this Article, Defeasance Obligations shall be deemed to be sufficient to pay or redeem 2016B Bonds on a specified date if the principal of and the interest on such Defeasance Obligations, when due, will be sufficient to pay on such date the redemption price of, and the interest accruing on, such 2016B Bonds to such date.

(end of Article II)

## ARTICLE III.

### TENDER OF 2016B Bonds

**Section 3.1 Optional Tender During Weekly Period.** During any Weekly Period, any 2016B Bond shall be purchased (in whole or in part in Authorized Denominations) from its Holder at the option of the Holder on any Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall an Interest Accrual Date in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Trustee at its Designated Office and to the Remarketing Agent of an irrevocable written notice which states the name and Series designation of the 2016B Bond, the principal amount and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Trustee. Any notice delivered to the Trustee and to the Remarketing Agent after 4:00 p.m. New York City time shall be deemed to have been received on the next succeeding Business Day. For payment of such Purchase Price on the date specified in such notice, such 2016B Bond must be delivered, at or prior to 10:00 a.m., New York City time, on the date specified in such notice, to the Trustee at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

**Section 3.2 Mandatory Tender for Purchase on First Day of Each Interest Rate Mode.** The 2016B Bonds shall be subject to mandatory tender for purchase upon the first day of each Interest Rate Mode with respect to such 2016B Bonds, or on the day which would have been the first day of an Interest Rate Mode for such Eligible Bonds had one of the events specified in Section 2.1(f)(2) not occurred which resulted in the Interest Rate Mode not being converted, at the Purchase Price, payable in immediately available funds. The Purchase Price of any 2016B Bond so purchased shall be payable only upon surrender of such 2016B Bond to the Trustee at its Designated Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m., New York City time on the date specified for such delivery in this paragraph or in the notice provided pursuant to Section 2.1(f)(2).

**Section 3.3 Mandatory Tender Upon the Delivery, Termination or Expiration of Credit Facility (If Credit Facility Provided).** Upon the delivery of a Credit Facility, or if a Credit Facility has been delivered to the Trustee in accordance with the provisions of Section 5.1, the 2016B Bonds shall be subject to mandatory tender for purchase on or prior to the Noticed Termination Date or the Expiration Date for such Credit Facility (on the dates determined pursuant to Section 5.2), at the Purchase Price, payable in immediately available funds. The Purchase Price of any 2016B Bond so purchased shall be payable only upon surrender of such 2016B Bond to the Trustee at its Designated Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the

Holder thereof or by the Holder's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m. New York City time on the date specified for such delivery in a notice provided to the Holders by the Trustee pursuant to Section 5.2. If the District determines, in its sole discretion, to deliver a Credit Facility to the Trustee to support the Purchase Price of 2016B Bonds tendered for purchase, it shall give not less than forty-five (45) days notice of such delivery to the Remarketing Agent and the Trustee. The Trustee shall give the Holders notice of such delivery not less than twenty (20) days prior to the date of delivery of the Credit Facility specifying the date of delivery and notifying the Holders that the 2016B Bonds shall be subject to mandatory tender for purchase at the Purchase Price, payable in immediately available funds, on such date.

**Section 3.4 Mandatory Tender at the Option of the District.** Prior to the delivery by the District to the Trustee of a Credit Facility, or at any time thereafter when the 2016B Bonds do not have the benefit of a Credit Facility, the 2016B Bonds shall be subject to mandatory tender at the option of the District on any date on which the 2016B Bonds are subject to optional redemption pursuant to Section 2.2(a) hereof at the Purchase Price, payable in immediately available funds from money credited to the District Purchase Account. The Purchase Price of any 2016B Bond so purchased shall be payable only upon surrender of such 2016B Bond to the Trustee at its Designated Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Holder thereof or by the Holder's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m. New York City time on the date specified for such delivery in a notice provided to the Holders by the Trustee pursuant to Section 5.2.

**Section 3.5 General Provisions Relating to Tenders.** (a) Creation of Bond Purchase Fund. There shall be created and established hereunder with the Trustee a fund to be designated the "Series 2016B Bond Purchase Fund" to be held in trust only for the benefit of the Holders of tendered 2016B Bonds who shall thereafter be restricted exclusively to the money held in such fund for the satisfaction of any claim for the Purchase Price of such tendered 2016B Bonds. The District shall have no right, title or interest in any of the funds held on deposit in the Remarketing Proceeds Account or the Credit Facility Account (each as hereinafter created) nor any remarketing proceeds held for any period of time by the Remarketing Agent, and the Trustee shall have no lien or claim thereon for payment of any of its costs or expenses.

There shall be created and designated the following accounts within the Bond Purchase Fund: the "Remarketing Proceeds Account," the "Credit Facility Account" and the "District Purchase Account". Money paid to the Trustee for the purchase of tendered or deemed tendered 2016B Bonds received from (i) the Remarketing Agent shall be deposited in the Remarketing Proceeds Account in accordance with the provisions of Section 3.5(d), (ii) payments pursuant to a Credit Facility, if any, shall be deposited in the Credit Facility Account in accordance with the provisions of Section 3.5(d), and (iii) the District shall be deposited in the District Purchase Account in accordance with the provisions of Section 3.5(d). Money provided from payments made under a Credit Facility (if any) not required to be used in connection with the purchase of tendered 2016B Bonds shall be returned to the applicable Credit Facility Provider in accordance with Section 3.5(d). Money provided by the District not required to be used in connection with

the purchase of tendered 2016B Bonds shall be returned to the District in accordance with Sections 3.5(d) and 3.5(e).

Money in the Credit Facility Account, the District Purchase Account and the Remarketing Proceeds Account shall not be commingled with other funds held by the Trustee and shall remain uninvested.

(b) Deposit of 2016B Bonds. The Trustee agrees to hold all 2016B Bonds delivered to it pursuant to Sections 3.1, 3.2, 3.3 and 3.4 in trust for the benefit of the respective Holders which shall have so delivered such 2016B Bonds until money representing the Purchase Price of such 2016B Bonds have been delivered to such Holders in accordance with the provisions of this Supplemental Trust Agreement and until such 2016B Bonds shall have been delivered by the Trustee in accordance with Section 3.5(f).

(c) Remarketing of Bonds. Immediately upon its receipt, but not later than 12:00 noon, New York City time on the following Business Day in the case of a 2016B Bond bearing interest at a Weekly Interest Rate, from a Holder of a notice pursuant to Section 3.1, the Trustee shall notify the Remarketing Agent, the Credit Facility Provider (if any) and the District by telephone, promptly confirmed in writing, or by telecopy, of such receipt, specifying the principal amount of 2016B Bonds for which it has received a notice pursuant to Section 3.1, the names of the Holder thereof and the date on which such 2016B Bonds are to be purchased in accordance with Section 3.1.

The date on which 2016B Bonds are to be purchased pursuant to Sections 3.1, 3.2, 3.3 and 3.4 is hereinafter referred to as the "Purchase Date," and the 2016B Bonds to be purchased pursuant to such subsections are hereinafter collectively referred to as the "Purchased Bonds."

As soon as practicable, but in no event later than 9:30 a.m. New York City time on the Purchase Date in the case of 2016B Bonds to be purchased pursuant to Section 3.1, and in no event later than 12:00 noon New York City time on the Purchase Date, and by no later than 4:00 p.m. New York City time on the last Business Day prior to the Purchase Date in the case of 2016B Bonds to be purchased pursuant to Sections 3.2, 3.3 and 3.4, the Remarketing Agent shall inform the Trustee by telephone, promptly confirmed in writing, of the principal amount of Purchased Bonds for which the Remarketing Agent has identified prospective purchasers and of the name, and if known to the Remarketing Agent, address and taxpayer identification number of each such purchaser, the principal amount of Purchased Bonds to be purchased and the Authorized Denominations in which such Purchased Bonds are to be delivered. Upon receipt from the Remarketing Agent of such information, the Trustee shall prepare Purchased Bonds in accordance with such information received from the Remarketing Agent for the registration of transfer and redelivery to the Remarketing Agent.

By 9:45 a.m. New York City time on the Purchase Date in the case of Bonds to be purchased pursuant to Sections 3.1, 3.2, 3.3 and 3.4, the Trustee shall notify the Credit Facility Provider (if any) and the District by telephone, promptly confirmed in writing, or by telecopy as to the aggregate Purchase Price of the Purchased Bonds and as to the projected Funding Amount. No such notice need be given if there is no projected Funding Amount.

The term “Funding Amount” is hereby defined to mean an amount equal to the difference between (1) the total Purchase Price of those Purchased Bonds to be purchased pursuant to Sections 3.1, 3.2, 3.3 and 3.4, and (2) the Purchase Price of those Purchased Bonds to be purchased pursuant to Sections 3.1, 3.2, 3.3 and 3.4 with respect to which the Remarketing Agent expects to transfer, or to cause to be transferred, immediately available funds against delivery of remarketed 2016B Bonds to the Trustee by 12:15 p.m. New York City time on the Purchase Date for deposit in the Remarketing Proceeds Account pursuant to Section 3.5(d).

As used herein, the term “Purchase Price” of any Purchased Bond means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that (1) if the Purchase Date for any Purchased Bond is an Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Purchased Bond shall be paid to the Holder of such Purchased Bond pursuant to this Supplemental Trust Agreement and (2) in the case of a purchase on the first day of an Interest Rate Period which is preceded by a Long-Term Period and which commences prior to the day originally established as the last day of such preceding Long-Term Period, “Purchase Price” of any Purchased Bonds means the optional redemption price set forth in Section 2.2(b) which would have been applicable to such Purchased Bond if the preceding Long-Term Period had continued to the day originally established as its last day, plus accrued interest, if any.

Any Purchased Bonds which are subject to mandatory tender for purchase in accordance with Sections 3.2 and 3.3 which are not presented to the Trustee on the Purchase Date and any Purchased Bonds which are the subject of a notice pursuant to Section 3.1 which are not presented to the Trustee on the Purchase Date, shall, in accordance with the provisions of Section 3.7, be deemed to have been purchased upon the deposit of money equal to the Purchase Price thereof into any or all of the accounts of the Bond Purchase Fund.

(d) Deposits of Funds; Restrictions on Draws under Credit Facilities.

The Trustee shall deposit into the Remarketing Proceeds Account any amounts received by it in immediately available funds by 12:15 p.m. New York City time on any Purchase Date from the Remarketing Agent against receipt of 2016B Bonds by the Remarketing Agent pursuant to Section 3.5(f) and on account of Purchased Bonds remarketed pursuant to the terms of the Remarketing Agreement.

By 12:30 p.m. New York City time on the Purchase Date, the Trustee shall notify the Credit Facility Provider (if any) for the Purchased Bonds and the District by telephone, immediately confirmed in writing, or by telecopy, of the additional amount of funds, if any, required to be transferred to the Trustee (the “Additional Funding Amount”) which shall be the amount, if any, by which the total Purchase Price of the Purchased Bonds exceeds the sum of the amounts then on deposit in the Remarketing Proceeds Account. No such notice need be given if there is no Additional Funding Amount. If a Credit Facility is in effect with respect to the Purchased Bonds, the Trustee shall, at or before 12:30 p.m. New York City time on the Purchase Date, present drafts for payment under the Credit Facility in an amount equal to the Additional Funding Amount. The Credit Facility Provider shall be required to provide such Additional Funding Amount, in immediately available funds, to the Trustee no later than 2:30 p.m. New York City time on the Purchase Date. The Trustee shall deposit such amounts in the Credit Facility Account. If more than one Credit Facility is then in effect, the Trustee shall establish a

separate subaccount in the Credit Facility Account for each Credit Facility and apply the money in such subaccounts solely to pay the purchase price of Purchased Bonds secured by such Credit Facility.

The above paragraph notwithstanding, (A) in the event of a mandatory tender for purchase as a result of the expiration of a Credit Facility and in connection with which an Alternate Credit Facility is replacing the expiring Credit Facility, any Additional Funding Amount shall be provided by drawing upon the expiring Credit Facility then in effect, (B) no draw upon a Credit Facility shall be made to pay or provide for the payment of the Purchase Price of 2016B Bonds which are owned by the District or that constitute Credit Facility Bonds, and (C) in the event of a conversion of 2016B Bonds to an Interest Rate Mode not covered by a Credit Facility, no Credit Facility shall be drawn upon to pay the Purchase Price of 2016B Bonds not covered by a Credit Facility upon such Conversion. The Trustee shall not be charged with knowledge of the District's ownership of 2016B Bonds, unless such 2016B Bonds are registered in the name of the District, or in the case such 2016B Bonds are registered in the name of a Securities Depository or its nominee, unless the Trustee shall have received written notice from the District of such ownership.

If a Credit Facility is in effect with respect to 2016B Bonds and whether or not the Credit Facility Provider has paid the full amount required by this Supplemental Trust Agreement at the times required under this Supplemental Trust Agreement, the District shall not be obligated to pay any amounts necessary for the purchase of 2016B Bonds pursuant to this Section 3.5 and not deposited with the Trustee by the Remarketing Agent from the proceeds of the sale of such 2016B Bonds pursuant to this Section 3.5. Any such payment by the District to the Trustee pursuant to this paragraph, if and to the extent the District, elects to make such payment, shall be in immediately available funds and paid to the Trustee at its Principal Office by 2:00 p.m., New York City time, on each date upon which a payment is to be made pursuant to this Section 3.5. The Trustee shall deposit any such amounts into the District Purchase Account.

Notwithstanding anything to the contrary in the preceding paragraph, until such time as the District shall have delivered a Credit Facility, the District shall pay to the Trustee in immediately available funds by 2:00 p.m., New York City time, any amounts required to purchase Purchased Bonds on such Purchase Date. The Trustee shall deposit such amounts in the District Purchase Account.

The Trustee shall hold all proceeds received from the Remarketing Agent, the Credit Facility Provider (if any) or District (if any) pursuant to this Section 3.5 in trust for the tendering Holders of 2016B Bonds. In holding such proceeds and money, the Trustee will be acting on behalf of such Holders by facilitating purchase of the 2016B Bonds and not on behalf of the District or any Credit Facility Provider and will not be subject to the control of any of them. Subject to the provisions of Section 3.5, following the defeasance (pursuant to Section 1201 of the Trust Agreement) or payment in full of the 2016B Bonds, the Trustee shall pay any money remaining in any account of the Bond Purchase Fund directly to the Persons for whom such money is held upon presentation of evidence reasonably satisfactory to the Trustee that such Person is rightfully entitled to such money and the Trustee shall not pay such amounts to any other Person.

(e) Disbursements; Payment of Purchase Price. Money delivered to the Trustee on a Purchase Date shall be applied at or before 2:00 p.m., New York City time, on such Purchase Date to pay the Purchase Price of Purchased Bonds in immediately available funds as follows in the indicated order of application and, to the extent not so applied on such date, shall be held in the separate and segregated accounts of the Bond Purchase Fund for the benefit of the Holders of the Purchased Bonds which were to have been purchased:

(1) For 2016B Bonds, the purchase of which is provided for by a Credit Facility and under the terms of such Credit Facility, the Credit Facility Provider is obligated to provide funds for such purchase:

FIRST: Money deposited in the Remarketing Proceeds Account.

SECOND: Money (if any) deposited in the Credit Facility Account.

THIRD: Money (if any) deposited in the District Purchase Account.

(2) For 2016B Bonds, the purchase of which is not provided for by a Credit Facility either because the District has not provided for the delivery of a Credit Facility to the Trustee or the terms of such Credit Facility do not obligate the Credit Facility Provider to provide funds for such purchase:

FIRST: Money deposited in the Remarketing Proceeds Account.

SECOND: Money deposited in the District Purchase Account.

Any money held by the Trustee in the Bond Purchase Fund remaining unclaimed by the Holders of the Purchased Bonds which were to have been purchased for two (2) years after the respective Purchase Date for such 2016B Bonds shall be paid, upon the written request of the District, to the District against written receipt therefor. The Holders of Purchased Bonds who have not yet claimed money in respect of such Purchased Bonds shall thereafter be entitled to look only to the Trustee, to the extent it shall hold money on deposit in the Bond Purchase Fund, or the District, to the extent money has been transferred in accordance with this Section.

(f) Delivery of Purchased Bonds. By 1:30 p.m. New York City time on the Purchase Date, a principal amount of 2016B Bonds equal to the amount of Purchased Bonds purchased with money from the Remarketing Proceeds Account shall be made available by the Trustee to the Remarketing Agent against payment therefor in immediately available funds in accordance with Section 3.5(c). The Trustee shall prepare each 2016B Bond to be so delivered as directed by the Remarketing Agent pursuant to Section 3.5(c).

A principal amount of 2016B Bonds equal to the amount of Purchased Bonds purchased from money on deposit in the Credit Facility Account (if any) shall be delivered on the day of purchase by the Trustee to or as directed by the Credit Facility Provider. The Trustee shall register such Bonds in the name of the Credit Facility Provider or, if such 2016B Bonds are held in a Book-Entry System, take such actions as are necessary to cause the Credit Facility Provider or its nominee to be the Beneficial Owner of such 2016B Bonds, all as provided in the Credit Facility.

A principal amount of 2016B Bonds equal to the amount of Purchased Bonds purchased from money on deposit in the District Purchase Account (if any) shall be delivered on the day of such purchase by the Trustee to or as directed by the District. The Trustee shall register such 2016B Bonds in the name of the District or as otherwise directed by the District. The purchase of 2016B Bonds by or for the account of the District pursuant to this Section 3.5 shall not be deemed to result in the extinguishment of such Indebtedness unless the District shall provide the written direction detailed in Section 506(b) of the Trust Agreement.

(g) Additional Event of Default; Inadequate Funds for Tenders. Prior to the date the District, or any subsequent period during which the 2016B Bonds shall not be secured by a Credit Facility or Alternate Credit Facility, if the District shall not have provided sufficient funds pursuant to this Section 3.5 for the purchase of all Bonds tendered or deemed tendered and required to be purchased on any Tender Date, the failure to pay Purchase Price of all tendered Bonds when due and payable shall constitute an Event of Default within the meaning of Section 801 of the Trust Agreement. In such event, the Trustee shall have the same remedies pursuant to Section 802 of the Trust Agreement as if such Event of Default had arisen pursuant to Section 801(a) of the Trust Agreement, *provided*, further, that, in such event, all tendered Bonds shall be returned to their respective Holders and shall bear interest at the Maximum Interest Rate from the date of such failed purchase until all such Bonds are further remarketed, accelerated or otherwise paid in full in accordance with the terms of the Trust Agreement and this Supplemental Agreement. The Trustee shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the District, and shall pursue remedies available to it and bondholders in accordance with the terms of this Indenture.

**Section 3.6 Notice of Mandatory Tender for Purchase; Notice of District.** (a) In connection with any mandatory tender for purchase of Bonds in accordance with Section 3.2, the Trustee shall give the notice provided herein as a part of the notice given pursuant to Sections 2.1(d)(3) and 2.1(e)(3). Such notice shall state (1) that the Purchase Price of any 2016B Bond so subject to mandatory tender for purchase shall be payable only upon surrender of such 2016B Bond to the Trustee at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, (2) that all 2016B Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory purchase date which shall be explicitly stated, and (3) that in the event that any Holder of a 2016B Bond so subject to mandatory tender for purchase shall not surrender such 2016B Bond to the Trustee for purchase on such mandatory purchase date, then such 2016B Bond shall be deemed to be an "Undelivered Bond", and that no interest shall accrue thereon on and after such mandatory purchase date and that the Holder thereof shall have no rights under this Supplemental Trust Agreement other than to receive payment of the Purchase Price thereof.

Upon the giving of a notice specified in the preceding paragraph, all Holders of applicable Outstanding Eligible Bonds shall be required to tender their Eligible Bonds to the Trustee for purchase on the Purchase Date specified in the notice. Any mandatory tender on such Purchase Date shall take precedence over any later optional tender date that may be specified by a Holder.

(b) The District may exercise its right pursuant to Section 3.4 hereof upon written notice delivered to the Trustee and the Remarketing Agent not less than forty-five (45) days prior to the proposed Purchase Date set forth therein. Promptly upon receipt of such notice, but in no event less than thirty (30) days prior to the proposed Purchase Date, the Trustee shall give notice thereof to the holders of the 2016B Bonds. Such notice shall state (1) the proposed Purchase Date, (2) that the 2016B Bonds are subject to mandatory tender for purchase on the proposed Purchase Date, (3) the Purchase Price and the place of delivery for purchase of the 2016B Bonds, and (4) that in the event that any Holder of a 2016B Bond so subject to mandatory tender for purchase shall not surrender such 2016B Bond to the Trustee for purchase on such mandatory purchase date, then such 2016B Bond shall be deemed to be an Undelivered Bond, and that no interest shall accrue thereon on and after such mandatory purchase date and that the Holder thereof shall have no rights under this Supplemental Trust Agreement other than to receive payment of the Purchase Price thereof.

**Section 3.7 Irrevocable Notice Deemed to be Tender of 2016B Bond; Undelivered Bonds.** (a) The giving of notice by a Holder of a 2016B Bond as provided in Section 2.1(f)(2) shall constitute the irrevocable tender for purchase of each such 2016B Bond with respect to which such notice shall have been given, regardless of whether such 2016B Bond is delivered to the Trustee for purchase on the relevant Purchase Date as provided in this Article III.

(b) The Trustee may refuse to accept delivery of any such 2016B Bonds for which a proper instrument of transfer has not been provided; such refusal, however, shall not affect the validity of the purchase of such 2016B Bond as herein described. For purposes of this Article III, the Trustee shall determine timely and proper delivery of such 2016B Bonds and the proper endorsement of such 2016B Bonds. Such determination shall be binding on the Holders of such 2016B Bonds, the District and the Remarketing Agent, absent manifest error. If any Holder of a 2016B Bond who shall have given notice of tender of purchase pursuant to Section 3.1 or any Holder of a 2016B Bond subject to mandatory tender for purchase pursuant to Sections 3.2, 3.3 and 3.4 shall fail to deliver such 2016B Bond to the Trustee at the place and on the applicable date and at the time specified, or shall fail to deliver such 2016B Bond properly endorsed, such 2016B Bond shall constitute an Undelivered Bond. If funds in the amount of the Purchase Price of the Undelivered Bond are available for payment to the Holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Resolution; (2) interest shall no longer accrue thereon; and (3) funds in the amount of the Purchase Price of the Undelivered Bond shall be held by the Trustee for the benefit of the Holder thereof (provided that the Holder shall have no right to any investment earnings thereon), to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Trustee at its Principal Office. Any funds held by the Trustee as described in clause (3) of the preceding sentence shall be held uninvested and not commingled.

(end of Article III)

## ARTICLE IV.

### REMARKETING AGENT

#### **Section 4.1 Remarketing of 2016B Bonds; Notice of Interest Rates.**

(a) Upon a mandatory tender or notice of the tender for purchase of 2016B Bonds, the Remarketing Agent, pursuant to the provisions of its Remarketing Agreement, shall offer for sale and use its best efforts to sell such 2016B Bonds, any such sale to be made on the date of such purchase in accordance with this Article IV at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the purchase date.

(b) The Remarketing Agent shall offer for sale and use its best efforts to sell Credit Facility Bonds (if any) and any 2016B Bonds purchased with money credited to the District Purchase Account pursuant to Section 3.5 hereof at a price equal to the principal amount thereof plus accrued interest to the date of purchase (based on the rate per annum which would have been applicable to such 2016B Bonds if they were not Credit Facility Bonds); provided, however, the Remarketing Agent shall not remarket any 2016B Bonds purchased with money credited to the District Purchase Account if such 2016B Bonds have been held by, or for the account of, the District for more than ninety (90) days. Credit Facility Bonds shall not be delivered upon remarketing unless the Trustee shall have received a written confirmation from the Credit Facility Provider (if any) that the Credit Facility is reinstated in accordance with its terms to the full amount of the then Required Stated Amount.

(c) The Remarketing Agent shall determine the rate of interest to be borne by the 2016B Bonds during each Interest Rate Period for such 2016B Bonds as provided in Article II and shall furnish to the Trustee and to the District each rate of interest so determined by telephone, promptly confirmed in writing, or by Electronic Notice.

**Section 4.2 Remarketing Agent.** The Remarketing Agent shall be authorized by law to perform all the duties imposed upon it hereby. The Remarketing Agent or any successor shall signify its acceptance of the duties and obligations imposed upon it hereunder by an agreement under which the Remarketing Agent will agree to:

- (1) determine the interest rates applicable to the 2016B Bonds and give notice to the Trustee of such rates and periods in accordance with Article II;
- (2) keep such books and records as shall be consistent with prudent industry practice; and
- (3) use its best efforts to remarket 2016B Bonds in accordance with this Supplemental Trust Agreement and the terms of the Remarketing Agreement.

#### **Section 4.3 Qualifications of Remarketing Agent; Resignation; Removal.**

(a) Each Remarketing Agent shall be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least

\$100,000,000 and be authorized by law to perform all the duties imposed upon it by this Supplemental Trust Agreement.

(b) A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Supplemental Trust Agreement by giving notice to the Credit Facility Provider (if any), the District and the Trustee. Such resignation shall take effect on the thirtieth (30th) day after the receipt by the District of the notice of resignation. A Remarketing Agent may be removed at the direction of the District at any time on thirty (30) days written notice, by an instrument signed by the District, filed with such Remarketing Agent, the Credit Facility Provider (if any) and the Trustee.

**Section 4.4 Successor Remarketing Agents.**

(a) Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Remarketing Agent hereunder.

(b) In the event that the Remarketing Agent has given notice of resignation or has been notified of its impending removal in accordance with Section 4.3(b), the District shall appoint a successor Remarketing Agent that meets the requirements of Section 4.3(b) above.

(c) In the event that the Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the District shall not have appointed its successor within thirty (30) days, the Trustee shall apply to a court of competent jurisdiction for such appointment.

(end of Article IV)

## ARTICLE V.

### CREDIT FACILITIES

#### **Section 5.1 Credit Facility; Alternate Credit Facility.**

(a) As of the Date of Issuance, the District has not determined to deliver to the Trustee a Credit Facility. The District may, at any time at its sole discretion, furnish a Credit Facility (or, if a Credit Facility is then in existence, an Alternate Credit Facility in substitution for the Credit Facility then in effect) to the Trustee to provide for the purchase of 2016B Bonds upon their optional or mandatory tender in accordance with Sections 3.1, 3.2 and 3.3. At least twenty-one (21) days (or such lesser number of days as shall be acceptable to the Trustee) prior to delivery to the Trustee of a Credit Facility at a time when one is not then in existence, of an Alternate Credit Facility, or of an extension of a Credit Facility then in existence, the District shall notify the Trustee in writing of its intent to provide or extend a Credit Facility or provide an Alternate Credit Facility, as appropriate, which notice shall specify the date by which such provision or extension is expected to occur. Any extension of a Credit Facility or Alternate Credit Facility shall be delivered to the Trustee at least fourteen (14) days prior to the previous Expiration Date of the related Credit Facility.

(b) Any Credit Facility (or Alternate Credit Facility) for the 2016B Bonds shall be a facility provided by a commercial bank or other financial institution in an amount equal to the Required Stated Amount for such 2016B Bonds with a term of at least 364 days from the effective date thereof.

(c) If a Credit Facility has been delivered to the Trustee in accordance with subsection (a) of this Section with respect to the 2016B Bonds, prior to the Fixed Rate Conversion Date for such 2016B Bonds, the District (1) shall maintain the Credit Facility or an Alternate Credit Facility, in an amount equal to the Required Stated Amount for such 2016B Bonds prior to its termination, and (2) shall not voluntarily terminate the Credit Facility or any Alternate Credit Facility without at least thirty (30) day's written notice to the Trustee.

(d) If one or more of the following takes place: (i) the Credit Facility Provider fails to perform its obligations under the Credit Facility or (ii) the ratings for short-term obligations of the Credit Facility Provider shall be downgraded to a rating of "P2" or below by Moody's, "F2" or below by Fitch, or "A2" or below by S&P (to the extent the 2016B Bonds are then rated by such Rating Agency), the District shall terminate the Credit Facility and shall use its best efforts to substitute for the Credit Facility an Alternate Credit Facility or self-liquidity.

#### **Section 5.2 Termination of Credit Facility Prior to Expiration Date; Purchase by Credit Facility Provider; Mandatory Tender for Purchase; Notices.**

(a) The obligation of a Credit Facility Provider (if any) to provide funds for the purchase of tendered 2016B Bonds pursuant to the Credit Facility may expire or be suspended automatically and without prior notice upon the occurrence of certain defaults as shall be set forth in the Credit Facility.

(b) If an Immediate Termination Date or suspension of the Credit Facility occurs, the Trustee shall, as soon as practicable after receiving written notice thereof from the Credit Facility Provider, notify the District and the Remarketing Agent by telephone, promptly confirmed in writing, or by Electronic Notice, with a copy to the MSRB, and the Holders of all Outstanding 2016B Bonds secured by such Credit Facility by first-class mail that the Credit Facility has been terminated or suspended and the reasons therefor, that the Trustee will no longer be able to request funds under the Credit Facility to purchase 2016B Bonds and the Credit Facility Provider will be under no obligation to advance funds under the Credit Facility or to purchase 2016B Bonds.

(c) Following the Noticed Termination Date, the Trustee will no longer be able to request funds under the Credit Facility to purchase 2016B Bonds. Promptly upon the receipt of notice of the proposed Noticed Termination Date from the Credit Facility Provider, but in no event more than three (3) Business Days after receipt, the Trustee shall give notice to the District, the Remarketing Agent and the Holders of all Eligible Bonds secured by such Credit Facility of the Noticed Termination Date and the proposed Purchase Date for such Eligible Bonds, which Purchase Date shall be no later than five (5) days prior to the Noticed Termination Date, with a copy to the MSRB. In addition, at least fourteen (14) days prior to the Expiration Date of the Credit Facility (if any), the Trustee shall give notice to the Holders of Eligible Bonds of the scheduled Expiration Date for the Credit Facility and the proposed Purchase Date for such Eligible Bonds, which shall be no later than five (5) days prior to the Expiration Date or, in the case of the replacement of a Credit Facility with an Alternate Credit Facility, no later than the Expiration Date. Each notice to be given by the Trustee under this subsection (c) shall be given by first-class mail, postage prepaid, and shall (i) state that the Trustee may no funds under the Credit Facility (and the Credit Facility Provider will have no obligation) to purchase (or provide funds for the purchase of) Eligible Bonds after the proposed Noticed Termination Date or the Expiration Date, as the case may be, (ii) specify the Noticed Termination Date or the Expiration Date, as the case may be, (iii) specify the Purchase Date and state that the Eligible Bonds are subject to mandatory purchase on the Purchase Date, which shall be no later than five (5) days prior to such Noticed Termination Date, no later than five (5) days prior to such Expiration Date or no later than such Expiration Date, as the case may be, (iv) specify, but only if applicable, that the District will be the only party obligated to purchase Eligible Bonds after the Noticed Termination Date or the Expiration Date, (v) state, if applicable, the name of the provider of the proposed Alternate Credit Facility and the terms thereof and (vi) state that all Eligible Bonds must be delivered for purchase to the Trustee and that on such Purchase Date, the Trustee expects to hold money in an amount equal to the Purchase Price for all Eligible Bonds in trust for the Holders of such Eligible Bonds, which money will be paid upon surrender of such Eligible Bonds to the Trustee. Any notice given substantially as provided in this subsection (c) shall be conclusively presumed to have been duly given, whether or not actually received by each Bondholder.

(d) Upon receipt by the Trustee of the notice specified in (c) above, all Holders of Outstanding Eligible Bonds shall be required to tender their Eligible Bonds to the Trustee for purchase on such Purchase Date. Any mandatory tender on such Purchase Date shall take precedence over any later optional tender date that may be specified by a Holder. Any Eligible Bond so delivered shall be purchased by the Trustee at the Purchase Price.

(end of Article IV)

**ARTICLE VI.**

**APPLICATION OF THE PROCEEDS  
OF THE 2016B Bonds**

**Section 6.1 Creation of Subfunds.** For purposes of convenience and to enable the District to track the proceeds from the sale of the 2016B Bonds, the Trustee shall establish the following Subfunds within the 2011 Trust Agreement Issuance Fund (the “Issuance Fund”) and 2011 Trust Agreement Construction Fund (the “Construction Fund”) created pursuant to Article IV of the Original Trust Agreement:

- (1) within the Issuance Fund, the Series 2016B Issuance Subfund; and
- (2) within the Construction Fund, the Series 2016B Construction Subfund.

The creation of such Subfunds shall not be deemed to create a preference in favor of the holders of the 2016B Bonds with respect to amounts on deposit therein.

**Section 6.2 Application of the Proceeds of the 2016B Bonds.** Simultaneously with the delivery of the 2016B Bonds, the proceeds of the 2016B Bonds shall be applied by the Trustee as follows:

- (1) to the credit of the Series 2016B Issuance Subfund, the amount of \$\_\_\_\_\_;
- (2) to the credit of the Series 2016B Construction Subfund, the amount of \$\_\_\_\_\_; and
- (3) the balance of the proceeds, shall be retained by the Trustee and used on the date of issuance of the Bonds to refund the 2011 Bonds.

(end of Article VI)

## ARTICLE VII.

### TAX COVENANTS

**Section 7.1 Covenant as to Arbitrage.** The District agrees that money on deposit in any fund or account maintained in connection with the 2016B Bonds, whether or not such money was derived from the proceeds of the sale of the 2016B Bonds or from any other sources, and whether or not the 2016B Bonds are Outstanding hereunder, (i) will not be used in a manner that would cause the 2016B Bonds to be, and (ii) will be used in a manner that will cause the 2016B Bonds not to be, “arbitrage bonds” within the meaning of Section 148 of the Code and applicable regulations thereunder. The District shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Trustee agrees that, to the extent that it exercises discretion over the investment of funds, money on deposit in any fund or account maintained in connection with the 2016B Bonds, whether or not such money was derived from the proceeds of the sale of the 2016B Bonds or from any other sources, and whether or not the 2016B Bonds are Outstanding hereunder, will not be used in a manner that the Trustee actually knows would cause the 2016B Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable regulations thereunder; and, to that end, to the extent that it exercises discretion over the investment of funds, the Trustee shall not knowingly violate the requirements of Section 148 of the Code and any applicable regulations thereunder. The Trustee shall be protected in relying upon any investment instruction of the District given in compliance with the provisions of this Supplemental Trust Agreement and the Tax Certificate relative to the 2016B Bonds. In the event the District is of the opinion that it is necessary to restrict or limit the yield on the investment of money held by the Trustee pursuant to this Supplemental Trust Agreement, or to use such money in certain manners, in order to avoid the 2016B Bonds being considered “arbitrage bonds” within the meaning of Section 148 of the Code and the regulations thereunder as such may be applicable to the 2016B Bonds at such time, the District may issue to the Trustee a written certificate to such effect and appropriate instructions, in which event the Trustee shall take such action as is necessary to restrict or limit the yield on such investment or to use such money in accordance with such certificate and instructions, irrespective of whether the Trustee shares such opinion. The Trustee shall be required to take such action only if the District or a District Representative shall specify the specific Investment Obligations in which the Trustee is to invest money in order to effect the restriction or limitation provided for in the preceding sentence.

**Section 7.2 Exclusion From Gross Income Covenant.** The District covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the 2016B Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the Code and regulations promulgated thereunder.

**Section 7.3 Payment of Rebate.** The District shall cause to be paid, at the times described in the Tax Certificate, the Rebate Requirement (as defined in the Tax Certificate) to the United States Government. The obligation of the District to make such payments shall survive the termination of this Supplemental Trust Agreement.

**Section 7.4 Compliance with Tax Certificate.** In furtherance of the foregoing tax covenants of this Article VII, the District covenants that it will comply with the provisions of the

Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the 2016B Bonds.

(end of Article VII)

## ARTICLE VIII.

### DEFEASANCE

**Section 8.1 Release of this Supplemental Trust Agreement.** When (a) the 2016B Bonds secured hereby shall have become due and payable in accordance with their terms or otherwise as provided in this Supplemental Trust Agreement, the whole amount of the principal and the interest so due and payable upon all 2016B Bonds shall be paid, (b) if the 2016B Bonds shall not have become due and payable in accordance with their terms, the Trustee or the Bond Registrar shall hold, sufficient money or Defeasance Obligations, or a combination of money and Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest on, all 2016B Bonds then Outstanding to the maturity date or dates of such 2016B Bonds and (c) sufficient funds shall also have been provided or provision made for paying all other obligations payable hereunder by the District, then and in that case the right, title and interest of the Trustee in the funds and accounts mentioned in this Supplemental Trust Agreement shall thereupon cease, determine and become void and, on demand of the District and upon being furnished with an opinion, in form and substance satisfactory to the Trustee, of Bond Counsel, to the effect that all conditions precedent to the release of this Supplemental Trust Agreement have been satisfied, the Trustee shall release this Supplemental Trust Agreement and shall execute such documents to evidence such release as may reasonably be required by the District and, subject to the provisions of the Trust Agreement, shall turn over to the District any surplus in, and all balances remaining in, all funds and accounts, *provided, that*, if the 2016B Bonds bear interest in a Weekly Interest Rate Period, the escrow agreement or other instrument providing for the redemption or defeasance of such 2016B Bonds shall provide that (a) for purposes of determining the interest payable on any 2016B Bonds to be called for redemption, for any period during which the actual interest rate on the 2016B Bonds is not known as of the effective date of such agreement or instrument (the “Escrow Period”), the assumed interest rate shall equal the Maximum Interest Rate, (b) such 2016B Bonds to be called for redemption shall be called for redemption on earliest possible date permitted hereunder and (c) that the Purchase Price of any 2016B Bonds tendered by the holders thereof pursuant to Section 3.1 hereof during the Escrow Period shall be payable from the moneys or Defeasance Obligations (which Defeasance Obligations shall consist of Demand Deposit State and Local Government Series securities (“Demand Deposit SLGs”), if Demand Deposit SLGs are available from the United States Treasury as of the date the escrow portfolio is structured and the date such escrow is funded) deposited with the Trustee or 2016B Bond Registrar under the escrow agreement or other instrument or, if the District shall have delivered to the Trustee a Credit Facility or Alternate Credit Facility, from the Credit Facility or Alternate Credit Facility, as the case may be, *provided, further*, that if the 2016B Bonds bear interest in a Long-Term Interest Rate Period and are to be redeemed more than ninety (90) days after the date the escrow therefor is established, the Trustee shall be entitled to a verification report prepared by an independent firm of certified public accountants or other qualified financial consultants stating that the money and Defeasance Obligations, together with investment earnings thereon, delivered to or held by the Trustee or Bond Registrar, will be sufficient to pay the principal and redemption price of, and interest on the 2016B Bonds called for redemption to their maturity or redemption date, as applicable. Otherwise, this Supplemental Trust Agreement shall be, continue and remain in full force and effect; *provided, that*, in the event Defeasance Obligations shall be deposited with and held by the Trustee or the Bond Registrar as hereinabove provided, (a) the

Trustee shall nevertheless retain such rights, powers and privileges under this Supplemental Trust Agreement as may be necessary and convenient in respect of the 2016B Bonds for the payment of the principal and interest for which such Defeasance Obligations have been deposited, and (b) the Bond Registrar shall retain such rights, powers and privileges under this Supplemental Trust Agreement as may be necessary and convenient for the registration, transfer and exchange of 2016B Bonds.

(1) All money and Defeasance Obligations held by the Trustee (or the 2016B Bond Registrar) pursuant to this Section shall be held in trust and applied to the payment, when due, of the obligations payable therewith. If the District shall pay or cause to be paid to the Owners of less than all of the Outstanding 2016B Bonds the principal of and interest on such 2016B Bonds, or such portions thereof, which is and shall thereafter become due and payable upon such 2016B Bonds, or such portions thereof, such 2016B Bonds, or such portions thereof, shall cease to be entitled to any lien, benefit or security under this Supplemental Trust Agreement.

(2) Any Outstanding 2016B Bond (or any portion thereof) shall be deemed to have been paid for the purposes of subsection (a) or (b) of this Section when (1) there shall have been deposited with the Trustee or any other Securities Depository either money in an amount which, or Defeasance Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide money in an amount which, together with the money, if any, deposited with or held by the Trustee or any Securities Depository or Paying Agent and available therefor, shall be sufficient to pay when due the principal of and interest due and to become due on such 2016B Bond (or portion thereof) on or prior to the maturity date thereof, (ii) in the event such 2016B Bond is not to mature within the next succeeding sixty (60) days, the District shall have given the Trustee irrevocable instructions to give notice to the Owner of such 2016B Bond (or portion thereof) stating that money or Defeasance Obligations have been deposited with the Trustee or any other Securities Depository as provided in this Article V and that such 2016B Bond (or portion thereof) is deemed to have been paid in accordance with this Article and stating the maturity date upon which money is to be available for the payment of the principal thereof and interest thereon and (iii) provisions satisfactory to the Trustee shall have been made for the payment of the Trustee's and the Bond Registrar's fees and expenses, and any Paying Agent's or other Securities Depository's fees and all fees and expenses payable by the District in connection with the defeasance of such 2016B Bond.

(3) The money and Defeasance Obligations deposited with the Trustee or any other Securities Depository pursuant to this Section and all payments of principal or interest on any such Defeasance 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 interest on the 2016B Bonds (or portions thereof) deemed to have been paid in accordance with this Section.

(4) If 2016B 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 Trustee or any other Securities Depository of money or Defeasance Obligations, no amendment to the provisions of this Section which would adversely affect the Owners of such 2016B Bonds (or portions thereof) shall be made without the consent of each Owner affected thereby.

(5) All money and Defeasance Obligations held pursuant to this Article shall be held in trust and applied to the payment, when due, of the 2016B Bonds (or portions thereof) payable therewith.

(end of Article VIII)

**ARTICLE IX.**

**MISCELLANEOUS**

**Section 9.1 Appointment.** The District hereby appoints The Bank of New York Mellon Trust Company, N.A., as Tender Agent.

**Section 9.2 Manner of Giving Notice.** All notices, demands and requests to be given to or made hereunder by the District, the Tender Agent 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 District—

Hampton Roads Sanitation District  
1434 Air Rail Avenue  
Virginia Beach, Virginia 23455  
Attention: General Manager

(b) As to the Trustee—

The Bank of New York Mellon Trust Company, N.A.  
525 William Penn Place, 38th Floor  
Pittsburgh, Pennsylvania, 15259  
Attention: Corporate Trust Department

(c) As to the Tender Agent—

The Bank of New York Mellon Trust Company, N.A.  
525 William Penn Place, 38th Floor  
Pittsburgh, Pennsylvania, 15259  
Attention: Corporate Trust Department

(d) As to the Bond Registrar—

The Bank of New York Mellon Trust Company, N.A.  
525 William Penn Place, 38th Floor  
Pittsburgh, Pennsylvania, 15259  
Attention: Corporate Trust Department

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by telephone or Electronic Notice 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 subject to positive confirmation of delivery to the receiving party by the sending party.

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.

All documents received by the Trustee under the provisions of this Supplemental Trust Agreement, or photographic copies thereof, shall be retained in its possession until this Supplemental Trust Agreement shall be released under the provisions of Section 5.1 of this Supplemental Trust Agreement, subject at all reasonable times to the inspection of the District and any Holder and the agents and representatives thereof.

**Section 9.3 Substitute Mailing.** If, because of the temporary or permanent suspension of postal service, the District or the Trustee shall be unable to mail any notice required to be given by the provisions of this Supplemental Trust Agreement, the District or the Trustee shall give notice in such other manner as in the judgment of the District or the Trustee shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Supplemental Trust Agreement be deemed to be in compliance with the requirement for the mailing thereof.

**Section 9.4 Parties, Bond Registrar and Holders Alone Have Rights under Trust Agreement.** Except as herein otherwise expressly provided, nothing in this Supplemental Trust Agreement, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the Trustee, the Bond Registrar, the District and the Holders, any right, remedy or claim, legal or equitable, under or by reason of this Supplemental Trust Agreement or any provision being intended to be and being for the sole and exclusive benefit of the Trustee, the District, the Bond Registrar and the Holders.

**Section 9.5 Effect of Partial Invalidity.** In case any one or more of the provisions of this Supplemental Trust Agreement or the 2016B Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Supplemental Trust Agreement or the 2016B Bonds, but this Supplemental Trust Agreement and the 2016B 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 2016B Bonds or this Supplemental Trust Agreement 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 Commission or the District to the full extent permitted by law.

**Section 9.6 Effect of Covenants.** All covenants, stipulations, obligations and agreements of the District contained in this Supplemental Trust Agreement shall be deemed to be covenants, stipulations, obligations and agreements of the District to the full extent permitted by the Constitution and laws of the State. This Supplemental Trust Agreement is adopted with the intent that the laws of the State shall govern its construction.

**Section 9.7 No Recourse Against Members, Officers or Employees of Commission or District.** No recourse under, or upon, any statement, obligation, covenant, or agreement contained in this Supplemental Trust Agreement, or in any 2016B Bond hereby secured, or in any document or certification whatsoever, or under any judgment obtained against the Commission or the District 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 Commission or the District, either directly or through the Commission or the District, respectively, or otherwise, for the

payment for or to, the Commission or the District 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 any such 2016B Bond. 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 Commission or the District 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 2016B Bonds hereby secured, is hereby expressly waived and released as an express condition of, and in consideration for, the execution of this Supplemental Trust Agreement and the issuance of the 2016B Bonds.

**Section 9.8 Dealing in 2016B Bonds.** The Trustee and the Bond Registrar and their directors, officers, employees or agents may in good faith, buy, sell, own, hold and deal in any 2016B Bonds issued under the provisions of this Supplemental Trust Agreement and may join in any action which any Holder may be entitled to take with like effects as if such Trustee were not a Trustee and such bank or trust company were not the Bond Registrar under this Supplemental Trust Agreement.

**Section 9.9 Legal Holidays.** In any case where the date of maturity of principal of and interest on the 2016B Bonds shall be on a day on which banking institutions at the place of payment are authorized by law to remain closed, then payment of such principal and interest need not be made on such date but may be made on the next succeeding day not a day on which banking institutions are authorized by law to remain closed with the same force and effect as if made on the date of maturity, and in the case of such payment, no interest shall accrue for the period from and after such date.

**Section 9.10 Multiple Counterparts.** This Supplemental Trust Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

**Section 9.11 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 convenience of reference and shall not constitute a part of this Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

**Section 9.12 Further Authority.** The officers of the Commission or the District, attorneys, engineers and other agents or employees of the Commission or the District are hereby authorized to do all acts and things required of them by this Supplemental Trust Agreement and the Agreement for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the 2016B Bonds and this Supplemental Trust Agreement.

(end of Article IX)

**IN WITNESS WHEREOF**, the Hampton Roads Sanitation District has caused these presents to be signed in its name and on its behalf and attested by its duly authorized officers and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on behalf by its duly authorized officer, all as of the 1st day of February, 2016.

HAMPTON ROADS SANITATION DISTRICT

(Seal)

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

Chairman

Hampton Roads Sanitation District Commission

Attest:

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

Secretary

Hampton Roads Sanitation District Commission

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee

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

Vice President

(Seal)

**Exhibit A**

**UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE DISTRICT OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY LUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

No. R-1

\$(PAR)

**HAMPTON ROADS SANITATION DISTRICT  
(VIRGINIA)  
SUBORDINATE WASTEWATER REVENUE BOND  
SERIES 2016B**

<u>INTEREST RATE MODE</u>	<u>MATURITY DATE</u>	<u>DATE OF ISSUANCE</u>	<u>CUSIP</u>
Weekly	August 1, 2046	_____	

Registered Owner: Cede & Co.

Principal Amount: Twenty-five Million Dollars

Hampton Roads Sanitation District (the “District”), a political subdivision of the Commonwealth of Virginia, by the Hampton Roads Sanitation District Commission (the “Commission”), the Commission of the District, for value received, promises to pay, but solely from the sources and in the manner hereinafter provided, to the registered owner named above, or registered assigns, the principal amount set forth above on the Maturity Date set forth above, upon the presentation and surrender hereof, at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the “Bond Registrar”), located on the date hereof at The Bank of New York Mellon Trust Company, N.A., 525 William Penn Place, 38th Floor, Pittsburgh, Pennsylvania, 15259. The District also promises to pay, solely from such sources, interest on this Bond from the last date to which interest has accrued and has been paid or duly provided for, or, if no interest has been paid or duly provided for, from the Date of Issuance set forth above, until the principal sum hereof is paid, at the interest rate determined from time to time for the permitted Interest Rate Modes in the manner described herein and in the Fourth Supplemental Trust Agreement referred to below and payable on the dates set forth herein and in the Fourth Supplemental Trust Agreement, commencing on the first such Interest Payment Date thereafter, and interest on overdue principal, and to the extent permitted by law, on overdue

interest, as provided in the Trust Agreement referred to below. The interest so payable and punctually paid or duly provided for, on any Interest Payment Date, will, as provided in the Trust Agreement hereinafter referred to, be paid to the person in whose name this Bond is registered at the close of business on the Regular Record Date for such interest. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof being given to the registered owners not less than ten (10) days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds of this series may be listed and upon such notice as may be required by such exchange, or as more fully provided in said Trust Agreement. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This Bond is one of a duly authorized series of revenue bonds of the District, designated “Hampton Roads Sanitation District (Virginia) Variable Rate Subordinate Wastewater Revenue Bonds, Series 2016B” (the “Bonds”), issued under a trust agreement, dated as of October 1, 2011, as amended and restated, between the District and The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as Trustee (said banking corporation and any bank or successor trustee under the Trust Agreement being hereinafter referred to as the “Trustee”), as the same may be amended and supplemented from time to time (the “Trust Agreement”), including as supplemented by the Fourth Supplemental Trust Agreement, dated as of February 1, 2016 (as the same may be amended or supplemented from time to time, the “Fourth Supplemental Trust Agreement”) between the District and the Trustee. The Bonds are being issued for the purpose of providing funds, together with other available funds, to (i) provide a portion of the funds required to finance the District’s Capital Improvement Program Costs, and (ii) pay certain expenses incurred in connection with the issuance of the Bonds.

This Bond is issued and the Trust Agreement was made and entered into under and pursuant to the Constitution and laws of the Commonwealth of Virginia, and particularly in conformity with the provisions, restrictions and limitations of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended.

Indebtedness secured by the Trust Agreement is in all respects subordinate and inferior to the lien thereon of indebtedness (“Senior Obligations”) secured by that certain trust agreement, dated as of March 1, 2008 (as the same may be amended and supplemented for time to time, the “Senior Trust Agreement”), between the District and The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania, as trustee (in such capacity, the “Senior Trust Agreement”). outstanding under the Senior Trust Agreement. The District may incur additional Senior Obligations, including notes, guaranties and other indebtedness secured by the Senior Trust Agreement on a *pari passu* basis (collectively, “Senior Obligations”) for the purposes, under the terms and conditions and to the extent described therein.

The District has agreed to perform, observe and comply with certain covenants, conditions and agreements set forth in the Trust Agreement. The District may incur additional indebtedness, including notes, guaranties and other indebtedness secured by the Trust Agreement on a *pari passu* basis (collectively, “Parity Obligations”) for the purposes, under the terms and conditions and to the extent described therein.

This Bond is a special obligation of the District and is payable solely from Net Revenues Available for Debt Service (as defined in this Trust Agreement) derived by the District from its Wastewater System (as defined in the Trust Agreement) and the money attributable to proceeds of the Bonds and the income from the investment thereof and not from any other fund or source. This Bond shall not be deemed to constitute a debt, or a pledge of the faith and credit, of the Commonwealth of Virginia or of any county, city, town or political subdivision thereof. The issuance of this Bond shall not directly or indirectly or contingently obligate the Commonwealth of Virginia or any county, city, town or political subdivision thereof to levy or to pledge any form of taxation whatever therefor.

Reference is made to the Trust Agreement for a more complete statement of the provisions thereof and of the rights of the District, the Trustee and the owners of the Bonds. Copies of the Bonds and the Trust Agreement are on file and may be inspected at the corporate trust office of the Trustee in The Bank of New York Mellon Trust Company, N.A., 525 William Penn Place, 38th Floor, Pittsburgh, Pennsylvania, 15259, Attention: Corporate Trust Department. By the purchase and acceptance of this Bond, the registered owner hereof signifies assent to all of the provisions of the aforementioned documents.

The Bonds are issuable as fully registered Bonds in Authorized Denominations. Bonds may be exchanged at the corporate trust office of the Bond Registrar for the delivery of Bonds, in the manner and subject to the limitations and conditions provided in the Trust Agreement, for an equal aggregate principal amount of Bonds of the same series and maturity, of other authorized 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 for the delivery of Bonds, but only in the manner and subject to the limitations and conditions provided in the Trust Agreement and upon surrender and cancellation of this Bond. Upon any such registration of transfer, the District 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 authorized denominations, in an aggregate principal amount equal to the principal amount of this Bond, of the same series and maturity and bearing interest in the same Interest Rate Mode.

This Bond shall bear interest at the interest rate or rates determined for the “Interest Rate Mode” (as described more fully in Section 2.1 of the Fourth Supplemental Trust Agreement) selected from time to time by the District. Until a Conversion to a different Interest Rate Mode is specified by the District or until the Maturity Date stated above, the Interest Rate Mode for this Bond is as specified above. The District may from time to time change the Interest Rate Mode for the Bonds to another Interest Rate Mode in accordance with the terms of the Fourth Supplemental Trust Agreement. The “Interest Rate Modes” which may be selected are as follows: (i) a Weekly Period in which the Weekly Interest Rate is determined no later than the

first day of each Weekly Interest Rate Period or, if such day is not a Business Day, on the next succeeding Business Day and (ii) a Long-Term Period in which the Long-Term Interest Rate is established for a Long-Term Interest Rate Period selected by the District.

Interest on this Bond at the interest rate or rates for the Weekly Interest Rate is payable on the first Business Day of each month and for the Long-Term Interest Rate on February 1 and August 1 of each year during a Long-Term Interest Rate Period. In any case, the final Interest Payment Date shall be the Principal Payment Date. Interest on this Bond shall be computed on the basis of a year of 365 or 366 days, as appropriate for the actual number of days elapsed while this Bond bears interest in a Weekly Interest Rate Period. Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve 30-day months while this Bond bears interest in a Long-Term Interest Rate Period. The interest rate or rates for each Interest Rate Mode for this Bond shall be determined by the Remarketing Agent on the dates and at such times as specified in Section 2.1 of the Fourth Supplemental Trust Agreement. Notwithstanding the foregoing, the interest rate borne by this Bond shall not exceed the lesser of twelve percent (12%) per annum or the maximum interest rate permitted by law.

Subject to the provisions of the Fourth Supplemental Trust Agreement, the District may, but is not required to, provide any Credit Facility. As described below, this Bond will become subject to mandatory purchase upon the delivery, cancellation, termination, expiration or substitution of any Credit Facility.

#### REDEMPTION OF BONDS

Whenever the Interest Rate Mode for this Bond is the Weekly Period, this Bond shall be subject to optional redemption, in whole or in part, at a Redemption Price of 100% of the principal amount hereof on any Business Day. Whenever the Interest Rate Mode for this Bond is the Long-Term Period, this Bond shall be subject to optional redemption, in whole or in part on the first day of any Long-Term Interest Rate Period at a redemption price equal to the amount of such Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium, and thereafter, during the periods specified below (or if approved by Bond Counsel, during the periods and at the Redemption Prices specified in a notice of the District to the Trustee prior to the commencement of such Long-Term Interest Rate Period) in whole or in part on any date, at the redemption prices (expressed as a percentage of principal amount) hereinafter indicated.

<u>Length of Long-Term Interest Rate Period (expressed in years)</u>	<u>Redemption Price</u>
Greater than or equal to 15 years	Tenth anniversary of the commencement of Long-Term Interest Rate Period
Less than 15, and greater than or equal to 10 years	Seventh anniversary of the commencement of Long-Term Interest Rate Period
Less than 10, and greater than or equal to 5 years	Third anniversary of the commencement of Long-Term Interest Rate Period
Less than 5 years	Bonds not subject to optional redemption

At least thirty (30), but not more than ninety (90), days (except in the case of the redemption of Bonds bearing interest at a Weekly Interest Rate, in which case not less than twenty (20) days and not more than forty-five (45) days) before the redemption date of any Bonds, whether such redemption be in whole or in part, the Trustee shall cause a notice of such redemption, in the name of the District, to be mailed, certified mail, return receipt requested to all holders owning Bonds to be redeemed in whole or in part, to the Remarketing Agent, if any, and to the Municipal Securities Rulemaking Board, but any defect in such notice or the failure so to mail any such notice to any holder owning any Bonds shall not affect the validity of the proceedings for the redemption of any other Bonds. Each such notice shall set forth the Bonds or portions thereof to be redeemed, the date fixed for redemption, the redemption price to be paid, and if less than all the Bonds shall be called for redemption, the maturities of the Bonds to be redeemed and, if less than all of the Bonds of any one maturity then outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Bond is to be redeemed in part only, the notice of redemption shall state also that on or after the redemption date, upon surrender of such Bond, a new Bond in principal amount equal to the unredeemed portion of such Bond and of the same maturity will be issued. In addition, any notice of optional redemption given pursuant to this section may be rescinded by written notice given to the Trustee by the District no later than five (5) Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same Persons, as notice of such redemption was given pursuant to this paragraph.

#### PURCHASE OF BONDS

This Bond shall be subject to mandatory purchase (i) first day of each Interest Rate Mode, (ii) on the date of delivery of a Credit Facility or the Noticed Termination Date or Expiration Date (or if such day is not a Business Day, the preceding Business Day) of the then-current Credit Facility, if any, and (iii) if no Credit Facility has been delivered by the District, on the date selected by the District, all as further described in Article III of the Fourth Supplemental Trust Agreement.

If the Interest Rate Mode for this Bond is the Weekly Period, this Bond shall be purchased on the demand of the registered owner hereof, on any Business Day at a purchase price equal to the principal amount hereof, plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the Purchase Date through and including the day immediately preceding the Purchase Date, unless the date of purchase shall an Interest Accrual Date in which case at a Purchase Price equal to the principal amount thereof, upon written notice to the Tender Agent at or before 4:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date.

The Holder of this Bond shall have no right to enforce the provisions of the Trust Agreement or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Trust Agreement, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Trust Agreement and except that any registered owner may institute action to enforce the payment of the principal of or the interest on such owner's Bond.

Upon the occurrence of certain events, and on the conditions, in the manner and with the effect set forth in the Trust Agreement, the principal of all Bonds then Outstanding under the Trust Agreement may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

Modifications or alterations of the Trust Agreement or any trust agreement supplemental thereto or this Trust Agreement or any indenture supplemental thereto, may be made only to the extent and in the circumstances permitted by the Trust Agreement.

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 and the execution of the Trust Agreement have happened, exist and have been performed as so required.

Neither the members, officers or employees of the Commission or the District, nor any person executing this Bond, is liable personally hereon or subject to any personal liability or accountability by reason of issuance hereof.

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

**IN WITNESS WHEREOF**, the Hampton Roads Sanitation District has caused this Bond to be executed in its name and on its behalf with the signatures of the Chairman and the Secretary of the Hampton Roads Sanitation District Commission and the official seal of said Commission to be impressed hereon and this Bond to be dated the \_\_ day of February, 2016.

HAMPTON ROADS SANITATION DISTRICT

By \_\_\_\_\_  
Chairman  
Hampton Roads Sanitation District Commission

By \_\_\_\_\_  
Secretary  
Hampton Roads Sanitation District Commission

[SEAL]

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

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[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.

Date: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

\_\_\_\_\_  
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.

CERTIFICATE OF AUTHENTICATION

Date of authentication: February \_\_, 2016

This Bond is a Bond issued under the provisions of the within-mentioned Trust Agreement.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Bond Registrar

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

**NEW ISSUE BOOK-ENTRY ONLY**

**RATINGS:**  
**Standard & Poor's:** \_\_\_  
**Fitch:** \_\_\_

*In the opinion of Bond Counsel, assuming compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, and subject to the conditions described in "TAX MATTERS" herein, interest on the Series 2016A Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes under existing law. Interest on the Series 2016A Bonds will not be a specific preference item for purposes of calculating the federal alternative minimum taxable income of individuals or corporations but will be included in the calculation of a corporation's federal alternative minimum tax liability. The District's Enabling Act provides that the Series 2016A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, shall be exempt from taxation by the Commonwealth of Virginia and by any political subdivision thereof. See "TAX MATTERS" herein for certain provisions regarding the Code that may affect the tax treatment of interest on the Series 2016A Bonds for certain bondholders.*



\$ \_\_\_\_\_\*

**Hampton Roads Sanitation District, Virginia**  
**Subordinate Wastewater Revenue Bonds,**  
**Series 2016A**

**Dated: Date of Issue**

**Due: As shown on the inside cover**

The Series 2016A Bonds are being issued under an Amended and Restated Trust Agreement, dated as of \_\_\_\_\_ 1, 2016, as amended and supplemented (the "Trust Agreement"), between the Hampton Roads Sanitation District (the "District") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Series 2016A Bonds will be used, together with other available funds of the District, to finance a portion of the cost of the District's Capital Improvement Program, to refinance outstanding advances received by the District under the District's Credit Agreement (as defined herein), to refund to refund a portion of the District's Outstanding Senior Bonds (as defined herein) and to pay certain costs of issuing the Series 2016A Bonds.

The Series 2016A Bonds are issuable as registered bonds without coupons and will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), serving as securities depository for the Series 2016A Bonds. The Series 2016A Bonds will be available to purchasers in denominations of \$5,000 and any whole multiple thereof only under the book-entry system maintained by DTC through brokers and dealers that are, or that act through, DTC Participants.

Principal and interest will be paid by the Trustee as bond registrar to DTC or its nominee, which will remit the payments to the DTC Participants for subsequent disbursement. See "THE SERIES 2016A BONDS—Book-Entry Only System" herein. Interest on the Series 2016A Bonds is payable on each February 1 and August 1, commencing August 1, 2016.

The Series 2016A Bonds are subject to optional redemption prior to maturity as described herein.

Each initial purchaser of the Series 2016A Bonds will, by accepting delivery of such Series 2016A Bonds, be deemed to have consented to certain amendments to the Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT—Trust Agreement Amendments" herein.

THE SERIES 2016A BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET REVENUES AVAILABLE FOR DEBT SERVICE AND OTHER FUNDS PLEDGED TO SECURE THE SERIES 2016A BONDS UNDER THE TRUST AGREEMENT. THE SERIES 2016A BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, OR A PLEDGE OF THE FAITH AND CREDIT, OF THE COMMONWEALTH OF VIRGINIA OR OF ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE SERIES 2016A BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The Series 2016A Bonds are offered when, as and if issued, subject to the approving opinion of Sidley Austin LLP, Washington, D.C., Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the District by Kellam, Pickrell, Cox, Tayloe & Anderson, a Professional Corporation, Norfolk, Virginia, and for the Underwriters by Kaufman & Canoles, P.C., Norfolk, Virginia. The Series 2016A Bonds are expected to be available for delivery to The Depository Trust Company in New York, New York, on or about \_\_\_\_\_, 2016.*

**BofA Merrill Lynch**

**RBC Capital Markets**

**J.P. Morgan**

**Morgan Stanley**

\_\_\_\_\_, 2016

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$ \_\_\_\_\_ \*

**Hampton Roads Sanitation District, Virginia**  
**Subordinate Wastewater Revenue Bonds, Series 2016A**

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS**  
**Base CUSIP Number: 409327**

<u>Due</u> <u>August 1*</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Price/Yield</u>	<u>CUSIP</u> <u>Suffix<sup>†</sup></u>
2016	\$			
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				

[\$ \_\_\_\_\_ \* \_\_\_\_% Term Bonds Due August 1, 2044<sup>†</sup>; Priced at \_\_\_\_\_% to Yield \_\_\_\_%]

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\* Preliminary, subject to change.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only, and the District does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2016A Bonds.

**HAMPTON ROADS SANITATION DISTRICT**

**COMMISSIONERS**

VISHNU K. LAKDAWALA, Ph.D., *Chairman*

FREDERICK N. ELOFSON, CPA, *Vice Chairman*

ARTHUR C. BREDEMEYER  
WILLIE LEVENSTON, JR.  
STEPHEN C. RODRIGUEZ

MICHAEL E. GLENN  
MAURICE P. LYNCH, Ph.D.  
SUSAN M. ROTKIS

**STAFF**

EDWARD G. HENIFIN, P.E.  
*General Manager*

DONALD C. CORRADO  
*Director of Information Technology*

JAY A. BERNAS, P.E.  
*Director of Finance and Treasurer*

PHILLIP L. HUBBARD, P.E.  
*Special Assistant for Compliance Assurance*

BRUCE W. HUSSELBEE, P.E.  
*Director of Engineering*

JAMES J. PLETL, Ph.D.  
*Director of Water Quality*

STEVEN G. de MIK, CPA  
*Director of Operations*

PAULA A. HOGG  
*Director of Talent Management*

CHARLES B. BOTT, Ph.D. P.E.  
*Director of Water Technology and Research*

JENNIFER L. CASCIO  
*Secretary*

**COUNSEL, ADVISOR, TRUSTEE**

KELLAM, PICKRELL, COX, TAYLOE & ANDERSON, A PROFESSIONAL CORPORATION  
*General Counsel*

JONES, BLECHMAN, WOLTZ & KELLY, P.C.  
*Associate Counsel*

PUBLIC FINANCIAL MANAGEMENT, INC.  
*Financial Advisor*

SIDLEY AUSTIN LLP  
*Bond Counsel*

AQUALAW, PLC  
*Special Counsel*

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.  
*Trustee and Bond Registrar*

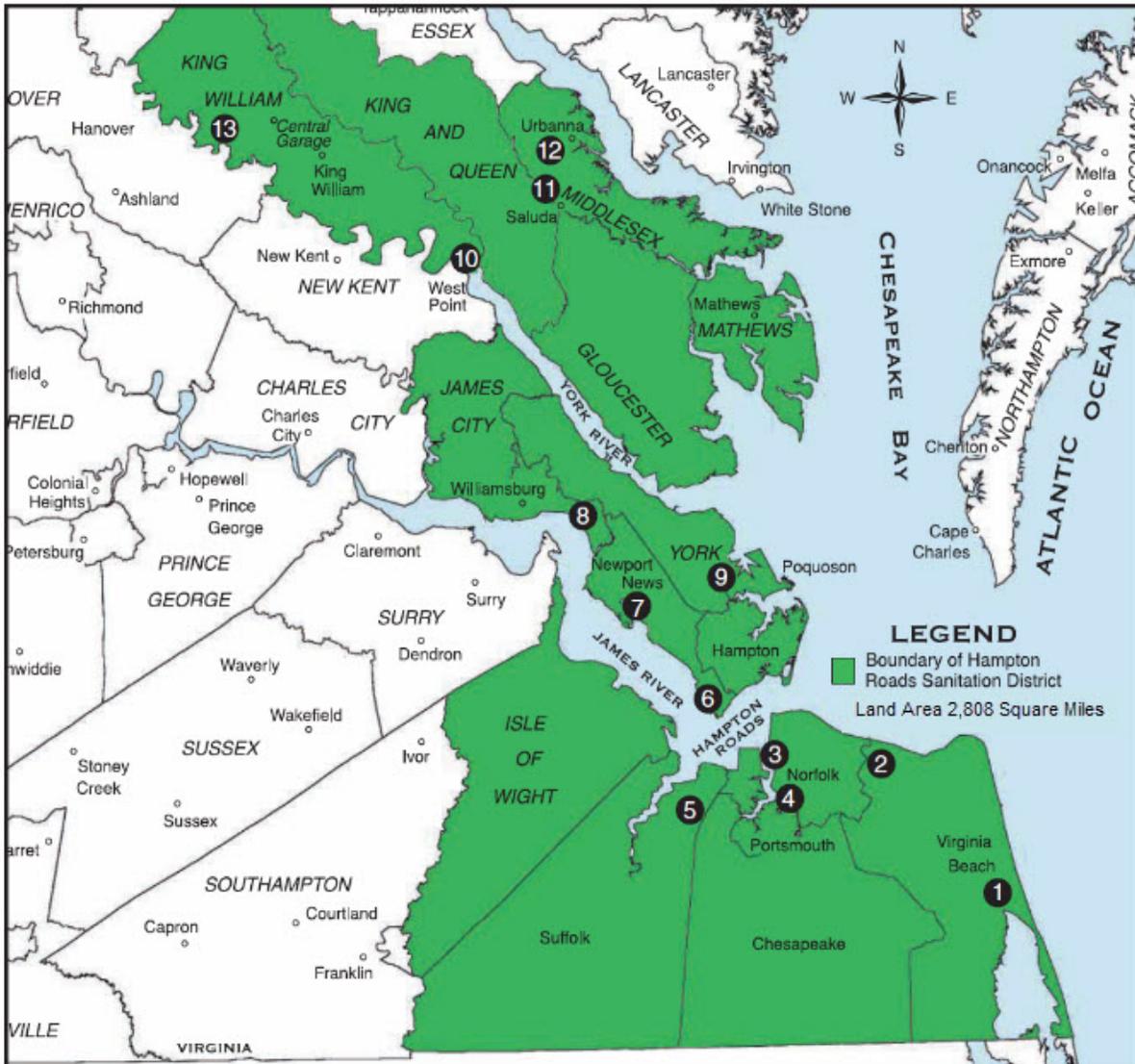
# HRSD

A Political Subdivision of the Commonwealth of Virginia

Major facilities include the following treatment plants:

- |                                    |   |
|------------------------------------|---|
| 1. Atlantic, Virginia Beach        | 8. Williamsburg, James City County      |
| 2. Chesapeake-Elizabeth, Va. Beach | 9. York River, York County              |
| 3. Army Base, Norfolk              | 10. West Point, King William County     |
| 4. Virginia Initiative, Norfolk    | 11. Central Middlesex, Middlesex County |
| 5. Nansemond, Suffolk              | 12. Urbanna, Middlesex County           |
| 6. Boat Harbor, Newport News       | 13. King William, King William County   |

Serving the Cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg, and the Counties of Gloucester, Isle of Wight, James City, King and Queen, King William, Mathews, Middlesex and York



2016

CERTAIN STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT CONSTITUTE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY TERMS SUCH AS “PLAN,” “PROJECT,” “EXPECT,” “ANTICIPATE,” “INTEND,” “BELIEVE,” “ESTIMATE,” “BUDGET” OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY RESULTS, PERFORMANCES OR ACHIEVEMENTS EXPRESS OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. EXCEPT AS SPECIFICALLY SET FORTH HEREIN, THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS DUE TO CHANGES IN ITS EXPECTATIONS OR SUBSEQUENT EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED.

This Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. Neither the delivery of this Official Statement, any sale made hereunder, nor any filing of this Official Statement shall under any circumstances create an implication that there has been no change in the affairs of the District since the date of this Official Statement or imply that any information herein is accurate or complete as of any later date.

The Series 2016A Bonds are exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the Commonwealth of Virginia, the Series 2016A Bonds are also exempt from registration under the securities laws of Virginia.

No dealer, salesman or any other person who has been authorized to give any information or to make any representation, other than the information and representations contained herein, in connection with the offering of the Series 2016A Bonds, and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2016A Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

*The Underwriters have provided the following sentence for inclusion in this Official Statement.* The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of the transactions contemplated by this Official Statement, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**Official Statement**

**Hampton Roads Sanitation District, Virginia**

**Relating to its**

**\$ \_\_\_\_\_\***

**Subordinate Wastewater Revenue Bonds, Series 2016A**

**INTRODUCTION**

This Official Statement, which includes the cover and inside cover pages hereof, the map and the appendices hereto, sets forth information concerning the Hampton Roads Sanitation District (the “District” or “HRSD”) and the District’s \$ \_\_\_\_\_\* aggregate principal amount of Subordinate Wastewater Revenue Bonds, Series 2016A (the “Series 2016A Bonds”).

The Series 2016A Bonds are being issued in accordance with the provisions of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the “Enabling Act”). On January 26, 2016, the Hampton Roads Sanitation District Commission (the “Commission”), the governing body of the District, authorized by resolution the issuance of the Series 2016A Bonds. The Commission is issuing the Series 2016A Bonds for the purpose of providing funds, together with other available funds, (i) to finance a portion of the costs of the District’s Capital Improvement Program (as amended from time to time, the “Capital Improvement Program” or “CIP,” (ii) to refinance outstanding advance(s) received by the District under the District’s Credit Agreement (as hereinafter defined), (iii) to refund, in advance of their maturity, certain Outstanding Senior Bonds (the “Refunding Candidates”) and (iv) to pay certain expenses incurred in connection with the issuance of the Series 2016A Bonds by the District.

The Series 2016A Bonds are special obligations of the District payable solely from the Net Revenues Available for Debt Service (hereinafter defined) derived by the District from the operation of its Wastewater System (hereinafter defined) and other funds pledged to secure the Series 2016A Bonds under the Trust Agreement (hereinafter defined). See “SECURITY AND SOURCES OF PAYMENT” and “THE SYSTEM” herein. The Commission has determined to provide for the issuance of the Series 2016A Bonds under the Amended and Restated Trust Agreement, dated as of \_\_\_\_\_ 1, 2016 (the “Amended and Restated Trust Agreement”), as supplemented by the Third Supplemental Trust Agreement, dated as of \_\_\_\_\_ 1, 2016 (the “Third Supplemental Trust Agreement” and the Amended and Restated Trust Agreement, as so supplemented and as the same may be amended and further supplemented, the “Trust Agreement”), each by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, the “Trustee”).

The Amended and Restated Trust Agreement amends and restates the Trust Agreement, dated as of October 1, 2011, between the District and the Trustee (the “Original Trust Agreement”), and will become effective on the date of delivery of the Series 2016A Bonds. EACH INITIAL PURCHASER OF THE SERIES 2016A BONDS WILL, BY ACCEPTING DELIVERY OF SUCH SERIES 2016A BONDS, BE DEEMED TO HAVE EXPRESSLY CONSENTED TO THE EXECUTION AND DELIVERY OF THE AMENDED AND RESTATED TRUST AGREEMENT. See “SECURITY AND SOURCES OF PAYMENT—Trust Agreement Amendments” herein.

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\* Preliminary, subject to change.

On or about the date of issuance of the Series 2016A Bonds, the District expects to issue \$50,000,000\* Variable Rate Subordinate Wastewater Revenue Bonds, Series 2016B (the “Series 2016B Bonds”). The Series 2016B Bonds will constitute “Parity Obligations” under the Trust Agreement, secured on a parity with Bonds issued under the Trust Agreement and VRA Subordinate Obligations (each as defined below), but are secured by a lien on Net Revenues of the District that is, in all respects subordinate and inferior to the lien thereon of Senior Obligations, outstanding under the Senior Trust Agreement (each as defined below). Proceeds of the Series 2016B Bonds will (i) provide additional funds for the costs of the District’s Capital Improvement Program, (ii) refund the District’s outstanding Variable Rate Subordinate Wastewater Revenue Bonds, Series 2011 (the “Subordinate 2011 Bonds”), and (iii) pay certain expenses incurred in connection with the issuance thereof. The issuance of the Series 2016B Bonds is not contingent upon the issuance of the Series 2016A Bonds. The Series 2016B Bonds are offered by means of a separate official statement. See “PLAN OF FINANCING – Series 2016B Bonds.”

This Official Statement contains a brief description of the Series 2016A Bonds and the District, including its service area, governance and information regarding its operations and finances.

Appendix A contains the District’s Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2015, and includes additional information regarding the District’s operations and financial condition. Appendix B contains the definitions of certain terms used in this Official Statement. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Trust Agreement. Brief descriptions and summaries of certain provisions of the Series 2016A Bonds, the Trust Agreement and the Third Supplemental Trust Agreement are included in Appendix C.

## **PLAN OF FINANCING**

### **Capital Improvements**

A portion of the proceeds of the Series 2016A Bonds will be applied to finance a portion of the costs of the District’s Capital Improvement Program. See “THE SYSTEM—Capital Improvement Program.”

### **Plan of Refinancing**

The District has entered into a Credit Agreement, dated as of October 30, 2015, with Bank of America, N.A. (the “Credit Agreement”) pursuant to which the bank has provided a line of credit in the aggregate principal amount of up to \$90,000,000 (the “Line of Credit”). The District has received advances under the Line of Credit in the aggregate amount of \$\_\_\_\_\_\* (the “Outstanding Advances”). The Outstanding Advances financed certain costs of the District’s Capital Improvement Program.

The District anticipates refinancing the Outstanding Advances with a portion of the proceeds of the Series 2016A Bonds.

### **Plan of Refunding**

Although the District anticipates that the refunding of the Refunding Candidates will produce debt service savings and other financial benefits for the District, the refunding of all or any of the Refunding Candidates (the Refunding Candidates actually refunded with a portion of the proceeds of the Series 2016A Bonds, the “Refunded Bonds”) is subject to the District’s determination at the time of sale

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\* Preliminary, subject to change.

that it will achieve significant debt service savings. Consequently, the refunding of the Refunding Candidates is dependent upon market conditions and other events beyond the control of the District.

The Refunding Candidates are the callable Wastewater Revenue Bonds, Series 2008, Wastewater Revenue Bonds, Series 2011 and Wastewater Revenue Bonds, Series 2012A issued under the Senior Trust Agreement. *The details of the Refunding Candidates that are selected to become Refunded Bonds will be set forth in the final Official Statement.*

To effect the refunding, a sufficient amount of the proceeds of the Series 2016A Bonds will be deposited in an escrow account (the “Escrow Fund”) established by the District with The Bank of New York Trust Company, N.A. (in such capacity, the “Escrow Agent”), and will be invested in certain non-callable direct obligations or obligations the principal and interest on which are unconditionally guaranteed by the United States of America (“Defeasance Obligations”) that mature in amounts and pay interest at rates sufficient to pay, when due, the principal, applicable redemption premiums, if any, and interest on the Refunded Bonds through their respective maturity or redemption dates, as applicable. The sufficiency of the Escrow Fund, including Defeasance Obligations and the income thereon, to pay such amounts will be verified by Bingham Arbitrage Rebate Services, Inc. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS FOR THE REFUNDED BONDS.” The Escrow Agent will be given irrevocable instructions to call the callable Refunded Bonds for redemption on the applicable redemption dates and at the applicable redemption prices.

### **Series 2016B Bonds**

The proceeds of the Series 2016B Bonds will be applied to finance a portion of the costs of the Capital Improvement Program, refund all of the District’s outstanding Subordinate 2011 Bonds, and pay costs of issuing the Series 2016B Bonds. The District anticipates that the Series 2016B Bonds will be issued as variable rate bonds with a final maturity of August 1, 2046\*. The Series 2016B Bonds are not offered by means of this Official Statement and are expected to be issued on \_\_\_\_\_.

The issuance of the Series 2016B Bonds is not contingent on the issuance of the Series 2016 Bonds, and the issuance of the Series 2016A Bonds is not contingent upon the issuance of the Series 2016B Bonds.

### **Future Financings**

[To be updated and revised] See “SECURITY AND SOURCES OF PAYMENT—Outstanding Senior Obligations,” “—Additional Senior Obligations,” “—Parity Obligations” and “—Additional Parity Obligations.”

[Add paragraph about intent to close senior lien indenture and agreement with VRA relating to migration of Senior VRA obligations to Subordinate lien.]

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\* *Preliminary, subject to change.*

**SOURCES AND USES OF FUNDS**

**Sources**

Principal Amount of Series 2016A Bonds.....	\$
Net Bond [Premium/Discount].....	
Total Sources of Funds.....	<u>\$</u>

**Uses**

Deposit to Construction Fund.....	\$
Refinancing of Outstanding Advances.....	
Deposit to Escrow Fund.....	
Underwriters' Discount.....	
Total Uses of Funds.....	<u>\$</u>

**THE SERIES 2016A BONDS**

**Description**

The Series 2016A Bonds will be dated, bear interest and mature as set forth on the cover and inside cover pages of this Official Statement. The Series 2016A Bonds are issuable as registered bonds without coupons in the denomination of \$5,000 or any whole multiple thereof as provided in the Trust Agreement. Interest will be payable on each February 1 and August 1, commencing August 1, 2016. The principal of and the interest on the Series 2016A Bonds will be payable as described below under “—Book-Entry Only System.”

**Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2016A Bonds. The Series 2016A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2016A Bonds and will be deposited with DTC. Additional information respecting DTC and its book entry system is contained in Appendix F.

*The information in this section and in Appendix F concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.*

DTC may discontinue providing its services as depository with respect to the Series 2016A Bonds at any time by giving reasonable notice to the District. Under such circumstances, if a successor depository is not obtained, certificates for the Series 2016A Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2016A Bonds will be printed and delivered.

## Redemption Provisions

### Optional Redemption\*

The District may, at its option, redeem the Series 2016A Bonds due on and after August 1, 2027, prior to their respective maturities, in whole or in part, on any date beginning August 1, 2026 at a redemption price equal to the principal amount thereof, together with interest accrued to the date fixed for redemption.

### Mandatory Redemption\*

The Series 2016A Bonds due on [August 1, 20\_\_\*] and [August 1, 20\_\_\*], are subject to mandatory sinking fund redemption on August 1 in the following years in the following principal amounts (“Sinking Fund Requirements”) at a redemption price equal to the principal amount thereof, together with interest accrued to the date of redemption.

Term Bonds due August 1, 20\_\_\*

<u>Year</u>	<u>Sinking Fund Requirement</u>
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† Unamortized balance at maturity.

Term Bonds due August 1, 20\_\_\*

<u>Year</u>	<u>Sinking Fund Requirement</u>
-------------	---------------------------------

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† Unamortized balance at maturity.

In the event of a partial optional redemption or purchase of such term bonds, the District will credit the principal amount of such term bonds so purchased or redeemed against the Sinking Fund Requirements for the remaining term bonds outstanding in such amounts and in such years as it in its sole discretion shall determine.

## Notice of Redemption

Notice of redemption is to be given not more than 60 nor less than 30 days before the redemption date by first class mail to the registered owner or owners of the Series 2016A Bonds or portions thereof to be redeemed; provided, however, that any defect in such notice or the failure so to mail any such notice to any owners of any Series 2016A Bonds will not affect the validity of the proceedings for the redemption of any other Series 2016A Bonds. **During the period that DTC or its nominee is the registered holder of the Series 2016A Bonds, the Bond Registrar will not be responsible for mailing notices of redemption to the beneficial owners of the Series 2016A Bonds. See “—Book-Entry Only System” above and Appendix F.** Each such notice will set forth the Series 2016A Bonds or portions thereof to be redeemed, the date fixed for redemption, the redemption price to be paid, and if less than all the Series 2016A Bonds will be called for redemption, the maturities of the Series 2016A Bonds to be redeemed and

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\* Preliminary, subject to change.

shall otherwise comply with Securities Exchange Act of 1934 Release No. 34-23856, dated December 3, 1986, including the requirement that notice be given to all organizations registered with the Securities and Exchange Commission as securities depositories, and to one or more information services of national recognition which disseminate redemption information with respect to tax-exempt securities. If any Subordinate 2016A Bond is to be redeemed in part only, the notice of redemption will state also that on or after the redemption date, upon surrender of such Subordinate 2016A Bond, a new Subordinate 2016A Bond of authorized denominations and in principal amount equal to the unredeemed portion of such Subordinate 2016A Bond will be issued.

Any notice of optional redemption of the Series 2016A Bonds may state that it is conditioned upon there being available an amount of money sufficient to pay the redemption price, consisting of par plus interest accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price if any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit with the Trustee, the corresponding notice of redemption will be deemed to be revoked.

If the District gives an unconditional notice of redemption, then on the redemption date the Series 2016A Bonds called for redemption will become due and payable. If the District gives a conditional notice of redemption and money to pay the redemption price of the affected Series 2016A Bonds has been set aside in escrow with the Trustee for the purpose of paying such Series 2016A Bonds, then on the redemption date such Series 2016A Bonds will become due and payable. In either case, if on the redemption date the Trustee holds money to pay the Series 2016A Bonds called for redemption, thereafter no interest will accrue on those Series 2016A Bonds, and a Bondholder's right will be to receive payment of the redemption price upon surrender of those Series 2016A Bonds.

## **SECURITY AND SOURCES OF PAYMENT**

THE SERIES 2016A BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET REVENUES AVAILABLE FOR DEBT SERVICE AND OTHER FUNDS PLEDGED TO SECURE THE SERIES 2016A BONDS UNDER THE TRUST AGREEMENT. THE SERIES 2016A BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, OR A PLEDGE OF THE FAITH AND CREDIT, OF THE COMMONWEALTH OF VIRGINIA OR OF ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE SERIES 2016A BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY COUNTY, CITY, TOWN OR POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR.

### **General**

Principal of and interest on the Series 2016A Bonds will be payable from "Net Revenues Available for Debt Service" of the District pledged to the payment thereof and money held in certain funds and accounts under the Trust Agreement.

"Net Revenues Available for Debt Service" means all Net Revenues less debt service on Senior Obligations.

The realization of amounts to be derived upon the enforcement of the Series 2016A Bonds will depend upon the exercise of various remedies specified in the Trust Agreement. These and other remedies may, in many respects, require judicial action of a nature that is often subject to discretion and

delay. Under existing laws, the remedies specified in the Trust Agreement may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Trust Agreement. The various legal opinions to be delivered concurrently with the delivery of the Series 2016A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, fraudulent conveyance, reorganization and other laws affecting the enforcement of creditors' rights generally.

Under the Trust Agreement, the District is subject to covenants relating to maintenance of a specified Long-Term Debt Service Coverage Ratio and restricting, among other things, incurrence of Indebtedness and the existence of liens on Property. See “—Limitation on Creation of Liens” and “—Limitations on Indebtedness” in Appendix C hereto.

### **Rate Covenant**

In the Trust Agreement, the District covenants to set and revise its rates and charges for facilities, services and products such that the Net Revenues Available for Debt Service, calculated at the end of each Fiscal Year, will equal at least 120% of the amount required during the Fiscal Year to satisfy the Principal and Interest Requirements and all other Indebtedness payable from Net Revenues Available for Debt Service (the “Rate Covenant”). If, for any reason, the Net Revenues Available for Debt Service are insufficient to satisfy the foregoing covenant, the District shall within one hundred and twenty (120) days adjust and increase its rates, fees and other charges or reduce its current expenses so as to provide sufficient Net Revenues to satisfy the Rate Covenant.

On or before the last day of each Fiscal Year, the District will review the adequacy of its rates, fees and other charges for the next Fiscal Year, and, if such review indicates the District's rates, fees and other charges are insufficient to satisfy the Rate Covenant, the District will promptly take appropriate action to increase its rates, fees and other charges or reduce its current expenses to cure any deficiency. See “Rate Covenant” in Appendix B hereto.

### **Outstanding Senior Obligations**

As of January 31, 2016, the District has outstanding five series of Bonds constituting Senior Obligations under the Senior Trust Agreement, including its Wastewater Revenue Bonds, Series 2008 (the “Senior 2008 Bonds”), of which \$113,410,000 principal amount is outstanding, its Wastewater Revenue Bonds, Series 2009 (the “Senior 2009 Bonds”), of which \$131,220,000 principal amount is outstanding, its Wastewater Revenue Bonds, Series 2011 (the “Senior 2011 Bonds”), of which \$31,225,000 principal amount is outstanding, its Wastewater Revenue Bonds, Series 2012 (the “Senior 2012 Bonds”) of which \$109,530,000 principal amount is outstanding and its Wastewater Revenue Bonds, Refunding Series 2014A (the “Senior 2014 Bonds”) of which \$111,345,000 principal amount is outstanding. [Add sentence that certain of these bonds may be refunded by the Series 2016A Bonds?]

Since May 2009, the District has obtained seven loans from the Virginia Resources Authority Revolving Fund and issued in evidence of its obligations to repay such loans its bonds constituting Senior Obligations under the Trust Agreement (the “VRA Senior Bonds” and, together with the Senior Bonds, “Senior Obligations”). Such VRA Senior Bonds are secured under the Senior Trust Agreement on a parity with all other Senior Obligations, including the Senior 2008 Bonds, the Senior 2009 Bonds, the Senior 2011 Bonds, the Senior 2012 Bonds and the Senior 2014 Bonds. As of January 31, 2016, the District had drawn \$112,443,915 of such VRA Senior Bonds, with no remaining undrawn authorized amount. See also “—Parity Obligations.”

## **Additional Senior Obligations**

Under the Senior Trust Agreement, the District may issue and incur additional Senior Obligations for the District's Capital Improvement Program or to refund outstanding Senior Obligations subject to the District's demonstrating its compliance with the conditions for the incurrence thereof under the Senior Trust Agreement or the new Senior Obligations qualifying for an exception thereto.

At this time, the District does not currently intend to issue additional Senior Obligations under the Senior Trust Agreement and plans to use the Trust Agreement as the principal operating lien for the issuance of indebtedness to finance the District's Capital Improvement Program. In addition, as market conditions permit, the District intends to refund outstanding Senior Obligations with the proceeds of Bonds issued under the Trust Agreement and, subject to certain conditions, certain VRA Senior Bonds will be exchanged for VRA Subordinate Obligations. Notwithstanding the District's intention to use the Trust Agreement as its principal operating lien, the District has not formally closed the lien of the Senior Trust Agreement and may issue additional Senior Obligations for the purposes described above.

## **Parity Obligations**

As of January 31, 2016, the District has outstanding two series of Bonds constituting Parity Obligations under the Trust Agreement, including its variable rate Subordinate Wastewater Revenue Bonds, Series 2011 (the "Subordinate 2011 Bonds"), of which \$25,000,000 principal amount is outstanding and its Subordinate Wastewater Revenue Bonds, Refunding Series 2012 (Federally Taxable) (the "Subordinate 2012 Bonds"), of which \$4,030,000 principal amount is outstanding. The Subordinate 2011 Bonds are expected to be refunded by the Series 2016B Bonds.

In addition to the VRA Senior Bonds described under "Outstanding Senior Obligations" above, since 1993, the District has borrowed over \$177 million from the Virginia Resources Authority Revolving Loan Fund and issued in evidence of its obligations to repay such loans 10 issues of bonds that are outstanding Parity Indebtedness and recognized as such under the Trust Agreement (the "VRA Subordinate Obligations" and collectively, with the Subordinate 2011 Bonds, the Series 2016A Bonds, when, as and if issued, the Series 2016B Bonds, when, as and if issued, and other Bonds or additional VRA Subordinate Obligations issued from time to time under the provisions of the Trust Agreement, the "Parity Obligations"). As of January 31, 2016, the outstanding drawn amount of the VRA Subordinate Obligations was \$62,887,481. The terms of the VRA Subordinate Obligations generally state that the lien thereof on the Net Revenues of the District is in all respects subordinate and inferior to the lien thereon of Senior Obligations outstanding under the Senior Trust Agreement. Generally, after an initial period where no interest accrues on such VRA Subordinate Obligations, interest accrues on the disbursed principal of the outstanding Parity Obligations at interest rates ranging from 1.70% to 4.10% per annum, and principal and interest are payable in installments over the 20-year terms of the VRA Subordinate Obligations. The VRA Subordinate Obligations have been issued for various improvements and upgrades at several of the District's treatment plants. See the table "DEBT SERVICE REQUIREMENTS FOR SENIOR OBLIGATIONS AND PARITY OBLIGATIONS" and "Limitation on Creation of Liens" in Appendix C. The Series 2016A Bonds are on parity under the Trust Agreement with the Outstanding VRA Subordinate Obligations as to their subordinate lien on the Net Revenues of the District.

## **Additional Parity Obligations**

Under the Trust Agreement, the District may issue Additional Parity Obligations, including Additional Bonds and VRA Subordinate Obligations, for the District's Capital Improvement Program or to refund outstanding Senior Indebtedness or Parity Obligations subject to the District's demonstrating its compliance with the conditions for the incurrence thereof under the Trust Agreement or qualifying for an

exception thereto. The District anticipates that it will finance a portion of its Capital Improvement Program with future issues of additional Senior Obligations, Additional Parity Obligations and borrowings from the Virginia Resources Authority, which such borrowings may be evidenced by additional VRA Senior Bonds and additional VRA Subordinate Obligations. See “Limitations on Indebtedness” in Appendix C.

### **Trust Agreement Amendments**

Coincident with the issuance of the Series 2016A Bonds the District and the Trustee will enter into the Amended and Restated Trust Agreement. The Amended and Restated Trust Agreement amends and restates the Original Trust Agreement. A copy of the proposed form of the Amended and Restated Trust Agreement reflecting the proposed amendments to be effected thereby (the “Amendments”) may be obtained on the Electronic Municipal Markets Access (“EMMA”) system maintained by the Municipal Securities Rulemaking Board (“MSRB”) ([emma.msrb.org](http://emma.msrb.org)) and at the District’s investor relations webpage ([www.hrsdbonds.com](http://www.hrsdbonds.com)) and, during the initial underwriting period for the Series 2016A Bonds, upon request to any of the Underwriters. The following summary of the proposed amendments to be made by the Amended and Restated Trust Agreement is qualified in all respects by reference to the text thereof.

Set forth below is a summary of the substantive amendments to the Original Trust Agreement that are incorporated in the Amended and Restated Trust Agreement:

1. The definition of “Operating Expense” has been amended to allow the District to finance certain capital improvements in the District’s service area that will not be owned by the District, but will, in the reasonable judgment of the Commission, maintain or improve the integrity of the Wastewater System.
2. Certain formulas, including the Long-Term Debt Service Coverage Requirement, will be clarified to provide that such calculation will be done on a cash-basis, which better reflects the District’s actual revenues and expenses.
3. The Rate Covenant will be amended to provide that the District will fix and collect rates, fees and other charges such that in each Fiscal Year the Net Revenues Available for Debt Service will equal at least 120% of the Principal and Interest Requirements and all other Indebtedness payable from Net Revenues Available for Debt Service. The represents an increase from 100% under the Trust Agreement.
4. The additional bonds test will be revised to provide for both historic and forward-looking tests.

**EACH INITIAL PURCHASER OF THE SERIES 2016A BONDS WILL, BY ACCEPTING DELIVERY OF SUCH SERIES 2016A BOND, BE DEEMED TO HAVE CONSENTED TO THE EXECUTION AND DELIVERY OF THE AMENDED AND RESTATED TRUST AGREEMENT.**

**DEBT SERVICE REQUIREMENTS  
FOR PARITY OBLIGATIONS\***

[In Thousands of Dollars]

Fiscal Year Ending June 30,	Series 2016A Bonds			Outstanding Parity Obligations Debt Service <sup>†</sup>	Total Parity Obligations Debt Service
	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>		
2016	\$	\$	\$	\$3,338,448	\$3,338,448
2017				9,715,420	9,715,420
2018				7,175,876	7,175,876
2019				7,176,712	7,176,712
2020				7,178,003	7,178,003
2021				6,687,931	6,687,931
2022				6,311,629	6,311,629
2023				6,092,176	6,092,176
2024				5,884,846	5,884,846
2025				5,882,554	5,882,554
2026				5,883,707	5,883,707
2027				5,804,866	5,804,866
2028				2,698,117	2,698,117
2029				2,645,754	2,645,754
2030				2,646,900	2,646,900
2031				2,648,167	2,648,167
2032				663,646	663,646
2033				661,354	661,354
2034				662,500	662,500
2035				913,708	913,708
2036				3,883,230	3,883,230
2037				3,880,887	3,880,887
2038				3,879,198	3,879,198
2039				3,874,397	3,874,397
2040				3,872,683	3,872,683
2041				3,867,685	3,867,685
2042				3,846,206	3,846,206
2043				-	-
2044				-	-
2045				-	-
<b>TOTAL</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$117,776,599</u>	<u>\$117,776,599</u>

\* Numbers may not add to totals due to rounding.

† [Debt Service on the District's seven series of Parity Obligations held by VRA, the Subordinate 2011 Bonds and the Subordinate 2012 Bonds. Assumes a rate of 2.0% on the Subordinate 2011 Bonds. Does not include Debt Service on the Series 2016B Bonds.

[NTD – We should discuss a footnote relating to possible VRA debt migration, if only to say that this table does not reflect that possibility.]

**DEBT SERVICE REQUIREMENTS  
FOR SENIOR OBLIGATIONS AND  
PARITY OBLIGATIONS\***

[In Thousands of Dollars]

<b>Fiscal Year Ending June 30,</b>	<b>Total Senior Obligations Debt Service<sup>†</sup></b>	<b>Total Parity Obligations Debt Service</b>	<b>Total Debt Service</b>
2016	\$12,950,020	\$3,338,448	\$16,288,468
2017	42,674,849	9,715,420	52,390,269
2018			
	44,967,491	7,175,876	52,143,366
2019	44,580,078	7,176,712	51,756,790
2020	44,519,558	7,178,003	51,697,561
2021	44,452,647	6,687,931	51,140,577
2022	44,386,941	6,311,629	50,698,570
2023	44,309,314	6,092,176	50,401,491
2024	44,226,748	5,884,846	50,111,594
2025	44,141,922	5,882,554	50,024,476
2026	44,035,825	5,883,707	49,919,532
2027	43,942,788	5,804,866	49,747,654
2028	43,840,500	2,698,117	46,538,617
2029	43,734,224	2,645,754	46,379,978
2030	43,618,575	2,646,900	46,265,475
2031	43,884,848	2,648,167	46,533,016
2032	40,755,645	663,646	41,419,292
2033	38,634,582	661,354	39,295,936
2034	36,527,583	662,500	37,190,083
2035	36,139,021	913,708	37,052,729
2036	33,031,005	3,883,230	36,914,235
2037	32,878,075	3,880,887	36,758,962
2038	32,730,268	3,879,198	36,609,466
2039	16,638,999	3,874,397	20,513,397
2040	13,967,932	3,872,683	17,840,615
2041	5,615,400	3,867,685	9,483,085
2042	5,618,400	3,846,206	9,464,606
2043	5,613,600		5,613,600
2044	5,616,000		5,616,000
2045	—	—	—
<b>TOTAL</b>	<b><u>\$978,032,840</u></b>	<b><u>\$117,776,599</u></b>	<b><u>\$1,095,809,438</u></b>

\* Numbers may not add to totals due to rounding.

† See “SECURITY AND SOURCES OF PAYMENT—Outstanding Senior Obligations.”  
[NTD-Same issue as in prior table relating to VA debt migration]

## **HAMPTON ROADS SANITATION DISTRICT**

### **Authorization and Purpose**

The District was created in 1940 by the Virginia General Assembly as a political subdivision of the Commonwealth of Virginia (the “Commonwealth”) and was established as a governmental instrumentality to provide for the public health and welfare. Chapter 66, Acts of the Assembly of 1960, validated and confirmed prior legislation creating the District and repealed earlier acts of the Virginia General Assembly enacted with respect to the District.

The District was created for the specific purpose of abating pollution in the Hampton Roads area of Virginia through the interception of existing wastewater outfalls, the construction of wastewater treatment facilities and the installation of interceptors throughout the service area. The District does not provide water, solid waste disposal or storm water mitigation. The cities, counties and military establishments the District serves provide those services. With the exception of the Counties of King William, King and Queen, Middlesex and Matthews and the Town of Urbanna, the collection systems, consisting of lateral sewers and subtrunk facilities which carry wastewater from industries, homes, apartments and businesses to the District’s interceptor system, are the responsibility of the various cities, counties and military establishments within the District.

The District is a separate legal entity from the various cities, counties and military establishments within the District. See “—The Commission” below.

### **History**

The District traces its origins to 1925, when the Virginia Department of Health condemned a large oyster producing area in Hampton Roads. The closure resulted in the Virginia General Assembly creating in 1927 a “Commission to Investigate and Survey the Seafood Industry of Virginia.” Subsequent studies recommended a public body to construct and operate a sewage system in the area.

In 1934, the Virginia General Assembly created the Hampton Roads Sanitation Disposal Commission with instructions to plan the elimination of pollution in Hampton Roads. Recommendations were made to the General Assembly which resulted in the Sanitary Districts Law of 1938, along with “An Act to provide for and create the Hampton Roads Sanitation District.” In a referendum held on November 5, 1940, a majority of the voters approved the creation of the District.

The District’s first construction project, the Warwick County Trunk Sewer, began on June 26, 1946. The District commenced operations on July 1, 1946, using facilities acquired from the United States Government. The District’s first treatment plant, the Army Base Plant, commenced operations on October 14, 1947. Since that time, the facilities of the District have been expanded to provide wastewater treatment service to all major population centers within its boundaries.

### **The Commission**

The District operates under the direction of its governing body, the Hampton Roads Sanitation District Commission (the “Commission”), comprised of eight members appointed by the Governor for staggered terms of four years. Members of the Commission may be reappointed without limitation and may be suspended or removed by the Governor at his pleasure. The Commission annually elects one of its members as Chairman and another as Vice Chairman. Under the Enabling Act, the eight members of the Commission must be residents of the cities and counties of the District as follows: one member from each of the cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth and Virginia Beach; one

member from the City of Suffolk or Isle of Wight County; and one member from the City of Williamsburg or Poquoson, or Gloucester, James City, King William, King and Queen, Mathews, Middlesex, or York County or the Town of Urbanna.

The Commission is empowered, among other things, to (1) construct and to improve, extend, enlarge, reconstruct, maintain, equip, repair and operate a wastewater system or systems, either within or without or partly within and partly without the corporate limits of the District, and to construct wastewater improvements within the corporate limits of the District, (2) issue the District's bonds, payable solely from revenues, to pay all or part of the cost of a wastewater system, (3) fix, revise, charge and collect rates, fees and charges for the use of and for the services of any system operated by the District, (4) enter into contracts with any unit, including counties, cities and other authorities, relating to the furnishing of services of the District, and (5) acquire real or personal property necessary in connection with wastewater systems or wastewater improvements.

The current members of the Commission and their resumes are set forth below.

<u>Commissioners</u>	<u>Residence</u>	<u>Occupation</u>	<u>Term Expires June 7,</u>
Vishnu K. Lakdawala, Ph.D., <i>Chairman</i>	Virginia Beach	Associate Professor, Electrical and Computer Engineering, Old Dominion University	2018
Frederick N. Elofson, CPA, <i>Vice Chairman</i>	Newport News	Retired Certified Public Accountant and Personal Financial Specialist, Goodman & Company, LLP	2018
Arthur C. Bredemeyer	Suffolk	Attorney, Cooper, Spong and Davis P.C.	2017
Michael E. Glenn	Norfolk	President, Luna Development Services, LLC	2019
Willie Levenston, Jr.	Portsmouth	Retired Supervisor Electronic Engineer, Norfolk Naval Shipyard	2019
Maurice P. Lynch, Ph.D.	Gloucester Point	Professor Emeritus, Virginia Institute of Marine Science, College of William and Mary	2017
Stephen C. Rodriguez	Chesapeake	Owner and President, Cruco, Inc.	2016
Susan M. Rotkis	Hampton	Attorney, Consumer Litigation Associates, P.C.	2016

**Vishnu K. Lakdawala, Ph.D., Chairman.** Dr. Lakdawala, a member of the Commission since June 8, 2002, obtained his undergraduate degree in electrical engineering from Bangalore University in India in 1972 and his Master of Engineering Degree in High Voltage Engineering from Indian Institute of Science in 1974. He worked as Research and Development Engineer in Jyoti Limited for three years in the high voltage instrument transformers division. He received his Ph.D. in electrical engineering from the University of Liverpool in 1980. After serving as senior research associate in the Department of Electrical Engineering and Electronics in the University of Liverpool for a year, he joined Oak Ridge National Laboratory, Oak Ridge, Tennessee, where he conducted research for a year. He joined the faculty of Old Dominion University in 1983 as Assistant Professor in the Department of Electrical and Computer Engineering. He is currently the Chief Departmental Advisor and Associate Professor of Electrical and Computer Engineering. Dr. Lakdawala currently serves as the president of the Hindu Temple of Hampton Roads. Dr. Lakdawala resides in the City of Virginia Beach.

**Frederick N. Elofson, CPA, Vice Chairman.** Mr. Elofson, a member of the Commission since July 1, 2006, is a Certified Public Accountant and recently retired senior partner in Goodman & Company, LLP, in Newport News. He earned a bachelor's degree in accounting from West Virginia University and has more than 30 years of accounting experience. A former chairman of the board and treasurer of the Peninsula Chamber of Commerce, Mr. Elofson remains active in numerous professional and civic organizations. He is a past treasurer and board member of the Schooner Virginia Project, a past president of the Peninsula Estate Planning Council, and has been honored as the Chamber's Volunteer of the Year. Mr. Elofson resides in the City of Newport News.

**Arthur C. Bredemeyer, Commissioner.** Mr. Bredemeyer, a member of the Commission since August 18, 2009, is an attorney with the law firm of Eure & Bredemeyer, PLLC. After retiring from the United States Air Force with 20 years of service, he entered private practice, specializing in estate planning, taxation and elder law. During his last military posting, he was assigned to the Air Combat Command Headquarters at Langley Air Force Base, where he was chief of the International and Operations Law Division for the Air Force's largest command. Mr. Bredemeyer holds a bachelor's degree in accounting, history and political science from Illinois College, a J.D. from Washburn University, a master's in public administration from the University of Oklahoma, and a Master of Law Degree in Taxation from the College of William and Mary. Mr. Bredemeyer's civic activities have included serving as president of Suffolk Tomorrow, chair of the Suffolk Airport Commission and as a member of the board of Riddick's Folly Museum. Mr. Bredemeyer resides in the City of Suffolk.

**Michael E. Glenn, Commissioner.** Mr. Glenn, a member of the Commission since May 13, 2008, is president of Luna Development Services, LLC. The firm, which offers full-service general contracting and real estate development services, is a Certified Virginia Minority Business Enterprise. Before founding his firm in 2004, Mr. Glenn was Director of Operations, Real Estate Services and Contracts for Troutman Sanders, LLP. He also has served as a development executive for Armada Hoffer Development and as a Wachovia Bank vice president. Mr. Glenn received a bachelor's degree in psychology, with a minor in biology, from Old Dominion University. Mr. Glenn resides in the City of Norfolk.

**Willie Levenston, Jr., Commissioner.** Mr. Levenston, a member of the Commission since September 9, 2014, earned his Bachelor of Science in Engineering from Southern University in Baton Rouge, Louisiana. He retired from the Norfolk Naval Shipyard in 2008 after more than 40 years of service. In his capacity as Supervisor Electronics Engineer, Mr. Levenston was responsible for Surface Ship Exterior Radio Communications, Secure/Communication Information Processing, Naval Tactical Data Systems, Search Radar, Electronics Countermeasure/Navigational Aids, and the Submarine Communication sections. Mr. Levenston resides in the City of Portsmouth.

**Maurice P. Lynch, Ph.D., Commissioner.** Dr. Lynch, a member of the Commission since August 24, 2009, is professor emeritus of the College of William and Mary's Virginia Institute of Marine Science. Upon earning his bachelor's degree from Harvard College, Dr. Lynch was commissioned an ensign in the U.S. Navy Reserve and remained on active duty with the Underwater Demolition Team until July 1962. After filling numerous reserve billets, he retired in 1988 with the rank of Captain USNR. Dr. Lynch earned his master's and doctoral degrees from William and Mary, where he has been a member of the faculty since 1972. He has been a liaison to numerous universities as well as state and federal agencies. He has served as the Virginia Sea Grant director, director of the Chesapeake Bay Research Consortium and director of the Chesapeake Bay National Estuarine Research Reserve in Virginia. He has been an officer of several professional organizations, including the Virginia Academy of Science, the Coastal Society and the National Estuarine Research Reserve Association. Dr. Lynch also has served two terms on the Chesapeake Bay Foundation ("CBF") board of trustees and been a leader of CBF's York chapter. He was appointed to the Middle Peninsula Planning District Commission in 1997 and has served as its chair. Dr. Lynch resides in Gloucester Point.

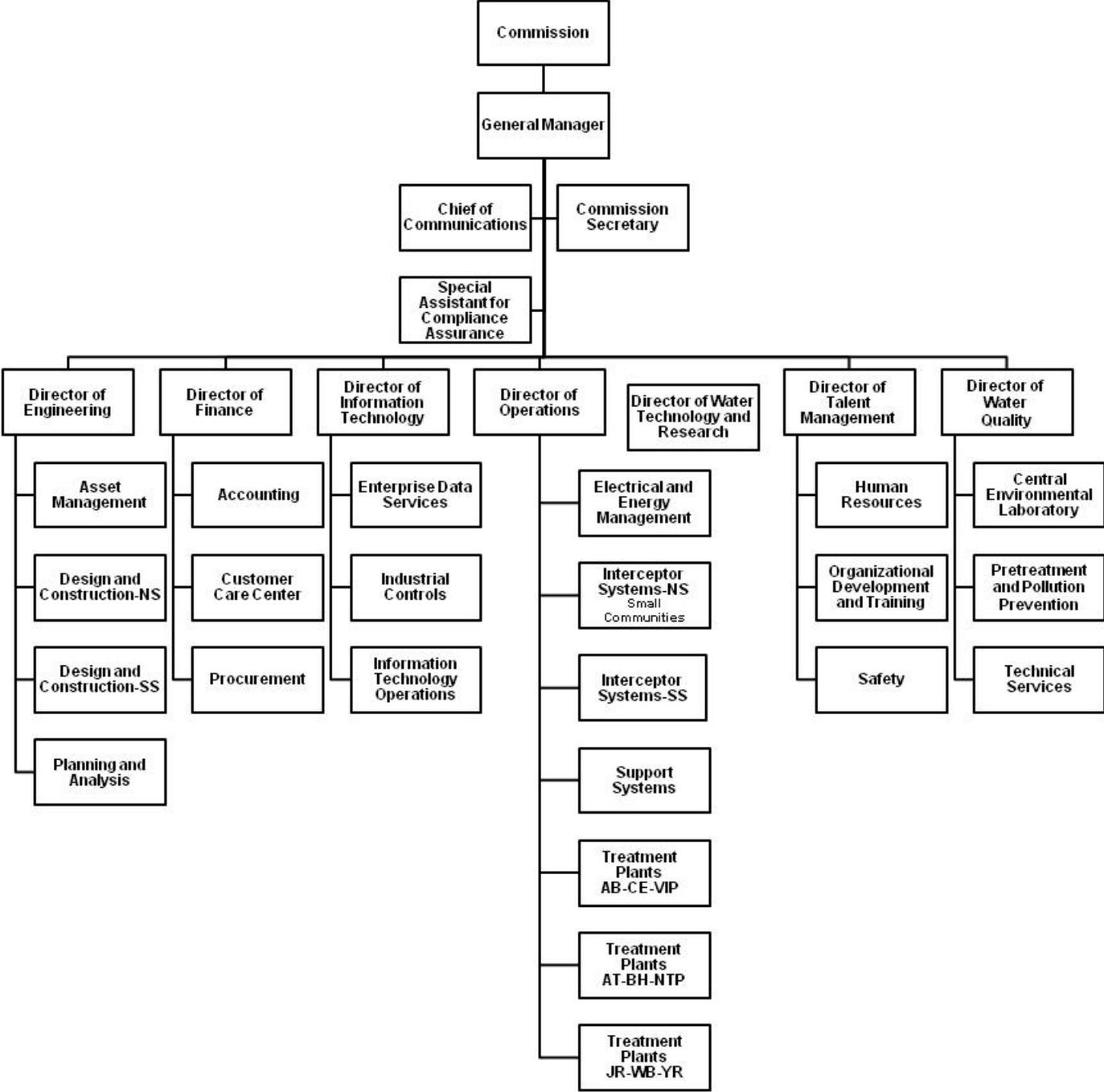
**Stephen C. Rodriguez, Commissioner.** Mr. Rodriguez, a member of the Commission since October 5, 2012, is the owner and president of Cruco Inc., which provides construction services in Hampton Roads. He currently serves on the boards of the Outer Banks Hospital and the Chesapeake Regional Medical Center. Mr. Rodriguez was named Chairman of the Foundation for Virginia Natural Resources and has served as president of the Deep Creek Ruritan Club. He also has been a member of the Chesapeake School Board, the Chesapeake Economic Development Authority and the board of directors of Opportunity, Inc. He holds a bachelor's degree in civil engineering technology and a certificate in civic leadership from Old Dominion University. Mr. Rodriguez resides in the City of Chesapeake.

**Susan M. Rotkis, Commissioner.** Ms. Rotkis, a member of the Commission since August 8, 2014, is an attorney with Consumer Litigation Associates, P.C. Ms. Rotkis, who has practiced law in Virginia since 1996, now focuses on federal consumer protection law. She began her legal career at the National Center for Missing and Exploited Children in Alexandria. As legal and legislative counsel, she was an advocate for the rights of child victims and their families. She also served as general counsel and corporate facility security officer of Total Immersion Software, Inc. (now Intific), a game developer and defense contractor headquartered in Hampton, Virginia. There she focused her practice on licensing, intellectual property, transactions, compliance and other business-related legal issues. Ms. Rotkis earned a bachelor's degree in journalism from Arizona State University and a J.D. from Georgetown University Law Center. She also served several years as a federal judicial law clerk. Ms. Rotkis resides in the City of Hampton.

## **Management and Staff**

The District is managed through six departments which are organized into functional divisions with their principal responsibilities summarized after the District's organizational chart set out below.

# HRSD Organizational Chart



## Engineering

- Design & Construction: Manages projects to ensure that contracted work is performed according to HRSD's quality standards, fiscal policies and environmental commitment.
- Planning & Analysis: Evaluates the service area's needs and determines the new facilities necessary to expand services. Projects future demand flows, service area expansion, and potential HRSD opportunities. Responsible for the Geographical Information System (GIS), Regional Hydraulic Model, Capital Planning, and Data Analysis.
- Asset Management: Provides systematic and risk-based analysis to manage sustainable lifecycle costs of capital assets and optimize maintenance programs. Responsible for the Computerized Maintenance Management System (CMMS).

## Finance

- Accounting: Performs accounting and budget operations and treasury, debt and risk management functions.
- Procurement: Acquires goods and services.
- Customer Care Center: Responsible for billings, collections, maintenance of customer accounts and liaison with HRSD customers.

## Information Technology

- Enterprise Data Services: Manages the enterprise databases and provides software implementation services.
- Industrial Controls: Provides instrumentation and controls support for Interceptor and Treatment plant divisions.
- Information Technology Operations: Manages the hardware and software needs including troubleshooting and support.

## Operations

- Electrical and Energy Management: Provides and/or coordinates engineering, electrical and instrumentation services to design, modify and implement electrical, instrumentation and energy management projects.
- Interceptor Operations North Shore: Operates and maintains the interceptor system in the Cities of Hampton, Newport News, Poquoson and Williamsburg, and the Counties of Gloucester, James City and York.
- Interceptor Operations South Shore: Operates and maintains the interceptor system in the Cities of Chesapeake, Norfolk, Portsmouth, Suffolk and Virginia Beach and the County of Isle of Wight.
- Small Communities: Operates and maintains the collections systems and treatment plants that serve the Middle Peninsula.

- Support Systems: Coordinates preventive and major corrective maintenance programs including Automotive Maintenance, Carpenter, Electrical and Machine Shop operations.
- Treatment Plants: Operates and maintains the Army Base, Atlantic, Chesapeake-Elizabeth and VIP, Boat Harbor, James River, Nansemond, Williamsburg and York River treatment plants.

Talent Management

- Human Resources: Responsible for human resources and benefits.
- Organizational Development and Training: Provides employee training and manages the apprenticeship program.
- Safety: Coordinates the safety program at HRSD.

Water Quality

- Central Environmental Laboratory: Performs all HRSD analytical testing.
- Pretreatment & Pollution Prevention: Controls all non-domestic waste discharged into the HRSD system.
- Technical Services: Provides scientific/technical support of all HRSD departments and administration of all HRSD permits.

The District's administration is overseen by a General Manager, supported by eight directors and their staffs. For Fiscal Year 2016, the District budgeted for 803 full-time employees. Current staffing is sufficient to operate all existing facilities. None of its employees is currently represented by a union.

The following individuals are responsible for the daily management and affairs of the District:

**Edward G. Henifin, P.E., General Manager**

Ted Henifin, a registered professional engineer, has served as HRSD's General Manager since 2006. The recipient of a bachelor's of science in civil engineering from the University of Virginia, Mr. Henifin also has completed the Water and Wastewater Leadership Program at the Kenan-Flagler Business School of the University of North Carolina at Chapel Hill. Mr. Henifin began his career in 1982 as a civil engineer in the facilities planning division of the Navy Public Works Center in Norfolk. He has served as a senior engineer with the Norfolk Redevelopment and Housing Authority and deputy site manager of the Navy Public Works Center at Little Creek. He worked for nine years as Director of Public Works for the City of Hampton before joining HRSD. Active in numerous professional and civic organizations, Mr. Henifin is vice-president of the Virginia Association of Municipal Wastewater Agencies. He also has served on the board of the Virginia, District of Columbia and Maryland Chapter of the American Public Works Association. He is president of the George Wythe Recreation Association and a member of the boards of the Downtown Hampton Child Development Center, the American Red Cross, Hampton Roads Chapter and the Hampton Neighborhood Development Partnership. Mr. Henifin's honors include the Julian F. Hirst Award for Distinguished Service, presented by the American Society for Public Administration. He also was among a select number of proven leaders chosen for the 2009 class of LEAD Virginia.

**Donald C. Corrado, Director of Information Technology**

Prior to his appointment in 2008, Don Corrado served as HRSD's Chief of Information Technology for nine years. In that capacity he was responsible for the implementation of a scalable, fully-licensed, standards-based wide area network capable of supporting the various enterprise-class applications required to meet HRSD's business needs. Mr. Corrado's 20-year career includes public and private sector experience as an IT manager, enterprise solutions architect, information systems security officer, project leader and contract specialist. He earned a bachelor's degree from Old Dominion University and is a Master Certified NetWare Engineer, Microsoft Certified Systems Engineer and Nortel Certified Enterprise Solutions Provider. Mr. Corrado is also a U.S. Department of Defense Certified Acquisition Professional and Checkpoint Firewall One Certified. He is a member of the Gartner Executive Panel, American Water Works Association and Water Environment Federation ("WEF") and has completed the Kenan-Flagler Water and Wastewater Leadership Program.

**Steven G. de Mik, MBA, CPA, Director of Operations**

Steve de Mik, who was named Director of Operations in 2015, joined HRSD in 2008. In his previous position of Director of Finance and Chief Financial Officer, Mr. de Mik was responsible for HRSD's general financial and business functions, including financial reporting, investment portfolio, debt and risk management, and customer billing. A certified public accountant, he holds an MBA from the College of William and Mary and has completed the Kenan-Flagler Water and Wastewater Leadership Program. Before joining HRSD, Mr. de Mik served for seven years as the Director of Finance and Business Services for the City of Norfolk. His duties in that post included managing the financial operations of the city including a pension system and a debt portfolio of approximately \$1 billion using three different credit structures. In addition, he was responsible for the city's parking, facilities maintenance and fleet operations. Mr. de Mik's years of progressively responsible public and private sector experience also include positions with Knox County, TN; Knoxville, TN; Chipman and McMurray, CPA's of Hendersonville, TN; and the Comptroller of the Treasury, Division of State Audit, Nashville, TN. He received a bachelor's degree in accounting and business administration from Southwest Baptist University in Bolivar, Missouri. Mr. de Mik also serves as chairman of the board of directors for Heart for Orphans, a nonprofit organization based in Williamsburg, VA.

**Phillip L. Hubbard, P.E., Special Assistant for Compliance Assurance**

Phil Hubbard was the Sanitary Sewer Overflow Reduction Manager for the City of Virginia Beach prior to joining HRSD in 2007. In that capacity he ensured full compliance with regulatory orders, represented the City with the Virginia Department of Environmental Quality and the United States Environmental Protection Agency, served as Team Leader for the Regional Capacity Team, and managed contracts with consulting engineers. His extensive experience also includes more than 20 years as an operations manager in the city's public utilities department. A registered professional engineer, Mr. Hubbard holds a bachelor's degree in civil engineering from the Virginia Military Institute and has completed the Kenan-Flagler Water and Wastewater Leadership Program. He is a member of the American Society of Professional Engineers and WEF. He twice received the Virginia Beach City Manager's Creativity, Innovation and Public Service Award, and was named the Hampton Roads ASCE Government Engineer of the Year in 2010.

**Bruce W. Husselbee, P.E., Director of Engineering**

Bruce Husselbee became Director of Engineering in July 2005. Before his promotion to this senior leadership position, he was a Project Manager in the Design and Construction Division for nine years. In that capacity he managed a number of large capital improvement projects. These included

interceptor, treatment plant and water reclamation facilities. Mr. Husselbee previously worked in the consulting engineering field for 12 years. He holds a bachelor's degree in civil engineering and a master's degree in environmental engineering from George Washington University. He also has completed the Kenan-Flagler Water and Wastewater Leadership Program.

**James J. Pletl, Ph.D., Director of Water Quality**

Jim Pletl was promoted to Director of Water Quality in December 2011. Previously, he was the Chief of Technical Services for five years. In that capacity, he managed HRSD's environmental monitoring and permitting program. He also served as an Environmental Scientist for 17 years, providing technical reviews and conducting planning for water quality studies. Dr. Pletl holds a bachelor's degree in Biology from Alfred University and a PhD in Biological Oceanography from Old Dominion University. He also is a graduate of the Kenan-Flagler Water and Wastewater Leadership Program. Dr. Pletl is the vice-chair of the National Association of Clean Water Agencies ("NACWA") Water Quality Committee and the chair of the Virginia Association of Municipal Wastewater Agencies ("VAMWA") Water Quality Committee. He has served on two federal advisory committees for EPA and several advisory groups to the Virginia Department of Environmental Quality. Dr. Pletl has also served on numerous Water Environment Research Foundation ("WERF") project oversight committees which define the goals and guide the work of WERF research relevant to wastewater utility issues.

**Jay A. Bernas, P.E., Director of Finance**

Jay Bernas was promoted to Director of Finance in October 2015. Before his promotion to this position, Mr. Bernas served as Chief of Planning and Analysis for ten years and was responsible for planning HRSD's \$1.4 billion Capital Improvement Program, performing business case analyses, system capacity analyses to support regional growth and managing four technical sections: Geographic Information Systems, Data Analysis, Hydraulic Modeling and Capital Planning. Prior to joining HRSD, he was a project manager with the City of Virginia Beach. Mr. Bernas graduated from Old Dominion University in 1995 with a degree in Civil Engineering and earned his MBA from the College of William & Mary in 2013. He also has completed the Kenan-Flagler Water and Wastewater Leadership Program and was part of the 2008 class for LEAD Hampton Roads. He received the George Robert House, Jr. award for young public administrators from the American Society for the Public Administration in 2006 and was recognized by Inside Business as a "Top Forty under 40" in 2011. Appointed by the Virginia Beach City Council to serve on the Planning Commission from 2006-2013, Mr. Bernas was its Chairman for the last two years of his tenure. He is a member of the Dominion Virginia Power Community Advisory Council and currently serves as Chairman of the St. Gregory's the Great School Board.

**Paula A. Hogg, Director of Talent Management**

Paula Hogg became Director of Talent Management when the position was established in 2014. A graduate of Virginia Tech and the Kenan-Flagler Water and Wastewater Leadership Program, Ms. Hogg began her HRSD career in 1983. Her progressively responsible positions led to her selection as the Chief of Laboratory in 2005. In that capacity, she oversaw the effective operation of HRSD's state-of-the-art Central Environmental Laboratory and ensured proper internal analysis and regulatory control. Ms. Hogg played a key role in the effort to bring HRSD's laboratory into full compliance with Virginia's Laboratory Accreditation regulation. She also has led various inter-departmental teams, was instrumental in the development of HRSD's quality program and served as one of the first facilitators. Ms. Hogg has been an active member of the Water Environment Federation and the Virginia Water Environment Association, where she served as Chair of the National Laboratory Practices Committee and as a member of the committee Leadership Council. She has also served on the Advocacy Committee for the National Environmental Laboratory Accreditation Conference Institute (TNI).

**Charles B. Bott, PhD. P.E., Director of Water Technology and Research**

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**Awards**

HRSD has received numerous awards for excellence in plant operations and maintenance, environmental engineering and design, and financial reporting. Its treatment plants have earned 291 awards for outstanding compliance with National Pollutant Discharge Elimination System (“NPDES”) permits since 1986, when the recognition program was established. All 13 treatment plants qualified for an award for outstanding permit compliance for calendar year 2014, when the Army Base Treatment Plant achieved 28 consecutive years of perfect permit compliance, a record unmatched in the nation. During Fiscal Year 2013, HRSD received the prestigious Platinum Excellence in Management Award from the National Association of Clean Water Agencies (NACWA) and the Honor Award in the Environmental Sustainability category for “HRSD York River Treatment Plant Demon Sidestream Deammonification Process Implementation” from the American Academy of Environmental Engineers & Scientists (AAEES). In addition, HRSD received the American Council of Engineering Companies (ACEC) Grand Prize for research accomplished in partnership with DC Water. The U.S. Green Building Council awarded Silver Leadership in Energy and Environmental Design (LEED) Certification to HRSD’s North Shore Operations Center, the Elizabeth River Project (ERP) recognized HRSD as a Sustained Distinguished Performance Model Level River Star business, and the Engineers Club of Hampton Roads named HRSD’s Force Main Condition Assessment Program the 2013 Project of the Year. Honors received during Fiscal Year 2014 included the Outstanding Agency Accreditation Achievement Award from the National Institute for Public Procurement (NIGP), a certificate from the Virginia Tech Wastewater Treatment Plant Operator Short School recognizing HRSD’s commitment to improving plant operations within the Commonwealth for 37 consecutive years, and the Hampton Roads Alliance for Environmental Education (HRAEE) 2013 Increasing Communications Award. Also, Team HRSD placed first overall in the Division 2 Operations Challenge competition held during the 2013 Water Environment Federation Technical Exhibition and Conference (WEFTEC) and ERP recognized HRSD for a second consecutive year as a Sustained Distinguished Performance Model Level River Star business.

Honors received during Fiscal Year 2015 from NACWA included the Operations & Environmental Performance National Environmental Achievement Award (NEAA) for HRSD’s Nutrient Removal Program: Advancement Through Management of Sidestream Loads initiative and the Research & Technology NEAA for the joint initiative with DC Water, Mainstream Deammonification—A New “Blue Print” for Cost Effective, Sustainable Nutrient Removal. The International Water Association presented HRSD and its project partners with the Project Innovation Honour Award for Applied Research for: Unlocking the Mysteries of Mainstream Deammonification – A Paradigm Shift for the Wastewater Industry. Also, Team HRSD placed first overall in the Division 2 Operations Challenge competition held during the 2014 WEFTEC and ERP presented HRSD with the Living Lafayette award.

**THE SERVICE AREA**

[The District provides service to 558 square miles of existing sewered area and potentially 926 square miles based on Locality Comprehensive Plans out of the 2,808 square miles of land area within the boundaries of its corporate limits. The geographical limits are shown on the map behind the inside front cover and include the following localities:

City of Chesapeake	Gloucester County
City of Hampton	Isle of Wight County
City of Newport News	James City County
City of Norfolk	King and Queen County
City of Poquoson	King William County
City of Portsmouth	Mathews County
City of Suffolk	Middlesex County
City of Virginia Beach	York County
City of Williamsburg	

The District and the Commission are independent of the localities served by the District. See “HAMPTON ROADS SANITATION DISTRICT—Authorization and Purpose” and “—The Commission.”

As of the date of this Official Statement, HRSD is in discussions with Surry County about the potential to be added to the District’s service area, but no agreement has been reached and no petitions have been filed in the Circuit Court as required in HRSD’s Enabling Act to expand the service area. Surry County has an estimated 488 wastewater accounts.

### Population Growth

The area within the District has experienced substantial urban and suburban development and consequent population growth. The historical population and projections of future population within the District are presented below. Presently, the District contains approximately [21%] of the population of the Commonwealth of Virginia.

<u>Year</u>	<u>Population</u> <sup>1</sup>	<u>Population Increase (%)</u> <sup>2</sup>
1960	660,338	--
1970	973,247	47
1980	1,085,332	12
1990	1,431,000	32
2000	1,551,000	8
2010	1,674,917	8

(1) Source – United States Bureau of the Census.

(2) Increase in population includes both increase in population within the District’s original service area, as well as the expansion of the District’s service area.

The District’s top ten ratepayers represented 9.7% of the District’s total rate base, as measured by wastewater treatment charges, in Fiscal Year 2015. The following table compares the top ten ratepayers in Fiscal Year 2015 with the ten largest ratepayers in Fiscal Year 2006.

**Wastewater Treatment Charges**  
**Ten Largest Customers**

<u>Customer</u>	<u>Type</u>	<u>Fiscal Year 2015</u>		<u>Fiscal Year 2006</u>	
		Amount <sup>(1)</sup>	% of Total	Amount <sup>(1)</sup>	% of Total
U.S. Navy – Norfolk Naval Base	Military Facility	\$4,614	2.1	\$1,857	1.7
Smithfield Foods	Meat Processor	3,281	1.5	-	1.9
Anheuser-Busch, Inc.	Brewery	3,240	1.5	5,512	5.2
Norfolk Navy Shipyard	Military Ship Repair	1,843	0.8	-	-
City of Norfolk	Municipality	1,792	0.8	1,072	1.0
Norfolk Redevelopment and Housing Authority	Housing Authority	1,614	0.7	589	0.6
Joint Expeditionary Base Little Creek – Fort Story <sup>(2)</sup>	Military Facility	1,606	0.7	715	0.7
Huntington Ingalls Industries <sup>(3)</sup>	Shipbuilding	1,288	0.6	477	0.4
City of Virginia Beach	Municipality	1,164	0.5	-	-
Sentara Healthcare	Health Care Network	1,076	0.5	-	-
U.S Air Force – Langley	Military Facility	-	-	560	0.5
PEPSI-Cola Bottling	Bottling Facility	-	-	349	0.3
Marva Maid Dairy	Manufacturer – Dairy Products	-	-	346	0.3
<b>Totals</b>		<b>\$21,518</b>	<b>9.7%</b>	<b>\$13,513</b>	<b>12.6%</b>

<sup>(1)</sup> Dollar amounts in thousands.

<sup>(2)</sup> Formerly U.S. Navy – Little Creek Amphibious Base.

<sup>(3)</sup> Formerly Northrop Grumman Newport News/Newport News Shipbuilding and Drydock.

## Wastewater Flow

During the past five years, there has been population growth in the service area while the number of service connections has remained relatively stable. Billed water consumption has declined modestly during such period because of conservation efforts on the part of utility customers fostered by increasing water rates, improved construction materials and the installation of low flow plumbing fixtures.

### Wastewater Flows and Service Connections

<b><u>Fiscal Year</u></b> <b><u>Ended June 30,</u></b>	<b><u>Average Daily</u></b> <b><u>Wastewater Flow</u></b> <sup>(1)</sup>	<b><u>Total Billed</u></b> <b><u>Wastewater Flow</u></b> <sup>(1,2)</sup>	<b><u>Service Connections</u></b> <sup>(3)</sup>
2011	144	119	457
2012	147	115	458
2013	158	112	460
2014	154	113	462
2015	152	112	465

(1) Millions of Gallons Per Day.

(2) Water meters are read for billing purposes by the participating jurisdictions.

(3) Number of service connections in thousands.

## Expansion of Service Area

In most instances, the routine expansion of the service area results from the extension of the interceptor system which is performed at the request of a local government. The general policy is that HRSD will extend an interceptor sewer when the local government extends a public water system. The interceptor sewer is intended to serve an area within two miles of the interceptor pipeline

### THE SYSTEM

The Wastewater System consists of nine major treatment plants (248.5 million gallons per day (MGD) capacity), four smaller plants and its interceptor system consisting of 83 major pump stations and approximately 532 miles of interceptors ranging in diameter from 6 to 66 inches. The interceptors, which are gravity and force mains, convey wastewater from the point of delivery by municipalities, industry and other users of the Wastewater System to the District's treatment plants.

The following table identifies the location of the District's major treatment plants, their design capacities and, for the Fiscal Year ended June 30, 2015, their average daily flows.

**Hampton Roads Sanitation District  
Treatment System Capacity & Flows  
(Million Gallons Per Day)**

<u>Major Treatment Facilities</u>	<u>Average Design Capacity</u>	<u>FY 2015 Annual Average Daily Flow</u>
Army Base		
Norfolk	18.0	9.9
Atlantic		
Virginia Beach	54.0	30.9
Boat Harbor		
Newport News	25.0	14.4
Chesapeake-Elizabeth		
Virginia Beach	24.0	16.3
James River		
Newport News	20.0	12.7
Nansemond		
Suffolk	30.0	16.6
Virginia Initiative		
Norfolk	40.0	30.5
Williamsburg		
James City County	22.5	8.4
York River		
York County	<u>15.0</u>	<u>12.6</u>
TOTALS	<u>248.5</u>	<u>152.2</u>

In addition to the major facilities described above, the District operates four additional small wastewater treatment plants: two in Middlesex County with a combined capacity of 0.13 MGD, one in West Point (King William County) with a capacity of 0.60 MGD, and one in King William (King William County) with a capacity of 0.10 MGD. The interceptor system for these localities includes 33 pumping stations. On the Middle Peninsula, HRSD is responsible for collection, conveyance and treatment.

**System Improvements and Innovations**

HRSD has completed significant renewals and improvements to its treatment plants, pump stations, interceptor sewers, operational and administrative facilities in recent years. Electrical equipment upgrades throughout all HRSD facilities have been made to replace aging system components as well as meet new arc flash safety requirements. The on-going infrastructure renewal program has replaced a number of major interceptor pipelines and pump stations over the past few years including the Great Neck Road Interceptor Force Main in Virginia Beach, Normandy Lane Interceptor Force Main and Triton Court Pump Station in Newport News, and the Hampton 023 Pump Station and Force Main Replacement/Rehabilitation in Hampton.

HRSD has directed significant effort to meet new mass discharge limits on nitrogen and phosphorus as a result of the six state effort to restore the Chesapeake Bay. As a result of the capital projects at the York River, Nansemond and James River Treatment Plants, HRSD has met these new stringent limits since calendar year 2011, the first compliance deadline. Through the use of creative design and phased construction, HRSD deploys cost-effective adaptive technologies to take advantage of

the existing facilities and the diversity of treatment processes at each plant. There are over \$272 million in treatment plant improvements under construction at the Army Base and VIP plants to meet the next Chesapeake Bay compliance deadline in 2017. [Based on these investments, HRSD estimates that additional infrastructure improvements are not needed to meet the projected nutrient limits in 2022, unless the result of the 2017 Lower James River Chlorophyll Criteria Study requires more stringent water quality goals. The purpose of the Lower James River Chlorophyll Criteria Study is to provide a precise and scientifically defensible basis for the tidal James River nutrient allocations under the Chesapeake Bay TMDL. The study seeks to identify the causes and consequences of algal blooms and develop models to estimate their occurrence by linking [Chlorophyll *a*] to nutrients and other environmental factors. In addition, the study will assess the impact of algal blooms on aquatic life and other water quality indicators. HRSD expects the study to be completed by 2017.]

A comprehensive metering network has been installed throughout the Wastewater System to aid in optimizing system operations and to provide flow data to HRSD's new dynamic hydraulic model for calibration and validation purposes. The hydraulic model is one of the most sophisticated sewer modeling efforts in the country and is being used to guide placement and sizing of future system improvements to cost effectively address wet weather peak flows. In addition, HRSD uses the hydraulic model to evaluate new connections to the system to ensure capacity, size new pipelines and pump stations, develop contingency scenarios and improve system operational efficiency. The hydraulic model was also instrumental in HRSD's decision to take the Chesapeake-Elizabeth Treatment Plant offline and diverting flow to use available capacity at the Atlantic Treatment Plant. The 30-year net present value savings to be gained by this decision is estimated to be between \$133 million to \$212 million.

HRSD owns the second Ostara nutrient recovery facility in the United States. The patented Ostara process recovers phosphorus and nitrogen from the wastewater treatment process, rather than releasing it into the Chesapeake Bay, and converts it to a slow release, high phosphorus content, commercial fertilizer.

The District continues to evaluate potential renewable energy projects, such as the Atlantic Treatment Plant Digester Gas Combined Heat and Power project completed in 2013. This project feeds internal combustion engines with treated digester gas to meet up to 40% of the 2.5 megawatt demand of the treatment plant and provide heating to the administration buildings and digesters. The digester gas treatment system uses a biological hydrogen sulfide gas scrubber, which is the first municipal installation in North America. [In 2008, HRSD partnered with the Navy to use the Atlantic Treatment Plant's effluent to act as a heat sink for a large Navy facility located adjacent to the plant. This system, similar in function to a geothermal system, saves the Navy \$3 million per year and won a Federal Facility Presidential Award in 2009.]

At the Atlantic Treatment plant, HRSD is designing a new thermal hydrolysis process for biosolids handling. The process hydrolyzes and disintegrates sludge using pressure and temperature. As a result, biosolids are designated as Class "A," which means they are pathogen free and have far fewer land application restrictions, additional biogas is produced for the Combined Heat and Power system, and the process allows significant additional capacity to be gained from the existing anaerobic digesters. HRSD expects this project to be the second installation in the United States.

The District is a leading agency in wastewater research and development. In collaboration with an international group of researchers and external partners, the District played a major role in patenting a process using mainstream external selectors to improve biomass settleability and stabilize biological phosphorus removal. This technology was installed at the James River in 2015 and will be installed in one train at the Urbanna plant in 2016. In addition, the District is partnered with an international group of agencies and academic institutions studying a revolutionary wastewater process using a relatively new

bacteria called Anammox. The District started operating the first two full-scale sidestream treatment processes using Anammox in the Western Hemisphere at York River Plant and James River Plant. HRSD developed and patented (pending) a new control system for one of those processes known as the AnitaMox process. HRSD, in collaboration with others, patented a suite of technologies associated with the treatment of nitrogen using low energy, low carbon, and intensified (smaller tanks) processes and based on mainstream nitrite shunt and deammonification (anammox). This technology suite is known as “AVN” and has been commercialized through a competitive process with World Water Works, Inc. HRSD installed this control system at the Boat Harbor treatment plant with significant improvements in nitrogen removal performance at very low cost.

The District is also investigating other innovative projects to reduce energy usage and limit the discharge of contaminants to the environment. The District is using ammonia-based aeration control at two plants to improve nutrient removal while reducing energy, alkalinity, hypochlorite and supplemental carbon demand. There are only a few plants in the United States using this control strategy.

### **Capital Improvement Program**

The District’s Capital Improvement Program is designed to meet regulatory requirements, including both nutrient reduction and sanitary sewer overflow reduction, aging infrastructure renewals and replacements, biosolids management and increased capacity. The District uses a ten-year planning horizon for the CIP. The CIP is updated each year and modified as circumstances dictate. The Commission approves the overall program and the first year of the plan and appropriates funds on an individual project basis. The District also utilizes a CIP project prioritization program using a decision-analysis based process. This process allows each proposed project to be considered objectively against the merits of other proposed projects to ensure the right project is completed at the right time. Individual projects are scored using performance measures based on ten criteria and ranked. After the CIP review team considers each project score for consistency, the CIP leadership team makes final decisions on project acceptability and develops a prioritized project schedule based on projected capital funding availability.

The 2016-2025 CIP includes approximately \$1.45 billion in interceptor system, treatment plant and other facility improvements. Of that total, \$277 million is identified for the rehabilitation and upgrade of wastewater treatment plants. A number of interceptor sewer projects, totaling approximately \$283 million are in the planning, design or construction phase. These planned projects are proposed to address aging infrastructure issues within the extensive District interceptor sewer piping system. Upgrades to aging sewer pump stations and new pump stations to serve Hampton Roads are an important part of the CIP with over \$195 million of such improvements planned in the next ten years. The CIP includes \$30 million in anticipated biosolids management improvements.

The District will play a critical role in assisting the localities it serves to address the region’s sanitary sewer overflow reduction program as mandated by the Consent Decree (as defined herein). As part of this effort, the District has implemented a significant regional interceptor sewer metering program, a hydraulic sanitary sewer computer model and a sanitary sewer evaluation study to develop a Regional Wet Weather Management Plan (“RWWMP”). In 2011, the District worked with the localities to develop a private property inflow and infiltration program as required by the Consent Decree. This program will reduce inflow and infiltration coming from private house laterals as well as commercial property. The CIP includes over \$762 million to be spent in the next ten years to comply with the Consent Decree.

[The following table sets forth the District’s anticipated sources of funds for its Capital Improvement Plan in Fiscal Years 2015 through 2019.

**CIP, Fiscal Years 2015 to 2019**  
**(dollar amounts in thousands)**  
**(as of Fiscal Years ended June 30)<sup>(1)</sup>**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total (2015-19)</u>
Capital Reserves <sup>(2)</sup>	\$146,249	\$62,181	\$671	\$63	\$90	\$146,249
Bonds <sup>(4)</sup>	-	13,000	73,000	72,000	75,000	233,000
Cash	28,916	35,490	38,392	43,027	40,913	186,738
Grants and Other Reimbursements	<u>13,900</u>	<u>10,400</u>	<u>9,400</u>	<u>-</u>	<u>-</u>	<u>33,700</u>
<u>Total Sources</u>	189,065	121,071	121,463	115,090	116,003	599,687
Capital Expenditures	<u>126,884</u>	<u>120,400</u>	<u>121,400</u>	<u>115,000</u>	<u>115,000</u>	<u>598,684</u>
<u>Ending Capital Resources</u>	<u>\$62,181</u>	<u>\$671</u>	<u>\$63</u>	<u>\$90</u>	<u>\$1,003</u>	<u>\$1,003</u>

- (1) Totals may not add due to rounding.  
(2) Includes unexpended Bond proceeds.  
(3) Represents initial balance.

The District plans to fund the Capital Improvement Program through a combination of cash and debt financing as shown in the above table. The CIP also includes \$744 million in funding in Fiscal Years 2020 through 2024, of which \$376 million is planned to be funded with bond proceeds and \$368 million with operating cash.

In addition to its ten-year planning horizon, the District undertakes preliminary planning for its CIP through 2035. While subject to change, the District estimates additional capital expenditures of \$3.0 billion for years 2026-2035, with approximately half to be financed with new debt. Capital expenditures include estimated costs associated with the RWWMP discussed under “State Consent Agreement, EPA Consent Decree and Regionalization” below.]

**Regulation and Permits**

The Virginia State Water Control Law (Chapter 3.1, Title 62.1, Code of Virginia, 1950, as amended) provides that the plans and specifications for wastewater facilities to be constructed be approved by the Virginia Department of Health and the Virginia Department of Environmental Quality. The District operates all of its plants and interceptor systems under permits issued by the Virginia Department of Environmental Quality.

Except as described under “State Consent Agreement, EPA Consent Decree and Regionalization” and described under “System Improvements and Innovations” above relating to the Lower James River Chlorophyll Criteria Study, the District is not aware of any pending federal or state regulatory requirements that would require significant expenditures for additional capital improvements; however, the District cannot predict the scope or effect of future federal or Commonwealth regulatory actions that could require significant expenditures for capital improvements.

**State Consent Agreement, EPA Consent Decree and Regionalization**

In September 2007, the Commonwealth entered into a regional consent agreement (the “2007 Consent Agreement”) with the District and 13 of the localities that it serves. The Consent Agreement required flow monitoring, sewer investigations, rehabilitation planning and preparation of a Regional Wet Weather Management Plan. HRSD and the localities fully complied with the requirements of the 2007 Consent Agreement until it was terminated in 2014 and replaced with a new agreement.

On December 19, 2014, the Commonwealth of Virginia entered into a new, long-term Consent Agreement (the “2014 Consent Agreement”) with 14 of the localities that HRSD serves. The 2014 Consent Agreement requires the localities to perform long-term management, operations and maintenance of their sewer systems in support of HRSD’s efforts to provide long-term regional wet weather wastewater capacity. HRSD is not a party to the 2014 Consent Agreement. Instead, HRSD’s obligations are now solely imposed through its federal consent decree.

Separately, HRSD continues to implement a federally enforceable consent decree (the “Consent Decree”) that it entered into with the United States Environmental Protection Agency (“EPA”) and the Commonwealth. The Consent Decree was entered by the federal district court for the Eastern District of Virginia (the “District Court”) on February 23, 2010. The Consent Decree has been amended three times, most recently on August 24, 2014 (the “Amended Consent Decree”).

The Amended Consent Decree has two major operative requirements. First, it carries forward the requirement of the 2007 Consent Agreement to develop a Regional Wet Weather Management Plan (“RWWMP”) to control capacity related sewer overflows. However, through the third amendment, HRSD has now assumed responsibility for planning (in consultation with the 14 affected localities), designing, funding, and implementing the controls in both the Localities’ systems and the HRSD system that will be contained in the approved RWWMP. Through this approach, HRSD estimates the regional ratepayers will achieve significantly reduced program costs than if each locality sought to address peak wet weather wastewater flows on its own. To facilitate these regional cost savings, the Amended Consent Decree extends the RWWMP submittal deadline one year to October 1, 2017. To further facilitate this approach, the 14 affected localities entered into a Memorandum of Agreement with HRSD in 2014 in which they agree to (1) cooperate with HRSD, (2) facilitate the construction of and accept ownership of any improvements which HRSD may need to construct in the localities’ systems, and (3) maintain the integrity of their systems to industry standards.

The Amended Consent Decree also revised the requirement for the District to implement a portion of its current ten year Capital Improvement Plan. The initial requirement covered 33 projects totaling approximately \$140 million to be completed by February 23, 2018. The Third Amended Consent Decree made two categories of changes to this requirement. First, it authorized the removal of six projects in return for the addition of approximately 18 projects. These 18 projects added approximately \$23 million to the original cost estimate. Second, HRSD also added to the required projects its ongoing commitment to upgrade its Virginia Initiative Plant (“VIP”) to add nutrient removal technology required under the Chesapeake Bay Program. The VIP plant upgrade adds approximately \$143 million to the total cost of the projects which are now subject to the Amended Consent Decree. In adding the VIP plant, the Amended Consent Decree specified December 31, 2018 as the substantial completion deadline, consistent with HRSD’s existing legal obligation to complete the VIP plant nutrient upgrade. In total, the revised Interim System Improvements required in the Amended Consent Decree specify a total of \$306 million in projects to be completed by February 23, 2018 (except for the VIP plant upgrade which must be completed by December 31, 2018). HRSD is on track to timely implement all of the Interim System Improvements identified in the Amended Consent Decree, which are a subset of HRSD’s ten year Capital Improvement Plan.

As noted, the Amended Consent Decree requires HRSD to evaluate the wet weather capacity of the regional sewer system, including those collection systems owned by 14 of the localities that HRSD serves in the Hampton Roads area. Based upon that evaluation, HRSD, in consultation with the localities, is required to develop the RWWMP for submittal by October 1, 2017, to the federal and Commonwealth environmental agencies for their approval. The recommended plan will include an implementation schedule. The RWWMP will identify the attainable level of wet weather capacity in the Regional Sanitary Sewer System. The RWWMP will also summarize the major projects and programs that must be implemented in order to achieve the specified level of regional wet weather capacity. It is likely that the

RWWMP will call for approximately \$2 billion in infrastructure investments across the Hampton Roads region over several decades. See “– Capital Improvement Program” above for certain costs the District has included in the CIP for RWWMP projects.

## **FINANCIAL MANAGEMENT**

### **General**

Through its annual budget process, management seeks to ensure that operating revenues are sufficient to meet operating expenditures and sufficient reserves are available in the event actual billings do not meet budget estimates. The construction of new plants and extension of the interceptor system are financed by a combination of operating revenues and debt financing. The following table sets out the District’s operating results and debt service coverage for the Fiscal Years ended June 30, 2011, through June 30, 2015.

**Summary of Operating Expenses and Debt Service Coverage**  
**(Dollar Amounts in Thousands)**  
**(as of Fiscal Years ended June 30)<sup>(1)</sup>**

	<u>2015</u>	<u>2014</u>	<u>2013<sup>(2)</sup></u>	<u>2012<sup>(2)</sup></u>	<u>2011</u>
Operating Revenues					
Wastewater Treatment Charges	\$221,626	\$211,538	\$199,318	\$194,817	\$183,526
Miscellaneous	<u>3,935</u>	<u>3,643</u>	<u>3,297</u>	<u>2,996</u>	<u>3,890</u>
<b>Total Operating Revenues</b>	<b><u>\$225,561</u></b>	<b><u>\$215,181</u></b>	<b><u>\$202,615</u></b>	<b><u>\$197,813</u></b>	<b><u>\$187,416</u></b>
Non-Operating Revenues (Expenses), excluding capital grants received					
Wastewater Facility Charges	\$7,428	\$6,640	\$5,851	\$6,276	\$5,083
Investment Earnings	1,695	1,872	1,705	1,681	1,699
Bond Interest Subsidy <sup>(3)</sup>	2,444	2,364	2,602	2,602	2,602
Disposal of Capital Assets	-	-	(1,649)	-	-
Bond Issue Costs	(768)	-	(658)	(2,206)	-
Change in Fair Value of Investments	<u>(286)</u>	<u>(422)</u>	<u>(714)</u>	<u>(224)</u>	<u>(19)</u>
<b>Total Non-Operating Revenues</b>	<b><u>\$10,513</u></b>	<b><u>\$10,454</u></b>	<b><u>\$7,137</u></b>	<b><u>\$8,129</u></b>	<b><u>\$9,365</u></b>
<b>Total Revenues</b>	<b><u>\$236,074</u></b>	<b><u>\$225,635</u></b>	<b><u>\$209,752</u></b>	<b><u>\$205,942</u></b>	<b><u>\$196,781</u></b>
Operating Expenses, Excluding Depreciation	<u>152,815</u>	<u>142,161</u>	<u>141,390</u>	<u>141,946</u>	<u>131,847</u>
<b>Net Revenues</b>	<b><u>\$83,259</u></b>	<b><u>\$83,474</u></b>	<b><u>\$68,362</u></b>	<b><u>\$63,996</u></b>	<b><u>\$64,934</u></b>
Total Senior Obligations Debt Service Coverage on Senior Obligations <sup>(4)</sup>	\$44,937 1.85	\$47,220 1.77	\$37,574 1.82	\$33,082 1.93	\$28,275 2.30
Total Senior Obligations and Parity Obligations Debt Service Coverage on Senior Obligations and Parity Obligations <sup>(4)</sup>	\$57,465 1.45	\$59,739 1.40	\$48,823 1.40	\$46,777 1.37	\$38,952 1.67

(1) Revenues and Operating Expenses are presented in accordance with generally accepted accounting principles. Debt Service presented on a cash basis (i.e., debt service actually due during the related Fiscal Year).

(2) Effective July 1, 2012, HRSD adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position ("GASB 63") and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities ("GASB 65"). These statements require reporting of deferred outflows and inflows of resources separately from assets and liabilities and replace net assets with net position. In addition, certain items previously reported as assets and liabilities are now recognized as outflows or inflows of resources. Other than these changes and renaming net assets with net position, GASB 63 had no impact on the District's financial position or results of operation. To implement GASB 65, unamortized bond issuance costs were expensed and applied retroactively by restating the prior period financial statements.

(3) Actual Build America Bonds subsidy received from the federal government relating to interest on the Series 2009B Bonds.

(4) Calculated based on actual debt service payable on a current year basis.

(5) [Effective July 1, 2015, HRSD adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. – update]

For purposes of the Senior Trust Agreement, the Liquidity Ratio is the resulting dividend of unrestricted cash divided by the Maximum Annual Debt Service on Senior Obligations. Unrestricted cash includes "... cash, cash equivalents and marketable securities that do not constitute Restricted Funds held by the District for its various purposes, but not including cash, cash equivalents and securities which constitute proceeds of Indebtedness issued to finance capital improvements or funds held in the Bond Fund for Senior Obligations (or any similar sinking fund held by a trustee for the payment of Indebtedness) or the Debt Service Reserve Fund." The Senior Trust Agreement requires that the District maintain a minimum Liquidity Ratio of 1.35 or fund the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement. The following table reflects the Liquidity Ratio for Fiscal Years 2011 to 2015. Amounts held in the Debt Service Reserve Fund for the Senior Obligations are not security for the Subordinate Obligations.

**Historical Liquidity Ratio**  
(dollar amounts in thousands)  
(as of Fiscal Years ended June 30)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents	\$7,825	\$37,924	\$38,355	\$34,767	\$37,130
Investments – Current	19,926	-	5,569	8,583	15,527
Investments - Non-Current	<u>101,649</u>	<u>111,861</u>	<u>108,721</u>	<u>95,140</u>	<u>72,727</u>
<b>Total Cash, Cash Equivalents and Investments – Unrestricted</b>	<b>\$129,400</b>	<b>\$149,785</b>	<b>\$152,645</b>	<b>\$138,490</b>	<b>\$125,384</b>
Cash and Cash Equivalents – Restricted	86,451	139,257	179,588	88,444	76,625
Investments – Current - Restricted	-	8,600	-	-	-
<b>Total Cash, Cash Equivalents and Investments*</b>	<b><u>\$215,851</u></b>	<b><u>\$297,642</u></b>	<b><u>\$332,233</u></b>	<b><u>\$226,934</u></b>	<b><u>\$202,009</u></b>
Maximum Annual Debt Service <sup>1</sup>	\$57,807	\$59,776	\$60,114	\$52,420	\$48,231
Liquidity Ratio	2.24	2.51	2.54	2.64	2.60
Required Liquidity Ratio <sup>†</sup>	1.35	1.35	1.35	1.35	1.35

\* Includes amounts set aside pursuant to the Senior Trust Agreement and Subordinate Trust Agreement for debt service.

† [Ratio to be maintained without triggering requirement under the Senior Trust Agreement to fund Debt Service Reserve Fund. Debt service is calculated in accordance with the Senior Trust Agreement calculation of the Liquidity Ratio which includes adjustments for Balloon Long-Term Indebtedness and Variable Rate Long-Term Indebtedness.]

*Pension Fund and Other Post-Retirement Benefits.* For a description of the District's participation in the Virginia Retirement System, a defined benefit plan offered by the Commonwealth of Virginia, and of the post-retirement health benefits for qualifying employees of the District see the District's Comprehensive Annual Financial Report attached as Appendix A hereto.

*Debt Management.* The Commission has adopted a comprehensive financial policy designed to promote sound financial management. The policy addresses, but is not limited to the following areas:

reserves, budgetary principles and controls, debt affordability, debt management, risk management, derivatives and investments. The Commission has the right to change the financial policy from time to time.

The policy requires minimum debt service coverage requirements in excess of its obligations under the Trust Agreement. It also requires cash contributions to its capital program of not less than 15% of each year's capital improvement program. Additionally, the policy establishes parameters for the investment of idle funds.

*Projected Operating Results.* The next table shows projected Revenues and Current Expenses for the Fiscal Years ending June 30, 2016, through June 30, 2020, inclusive.

**Summary of Projected Revenues and Current Expenses**  
**(Dollar Amounts in Thousands)**  
**(as of Fiscal Years ended June 30)<sup>(1)</sup>**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Operating Revenues	\$230,750	\$241,058	\$252,835	\$272,401	\$293,500
Non-Operating Revenues	10,890	12,401	13,370	13,466	14,086
Operating Expenses Excluding Depreciation	<u>(158,407)</u>	<u>(157,147)</u>	<u>(160,557)</u>	<u>(176,573)</u>	<u>(203,512)</u>
Net Revenues	<u>\$83,233</u>	<u>\$96,312</u>	<u>\$105,648</u>	<u>\$109,294</u>	<u>\$104,074</u>
Expenses on Assets not Owned by HRSD	<u>(2,000)</u>	=	=	<u>(13,402)</u>	<u>(30,370)</u>
Net revenues Less Expenses on Assets not Owned by HRSD	85,233	96,312	105,648	122,697	134,444
Senior Obligation Debt Service <sup>(2)</sup>	46,610	42,675	44,967	44,580	44,520
Total Debt Service <sup>(2)</sup>	\$58,081	\$60,136	\$59,889	\$59,506	\$59,442
Total Debt Service Coverage Ratio <sup>(2)</sup>	1.47	1.60	1.76	2.06	2.26
<b>Key Assumptions<sup>(3)</sup></b>					
Rate Increases	8%	6%	6%	9%	9%
Miscellaneous Revenue Growth	3%	3%	3%	3%	3%
Decline in Consumption	-1%	-1%	-1%	-1%	-1%
<b>Key Inflation Trends</b>					
Average Inflation	-	5%	5%	5%	5%
Personal Services and Employment Benefits	-	4%	4%	4%	4%
Utilities/Chemicals/Contractual Services	-	4%	4%	4%	4%
Bond Issuance	\$150,000 <sup>(4)</sup>	-	\$12,500	-	\$125,000

(1) Totals may not add due to rounding.

(2) Excludes potential savings from the issuance of the Series 2016A Bonds.

(3) While the District believes the assumptions set forth above are reasonable, actual results may vary.

(4) [Projected Project Fund deposit from proceeds of Series 2016A Bonds and Series 2016B Bonds.]

**Budgeting and Accounting**

*Budgetary Controls.* The District adopts an annual operating budget and a 10-year Capital Improvement Plan. The budget is approved on or before June 30 of each year. The District maintains budgetary controls on a departmental basis. With the exception of capital projects, unused fund appropriations lapse at year end. As part of the budget process, the District adopts a long-range financial forecast.

*Financial Statements.* In accordance with accounting principles generally accepted in the United States, the District's audited general purpose financial statements are prepared on an accrual basis of accounting. The District's audited basic financial statements and the report thereon by KPMG LLP, the Fiscal Year ended June 30, 2015, are included in Appendix A. The District's independent auditor, KPMG LLP, has not been engaged to perform and has not performed, since the date of its report included in Appendix A, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

The Government Finance Officers Association of the United States and Canada has awarded a Certificate of Achievement for excellence in Financial Reporting to the District for its comprehensive annual financial reports for 32 consecutive Fiscal Years. The District will submit its report for the Fiscal Year ended June 30, 2015, and expects to receive another Certificate of Excellence. In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

## **Rates**

The District periodically reviews its rate structure and revises its charges as necessary to generate the revenues required to meet its current financial obligations. The most recent general increase in rates became effective July 1, 2015. The District's full rate schedule as of July 1, 2015, can be found in the District's Comprehensive Annual Financial Report attached as Appendix A hereto.

The District's typical residential customer pays less than \$27 per month for sewage interception and treatment services provided by the District. The District's sewage interception and treatment charge generally is the smallest public service utility bill its customers receive. Generally, the District bills and collects directly from its customers on a monthly, bimonthly, or quarterly basis depending upon the community. The jurisdictions provide the first point of customer contact and appropriate meter readings, which are the basis of the District's billing operation.

Effective July 1, 2012, the District began the process of restructuring its surcharge rates to reflect the incremental cost the District incurs to treat surcharge pollutants discharged by certain industrial customers. This incremental rate structure was fully implemented effective July 1, 2014. Other costs the District incurs to treat normal sewage concentrations from industrial and residential customers are recovered through the District's volumetric rate.

The District provides billing and cashing services to several of the jurisdictions it serves, including Chesapeake, James City County, Norfolk, Smithfield and Suffolk. The combined bill can include jurisdictional charges for water, solid waste disposal, sewage collection, storm water mitigation and District charges for sewage interception and treatment. To date these services have been provided at minimum cost to assist the jurisdictions and customers the District serves to minimize the number of bills the customers receive and number of payments they need to make.

## **Rate Making Process**

The Enabling Act provides that the Commission is to fix and revise rates, fees and charges to provide funds that, with other funds available for such purposes, will be sufficient at all times (a) to pay the cost of maintaining, repairing and operating the Wastewater System and all improvements thereto, including reserves for such purpose and for renewals and replacements and necessary extensions and additions to the Wastewater System, (b) to pay the principal of and the interest on such revenue bonds as

the same shall become due and to provide reserves therefor, and (c) to provide a margin of safety for making such payments.

The Enabling Act provides that before any revision of rates, fees and charges shall become effective the Commission shall publish a copy thereof for four consecutive weeks in a newspaper of general circulation within the District. If, on or before the last publication, the governing body of any city or county constituting a part of the District or five hundred or more qualified voters residing within the District file a petition with the Virginia State Corporation Commission complaining of the proposed revision, the State Corporation Commission may by order suspend the placing in effect of such revision for a period not exceeding sixty days from the filing of any such petition during which time it shall investigate whether such revision is just and equitable and in accordance with the provisions of the Enabling Act. If the State Corporation Commission does not enter an order suspending, approving or disapproving such revision within sixty days from the filing of any such petition, such revision will be deemed to be in effect. The District or the party or parties filing a petition may appeal to the Supreme Court of Virginia from any such order as may be entered by the State Corporation Commission.

### **Collection of Unpaid Wastewater Treatment Charges**

The Enabling Act provides that if any bill for wastewater treatment charges is not paid in full when the same becomes due, the owner, tenant or occupant of such lot or parcel of land shall, until wastewater treatment charges are paid, cease to dispose of wastewater or industrial wastes originating from or on such property by discharge thereof directly or indirectly into the Wastewater System, and if such owner, tenant or occupant does not cease such discharge within two months thereafter, it shall be the duty of each public or private agency supplying water to such property, within five days after receipt of notice of such facts from the District, to cease supplying water to such property. If the water supply is not stopped, the District has the power to enter into any public or private property to shut off the property's water supply.

If any wastewater treatment charges are not paid within 30 days after the same become due, the District may at the expiration of such 30 day period proceed to recover the amount of any such delinquent sewage treatment charges by any action, suit or proceeding permitted by law or in equity.

The District participates in the Virginia Set-Off Debt Collection Program administered by the Virginia Department of Taxation. This program provides a means for government units and courts to collect delinquent debts by attaching individual income tax refunds and certain state lottery winnings. Jurisdictions participating in the Hampton Roads Utility Billing Service (which is managed by the District) may have the District submit their balances along with the District's. This benefits the jurisdictions since, under the Debt Set-Off Collection Program, the District has a higher payoff priority than counties and cities. The following table shows the District's treatment charge collection rate for the last ten Fiscal Years.

**Hampton Roads Sanitation District  
Collection Rate**

<b><u>Fiscal Year Ended June 30,</u></b>	<b><u>Percentage of Wastewater Treatment Charges Collected</u></b>
2006	98.6
2007	97.2
2008 <sup>(1)</sup>	93.2
2009	96.5
2010	99.2
2011	98.8
2012	99.1
2013	99.3
2014	99.3
2015	99.1

(1) During Fiscal Year 2008, HRSD installed a new customer billing system which resulted in the removal of certain duplicative and dormant accounts. This resulted in a one-time decline in the collection rate.

**LITIGATION**

There is no litigation pending in any court (either state or federal) or, to the knowledge of the District, threatened against the District that in any way questions or affects the validity of or the security for the Series 2016A Bonds, or that would have a material adverse effect on the District's condition, financial or otherwise.

**APPROVAL OF LEGAL PROCEEDINGS**

The Series 2016A Bonds are offered subject to the approving opinion of Sidley Austin LLP, Washington, D.C., Bond Counsel. Certain legal matters will be passed upon for the District by its General Counsel, Kellam, Pickrell, Cox, Tayloe & Anderson, A Professional Corporation, Norfolk, Virginia, and for the Underwriters by Kaufman & Canoles, P.C., Norfolk, Virginia.

**TAX MATTERS**

**General**

**[update]** In the opinion of Sidley Austin LLP, Bond Counsel, assuming compliance by the District with its covenant to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the Series 2016A Bonds, and except as provided in the following sentence, interest on the Series 2016A Bonds will not be includable in the gross income of the owners of the Series 2016A Bonds for purposes of federal income taxation under existing law. Interest on the Series 2016A Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2016A Bonds in the event of a failure by the District to comply with applicable requirements of the Code and its covenants regarding use, expenditure and investment of the proceeds of the Series 2016A Bonds and timely payment of certain investment earnings to the United States Treasury. Bond

Counsel renders no opinion as to the exclusion from gross income of the interest on the Series 2016A Bonds for federal income tax purposes on or after the date on which any action is taken or not taken affecting such covenants upon the approval of counsel other than Bond Counsel.

Interest on the Series 2016A Bonds will not be a specific preference item for purposes of the federal individual or corporate alternative minimum tax. Such interest will, however, will be included in the calculation of the corporation's federal alternative minimum tax liability imposed on corporations by the Code. The Code contains other provisions that could result in tax consequences, upon which Bond Counsel renders no opinion, as a result of ownership of the Series 2016A Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

### **Original Issue Discount**

The excess, if any, of the amount payable at maturity of any maturity of the Series 2016A Bonds over the issue price thereof constitutes original issue discount. The amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. The amount of original issue discount that has accrued pursuant to the constant yield method described above, and is properly allocable to an owner of any maturity of the Series 2016A Bonds with original issue discount (the "Discount Bonds"), will be excluded from gross income to the same extent as interest on the Series 2016A Bonds for federal income tax purposes. In general, the issue price of a maturity of the Series 2016A Bonds is the first price at which a substantial amount of that maturity was sold (excluding sales to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers). A purchaser's adjusted basis in a Discount Bond will be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond for federal income tax purposes.

A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond will be included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed herein. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of Discount Bonds of that maturity is sold to the public may be determined according to rules that differ from those described above. Owners of Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Discount Bonds and with respect to state and local tax consequences of owning and disposing of such Discount Bonds.

### **Original Issue Premium**

The excess, if any, of the tax basis of the Series 2016A Bonds to a purchaser (other than a purchaser who holds such Series 2016A Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) who purchased such Series 2016A Bonds as part of the initial public offering and at the initial offering price set forth on the cover page over the amount payable at maturity is "bond

premium.” Bond premium is to be amortized over the term of such Series 2016A Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Series 2016A Bonds are required to decrease their adjusted basis in such Series 2016A Bonds by the amount of amortizable bond premium attributable to each taxable year such Series 2016A Bonds are held. The amortizable bond premium on such Series 2016A Bonds attributable to a taxable year will not be deductible for federal income tax purposes; however, bond premium will be treated as an offset to qualified stated interest received on such Series 2016A Bonds. Owners of such Series 2016A Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Series 2016A Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2016A Bonds.

### **Backup Withholding**

Interest paid on the Series 2016A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Series 2016A Bonds to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner’s federal income tax liability so long as the required information is furnished to the IRS.

### **Collateral Tax Consequences**

Prospective purchasers of the Series 2016A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of the Series 2016A Bonds should consult their tax advisors as to the applicability and impact of these consequences.

### **Virginia Taxes**

The Enabling Act provides that the Series 2016A Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, shall be free and exempt from taxation by the Commonwealth of Virginia and by any political subdivision thereof.

### **Future Developments**

Future legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series 2016A Bonds to be subject, directly or indirectly, to federal income taxation or to Commonwealth of Virginia or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and

future or pending proposals may also affect the economic value of the federal or Commonwealth of Virginia tax exemption or the market value of the Series 2016A Bonds. Prospective purchasers of the Series 2016A Bonds should consult their tax advisors regarding any future, pending or proposed federal or Commonwealth of Virginia tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

For example, various proposals have been made in Congress by the President (the “Proposed Legislation”), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Series 2016A Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the Series 2016A Bonds to a tax or cause interest on the Series 2016A Bonds to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted, in its current form or as it may be amended, or such other legislation on their individual situations. – **update]**

## **UNDERWRITING**

Pursuant and subject to the terms and conditions set forth in a Bond Purchase Agreement (the “Purchase Agreement”) dated \_\_\_\_\_, 2016, between Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC, J.P. Morgan Securities LLC, and Morgan Stanley & Co. LLC, (the “Underwriters”), for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative, and the District, the Underwriters will agree to purchase from the District, and the District will agree to sell to the Underwriters, all, but not less than all, of the Series 2016A Bonds at a purchase price that results in an Underwriters’ discount of \$\_\_\_\_\_ from the initial reoffering prices derived from the yields shown on the inside cover page. The Underwriters have supplied the information as to the prices or yields shown on the inside cover page.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 2016A Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2016A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2016A Bonds that such firm sells.

## **FINANCIAL ADVISOR**

The District has retained Public Financial Management, Inc., Arlington, Virginia, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Series 2016A Bonds. Although the Financial Advisor assisted in the review of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Financial Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS FOR THE REFUNDED BONDS**

The accuracy of the arithmetical and mathematical computations (a) of the adequacy of the maturity principal amounts of the Defeasance Obligations in the Escrow Fund together with the interest income thereon and uninvested cash, if any, to pay, when due, the principal of, redemption premium, if

any, and interest on the Refunded Bonds, and (b) relating to the determination of compliance with certain regulations and rulings promulgated under the Code will be verified by Bingham Arbitrage Rebate Services, Inc. Such verification of arithmetical accuracy and computations shall be based upon information and assumptions supplied by the District and on interpretations of the Code provided by Bond Counsel.

## **RATINGS**

The Series 2016A Bonds have been assigned ratings of “\_\_\_” and “\_” by Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., and Fitch Ratings, respectively. Such ratings reflect only the view of such organizations and a fuller explanation of the significance of such ratings may be obtained from the rating agencies. A rating is not a recommendation to buy, sell or hold the Series 2016A Bonds. The District furnished to such rating agencies certain information regarding its policies, practices and finances, including information that is not included in this Official Statement. There is no assurance that such policies, practices and finances or such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by such rating agencies. Any such downward revision or withdrawal could have an adverse effect on the market price of the Series 2016A Bonds.

## **CONTINUING DISCLOSURE**

The Securities and Exchange Commission has adopted Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”). In general, the Rule prohibits an underwriter from purchasing or selling municipal securities, such as the Series 2016A Bonds, unless it has determined that the issuer of such securities and other persons deemed to be material “obligated persons” have committed to provide to The Electronic Municipal Market Access (“EMMA”) system administered by the Municipal Securities Rulemaking Board (i) on an annual basis, certain financial information and operating data (“Annual Reports”), and audited financial statements, if available, or such unaudited financial statements as may be required by the Rule, and (ii) notice of various events described in the Rule (“Event Notices”).

The District will covenant in the Continuing Disclosure Agreement (the form of which appears in Appendix E) for the benefit of the holders of the Series 2016A Bonds to provide to EMMA annually, not later than December 31 of each year, commencing December 31, 2016, Annual Reports with respect to itself, as issuer. Similarly, the District will promptly provide Event Notices with respect to the Series 2016A Bonds to EMMA. In the five years preceding the date of this Official Statement, the District has materially complied with its other undertakings under the Rule. The District notes, however, that in connection with the District’s determination that it had entered a Reserve Funding Period on December 31, 2010, the District filed notice thereof with EMMA on October 15, 2014.

The Continuing Disclosure Agreement requires the District to provide only that information which is subject to the terms of the Continuing Disclosure Agreement and only at specific times. The District may, from time to time, provide certain information and data in addition to that required by the Continuing Disclosure Agreement. If the District chooses to provide such information and data, it has no obligation to update such information or data or to include it in a future disclosure.

The sole remedy for a default under the Continuing Disclosure Agreement is to bring an action for specific performance of the District’s covenants hereunder, and no assurance can be provided as to the outcome of any such proceeding.

**MISCELLANEOUS**

All of the foregoing summaries or descriptions of the provisions of the Enabling Act, the Series 2016A Bonds and the Trust Agreement are made subject to all of the detailed provisions thereof to which reference is made for further information. The foregoing summaries do not purport to be complete statements of any or all of the provisions thereof. Copies of the Trust Agreement are available upon request to the District at the following address: 1434 Air Rail Avenue, Virginia Beach, Virginia 23455, Phone (757) 460-2261.

Any statement in this Official Statement involving matters of opinion whether or not expressly so stated is intended as such and not as a representations of fact. The execution and delivery of this Official Statement have been duly authorized by the Commission.

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Vice Chairman  
Hampton Roads Sanitation District Commission

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General Manager  
Hampton Roads Sanitation District

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Director of Finance  
Hampton Roads Sanitation District

## **APPENDIX A**

### **Basic Financial Statements and Related Auditor's Report for the Fiscal Year ended June 30, 2015, as rendered by KPMG LLP<sup>1</sup>**

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<sup>1</sup> This Appendix comprises the District's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015. In order to preserve cross-references within such pages, this Appendix has not been repaginated and, accordingly, retains the original pagination.

## APPENDIX B

### CERTAIN DEFINITIONS

*The following is a brief summary of certain definitions of certain terms contained in the Trust Agreement and the Third Supplemental Trust Agreement and used in this Official Statement. This summary does not purport to be complete or definitive and qualified in its entirety by reference to the Trust Agreement and the Third Supplemental Trust Agreement, copies of which are available for examination at the offices of the Trustee.*

**“Additional Bonds”** means Bonds, if any, issued by the District, subsequent to the issuance of the Subordinate 2011 Bonds, pursuant to the Trust Agreement, including Additional Bonds issued in exchange for other such Additional Bonds or in replacement for mutilated, destroyed, stolen or lost Additional Bonds.

**“Audited Financial Statements”** means the annual financial statements of the District as audited and reported on by a firm of independent public accountants, for a twelve-month period constituting a Fiscal Year or other period indicated, prepared in accordance with generally accepted accounting principles.

**“Balloon Long-Term Indebtedness”** means Long-Term Indebtedness 25% or more of the principal payments of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

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

**“Bonds”** means, the Subordinate 2011 Bonds, the Subordinate 2012 Bonds, the Series 2016A Bonds, the Subordinate 2012B Bonds, if issued, and any Additional Bonds under the Trust Agreement, including such Bonds issued in exchange for other such Bonds and Bonds issued in replacement for and upon the cancellation of mutilated Bonds or in lieu of and in substitution for destroyed, stolen or lost Bonds.

**“Capital Appreciation Bonds”** means Bonds the interest on which is compounded at the rates and on the dates set forth in the Series Agreement authorizing the issuance of such Bonds and is payable upon redemption or on the maturity date of such Bonds. Nothing in the Trust Agreement prohibits the District from designating in such Series Agreement any such Bonds by a name other than Capital Appreciation Bonds.

**“Commission”** means the Hampton Roads Sanitation District Commission, which is the governing body of the District.

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

**“Credit Facility”** means a line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility, including self-liquidity provided by the District, established to provide credit or liquidity support for Indebtedness.

**“Cross-over Date”** means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

**“Cross-over Refunded Indebtedness”** means Indebtedness refunded by Cross-over Refunding Indebtedness.

**“Cross-over Refunding Indebtedness”** means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit (i) are required to be applied to pay interest on such Refunding Indebtedness until the Cross-over Date and (ii) are not to be used directly or indirectly to pay interest on the Refunded Indebtedness.

**“Current Interest Bonds”** means Bonds the interest on which is payable on the Interest Payment Dates provided therefor in the Series Agreement authorizing the issuance of such Bonds.

**“Debt Service Component of Contracted Services”** means that part of the payment for Contracted Services for which the District is obligated to pay that the chief financial officer of the District shall have determined in writing in an Officer’s Certificate at the time the District commits to receive such Contracted Services to be for the purpose of paying a fixed charge or the principal of and interest on obligations, directly or indirectly associated with rendering the Contracted Services, of the person providing the Contracted Services.

**“Debt Service Reserve Fund”** means the Hampton Roads Sanitation District (Virginia) Subordinate Wastewater Revenue Bonds 2011 Trust Agreement Debt Service Reserve Fund created and so designated by the Trust Agreement.

**“Debt Service Reserve Fund Requirement”** means (i) on the date of issuance of the Series 2016A Bonds, zero (0) and (ii) if, and to the extent, the District in its sole discretion determines to fund the Debt Service Reserve Fund, the Debt Service Reserve Fund Requirement specified in a Series Agreement.

**“Defaulted Interest”** means any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date.

**“Defeasance Obligations”** means, except as provided in a Series Agreement, noncallable (i) Government Obligations, (ii) Obligations issued or guaranteed by any of the following: (1) Federal Home Loan Bank System, (2) Export-Import Bank of the United States, (3) Federal Financing Bank, (4) Government National Mortgage Association, (5) Federal Home Loan Mortgage Company, (6) Federal Housing Administration, (7) Private Export Funding Corp., (8) Federal National Mortgage Association, (9) Federal Farm Credit Bank, (10) Resolution Funding Corporation, and (11) Rural Economic Community Development Administration (formerly, Farmers Home Administration), (iii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iv) obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, and commonly known as “interest strips” of the Resolution Funding Corporation, (v) Defeased Municipal Obligations, and (vi) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased

Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian.

**“Defeased Municipal Obligations”** means, except as otherwise provided in a Series Agreement, obligations of state or local government municipal bond issuers which are rated at the time of acquisition the highest rating by at least two of the three Rating Agencies, meeting the following conditions:

(i) (A) such obligations are not to be redeemed prior to maturity or the Trustee has been given irrevocable instructions concerning their call for redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations that may be applied only to interest, principal, and premium payments on such obligations;

(iii) the principal of and interest on such Government Obligations (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations serving as security for the obligations are held by an escrow agent or trustee; and

(v) such Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

**“Derivative Agreement”** means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, rate or other financial risk; and (v) any other type of contract or arrangement that the District determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another or to protect against any type of financial risk or uncertainty.

**“Derivative Agreement Counterparty”** means, with respect to a Derivative Agreement, the person that is identified in such agreement as the counterparty to, or contracting party with, the District.

**“Derivative Indebtedness”** means all or any portion of Indebtedness of the District, which bears interest at

(a) a variable rate for any future period of time meeting the following requirements: (i) the District has issued or entered into a Derivative Agreement in respect of all or such portion of such Indebtedness, and (ii) such Derivative Agreement provides that, during the entire period that such Indebtedness bears interest at a variable rate, the District will pay a fixed rate and the provider of the Derivative Agreement will pay a variable rate, then in such case such Indebtedness, taken together with the Derivative Agreement, is to be deemed to result in a net fixed rate payable by the District for such period of time (the “Hedged Fixed Rate”), for so long as the District and the party with whom the District has entered into the Derivative Agreement makes all payments required to be made by the terms of the Derivative Agreement, or

(b) a fixed rate for any period of time meeting the following requirements: (i) the District has issued or entered into a Derivative Agreement in respect of all or such portion of such Indebtedness, and (ii) such Derivative Agreement provides that during the entire period that such Indebtedness bears interest at a fixed rate the District will pay a variable rate and the provider of the Derivative Agreement will pay a fixed rate, then such Indebtedness, taken together with the Derivative Agreement, is to be deemed to result in a net variable rate payable by the District for such period of time (the “Hedged Variable Rate”), assuming the District and the party with whom the District has entered into the Derivative Agreement make all payments required to be made by the terms of the Derivative Agreement.

“**Designated Office**” of the Trustee means the designated office of the Trustee, which office at the date of acceptance by the Trustee of the duties and obligations imposed on the Trustee by the Third Supplemental Trust Agreement is located at 525 William Penn Place, 38<sup>th</sup> Floor, Pittsburgh, Pennsylvania 15259.

“**District**” means the Hampton Roads Sanitation District, a political subdivision of the Commonwealth of Virginia.

“**District Representative**” means each of the persons at the time designated to act on behalf of the District in a written certificate furnished to the Trustee, which certificate is to contain the specimen signature(s) of such person(s) and is to be signed on behalf of the Commission by its Chairman or Vice Chairman or the General Manager of the District.

“**Financial Statements**” means the unaudited financial statements of the District for the Fiscal Year or other period indicated, pro forma or otherwise, and containing the same financial information as the Audited Financial Statements.

“**Fiscal Year**” means the twelve-month period beginning on July 1 of one calendar year and ending on June 30 of the following calendar year or such other twelve-month period designated by the Commission.

“**Government Obligations**” means direct obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

“**Hedged Fixed Rate**” means Hedged Fixed Rate as defined in the definition of Derivative Indebtedness.

“**Hedged Variable Rate**” means Hedged Variable Rate as defined in the definition of Derivative Indebtedness.

“**Holder**” means an owner of any Obligation issued in other than bearer form.

“**Indebtedness**” means (i) all indebtedness of the District for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by the District, and (iii) the Debt Service Component of Contracted Services.

“**Independent Consultant**” means a firm or firms which are not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of the District, and which is a professional management or engineering consultant of national repute for having the skill

and experience necessary to render the particular report required by the provision of the Trust Agreement in which such requirement appears.

**“Independent Insurance Consultant”** means a firm or person selected by the District, who is not an officer, director, trustee or employee of the District, and which or who is qualified to survey risks and to recommend insurance coverage for wastewater treatment systems and organizations engaged in such operations and is selected by the District.

**“Interest Payment Date”** means each date described as such in a Series Agreement, and, for the Series 2016A Bonds, means each February 1 or August 1, as the case may be, beginning August 1, 2016.

**“Interest Requirements”** for any Fiscal Year means the amount that is required to pay interest on all Outstanding Parity Obligations.

**“Investment Obligations”** means any and all investment obligations authorized by (A) the Investment of Public Funds Act, being Section 2.2-4500 et seq., Code of Virginia, 1950, as amended, (B) the Government Non-Arbitrage Investment Act, being Section 2.2-4700 et seq., Code of Virginia, 1950, as amended, and (C) successor statutes to those described in (A) and (B) above, as the same may be from time to time amended.

**“Issuance Costs”** means all issuance costs incurred in connection with the Bonds. Examples of such issuance costs include, but are not limited to, the following, if any: (a) counsel fees; (b) financial advisor fees incurred in connection with the issuance of the Bonds; (c) Rating Agency fees; (d) depository fees incurred in connection with the issuance of the Bonds; (e) trustee, paying agent and certifying and authenticating agent fees related to the issuance of the Bonds; (f) accountant fees related to the issuance of the Bonds; (g) printing costs; (h) costs incurred in connection with the required public approval process; and (i) costs of engineering and feasibility studies necessary to the issuance of the Bonds.

**“Junior Obligations”** means Indebtedness of the District the terms of which shall provide that it will be subordinate and junior in right of payment to the prior payment in full of the Senior Obligations and the Parity Obligations to the extent and in the manner set forth below:

In the event (a) of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, arrangement or other similar proceedings in connection therewith, relative to the District or to its Property, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the District whether or not involving insolvency or bankruptcy, (b) any Junior Obligation is declared or otherwise becomes due and payable before its expressed maturity because of the occurrence of an event of default occurring under the documents pursuant to which such Junior Obligation is issued; and such declaration has not been rescinded and annulled, or (c) any “Event of Default” (as defined in the Senior Trust Agreement) under the Senior Trust Agreement shall occur and be continuing with respect to any Senior Obligation or any Event of Default under the Trust Agreement shall occur and be continuing with respect to any Parity Obligation and (1) written notice of such default shall have been given to the District and (2) judicial proceedings shall be commenced in respect of such Event of Default within 180 days in the case of a default in payment of principal or interest on Senior Obligations or Parity Obligations and within 90 days in the case of any other default after the giving of such notice, then, *first*, the Holders of Senior Obligations shall be entitled to receive payment in full of all principal, premium and interest on all Senior Obligations before the Holders of the Parity Obligation are entitled to receive any payment on account of principal or interest upon the Parity Obligations and, *second*, the Holders of Parity Obligations shall be entitled to receive payment in full of all principal, premium and interest on all Parity Obligations before the Holders of the Junior Obligations are entitled to receive any payment on account of principal, premium or interest upon the Junior Obligations.

“**Lien**” means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of the District which secures any Indebtedness or any other obligation of the District.

“**Long-Term Debt Service Coverage Ratio**” means, for any period of time, the ratio determined by dividing the Net Income Available for Debt Service by Maximum Annual Debt Service on Parity Obligations.

“**Long-Term Debt Service Requirement**” means, for any period of 12 consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness that is not amortized by the terms thereof (a) the amount of principal that would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of the lesser of 30 years and the number of years until the final maturity of such Indebtedness on a level debt service basis, at an interest rate equal to the market rate for a fixed rate obligation set forth in an opinion delivered to the District and the Trustee of a banking institution, an investment banking institution or an independent registered municipal advisor, selected by the District and knowledgeable in municipal finance, as the interest rate at which the District could reasonably expect to borrow the same by incurring Indebtedness with the same term as the period assumed above; provided, however, that if the date of calculation is within 12 calendar months of the actual final maturity of such Indebtedness, the full amount of principal payable at maturity is to be included in such calculation or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank, provided such credit arrangement is rated in one of the three highest rating categories by at least two of the Rating Agencies or rated in the highest short-term rating category by at least two of the Rating Agencies, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the District, be treated as if such principal payments or deposits were due as specified in any credit agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year is to be assumed to be payable pursuant to the terms of such credit agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate (but not Hedged Fixed Rate) Indebtedness, the interest on such Indebtedness is to be calculated at 120% of the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness the interest rate for such Indebtedness for the initial interest rate period is 120% of the average of the SIFMA Swap Index for last 12 whole months for which such Index is available and thereafter will be calculated as set forth above;

(iii) with respect to any Credit Facility, (a) to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility will not be included in the Long-Term Debt Service Requirement and (b) to the extent such Credit Facility has been drawn upon, the payment provisions of such Credit Facility with respect to repayment of principal and interest thereon will be included in the Long-Term Debt Service Requirement;

(iv) with respect to Derivative Indebtedness, (i) for any historical computation, the interest on such Indebtedness is to be calculated by adding (A) the amount of interest payable by the District on such Derivative Indebtedness pursuant to its terms and (B) the amount of regularly scheduled payments made by the District pursuant to the Derivative Agreement and subtracting (C) the amount of regularly scheduled payments made by the Derivative Agreement Counterparty pursuant to the Derivative Agreement; (ii) for any historical pro forma or forecasted computation, if the Derivative Agreement Counterparty has a long-term credit rating of at least “A” (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by at least one Rating Agency then rating the Indebtedness and does not have a long-term rating of less than “A” (without regard to any rating refinement or gradation by numerical modifier or otherwise) from any Rating Agency then rating the Indebtedness and has not defaulted on its payment obligations thereunder as of the date of computation, the interest on such Derivative Indebtedness is to be calculated at the Hedged Fixed Rate or the Hedged Variable Rate, as the case may be; and (iii) in all other instances, the amount of interest payable by the District on such Derivative Indebtedness is to be calculated as if such Derivative Agreement had not been executed; and

(v) in the case of Indebtedness having the benefit of a Credit Facility that provides for a term loan facility that requires the payment of the principal in one year or more, the Indebtedness is to be considered Balloon Long-Term Indebtedness and is to be assumed to have the maturity schedule described in paragraph (i)(a) of this definition;

provided, however, that (i) interest is to be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness, (ii) the aggregate of the payments to be made with respect to principal and interest on Outstanding Long-Term Indebtedness will not include principal and interest payable from Qualified Escrow Funds, and (iii) principal is to be excluded from the determination of Long-Term Debt Service Requirement on Short-Term Indebtedness described in paragraph (c) under the caption “—Limitations on Indebtedness in Appendix C.

“**Long-Term Indebtedness**” means all obligations having a maturity of a term longer than one year for borrowed money incurred or assumed by the District, including (a) Short-Term Indebtedness if secured by a Credit Facility containing a commitment to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness, and (b) the current portion of Long-Term Indebtedness, for any of the following:

(1) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(2) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(3) installment sale or conditional sale contracts having an original term in excess of one year; and

(4) the Debt Service Component of Contracted Services in connection with Contracted Services rendered or provided pursuant to a contract having an original term of more than one year.

**“Maximum Annual Debt Service”** means, at any given time of determination, the greatest Long-Term Debt Service Requirement for the then current or any succeeding Fiscal Year.

**“Maximum Annual Debt Service on the Parity Obligations”** means, at any given time of determination, the maximum coincidental Principal and Interest Requirements for the Parity Obligations for the then-current or any succeeding Fiscal Year.

**“Maximum Interest Rate”** means, for all Series 2016A Bonds, the lesser of (i) 12% per annum and (ii) the maximum rate permitted by law.

**“Net Book Value”** when used in connection with Property, Plant and Equipment or other Property, means the value of such property, net of accumulated depreciation, as recognized by the District in conformity with generally accepted accounting principles.

**“Net Revenues”** means all revenues derived by the District from its Wastewater System less Operating Expenses, provided that Net Revenues will not include any Transition charge.

**“Net Revenues Available for Debt Service”** means all Net Revenues less debt service on Senior Obligations.

**“Officer’s Certificate”** means a certificate signed by a District Representative. Each Officer’s Certificate presented pursuant to the Trust Agreement is to state that it is being delivered pursuant to (and is to identify the section or subsection of), and incorporate by reference and use in all appropriate instances all terms defined in, the Trust Agreement. Each Officer’s Certificate is to state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer’s Certificate is delivered or to state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

**“Operating Expenses”** means those current expenses paid by the District that may be required to pay the cost of maintaining, repairing and operating the Wastewater System, including, but not limited to, reasonable and necessary usual expenses of administration, operation, maintenance and repair, costs for billing and collecting the rates, fees and other charges for the use of or the services furnished by the Wastewater System, insurance premiums, credit enhancement and liquidity support fees, legal, engineering, auditing and financial advisory expenses, expenses and compensation of the Trustee, and deposits into a self-insurance program. Operating Expenses excludes allowance for depreciation and amortization and expenditures for extraordinary maintenance or repair or improvements. Operating Expenses also excludes expenses for improvements that will not be owned by the District but that will, in the reasonable determination of the Commission, as evidenced by a resolution thereof, maintain or improve the integrity of the Wastewater System.

**“Opinion of Bond Counsel”** means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Trustee and experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

**“Opinion of Counsel”** means an opinion in writing signed by an attorney or firm of attorneys who may be counsel for the District or other counsel selected by the District.

**“Outstanding,”** when used with reference to Bonds or other Parity Obligations, means, as of a particular date, all Bonds and Parity Obligations theretofore issued under the Trust Agreement, except:

(1) Bonds and Parity Obligations theretofore cancelled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

(2) Bonds and Parity Obligations for the payment of which money, Defeasance Obligations, or a combination of both, sufficient to pay, on the date when such Bonds are to be paid, the principal amount of, and the interest accruing to such date on, the Bonds to be paid, has been deposited with the Trustee or the Bond Registrar in trust for the Holders of such Bonds; Defeasance Obligations shall be deemed to be sufficient to pay Bonds on a specified date if the principal of and the interest on such Defeasance Obligations, when due, will be sufficient to pay on such date the principal of, and the interest accruing on, such Bonds to such date;

(3) Bonds and Parity Obligations in exchange for or in lieu of which other Bonds or Parity Obligations have been issued; and

(4) Bonds and Parity Obligations deemed to have been paid in accordance with the provisions for defeasance contained in such Bonds or Parity Obligations (See “Defeasance” in Appendix C);

provided, however, that Bonds and Parity Obligations owned or held by or for the account of the District or any affiliate or any subsidiary or controlled affiliate of the District shall not be deemed Outstanding Bonds or Outstanding Parity Obligations for the purpose of any consent or other action or any calculation of Outstanding Bonds [or] Outstanding Parity Obligations provided for in the articles of the Trust Agreement relating to default and remedies, Supplemental Agreements and release of the Trust Agreement, and neither the District nor any affiliate, subsidiary or controlled affiliate of the District as registered owners of such Bonds or Parity Obligations shall be entitled to consent or take any other action provided for in default and remedies, Supplemental Agreements and release of the Trust Agreement. Notwithstanding the foregoing, Bonds or Parity Obligations owned or held for the account of the District or an or any affiliate or any subsidiary or controlled affiliate of the District shall not be deemed to be paid unless the District delivers, or causes such Bonds or Parity Obligations to be delivered, to the Trustee with the express written instructions of a District Representative directing the Trustee to cancel such Bonds in accordance with the procedures set forth in the Trust Agreement.

**“Parity Obligations”** means Bonds and VRA Subordinate Obligations.

**“Principal and Interest Requirements”** for any Fiscal Year means the sum of the Principal Requirements and Interest Requirements for such Fiscal Year.

**“Principal Payment Date”** means each date described as such in a Series Agreement.

**“Principal Requirements”** for any Fiscal Year means the amount required to pay the principal of all Parity Obligations coming due in such Fiscal Year.

**“Property”** means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

**“Property, Plant and Equipment”** means all Property of the District which is property, plant and equipment under generally accepted accounting principles.

**“Qualified Escrow Funds”** means amounts deposited in a segregated escrow fund, or other similar fund or account, in connection with the issuance of Long-Term Indebtedness which fund is required by the documents establishing such fund to be applied toward the District’s payment obligations

with respect to principal or interest on (a) the Indebtedness secured thereby which is issued under the documents establishing such fund or (b) Indebtedness secured thereby which was issued prior to the establishment of such fund.

**“Qualified Reserve Fund Substitute”** means (i) an irrevocable letter of credit, naming the Trustee as beneficiary, issued by any domestic or foreign bank, or any branch or agency thereof, whose long-term debt obligations are rated in one of the two highest rating categories by at least two of the Rating Agencies that will rate such obligations, or (ii) a policy of reserve fund insurance naming the Trustee as beneficiary, issued by an insurance company or financial institution whose claims paying ability is rated in one of the two highest rating categories by at least two of the Rating Agencies that rate such obligations, in either case (A) in an amount not less than the Debt Service Reserve Fund Requirement, (B) the terms of which allow the Trustee to make the draws required to fund the Debt Service Reserve Fund if and as required (See “Debt Service Reserve Fund; Qualified Reserve Fund Substitute” in Appendix C) and (C) that provides that the issuer of which has not been given a lien on any portion of the property of the District unless such lien also secures the Bonds on a parity basis.

**“Rate Covenant”** means the rate covenant of the District set out in the Trust Agreement and described under the caption “—Rate Covenant” in Appendix C hereto.

**“Rating Agency”** or **“Rating Agencies”** means one or more of Fitch, Moody’s or Standard & Poor’s for so long as it is a nationally recognized statistical rating organization and any new nationally recognized statistical rating organization.

**“Senior Bonds”** has the meaning given the term “Bonds” by the Senior Trust Agreement.

**“Senior Debt Service Reserve Fund”** means the Hampton Roads Sanitation District (Virginia) Wastewater Revenue Bonds Debt Service Reserve Fund created and so designated by the Senior Trust Agreement.

**“Senior Indebtedness”** means Indebtedness secured on a parity with the Senior Bonds under the terms of the Senior Trust Agreement.

**“Senior Obligations”** means, collectively, Senior Bonds and Senior Indebtedness, and, if the District is required to fund the Senior Debt Service Reserve Fund pursuant to the terms of the Senior Trust Agreement, the District’s funding obligations thereunder.

**“Senior Trust Agreement”** means that certain trust agreement, dated as of March 1, 2008, as the same may be supplemented and amended from time to time, between the District and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (in such capacity, the **“Senior Trustee”**).

**“Series Agreement”** means a supplemental trust agreement entered into or the resolution adopted by the Commission providing for the issuance of Bonds or Parity Obligations pursuant to the Trust Agreement. A Series Agreement will include any Officer’s Certificate delivered by a District Representative or Representatives to whom authority has been delegated by the terms of the Series Agreement to provide the details of such Bonds and, for purposes of additional VRA Subordinate Obligations, a Series Agreement will include such resolutions adopted by the Commission or financing agreements authorized thereby specifying the details of such additional VRA Subordinate Obligations.

**“Short-Term Indebtedness”** means all obligations for borrowed money, other than the current portion of Long-Term Indebtedness, incurred or assumed by the District for any of the following:

- (1) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;
- (2) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and
- (3) installment purchase or conditional sale contracts having an original term of one year or less.

**“SIFMA Swap Index”** means The Securities Industry and Financial Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, Tax-Exempt variable rate demand notes published by Bloomberg, or its successor, or otherwise designated by The Securities Industry and Financial Market Association; provided, however, that, if such index is no longer available or its successor, the “SIFMA Swap Index” will mean such other reasonably comparable index selected by the remarketing agent appointed by the District in connection with Variable Rate Indebtedness.

**“Supplement”** means an agreement, including a Series Agreement, supplemental to, and authorized and executed pursuant to the terms of, the Trust Agreement.

**“Tax-Exempt”** with reference to Bonds or other Parity Obligations means any Bonds or Parity Obligations so designated in the related Series Agreement.

**“Tax Certificate”** means a certificate or comparable instrument of the District that contains undertakings of the District with reference to Tax-exempt Parity Obligations.

**“Total Operating Revenues”** means, with respect to the District, as to any period of time, as total operating revenues as determined in accordance with generally accepted accounting principles.

**“Transition Charge”** means any rates, fees, charges or surcharges relating to the Wastewater System or the customers thereof established by irrevocable rate order or other action or instrument, and applicable to or by the District, in conjunction with the issuance of debt or other securities under a separate resolution, indenture or similar instrument (other than the Senior Trust Agreement, the Trust Agreement or other instrument securing Indebtedness secured by revenues of the Wastewater System) to the extent such rates, fees, charges or surcharges are pledged or otherwise encumbered or conveyed as security for such debt or other securities.

**“Trust Agreement”** means the trust agreement entered into by and between Hampton Roads Sanitation District and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as of October 1, 2011, as amended and restated as of \_\_\_\_\_ 1, 2016, including any Series Agreement and any other trust agreement amendatory thereto or supplemental thereto.

**“Variable Rate Indebtedness”** means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate until maturity.

**“VRA Subordinate Obligations”** means the District’s VRA Subordinate Obligations or other evidences of indebtedness heretofore issued, and such additional Parity Obligations issued to VRA payable on a parity with Parity Obligations issued pursuant to the Trust Agreement.

**“Wastewater System”** means the wastewater treatment system of the District as it may exist at any time and includes all improvements and expansions thereof and additions thereto except as may otherwise be provided by resolution of the Commission.

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

*The following is a brief summary of certain provisions of the Trust Agreement. This summary does not purport to be complete or definitive and qualified in its entirety by reference to the Trust Agreement, a copy of which is available for examination at the offices of the Trustee.*

#### **Establishment of Funds**

The Trust Agreement provides for an Issuance Fund, a Construction Fund, a Bond Fund, and a Debt Service Reserve Fund. It requires that the money and securities in each Fund be held in trust by the Trustee and applied as provided in the Trust Agreement, and pending such application be subject to a lien and charge in favor of the Holders and for the further security of the Holders until paid or transferred pursuant to the Trust Agreement.

#### **Issuance Fund and Construction Fund**

The Trust Agreement also requires that money in the Issuance Fund be applied to the payment of Issuance Costs incurred in connection with the issuance of the Bonds, to be financed from Bonds proceeds. Money in the Construction Fund will be applied to Capital Improvement Program Costs. Unexpended fund balances in the Issuance Fund and the Construction Fund will be applied as provided in the applicable Series Agreement. The Series Agreement for the Series 2016A Bonds provides any such unexpended fund balances are to be applied as directed by the District.

#### **Bond Fund**

The District will make payments directly to the Trustee for deposit in the Bond Fund in amounts sufficient to pay in full, when due, all Bonds issued under the Trust Agreement, together with the interest thereon. In the event the balance in the Bond Fund is insufficient for such purposes, upon notification by the Trustee, the District is to deliver to the Trustee an amount sufficient to cure the same. If such amount is insufficient, the Trustee is required to transfer to the Bond Fund the amount necessary to remedy the deficiency from the Debt Service Reserve Fund. Each such payment shall be made only in the event and to the extent that, as of the date of such payment, the District shall have paid to the Senior Trustee for the account of the Senior Bond Fund all amounts attributable to the principal of and interest on any outstanding Senior Obligations due and owing thereon, plus any amounts required to be deposited to the credit of the Senior Debt Service Reserve Fund in accordance with the terms of the Senior Trust Agreement, as of such date.

#### **Debt Service Reserve Fund; Qualified Reserve Fund Substitute**

No funds will be deposited to the credit of the Debt Service Reserve Fund upon the delivery of the Series 2016A Bonds. If the District elects to fund the Debt Service Reserve Fund, then an amount equal to the Debt Service Reserve Fund Requirement, as the same shall be specified in a Supplemental Agreement, shall be deposited to the Debt Service Reserve Fund Requirement.

The Trustee will use amounts in the Debt Service Reserve Fund to make transfers to the Bond Fund to the extent necessary to pay interest on and principal of the Bonds, whenever and to the extent that the money on deposit in the Bond Fund is insufficient for such purposes and the District has failed to cure such deficiency.

The District may, at any time, deliver to the Trustee a Qualified Reserve Fund Substitute. In such event, if the District also delivers to the Trustee a written statement setting forth the use of the cash and Investment Obligations then on deposit to the credit of the Debt Service Reserve Fund, accompanied by an Opinion of Bond Counsel to the District, addressed to the Trustee, to the effect that such proposed use will not cause the interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation, the Trustee is to transfer to the District all amounts on deposit to the credit of the Debt Service Reserve Fund. If any Qualified Reserve Fund Substitute is in effect, the Trustee is to give such notices and execute such documents as required to assure that funds (i) are available in such amounts and at such times to assure timely payment of principal of and interest on the Bonds and (ii) are drawn to fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement at least six months prior to the expiration date of the Qualified Reserve Fund Substitute unless (a) the Trustee has received a substitute Qualified Reserve Fund Substitute to replace such expiring Qualified Reserve Fund Substitute or (b) the expiration date of the expiring Qualified Reserve Fund Substitute is no earlier than the final stated maturity date of the Bonds.

### **Payment of Principal and Interest**

The District will cause to be paid, when due, the principal of (whether at maturity, by acceleration or otherwise) and interest on the Bonds at the places, on the dates and in the manner provided in the Trust Agreement and in said Bonds; provided that it is understood that the Bonds are not general obligations of the District but are special obligations and are payable solely from Net Revenues Available for Debt Service derived by the District from its Wastewater System and the money attributable to proceeds of Bonds and the income from the investment thereof and not from any other fund or source. To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Senior Obligations and the performance by the District of its other obligations under the Trust Agreement, the District grants to the Trustee a security interest in its Net Revenues Available for Debt Service.

### **Investment of Money**

Money held for the credit of all funds and accounts created under the Trust Agreement is to be continuously invested and reinvested by the Trustee in Investment Obligations, to the extent practicable in accordance with the instructions of a District Representative, subject to the yield restrictions set forth in the Tax Certificate. The Trust Agreement requires that any Investment Obligations mature not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended; provided, however, that Investment Obligations deposited in the Debt Service Reserve Fund mature no later than the final maturity date of the Bonds secured by the Debt Service Reserve Fund.

Unless a Qualified Reserve Fund Substitute is in effect, the District is to reimburse the Debt Service Reserve Fund for any loss resulting from a decline in the value of Investment Obligations in which money held for the credit of the Debt Service Reserve Fund is invested if on any date of valuation the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement.

Investment Obligations acquired with money and credited to any fund or account established under the Trust Agreement are required to be held by or under the control of the Trustee and will be deemed at all times to be part of such fund or account in which such money was originally held. Interest accruing on such Investment Obligation and any profit or loss realized upon the disposition or maturity of such investment will be credited to or charged against such fund or account. The Trustee is required to sell at the best price attainable or reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to provide money to make any payment or transfer of money from any such fund or account. The Trustee will not be liable or responsible for any loss resulting from any such investment.

## **Valuation**

For the purpose of determining the amount on deposit in any fund or account, Investment Obligations in which money in such fund or account is invested are to be valued (a) if such Investment Obligations mature, or are subject to redemption at the option of the holder thereof, within five years or less from the date of valuation thereof, such Investment Obligations are to be valued at amortized cost, and (b) if such Investment Obligations mature, or are subject to redemption at the option of the holder thereof, more than five years from the date of valuation thereof, such Investment Obligations are to be valued at the market value or the amortized cost thereof, whichever is lower.

The Trustee will value the Investment Obligations in the funds and accounts five Business Days prior to each Interest Payment Date. In addition, subject to prior notice, the Investment Obligations will be valued by the Trustee at any time requested by the District Representative, but not more than once in any calendar month other than as provided in the Trust Agreement.

## **Limitations on Indebtedness**

The District may issue Additional Bonds or incur other Parity Obligations, provided that, after giving effect to all other Indebtedness incurred by the District, such Additional Bonds or other Parity Obligations are incurred only in the manner and pursuant to the terms set forth below:

(a) Long-Term Indebtedness may be incurred if, prior to incurrence of the Long-Term Indebtedness, there is delivered to the Trustee:

(i) an Officer's Certificate of a District Representative certifying that the Long Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the District Representative for which there are Financial Statements available, adjusted for revenues and expenses resulting from anticipated new customers and any planned program of rate increases that has been approved by the Commission, taking all Long Term Indebtedness incurred after such period and the proposed Long Term Indebtedness into account as if such Long Term Indebtedness had been incurred at the beginning of such period, is not less than 120%;

(ii) an Officer's Certificate of a District Representative certifying that the District is expected to comply with the Rate Covenant set forth in the Trust Agreement for the five Fiscal Years following the date of issuance of the proposed Long-Term Indebtedness. Such certificate is to be accompanied by a statement of the relevant assumptions upon which such pro forma Financial Statements for the District are based, including but not limited to, adjustments to revenues and expenses resulting from anticipated new customers and any planned program of rate increases that has been approved by the Commission;

(iii) if the Long-Term Indebtedness is authorized for any purpose other than the refunding of the outstanding Senior Obligations or Outstanding Parity Obligations, an Officer's Certificate of a District Representative to the effect, and to the extent applicable, that in his or her opinion (a) the improvements or property to which the proceeds from the issuance of the Long-Term Indebtedness are to be applied will be a part of the Wastewater System, (b) the proceeds of the Long-Term Indebtedness and other specified sources will be sufficient to pay the estimated cost of such improvements or property, (c) the period of time that will be required to complete such improvements or acquire such property, and (d)(1) the proceeds of the Long-Term Indebtedness are necessary to complete the project to be financed thereby, (2) the failure to make such improvements or acquire or construct such property will result in an interruption or

reduction of Net Revenues, or (3) during the first two Fiscal Years following the completion of the improvements or the acquisition of the property, the projected Net Revenues Available for Debt Service will satisfy the Rate Covenant described below. In providing this certificate, the District Representative may take into consideration future Wastewater System rate increases, provided that such rate increases have been duly approved by the Commission and any other person and entity required to give approval for the rate increase to become effective. In addition, he or she may take into consideration additional future revenues of the Wastewater System to be derived under then existing contractual agreements entered into by the District and from reasonable estimates of growth in the customer base of the District; or

(iv) an Officer's Certificate of a District Representative certifying compliance with the Rate Covenant set forth in the Trust Agreement for the most recent period of 12 full consecutive calendar months preceding the date of delivery of the certificate.

(b) Long-Term Indebtedness may be incurred for the purpose of refunding Outstanding Long-Term Indebtedness if, either (i) a certificate of an independent financial advisor to the effect that, the Long-Term Indebtedness issued to refund outstanding Senior Obligations or Outstanding Parity Obligations will have, in the aggregate, a lower Long-Term Debt Service Requirement than the Long-Term Debt Service Requirement on the Senior Obligations or Outstanding Parity Obligations to be refunded with the proceeds thereof, or (ii) an Officer's Certificate of a District Representative to the effect that during the first two complete Fiscal Years following the issuance of the refunding Long-Term Indebtedness, the projected Net Revenues Available for Debt Service will satisfy the Rate Covenant described under the heading "—Rate Covenant" below. In providing the certificate described in clause (b), the Officer's Certificate may take into account the factors described in the last two sentences of subsection (a)(iii) of this Section. In addition, the Trustee shall receive an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and application of the proceeds thereof (on the Cross-over Date, in the case of Cross-over Refunding Indebtedness), the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding.

(c) Short-Term Indebtedness may be incurred as a Parity Obligation subject to the same tests that apply to the incurrence of Parity Obligations generally; provided, however, that notwithstanding such limitation, the District may incur as a Parity Obligation from time to time and have outstanding at any one time Short-Term Indebtedness in an amount up to 10% of its Total Operating Revenues as reflected in the Financial Statements of the District for the most recent period of twelve consecutive months for which Financial Statements are available, and provided, further, that the District may incur Short-Term Indebtedness secured by a Credit Facility without limitation. Short-Term Indebtedness may be incurred as Junior Obligations without compliance with the tests that apply to the incurrence of Parity Obligations.

(d) Additional VRA Subordinate Obligations may be incurred by the District subject to the delivery of an Officer's Certificate of a District Representative demonstrating compliance with the incurrence test for the issuance of Long-Term Indebtedness described above in paragraphs (a) or (b) above and the Rate Covenant described below, *provided, however*, anything in the Trust Agreement notwithstanding, the District may make such additional covenants in a supplemental resolution, financing agreement or other agreement authorizing and securing a VRA Subordinate Obligations as may be required by VRA as a condition of selling such VRA Subordinate Obligations.

(e) Junior Obligations may be incurred without limitation.

(f) For purposes of demonstrating compliance with the incurrence test for the issuance of Long-Term Indebtedness described above in paragraph (a), the District may (but is not required to) elect in the applicable Series Agreement to treat all or any Parity Obligations authorized in a Credit Facility

(including, for example and without limitation, a self-liquidity arrangement provided by the District, a line of credit or a liquidity facility supporting a commercial paper program), but not immediately issued or incurred under such Credit Facility, as subject to such incurrence test as of a single date, notwithstanding that none, or less than all, of the authorized principal amount of such Parity Obligations have been issued or incurred as of such date.

(g) Notwithstanding the foregoing provisions regarding limitations on Indebtedness described herein, nothing contained in the Trust Agreement will preclude the District from incurring any obligation under a Credit Facility.

### **Rate Covenant**

(a) The District has covenanted and agreed in the Trust Agreement that it will fix and collect rates, fees and other charges for the use of and for services furnished or to be furnished by the Wastewater System, and will from time to time revise such rates, fees and other charges so that in each Fiscal Year the Net Revenue Available for Debt Service will equal at least 120% of the Principal and Interest Requirements and all other Indebtedness payable from Net Revenues Available for Debt Service. If, for any reason, the Net Income Available for Debt Service is insufficient to satisfy the foregoing covenant, the District shall within one hundred twenty (120) days adjust and increase its rates, fees and other charges (to the extent permitted by the Enabling Act), or reduce its operating and maintenance expenses so as to provide sufficient Net Income Available for Debt Service to satisfy such requirement.

(b) If at any time the District fails to comply with its Rate Covenant described in paragraph (a) above, the District is to immediately notify the Trustee, such notice also containing an Officer's Certificate of a District Representative as to (i) the amount of the deficiency in Net Revenues Available for Debt Service which existed for the applicable period and the rates, fees and other charges which must be established by the District to cure such deficiency, and (ii) during the Fiscal Year in which the certificate is delivered, the projected Net Revenues Available for Debt Service will satisfy the Rate Covenant made by the District and described in paragraph (a) above, or, if not, the rates, fees and other charges the District must establish to satisfy such rate covenant. In addition, the District agrees, to the extent permitted by law, to take appropriate action to increase its rates, fees and other charges or reduce its operating and maintenance expenses to cure any deficiency.

(c) On or before the last day of each Fiscal Year, the District will review the adequacy of its rates, fees and other charges for the next Fiscal Year, and, if such review indicates the District's rates, fees and other charges are insufficient to satisfy the Rate Covenant described in paragraph (a) above, the District is to promptly take appropriate action to increase its rates, fees and other charges or reduce its operating and maintenance expenses to cure any deficiency.

### **Limitation on Creation of Liens**

The District agrees that it will not create or permit the existence of any Lien on its Property or upon its Net Revenues other than Permitted Liens.

"Permitted Liens" consist of the following:

(a) Liens arising by reason of good faith deposits with the District in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the District to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(b) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the District to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with any workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(c) Any judgment lien against the District so long as such judgment is being contested in good faith and execution thereon is stayed;

(d) (i) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 90 days; (iii) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (iv) to the extent that it affects title to any Property, the Trust Agreement; and (v) landlord's liens;

(e) Any Lien that was existing on the date of authentication and delivery of the Series 2016A Bonds issued under the Trust Agreement; provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of the District not subject to such Lien on such date or to secure Indebtedness not Outstanding on the date of issuance of the Series 2016A Bonds, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien under the Trust Agreement;

(f) Any lien on pledges, gifts or grants to be received in the future, including any income derived from the investment thereof;

(g) The Lien of the Senior Trust Agreement;

(h) Any Lien securing Parity Obligations on a parity basis;

(i) Any Liens on Property received by the District through gifts, grants or bequests, such liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(j) Any Lien on moveable equipment securing Indebtedness incurred to purchase such moveable equipment, provided that the total of such Indebtedness does not exceed 15% of the Net Book Value of the Property, Plant and Equipment of the District as shown on the Financial Statements for the prior Fiscal Year; and

(k) Any Lien on Net Revenues securing Junior Indebtedness; provided that such lien is expressly subordinate and junior to the Lien on Net Revenues Available for Debt Service granted to the Trustee for the payment of principal of, redemption premium, if any, and the

interest on the Parity Obligations and to secure the prompt payment of the and the performance by the District of its other obligations under the Trust Agreement.

### **Designation of Funds**

No later than the last Business Day of each month, the District will specifically earmark cash, cash equivalents or marketable securities or any combination thereof in an amount equal to the interest on and the principal of Bonds that will accrue in the next month, taking into account any scheduled maturities of interest or principal scheduled to become due and payable in such month and the funds theretofore earmarked for such purpose. The District may assume that both interest and principal accrue daily from the prior payment date or date of issuance but not more than 12 months prior to a payment date.

### **Maintenance of Properties**

The District covenants in the Trust Agreement:

(a) to cause its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing described in this paragraph (a) will be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (supported, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of an Independent Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of the Commission, useful in the conduct of its business;

(b) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the Commonwealth of Virginia and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing contained in the Trust Agreement requires it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it is contested in good faith;

(c) To pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it will have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof;

(d) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Indebtedness created and Outstanding under the Trust Agreement) whose validity, amount or collectability is being contested in good faith;

(e) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness; and

(f) To procure and maintain all necessary licenses and permits for the operation of its Wastewater System;

provided, however, that it need not comply with the covenants described in this section if and to the extent that the Commission determines in good faith, evidenced by a resolution of the Commission, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

### **Insurance**

(a) The District agrees that it will maintain, or cause to be maintained, the following types of insurance, subject to the provisions described in subsection (b) below, in such amounts as, in its judgment, are adequate to protect it and its Property and operations from material financial loss: (i) comprehensive general liability insurance, and (ii) property coverage on an “all risk” basis.

(b) If the District is self-insured (excluding deductibles) for any coverage described in (a) above, the District is to provide the Trustee a report of an Independent Insurance Consultant selected by the District not less than every three years, which report is to state whether the anticipated funding of any self-insurance fund is sufficient, and if not, the required funding to obtain such result, and any such self-insurance coverage will be reviewed by the Independent Insurance Consultant not less frequently than annually. If the Independent Insurance Consultant determines in any such report that the anticipated funding of any self-insurance fund is not sufficient, the District covenants that it will undertake to fund such self-insurance fund in the manner recommended by the Independent Insurance Consultant.

### **Insurance and Condemnation Proceeds**

(a) Amounts that do not exceed 20% of the Net Book Value of the Property, Plant and Equipment of the District received by the District as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the District may determine, including, without limitation, applying such money to the partial payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

(b) Amounts that exceed 20% of the Net Book Value of the Property, Plant and Equipment received by the District as insurance proceeds with respect to any casualty loss or as condemnation awards will be applied in such manner as the District may determine; provided, however, that the District is to notify the Trustee and within 12 months after the casualty loss or taking, deliver to the Trustee a report of an Independent Consultant stating the Independent Consultant’s recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the two periods of 12 full consecutive calendar months following the date on which such proceeds or awards are expected to have been fully applied to be not less than 120%, or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, at the highest practicable level.

## **Annual Budget**

The District covenants that on or before the first day of the last month preceding the beginning of each Fiscal Year the Commission will adopt a budget of operating and non-operating revenues and expenses for the ensuing Fiscal Year.

## **Senior Trust Agreement**

The District covenants to observe the covenants of the Commission contained in the Senior Trust Agreement, which are expressly incorporated by reference by the Trust Agreement until there shall be no outstanding Senior Obligations. To the extent the covenants in the Trust Agreement and the covenants contained in the Senior Trust Agreement conflict, for so long as there shall be any outstanding Senior Obligations, the provisions of the covenants contained in the Senior Trust Agreement shall control.

## **Events of Default**

Events of Default under the Trust Agreement are as follows: (a) payment of the purchase price of any Bond shall not be made by the District when the same shall become due and payable; or (b) payment of any installment of interest on any Bond is not made by the District when the same becomes due and payable; or (c) payment of the principal of any Bond is not made by the District when the same becomes due and payable, whether at maturity or by acceleration or otherwise; or (d) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Trust Agreement or any Supplement to the Trust Agreement, including any covenant, condition, agreement or provision in the Trust Agreement applicable to the District and incorporated by reference in the Trust Agreement, and such default continues for 30 days after receipt by the District of a written notice from the Trustee specifying such default and requiring the same to be remedied; provided, however, if prior to the expiration of such 30 day period the District institutes action reasonably designed to cure such default, no Event of Default is to be deemed to have occurred upon the expiration of such 30-day period for so long as the District pursues such curative action with reasonable diligence and provided that such curative action can be completed within a reasonable time.

## **Remedies for Default**

Upon the happening and continuance of an Event of Default, the Trustee may take whatever action at law or in equity is necessary or desirable (i) in the case of an Event of Default specified in (a), (b) or (c) in the immediately preceding paragraph, to collect the payments of interest installments or principal then due under the Trust Agreement or the Bonds, or (ii) in the case of an Event of Default specified in (d) in the immediately preceding paragraph, to enforce performance, observance or compliance by the District with any covenant, condition, agreement or provision under the Trust Agreement.

Upon the happening and continuance of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding is required to, by notice in writing to the District, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately.

However, if at any time after the principal of Bonds has been 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 the Trust Agreement, (i) money has accumulated in or has been paid into the Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of

any Bond not then due and payable by its terms and the interest accrued on such Bond since the last Interest Payment Date), and the charges, compensations, expenses, disbursements, advances and liabilities of the Trustee and (ii) all amounts then payable by the District under the Trust Agreement have been paid or a sum sufficient to pay the same has been deposited with the Trustee, and (iii) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Trust Agreement (other than a default in the payment of the principal of such Bonds then due only because of a declaration of acceleration of maturities) has been remedied to the satisfaction of the Trustee, then the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration of acceleration will not be deemed to be due and payable by their terms) and then Outstanding is required to, by written notice to the District, rescind and annul such declaration and its consequences, but no such rescission or annulment will extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Upon the happening and continuance of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, and upon satisfactory indemnification, is required to, proceed either at equity or at law, or by proceedings in the office of any board or officer having jurisdiction to protect and enforce its rights and the rights of the Holders under the laws of the Commonwealth of Virginia or under the Trust Agreement as the Trustee, being advised by counsel chosen by the Trustee, deems most effectual to protect and enforce such rights. The Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, upon indemnification satisfactory to the Trustee, have the right to direct the method and place of all remedial proceedings to be taken by the Trustee, provided that such direction is in accordance with law and the provisions of the Trust Agreement.

### **Restrictions upon Actions by Individual Holders**

Except for the right of any Holder to enforce the payment of the principal of and interest on such Holder's Bond, no Holder will 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 under the Trust Agreement or for any other remedy under the Trust Agreement unless (a) such Holder previously has given to the Trustee written notice of the particular Event of Default, (b) also the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding have made a request of the Trustee after the right to exercise such powers or right of action has accrued, and such Holder has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Trust Agreement or to institute such action, suit or proceedings in its or their name, and (c) there has been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities (including attorney's fees, costs and expenses to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Notwithstanding the foregoing provisions 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 benefits of all Holders of the Bonds.

### **Notice of Default to Holders**

The Trustee is required to give written notice to all Holders of the occurrence of any Event of Default within 30 days after the Trustee has actual notice thereof, provided, however, except upon the occurrence of an Event of Default due to failure by the District to make payments of any installment of interest on or principal or purchase price of any Bond when the same become due and payable within 30 days after the Trustee received notice of the same, the Trustee may withhold such notice to the Holders if in its opinion such withholding is in the interest of the Holders.

## **Pro-Rata Application of Funds**

Notwithstanding anything in the Trust Agreement to the contrary, if at any time the money in the Bond Fund is not sufficient to pay the interest on or the principal of Bonds as the same become due and payable (either by their terms or by acceleration of maturities under the provisions of the Trust Agreement), such money, together with any money then available or thereafter becoming available for such purpose, is to be applied, subject to the compensation and indemnification to the Trustee and Bond Registrar, as follows:

(a) if the principal of all Bonds has not become or has not been declared due and payable, all such money in the Bond Fund is to be applied:

first: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable in the order in which such installments became due and payable and, if the amount available is not 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 in such Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that have become due and payable (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Trust Agreement), in the order of their due dates, and, if the amount available is not sufficient to pay in full the principal of Bonds due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of Bonds, to the purchase and retirement of Bonds due to the redemption of Bonds in accordance with the Trust Agreement and the applicable Series Agreement.

(b) If the principal of all Bonds has become or has been declared due and payable, all such money is to be applied to the payment of principal and interest then due upon the Bonds without preference to the persons entitled thereto, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest or any Bond over any other Bond ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference.

(c) If the principal of all Bonds has been declared due and payable and if such declaration is thereafter rescinded and annulled due to the remediation of an Event of Default, then, subject to the provisions described in paragraph (b) of this section, in the event that the principal of all Bonds later becomes due and payable or is declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund is to be applied in accordance with the provisions described in paragraph (a) above.

## **Subordination**

Notwithstanding any other provision of the Trust Agreement to the contrary:

(a) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the

District, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the District, whether or not involving insolvency or bankruptcy, the holders of all Senior Obligations then outstanding shall be entitled to receive payment in full of all principal and interest due on all such Senior Obligations in accordance with the provisions of Senior Trust Agreement and the resolutions or other instruments authorizing their issuance before the Trustee and the Holders of the Parity Obligations are entitled to receive any payment from the Net Revenues Available for Debt Service or other money pledged to the Parity Obligations on account of principal (and premium, if any) or interest upon the Parity Obligations.

(b) In the event that the Parity Obligations are declared due and payable before their stated maturity because of the occurrence of an Event of Default (under circumstances when the provisions described in paragraph (a) above are not applicable), the holders of all Senior Obligations outstanding at the time the Parity Obligations 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 Senior Obligations before the Holders of the Parity Obligations are entitled to receive any accelerated payment from the Net Revenues Available for Debt Service and other money pledged to the Parity Obligations of principal (and premium, if any) or interest upon the Parity Obligations.

(c) If any event of default with respect to the Senior Obligations shall have occurred and be continuing (under circumstances when the provisions described in paragraph (a) above are not applicable), the holders of all such Senior Obligations then outstanding shall be entitled to receive payment in full of all principal and interest on all such Senior Obligations as the same become due and payable before the Holders of the Parity Obligations are entitled to receive, subject to the provisions of paragraph (e) below, any payment from the Net Revenues Available for Debt Service and other money pledged to the Parity Obligations under the Trust Agreement of principal (and premium, if any) or interest upon the Parity Obligations.

(d) No holder of Senior Obligations shall be prejudiced in his right to enforce subordination of the Parity Obligations by any act or failure to act on the part of the District.

(e) The provisions described in paragraphs (a), (b), (c) and (d) above are solely for the purpose of defining the relative rights of the holders of the Senior Obligations on the one hand, and the Holders of Parity Obligations on the other hand, and nothing in the Trust Agreement is to impair, as between the District and the Holders of the Parity Obligations, the obligation of the District, which shall be unconditional and absolute, to pay to the Holders of the Parity Obligations the principal thereof and premium, if any, and interest on the Parity Obligations, respectively, in accordance with their terms, nor shall anything in the Trust Agreement prevent the Holders of the Parity Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights described in paragraphs (a), (b), (c) and (d) above of the holders of the Senior Obligations to receive cash, property or securities from the Net Revenues and other money pledged to such Senior Obligations otherwise payable or deliverable to the Holders of the Parity Obligations; and insofar as the Bond Registrar, Depository or Trustee is concerned, the foregoing provisions shall not prevent the application of any money 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 Parity Obligations 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.

### **Supplemental Trust Agreements without Consent of Holders**

The District and the Trustee may without the consent of or notice to any of the Holders, enter into agreements supplemental to the Trust Agreement as are substantially consistent with the terms and provisions of the Trust Agreement:

- (a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision of the Trust Agreement that may be inconsistent with any other provision of the Trust Agreement, to make any other provisions with respect to matters or questions arising under the Trust Agreement, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Trust Agreement, or
- (b) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Trustee, or
- (c) to add to the provisions of the Trust Agreement other conditions, limitations and restrictions thereafter to be observed, or
- (d) to add to the covenants and agreements of the District in the Trust Agreement other covenants and agreements thereafter to be observed by the District or to surrender any right or power reserved in the Trust Agreement to or conferred upon the District, or
- (e) to permit the qualification of the Trust Agreement under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the District so determines, to add to the Trust Agreement or any supplemental trust agreement such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law, or
- (f) to provide for the issuance of Bonds under a book-entry system, or
- (g) to make any other change in the Trust Agreement that, in the judgment of the District, expressed in a resolution of the Commission, and the Trustee, each of which may rely upon a written Opinion of Counsel, will not materially and adversely affect the Holders of the Bonds of each series that will be affected by such supplement.

### **Modification of Trust Agreement with Consent of Holders**

The Holders of not less than a majority of the aggregate principal amount of Bonds then Outstanding will have the right to consent to and approve the execution and delivery by the District and the acceptance by the Trustee of such trust agreement or trust agreements supplemental to the Trust Agreement as deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, the Trust Agreement; provided, however, that nothing contained in the Trust Agreement will permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bonds issued under the Trust Agreement without the consent of the Holders of such Bonds, or (b) a reduction in the principal amount of any Bonds or the rate of interest thereon without the consent of the Holders of such Bonds, or (c) the creation of a pledge of receipts and revenues superior to the pledge created by the Trust Agreement [after the date thereof,] without the consent of the Holders of all Bonds Outstanding, or (d) a preference or priority of any Bond over any other Bond without the consent of the Holders of all Bonds Outstanding, or (e) a reduction in the

aggregate principal amount of Bonds required for consent to such supplemental trust agreement without the consent of the Holders of all Bonds Outstanding.

If the District requests the Trustee to enter into any supplemental trust agreement described in the immediately preceding paragraph, the Trustee will cause notice of the proposed supplemental trust agreement to be mailed to all Holders. If the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding at the time of the execution of such supplemental trust agreement have consented to and approved the execution, no Holder will have any right to object to the adoption of such supplemental trust agreement.

### **Defeasance**

(a) When the Bonds become due and payable and the whole amount of the principal and the interest so due and payable upon all Bonds is required to be paid, and (b) if the Bonds have not become due and payable, the Trustee or the Bond Registrar holds, sufficient money or Defeasance Obligations, or a combination of money and Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest on, all Bonds then Outstanding to the maturity date or dates of such Bonds and (c) sufficient funds also have been provided or provision has been made for paying all other obligations payable under the Trust Agreement by the District, then and in that case the right, title and interest of the Trustee in the funds and accounts mentioned in the Trust Agreement will thereupon cease, determine and become void and, on demand of the District and upon being furnished with an opinion, satisfactory to the Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of the Trust Agreement have been satisfied, the Trustee will release the Trust Agreement and will execute such documents to evidence such release as may reasonably be required by the District and will turn over to the District any surplus in, and all balances remaining in, all funds and accounts.

Otherwise, the Trust Agreement will continue to be and remain in full force and effect; provided, that, in the event Defeasance Obligations are deposited with and held by the Trustee or the Bond Registrar as provided for above, (i) the Trustee will nevertheless retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient in respect of the Bonds for the payment of the principal and interest for which such Defeasance Obligations have been deposited, and (ii) the Bond Registrar will retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient for the registration, transfer and exchange of Bonds.

### **Release of Third Supplemental Trust Agreement**

When (a) the Series 2016A Bonds shall have become due and payable in accordance with their terms or otherwise as provided in the Third Supplemental Trust Agreement, the whole amount of the principal and the interest so due and payable upon all Series 2016A Bonds shall be paid, (b) if the Series 2016A Bonds shall not have become due and payable in accordance with their terms, the Trustee or the Bond Registrar shall hold, sufficient money or Defeasance Obligations, or a combination of money and Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest on, all Series 2016A Bonds then Outstanding to the maturity date or dates of such Series 2016A Bonds and (c) sufficient funds shall also have been provided or provision made for paying all other obligations payable under the Third Supplemental Trust Agreement by the District, then and in that case the right, title and interest of the Trustee in the funds and accounts mentioned in the Third Supplemental Trust Agreement shall thereupon cease, determine and become void and, on demand of the District and upon being furnished with an opinion, in form and substance satisfactory to the Trustee, of Bond Counsel, to the effect that all conditions precedent to the release of the Third Supplemental Trust Agreement have been satisfied, the Trustee shall release the

Second Supplemental Trust Agreement and shall execute such documents to evidence such release as may reasonably be required by the District and, subject to the provisions of the Trust Agreement, shall turn over to the District any surplus in, and all balances remaining in, all funds and accounts.

### **Removal of Trustee**

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, (i) executed by the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding and filed with the District, or (ii) so long as no Event of Default has occurred and is continuing, an instrument executed by the District, not less than 60 days before such removal is to take effect as stated in said instrument or instruments. The Trustee may also be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the District or the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding.

**APPENDIX D**

**PROPOSED OPINION OF BOND COUNSEL**

\_\_\_\_\_, 2016

Hampton Roads Sanitation District Commission  
Virginia Beach, Virginia

We have examined Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the “Act”), and certified copies of the proceedings of the Hampton Roads Sanitation District Commission (the “Commission”), the governing body of Hampton Roads Sanitation District (a political subdivision of the Commonwealth of Virginia and herein sometimes called the “District”), [authorizing the execution and delivery of a Trust Agreement, dated as of October 1, 2011, as amended and restated on \_\_\_\_\_ 1, 2016, and as supplemented (the “Trust Agreement”), including as supplemented by the Third Supplemental Trust Agreement, dated as of \_\_\_\_\_, 2016, each by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and the issuance of

**§ \_\_\_\_\_**  
**HAMPTON ROADS SANITATION DISTRICT**  
**Subordinate Wastewater Revenue Bonds,**  
**Series 2016A**

Dated, maturing, subject to redemption, and bearing interest,  
all as provided in the Trust Agreement.

Pursuant to the Trust Agreement, as security for the payment of the amounts due on the above-captioned bonds (the “Bonds”), the District has pledged its Net Revenues Available for Debt Service to the Trustee. The District’s Net Revenues Available for Debt Service consist of all revenues derived by the District from the Wastewater System (as defined in the Trust Agreement) except such part of such revenues as may be required to pay (i) the cost of maintaining, repairing and operating such Wastewater System and (ii) Senior Obligations.

For purposes of the opinions in paragraphs 1, 2 and 3 below, we have relied upon the opinion of Kellam, Pickrell, Cox, Tayloe & Anderson, A Professional Corporation, to the effect that the resolutions of the Commission authorizing the Bonds and approving the Trust Agreement were duly adopted.

We have also examined one of the Bonds, as executed and authenticated.

Based upon such examination, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued for the purpose of providing funds, together with other available funds, to refund certain Outstanding Subordinate Obligations (as defined in the Trust Agreement) and pay certain expenses incurred in connection with the issuance of the Bonds.

2. The Trust Agreement has been duly authorized and executed by the District and, assuming due authorization and execution by the Trustee, is a valid, binding and enforceable obligation of the District in accordance with its terms.

3. The Bonds are valid and binding special obligations of the District payable solely from the Net Revenues Available for Debt Service and other funds pledged as security therefor under the Trust Agreement.

4. The Bonds do not constitute a debt of the Commonwealth of Virginia or of any county, city, town or political subdivision thereof, or a pledge of the faith and credit of the Commonwealth of Virginia or of any county, city, town or political subdivision thereof. The issuance of the Bonds does not directly or indirectly or contingently obligate the Commonwealth of Virginia or any county, city, town or political subdivision thereof to levy or to pledge any form of taxation whatever therefor.

5. As provided by the Act, the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, shall be free and exempt from taxation by the Commonwealth of Virginia and any political subdivision thereof.

The enforceability of the Trust Agreement and the obligations of the District with respect to such documents described above are subject to bankruptcy, insolvency, fraudulent conveyance, reorganization and other laws affecting creditors' rights generally. To the extent that the remedies under the Trust Agreement require enforcement by a court of equity, the enforceability thereof may be limited by such principles of equity as the court having jurisdiction may impose.

Respectfully submitted,

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”), dated as of \_\_\_\_\_, 2016, is executed and delivered by Hampton Roads Sanitation District (the “District”) in connection with the issuance by the District of its Subordinate Wastewater Revenue Bonds, Series 2016A (the “Bonds”), pursuant to the provisions of a Trust Agreement, dated as of \_\_\_\_\_, 2016, as supplemented (the “Trust Agreement”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee. The proceeds of the Bonds are being used by the District to provide funds for to finance a portion of the District’s capital improvement program, to refinance outstanding advances received by the District under a line of credit, and to pay costs of issuing the Bonds. The District hereby covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the District for the benefit of the holders of the Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The District acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Dissemination Agent” shall mean the District, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Filing Date” shall have the meaning given to such term in Section 3(A) hereof.

“Fiscal Year” shall mean the twelve-month period at the end of which financial position and results of operations are determined. Currently, the District’s Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

“Holder” or “holder” shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

“Listed Events” shall mean any of the events listed in subsection (b)(5)(i)(C) of the Rule, which are as follows:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the District;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and appointment of a successor or additional paying agent or the change of name of a paying agent, if material; and
- (xiv) appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

“Participating Underwriter” shall mean each original underwriter of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

“Repository” shall mean The Electronic Municipal Market Access (“EMMA”) system administered by the Municipal Securities Rulemaking Board. EMMA is recognized as the sole Repository for purposes of the Rule.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual Reports.

A. The District shall, or shall cause the Dissemination Agent to, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Such Annual Report shall be filed on a date (the “Filing Date”) that is not later than December 31 after the end of any Fiscal Year (commencing with its Fiscal Year ending June 30, 2016). Not later than ten (10) days prior to the Filing Date, the District shall provide the Annual Report to the Dissemination Agent (if applicable). In such case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement and (iii) shall include the District’s audited financial statements or, if audited

financial statements are not available, such unaudited financial statements as may be required by the Rule. In any event, audited financial statements of the District must be submitted, if and when available, together with or separately from the Annual Report.

B. The annual financial statements of the District shall be prepared on the basis of generally accepted accounting principles and will be audited. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be filed with the Repository when they become publicly available.

C. If the District fails to provide an Annual Report to the Repository by the date required in subsection A hereto or to file its audited annual financial statements with the Repository when they become publicly available, the District shall send a notice to the Repository in substantially the form attached hereto as Exhibit B.

SECTION 4. Content of Annual Reports. Except as otherwise agreed, any Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, annual financial information relating to the District, including operating data, updating such information relating to the District as described in Exhibit A, all with a view toward assisting the Participating Underwriter in complying with the Rule.

Any or all of such information may be incorporated by reference from other documents, including official statements of securities issues with respect to which the District is an “obligated person” (within the meaning of the Rule), which have been filed with the Repository or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Repository. The District shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. The District will provide in a timely manner, not in excess of ten business days after the occurrence of the event, to the Repository, notice of any of the Listed Events, if material.

SECTION 6. Termination of Reporting Obligation. The District’s obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance and final retirement of all the Bonds.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent.

SECTION 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws, to the effect that such amendment is permitted or required by the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual

Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. Any person referred to in Section 12 (other than the District) may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to file its Annual Report or to give notice of a Listed Event. The holders of not less than a majority in aggregate principal amount of Bonds Outstanding may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the District hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Trust Agreement or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

SECTION 11. Format of Filings. Unless otherwise required by the Repository, all notice, documents and information provided to the Repository pursuant to this Disclosure Agreement shall be provided to EMMA, the current Internet address of which is [www.emma.msrb.org](http://www.emma.msrb.org). All notices, documents and information provided to the EMMA shall be provided in an electronic format prescribed by the Repository (currently, portable document format (pdf) which must be word-searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the Repository.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Participating Underwriters and the holders from time to time of the Bonds, and shall create no rights in any other person or entity.

HAMPTON ROADS SANITATION DISTRICT

By: \_\_\_\_\_  
Director of Finance

**CONTENT OF ANNUAL REPORT  
HAMPTON ROADS SANITATION DISTRICT**

(a) **Financial Information.** Updated information including summary financial results, treatment charge collection rate, revenue collections from the District's largest customers, and a five-year comparison of revenues, expenses, debt service and debt service coverage ratios.

(b) **Debt Information.** Updated information including the debt service requirements of long-term indebtedness.

(c) **Operating Data.** Updated operating data including wastewater flows to the Wastewater System and its major treatment plants, the treatment capacities of its major treatment plants, total billed wastewater flows, and changes in rates and charges.

In general, the foregoing will include information as of the end of the most recent fiscal year or as of the most recent practicable date. Where information for the fiscal year just ended is provided, it may be preliminary and unaudited. Where information has historically been provided for more than a single period, comparable information will in general be provided for the same number of periods where valid and available. Where comparative demographic or economic information for the District and the United States as a whole is contemporaneously available and, in the judgment of the District, informative, such information may be included. Where, in the judgment of the District, an accompanying narrative is required to make data presented not misleading, such narrative will be provided.

**NOTICE OF FAILURE TO FILE ANNUAL REPORT  
[AUDITED ANNUAL FINANCIAL STATEMENTS]**

**Re: HAMPTON ROADS SANITATION DISTRICT  
SUBORDINATE WASTEWATER REVENUE BONDS,  
SERIES 2016A**

**CUSIP NO.:**

Dated:

NOTICE IS HEREBY GIVEN that Hampton Roads Sanitation District has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds, the proceeds of which were used to finance a portion of the District's capital improvement program. [The District anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by \_\_\_\_\_.]

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

HAMPTON ROADS SANITATION DISTRICT

By \_\_\_\_\_

## APPENDIX F

### THE DEPOSITORY TRUST COMPANY

The Depository Trust Company (DTC), the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provision of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each Subordinate 2016A Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016A Bonds, except if use of the book-entry system for the Series 2016A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2016A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2016A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

\$ \_\_\_\_\_  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue Bonds,  
Series 2016A

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BOND PURCHASE AGREEMENT

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February \_\_, 2016

Hampton Roads Sanitation District  
1434 Air Rail Avenue  
Virginia Beach, Virginia 23455  
Attn: Jay A. Bernas, PE, Director of Finance

Ladies and Gentlemen:

The undersigned, Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Representative”) offers to enter into this Bond Purchase Agreement (this “Purchase Agreement”) between the Hampton Roads Sanitation District, a political subdivision of the Commonwealth of Virginia (the “District”) and the Representative, acting on behalf of itself, RBC Capital Markets, LLC and Morgan Stanley & Co. LLC, as the Underwriters (collectively, the “Underwriters”), for the purchase by the Underwriters and the sale by the District of the District’s \$\_\_\_\_\_ Subordinate Wastewater Revenue Bonds, Series 2016A (the “Bonds”). This offer is made subject to acceptance, which will be evidenced by the District’s execution and delivery to the Underwriters of this Agreement at or before [6:00 p.m.], [Virginia Beach], Virginia, time, on February \_\_, 2016, and, if not so accepted, will be subject to withdrawal by the Representative upon notice delivered to the District at any time thereafter.

The District has heretofore delivered to the Representative the Official Statement of the District with respect to the Bonds in preliminary form dated February \_\_, 2016 (the “Preliminary Official Statement”) and will deliver an Official Statement in final form dated February \_\_, 2016 (the “Official Statement”) as provided herein. Capitalized terms used herein and not otherwise defined herein shall have the meanings given such terms in the Official Statement.

1. Agreement to Purchase and Sell; Good Faith Deposit. Upon the terms and conditions, and based upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase from the District for offering to the public and the District hereby agrees to sell and deliver to the Underwriters, all (but not less than all) of the Bonds.

The Bonds shall be dated the date of delivery thereof and shall mature in the principal amounts, bear interest at the rates, and be subject to the redemption provisions, all as described in the Official Statement and in Schedule A attached hereto. The aggregate purchase price of the Bonds shall be \$\_\_\_\_\_ (representing the sum of the \$\_\_\_\_\_ par amount of the

Bonds, [plus] [minus] net original issue [premium] [discount] of \$\_\_\_\_\_, less an underwriting discount of \$\_\_\_\_\_ on such Bonds.

The Representative has delivered to the District, and the District acknowledges receipt of, a wire transfer in the aggregate amount of \$\_\_\_\_\_, representing the good faith deposit of the Underwriters. At the Closing (as defined in Section 7 below), the good faith deposit, exclusive of any interest earned on such amount which shall accrue to the benefit of the District, will be deducted from the amount payable by the Underwriters with respect to the aggregate purchase price of the Bonds (and applied by the District as proceeds of the Bonds), and the Underwriters will pay \$\_\_\_\_\_ (representing the \$\_\_\_\_\_ purchase price, less the \$\_\_\_\_\_ good faith deposit). If the District fails to deliver the Bonds at the Closing, or if the District is unable on or before the Closing to satisfy the conditions to the Underwriters' obligations contained in this Agreement, or if the obligations of the Underwriters are terminated for any reason permitted by this Agreement, the good faith deposit (with no credit for interest thereon) will be returned to the Representative. If the Underwriters fail (other than for a reason permitted in this Agreement) to accept and pay for the Bonds upon their tender by the District as provided in this Agreement, the good faith deposit will be retained by the District as full liquidated damages for such failure and for any and all defaults on the part of the Underwriters, and the delivery of the good faith deposit will constitute satisfaction, and will result in full release and discharge of the Underwriters and their affiliates from all claims and damages for such failure and for any and all defaults.

2. Description of the Bonds; Public Offering. The following is provided for informational purposes only and shall not affect or control the actual terms and conditions of the Bonds.

(a) The Bonds are authorized to be issued pursuant to the provisions of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the "Enabling Act"), a resolution adopted on [January 26], 2016 (the "Bond Resolution"), by the Hampton Roads Sanitation District Commission (the "Commission"), the governing body of the District, and the Trust Agreement dated as of October 1, 2011, by and between the District and The Bank of New York Mellon Trust Company, N.A., as amended and restated by that certain Amended and Restated Trust Agreement dated as of February 1, 2016, as previously amended and supplemented and as further supplemented by the Third Supplemental Trust Agreement dated as of February \_\_\_, 2016 (collectively, the "Trust Agreement").

(b) The proceeds of the Bonds are being used to (a) finance a portion of the Capital Improvement Program Costs of the District's ten-year capital improvements plan (as described in the Official Statement) and (b) pay the Underwriters' discount and costs of issuance of the Bonds.

To assist the Underwriters in complying with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"), the District will execute a Continuing Disclosure Agreement dated as of the Closing Date (as defined in Section 7 below), for the benefit of the holders of the Bonds (the "Continuing Disclosure Agreement"). The District will agree in the Continuing Disclosure Agreement to provide annual financial information and operating data and notices of the occurrence of specified events. A description of the Continuing

Disclosure Agreement is set forth in, and a form of such agreement is attached as an appendix to, the Preliminary Official Statement and the Official Statement. This Agreement, the Trust Agreement and the Continuing Disclosure Agreement are hereinafter collectively referred to as the “District Documents.”

3. Concurrent Delivery of Official Statement. Upon the acceptance, execution and delivery of this Agreement by the District, the District will deliver to the Representative a sufficient number of copies of the final version of the Official Statement, which shall be signed by the Chairman, the General Manager and the Director of Finance of the District, to enable the Underwriters to comply with the Rule. The Underwriters’ approval of the Official Statement will be conclusively evidenced by the Representative’s execution and delivery of this Agreement.

4. Representations Warranties and Covenants of the District. The District represents and warrants to, and agrees with, the Underwriters as follows:

(a) The District is a political subdivision of the Commonwealth duly created and validly existing under the laws of the Commonwealth;

(b) The District has complied with all applicable provisions of the Constitution and laws of the Commonwealth, including the Enabling Act, with respect to the consummation of, and has full power and authority to consummate, all transactions contemplated by this Purchase Agreement, the Trust Agreement, and the Continuing Disclosure Agreement, executed by the District pursuant to the provisions of the Trust Agreement, and any other agreements relating thereto the District Documents;

(c) The District is authorized under the provisions of the Enabling Act to issue the Bonds for the purposes described in the Trust Agreement and the Official Statement;

(d) The Bond Resolution has been duly adopted by the Commission at a meeting duly called and held and duly and validly authorizes the issuance, sale and delivery of the Bonds pursuant to the Trust Agreement and the execution and delivery of the District Documents, and the Bond Resolution, and the Trust Agreement, as of the date hereof, have not been amended, modified or repealed, in any material respect (other than as contemplated herein, or by the Official Statement);

(e) The Commission has duly and validly authorized all necessary action to be taken by it or the District for (i) the issuance, sale, and delivery of the Bonds upon the terms set forth herein, (ii) the execution, delivery, and performance of the District Documents, including the Trust Agreement which provides for the issuance and delivery of and security for the Bonds, (iii) the carrying out, giving effect to, and consummation of the transactions contemplated hereby, and (iv) the consent to the distribution by the Underwriters of the Official Statement;

(f) The District Documents, when executed by the other parties thereto, if any, will have been duly and validly executed and delivered by the District and will be in full force and effect as to the District, and such District Documents constitute legal, valid and binding obligations of the District, enforceable in accordance with their respective terms, subject

to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; and the Bonds, when issued, authenticated and delivered to the Underwriters in accordance with the Bond Resolution will constitute legal, valid and binding obligations of the District enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights;

(g) Except as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, governmental agency or public board or body, pending or, to the best knowledge of the District, threatened against the District (i) which may affect the existence of the District or the titles or rights of its officers to their respective offices, (ii) which may affect or which seeks to prohibit, restrain or enjoin (A) the sale, issuance or delivery of the Bonds or (B) the collection or payment of the Net Revenues or the pledge and assignment thereof by the District to make payments on the Bonds, (iii) which in any way contests or affects the validity or enforceability of the District Documents, (iv) which contests in any way the completeness or accuracy of the Official Statement, or (v) which contests the powers of the District or, to the best knowledge of the District, any authority or proceedings for the issuance, sale or delivery of the Bonds, the District Documents or any of them or the transactions contemplated thereby, nor, to the best knowledge of the District, is there any basis therefor wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Bond Resolution or any of the other District Documents;

(h) The District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the Commonwealth of Virginia or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, ordinance, resolution, agreement or other instrument to which the District is a party or to which the District or any of the property or assets of the District are otherwise subject; no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the District under any such instrument; and the execution and delivery of this Purchase Agreement and the other District Documents, and the compliance with the provisions thereof, will not conflict with or constitute on the part of the District a violation of, breach of, or default under (i) the Enabling Act, (ii) in any material respect, any indenture, mortgage, lease or note agreement or any other material agreement or instrument to which the District is a party or by which the District is bound, or (iii) any constitutional provision or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the District or any of its activities or properties;

(i) All consents, approvals, authorizations and orders of governmental or regulatory authorities that are required to be obtained by the District in connection with the execution and delivery of this Purchase Agreement and the other District Documents and the consummation of the transactions contemplated thereby to be consummated on or before the Closing Date have been or will be, at Closing, duly obtained and in full force and effect; provided, that no representation or warranty is expressed as to any action required under applicable federal or state securities laws or Blue Sky laws of any jurisdiction in connection with the issuance and sale of the Bonds.

(j) At the time of the District's acceptance hereof and (unless an event occurs of the nature described in Section 5(b)) at all times subsequent hereto during the period up to and including twenty-five (25) days subsequent to the end of the underwriting period, as hereinafter defined, the Official Statement was and will be true and correct and did not and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, no representation or warranty is made as to any of the information described in the proviso of Section 4(o) below;

(k) If the Official Statement is supplemented or amended pursuant to Section 5(b), at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including twenty-five (25) days subsequent to the end of the underwriting period, the Official Statement as so supplemented or amended will be true and correct and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, no representation or warranty is made as to any of the information described in the proviso of Section 4(o) below;

(l) The District will execute and deliver the Disclosure Agreement, at or prior to the Closing, in substantially the form attached to the Official Statement as "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT;"

(m) During the 5-year period ending on the date hereof, except as set forth in the Official Statement, the District has not failed in any material respect to comply with all previous undertakings made by it of the type specified in paragraph (b)(5)(i) of the Rule;

(n) During the 5-year period ending on the date hereof, except as set forth in the Official Statement, no notice of the type specified in paragraph (b)(5)(i)(D) of the Rule has been filed by or on behalf of the District;

(o) (i) Other than the hereinafter defined Excluded Information, the information concerning the District and the System contained in the Preliminary Official Statement is, and as of the Closing Date will be, true and correct in all material respects and does not and will not, as applicable, contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and (ii) notwithstanding the foregoing, the District has not provided the information in and does not provide any assurance that the information relating to "Price or Yield" of the Bonds and CUSIP numbers on the inside cover, or the first paragraph of page (iv) thereof, or contained in the sections or appendices, as the case may be, captioned "TAX MATTERS," "UNDERWRITING," "APPENDIX D - PROPOSED OPINION OF BOND COUNSEL," and "APPENDIX F - THE DEPOSITORY TRUST COMPANY" (the "Excluded Information") in the Official Statement is true and correct in all material respects;

(p) The financial statements of, and other financial information regarding the District in the Official Statement and Appendix A thereof fairly present the financial position and results of the operations of the District as of the dates and for the periods therein set forth; and the audited financial statements have been prepared in accordance with U.S. generally accepted accounting principles consistently applied;

(q) The District will cause the Trustee to authenticate and deliver the Bonds when ready for delivery;

(r) To the best of the District's knowledge, neither the Securities and Exchange Commission ("SEC") nor any state securities commission has issued or threatened to issue any order preventing or suspending the use of the Official Statement;

(s) No person, whether generally or through an enterprise, fund, or account of such person, other than the District, is committed by contract or other arrangement structured to support payment of all, or part, of the obligations on the Bonds for purposes of and within the meaning of the Rule;

(t) Any certificate signed by any of the District's authorized officers and delivered to the Underwriters shall be deemed a representation and warranty by it to the Underwriters as to the statements made therein; and

(u) The District acknowledges and agrees that (i) the primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm's length commercial transaction between the District and the Underwriters and the Underwriters have financial and other interests that differ from those of the District; (ii) the Underwriters are acting solely as principals and are not acting as municipal advisors, financial advisors or fiduciaries to the District and have not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the District on other matters); (iii) the only obligations the Underwriters have to the District with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement; and (iv) the District has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

All representations, warranties and agreements of the District shall remain operative and in full force and effect, regardless of any investigations made by any Underwriter or on the Underwriters' behalf, and shall survive the delivery of the Bonds.

##### 5. Compliance with the Rule; Other Covenants.

(a) The Preliminary Official Statement has been deemed final by the District in accordance with the Rule and remains as such on the date hereof. The District agrees to supply, at the District's expense, within the earlier of seven (7) business days from the date hereof and in any event not later than two (2) business days before the Closing, sufficient quantities of the Official Statement to enable the Representative to send copies of the Official

Statement to any potential customer upon request in compliance with paragraph (b)(4) of the Rule and the rules and regulations of the Municipal Securities Rulemaking Board (“MSRB”). The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by the Rule, the District shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Representative. The District agrees to deliver to the Representative an electronic copy of the Official Statement in a form that permits the Representative to satisfy its obligations under the rules and regulations of the MSRB and the SEC. The Representative agrees to file the Official Statement with the MSRB in compliance with MSRB Rule G-32.

(b) The District covenants and agrees to notify the Representative if, during the period commencing on the date hereof through the date twenty-five (25) days after the “end of the underwriting period,” as hereinafter defined, any event shall occur including, but not limited to, any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the District, and of which the District has knowledge, that would cause the Official Statement to contain any untrue or incorrect statement of a material fact or to omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and, if in the reasonable opinion of the Representative such event requires any amendment or supplement to the Official Statement, the District will at the District’s expense promptly amend or supplement the Official Statement in a form and manner jointly approved by the District and the Representative. Anything in this Section 5(b) to the contrary notwithstanding, in no event shall the District be under any obligation to perform any continuing due diligence or monitoring to determine if any event described in this Section 5(b) has occurred subsequent to the end of the underwriting period. The “end of the underwriting period” means the Closing Date unless the Representative advises in writing on such Closing Date that as of such date there remains an unsold balance of the Bonds, in which case the “end of the underwriting period” means the date as of which the Representative notifies the District that the Underwriters no longer retain an unsold balance of the Bonds for sale to the public; however, in no event shall the “end of the underwriting period” extend beyond the date that is thirty-five (35) days from the Closing Date.

(c) Subject to Section 9, the District shall furnish such information, execute such instruments and take such other action in cooperation with the Representative as the Representative may reasonably request to qualify the Bonds for offering and sale under the securities or “blue sky” laws of such states and other jurisdictions of the United States as the Representative may designate; provided, however, the District shall not be obligated to accept, or consent to accept, service of process, or to appoint an agent to accept service of process, outside the Commonwealth of Virginia.

(d) The Underwriters agree to make a bona fide public offering of all of the Bonds of each maturity at a price not in excess of the respective initial public offering price or yields not greater than the yields set forth in the front portion of the Official Statement. After such bona fide public offering, and subject to the requirement to provide the Issue Price Certificate as required in Section 10 of this Purchase Agreement, the Underwriters may change such prices or yields as they may deem necessary or desirable in connection with the offering

and sale of the Bonds and to sell the Bonds to dealers (including dealer banks and dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or yields greater than the yields indicated on the front portion of the Official Statement. As used in this subsection (d) the term “public” means the general public of investors who are purchasing for their own account as ultimate purchasers and does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriter, placement agents or wholesalers, including any affiliates or affiliated accounts of any of dealers (including dealer banks and dealers depositing the Bonds into investment trusts). The Representative agrees on behalf of the Underwriters that the Bonds will only be offered pursuant to the Official Statement and only in jurisdictions where such offer is legal and that a copy of the final version of the Official Statement will be delivered to each purchaser of the Bonds.

6. Conditions to Underwriters’ Obligations. The Underwriters’ obligation to purchase and pay for the Bonds shall be subject to the performance by the District of its obligations to be performed hereunder and in the documents delivered at the Closing, and the accuracy in all material respects of the representations and warranties contained hereunder and shall also be subject to the satisfaction of each of the following conditions, both as of the date hereof and the Closing Date:

(a) The Representative will not have discovered any material error, misstatement or omission in the representations and warranties made by the District in this Agreement, which representations and warranties will be deemed to have been made again at and as of the time of the Closing and will then be true, accurate and complete in all material respects;

(b) The Bond Resolution, the Act and the District Documents will be in full force and effect and will not have been amended, modified or supplemented, and the Official Statement will not have been supplemented or amended, except as may have been agreed or consented to by the Representative;

(c) At the time of the Closing, all official action of the District relating to this Agreement, the Bonds and the other District Documents will be in full force and effect and will not have been amended, modified or supplemented except as otherwise agreed to by the Representative;

(d) At the time of the Closing, there will have been no material adverse change in the condition, financial or otherwise, of the District from that set forth in the Official Statement that in the reasonable judgment of the Representative makes it impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(e) The Representative will have received the Official Statement, and each supplement or amendment, if any, to it, executed on behalf of the District by its General Manager and its Director of Finance and a fully-executed copy of each of the District Documents;

(f) The Representative will have received from Sidley Austin LLP, Bond Counsel for the District (“Bond Counsel”), an approving opinion with respect to the Bonds,

dated the Closing Date and addressed to the District, in substantially the form set forth in Appendix D to the Official Statement;

(g) The Representative will have received from Bond Counsel a supplemental opinion or opinions with respect to the Bonds, dated the Closing Date and addressed to the Underwriters, in substantially the form set forth as Exhibit 1 hereto;

(h) The Representative will have received from the Counsel to the District opinions dated the Closing Date and addressed to the Underwriters, in substantially the forms set forth as Exhibit 2 hereto;

(i) The Representative will have received from Kaufman & Canoles, a Professional Corporation, as counsel to the Underwriters, an opinion dated the Closing Date and addressed to the Underwriters, in substantially the form set forth as Exhibit 3 hereto;

(j) The Representative will have received a certificate of the General Manager and the Director of Finance of the District setting forth facts, estimates and circumstances (including covenants of the District) in existence on the Closing Date sufficient to support the conclusion that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and applicable rules and regulations;

(k) The Representative will have received a certificate of the District as to the receipt of payment for the Bonds;

(l) A certificate, dated the Closing Date, signed by the General Manager of the District to the effect that (a) the representations and agreements of the District contained herein are true and correct in all material respects as of the date of the Closing; (b) except as described in the Official Statement, no litigation is pending or, to his knowledge, threatened (i) seeking to restrain or enjoin the execution or delivery of any of the District Documents, (ii) in any way contesting or affecting any authority for the Bond Resolution or any District Document, (iii) in any way contesting the creation, existence or powers of the District or the application of the proceeds of the Bonds, or (iv) which, if adversely determined, could materially adversely affect the District's financial position or operating condition of the District or the transactions contemplated by the Official Statement or any District Document; and (c) the Official Statement is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except no review has been made of information described in the proviso of Section 4(o) above;

(m) A certificate, dated the Closing Date, signed by the General Manager of the District, in form and substance satisfactory to the Representative, to the effect that (i) the financial statements of the District as of June 30, 2015, fairly represent the receipts, expenditures, assets, liabilities and cash balances of such amounts and, insofar as presented, other funds of the District as of the dates and for the periods therein set forth and (ii) except as disclosed in the Official Statement, since June 30, 2015, no materially adverse change has occurred, or any development involving a prospective material change, in the financial position

or results of operations of the District, and the District has not incurred since June 30, 2015, any material liabilities other than in the ordinary course of business or as set forth in or contemplated by the Official Statement;

(n) The Representative will have received confirmations of long-term ratings from Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") indicating that the Bonds have been rated ["AA"] and ["AA"], respectively, which ratings will remain in effect on the Closing Date; and

(o) The Representative will have received a certified copy of the Bond Resolution and fully executed copies of the District Documents.

If the District shall be unable to satisfy or cause to be satisfied any material (in the sole judgment of the Representative) condition to the obligations of the Underwriters contained in this Agreement, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate, and neither the Underwriters nor the District shall be under any further obligations or liabilities hereunder, except for the return or retention of the good faith deposit as provided in Section 1 hereof and the respective obligations of the District and the Underwriters for the payment of expenses as provided in Section 9 hereof, which obligations shall continue in full force and effect.

7. Closing. By [11:00 a.m.] [Virginia Beach], Virginia time, on February \_\_\_\_, 2016, or such other time or date as shall otherwise be mutually agreed upon by the District and the Representative (such date is herein sometimes called the "Closing Date"), the District will deliver or cause to be delivered to the Underwriters either at the New York City office of The Depository Trust Company ("DTC"), or at such other location as shall have been mutually agreed upon by the District and the Representative, the Bonds and, subject to the terms and conditions hereof, the Underwriters will accept such delivery and pay to the District the purchase price of the Bonds as set forth in Section 1 hereof, such purchase price to be payable in same day Federal Funds. Such delivery and such acceptance and payment are herein sometimes called the "Closing." Delivery of the other documents as aforesaid shall be made at the offices of Bond Counsel in New York, New York. The Bonds shall be made available to the Underwriters, or delivered at their direction to such place and at such time as shall be mutually agreed upon, prior to the Closing. At the direction of the Underwriters, the District will deliver the Bonds in definitive form for registration through a book-entry only system of registration as described in the Official Statement, registered in the name of Cede & Co., as nominee for DTC. It is anticipated that the CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriters to accept delivery of the Bonds in accordance with the terms of this Agreement.

8. Termination. The Representative may terminate the obligation of the Underwriters to purchase the Bonds by notification to the District in writing, if between the date hereof and the Closing:

(1) legislation shall be introduced in or enacted by the Congress of the United States or adopted by either House thereof, or shall have been recommended to the Congress by the President of the United States, or shall have been introduced and favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision shall have been rendered by or adopted by a court of the United States or the Tax Court of the United States, or an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with respect to federal income taxation of interest received on obligations of the general character of the Bonds, which, in the Representative's reasonable judgment, materially adversely affects the market price of the Bonds; or

(2) legislation shall have been introduced in or enacted by or a bill shall be favorably reported out of committee of either house of Congress or recommended for passage by the President of the United States, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Commission or any other agency of the federal government having jurisdiction of the subject matter shall be made, to the effect that the Bonds are not exempt from the registration requirements of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended; or

(3) legislation shall have been enacted by the Congress of the United States to become effective on or prior to the Closing, or a decision of a court of the United States shall be rendered, or a stop order, ruling, regulation or proposed regulation by or on behalf of the Securities and Exchange Commission or other agency having jurisdiction over the subject matter shall be issued or made, to the effect that the issuance, sale and delivery of the Bonds or the District is in violation of the Securities Act of 1933, as amended, or with the purpose or effect of otherwise prohibiting the offering, issuance, sale or delivery of the Bonds as contemplated hereby or by the Official Statement or of obligations of the general character of the Bonds; or

(4) an event shall have occurred which (A) makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Preliminary Official Statement or the Official Statement or which is not reflected in the Preliminary Official Statement or the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect and (B) in the professional judgment of the Representative, materially adversely affects the market for the Bonds or the sale, at the contemplated offering prices, by the Underwriters of the Bonds; or

(5) there shall have occurred (whether or not foreseeable) any engagement in, or escalation of hostilities or other national or international calamity or crisis, or any material adverse change in the financial or economic conditions affecting the United States, the effect of such engagement, escalation, calamity, crisis or change on the financial markets of the United States being such as, in the Representative's

reasonable judgment, would have a material adverse impact on the market price of the Bonds; or

(6) there shall have occurred a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market or there shall be in force a general suspension of trading on any national securities exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any national securities exchange whether by virtue of a determination by that exchange or by order of the Securities and Exchange Commission, or any other governmental authority having jurisdiction that, in the Representative's reasonable judgment, would have a material adverse impact on the market price of the Bonds; or

(7) a general banking moratorium shall have been declared by federal, Commonwealth of Virginia or the State of New York authorities; or

(8) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by, any governmental body, department or agency in the Commonwealth of Virginia, or a decision by any court of competent jurisdiction within the Commonwealth of Virginia shall be rendered which, in the Representative's reasonable judgment, would render interest received on obligations of the general character of the Bonds taxable for Commonwealth of Virginia income tax purposes or otherwise have a material adverse effect on the market price of the Bonds; or

(9) there shall have been (i) any downgrading, suspension or withdrawal of any rating assigned to the Bonds by S&P or Fitch, as applicable, or (ii) any placement of the District on credit watch negative or the equivalent by S&P or Fitch that, in the reasonable judgment of the Representative, would have a material adverse impact on the market price of the Bonds; or

(10) any litigation shall be instituted or be pending on the Closing Date to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and approving the Act, the Bond Resolution, the District Documents or the existence or powers of the District.

9. Expenses. Except as set forth herein, the Underwriters shall not be under any obligation to pay, and the District agrees to pay, any expenses incident to the performance of the District's obligations hereunder, including but not limited to: (i) the cost of preparation of the Bond Resolution; (ii) the costs of the preparation and printing of the definitive Bonds; (iii) the fees and disbursements of Bond Counsel; (iv) the fees and disbursements of the accountants, advisors and consultants retained by the District; (v) the cost of publication of all required notices; (vi) the disbursements of District officials and employees and any expenses incurred by the Underwriters on behalf of the District's employees and representatives which are incidental to implementing this Agreement, including without limitation meals, transportation, lodging and

entertainment of such employees and representatives; (vii) fees for ratings on the Bonds; and (viii) the cost of the preparation and printing of a reasonable number of copies of the Official Statement and any amendments or supplements thereto and a reasonable number of copies required for distribution in connection with the public offering of the Bonds.

The Underwriters shall pay the fees and disbursements of Underwriters' counsel, the cost of preparation and printing of this Agreement, all advertising expenses in connection with the public offering of the Bonds and all other expenses incurred by it in connection with the public offering and distribution of the Bonds, including the cost of printing any Preliminary and Final Blue Sky Memoranda, and all other underwriting documents (which may be included as an expense component of the Underwriter's discount). The District shall not be under any obligation to pay any such expenses incident to the performance of the obligations of the Underwriters hereunder.

10. Issue Price Certificate. The Representative agrees to provide to Bond Counsel a certificate regarding the "issue price" of the Bonds substantially in the form attached hereto as Exhibit 4 (the "Issue Price Certificate"). Any changes to such form are subject to the reasonable approval of the District and Bond Counsel. It is expressly understood that the Representative is responsible for obtaining such information as may be necessary to demonstrate the compliance of the Representative with the provisions of Section 5(d) above and to make the certifications required in the Issue Price Certificate. It shall be a condition precedent to the District's obligations to deliver the Bonds that the Issue Price Certificate be provided to Bond Counsel.

11. Notices. Any notice or other communication to be given under this Agreement may be given by delivering the same in writing (a) to the District at the District's address set forth above, with a copy to Public Financial Management, Inc., 4350 N. Fairfax Drive, Suite 580, Arlington, Virginia 22203, Attention: Sarah Frey, Director, and (b) to the Representative at Merrill Lynch, Pierce, Fenner & Smith Incorporated, 214 N. Tryon Street, Charlotte, North Carolina 28255, Attention: D. Scott Detar, Jr.

12. Successors and Assigns. This Agreement is made solely for the benefit of the District and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the District contained in this Agreement shall remain operative and in full force and effect, and shall survive the delivery of the Bonds, regardless of any investigations made by or on behalf of the Underwriters.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be regarded as an original and all of which will constitute one and the same document.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to its choice of laws principles.

15. Effective Date. This Agreement shall become effective upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance and approval.

[Signature Pages Follow]

Very truly yours,

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED  
RBC CAPITAL MARKETS, LLC  
MORGAN STANLEY & CO. LLC

BY: MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED, as Representative

By: \_\_\_\_\_  
Name: D. Scott Detar, Jr.  
Title: Director

By our acceptance of this Bond  
Purchase Agreement, given this \_\_\_\_  
day of February, 2016 at \_\_\_\_ .m., we  
agree to be bound by the provisions of  
this Bond Purchase Agreement.

HAMPTON ROADS SANITATION DISTRICT

By: \_\_\_\_\_  
Name: Jay A. Bernas, PE  
Title: Director of Finance

SCHEDULE A

\$[\_\_\_\_\_]  
 Hampton Roads Sanitation District  
 Subordinate Wastewater Revenue Bonds,  
 Series 2016A

(Base CUSIP Number \_\_\_\_\_)

Maturities, Amounts, Interest Rates, Yields and Prices

Year of Maturity (____ 1)	Principal Amount	Interest Rate	Yield	Price
201__	\$	%	%	%

\* Priced to the first optional redemption date of \_\_\_\_\_ 1, 20\_\_.

Redemption Provisions:

*Optional Redemption.* The Bonds maturing on or before \_\_\_\_\_ 1, 20\_\_ are not subject to optional redemption prior to maturity. The Bonds maturing on or after August 1, 20\_\_, are subject to redemption prior to their respective maturities on or after \_\_\_\_\_ 1, 20\_\_ at the option of the Commission, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

**EXHIBIT 1**

February \_\_\_, 2016

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Charlotte, North Carolina

RBC Capital Markets, LLC  
Philadelphia, Pennsylvania

Morgan Stanley & Co. LLC  
Washington, D.C.

\$ \_\_\_\_\_  
Hampton Roads Sanitation District  
Subordinate Wasterwater Revenue Bonds,  
Series 2016A

Ladies and Gentlemen:

We have delivered to you copies of our approving opinion as Bond Counsel, dated this date, rendered in connection with the issuance by the Hampton Roads Sanitation District, a political subdivision of the Commonwealth of Virginia (the “District”), for the purchase by the Underwriters and the sale by the District of the District’s \$ \_\_\_\_\_ Subordinate Wastewater Revenue Bonds, Series 2016A (the “Bonds”). The Bonds are issued pursuant to the provisions of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the “Enabling Act”), a resolution adopted on [January 26], 2016 (the “Bond Resolution”), by the Hampton Roads Sanitation District Commission (the “Commission”), the governing body of the District, and the Trust Agreement dated as of October 1, 2011, by and between the District and The Bank of New York Mellon Trust Company, N.A., as previously amended and supplemented and as further supplemented by the Third Supplemental Trust Agreement dated as of February \_\_\_, 2016 (collectively, the “Trust Agreement”).

You may rely upon our approving opinions as if each was addressed to you.

At your request, we have reviewed, in addition to the proceedings and other papers described in our approving opinions, the following:

(a) The Bond Purchase Agreement, dated February \_\_\_, 2016, (the “Purchase Agreement”);

(b) The Preliminary Official Statement, dated February \_\_\_\_, 2016, with respect to the Bonds, together with the final version of the Official Statement dated February \_\_\_\_, 2016, with respect to the Bonds (the “Official Statement”); and

(c) The Continuing Disclosure Agreement, dated the date of its execution and delivery, for your benefit and the benefit of the holders of the Bonds (the “Continuing Disclosure Agreement”).

Based on the foregoing and upon such other information and papers as we consider necessary for the purposes of rendering this opinion, we are of the opinion that:

1. The Purchase Agreement and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the District and, assuming their due authorization, execution and delivery by the other parties thereto, constitute valid and legally binding agreements of the District, enforceable against the District in accordance with their terms. The enforceability of the Purchase Agreement and the Continuing Disclosure Agreement may be limited by the provisions of bankruptcy, insolvency, reorganization, moratorium, or similar laws, now or hereafter in effect, and by equitable principles which may limit the specific enforcement of certain remedies.

2. The offering, sale and delivery of the Bonds do not require their registration under the Securities Act of 1933, as amended. No opinion is expressed with respect to the necessity of the registration of the Bonds under the “Blue Sky” or securities laws of any state, federal district, territory or possession of the United States.

In our capacity as Bond Counsel, we have participated in the preparation and have reviewed those portions of the Official Statement contained under the captions “PLAN OF FINANCING,” “THE SERIES 2016A BONDS,” “SECURITY AND SOURCES OF PAYMENT,” “TAX MATTERS,” and “CONTINUING DISCLOSURE” (other than information under such caption with respect to the District’s compliance with previous undertakings under Rule 15c2-12, as to which no opinion is expressed) and in Appendices B, C, and D. In our opinion, the statements relating to the Bonds and the summaries of documents, statutes and opinions contained in the sections of the Official Statement referred to above fairly summarize the material provisions of the Bonds and the documents, statutes and opinions referred to therein. We offer no other opinion or view as to the information contained in the Official Statement.

This letter is furnished by us in our capacity as Bond Counsel to the District. No attorney-client relationship has existed or exists between our firm and the addressees hereof in connection with the Bonds, the Official Statement or by virtue of this opinion. This opinion is delivered to, and is solely for the benefit of, the addressees hereof and is not to be used, circulated, quoted or otherwise referred to or relied upon by any person other than you. This opinion is not intended to be relied upon by the Trustee (as described in the Bond Purchase Agreement) or the holders or the beneficial owners of the Bonds.

Very truly yours,

**OPINIONS OF KELLAM, PICKRELL, COX, TAYLOE & ANDERSON, P.C.,  
COUNSEL FOR THE DISTRICT**

February \_\_, 2016

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Charlotte, North Carolina

RBC Capital Markets, LLC  
Philadelphia, Pennsylvania

Morgan Stanley & Co. LLC  
Washington, D.C.

\$ \_\_\_\_\_  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue Bonds,  
Series 2016A

Ladies and Gentlemen:

We have acted as counsel to the Hampton Roads Sanitation District (the “District”) in connection with the issuance and sale of the above-referenced bonds (the “Bonds”). The Bonds are being issued under the Trust Agreement, dated as of October 1, 2011, as amended and supplemented, between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds will be secured by such Trust Agreement, as further supplemented by the Third Supplemental Trust Agreement dated as of February \_\_, 2016, between the District and the Trustee (collectively, the “Trust Agreement”). Unless otherwise defined, the capitalized terms used in this opinion have the meanings set forth in the Bond Purchase Agreement (as hereinafter defined).

In connection with our opinion, we have examined the following:

- (1) Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the “Enabling Act”);
- (2) the resolution adopted by the District on January 26, 2016 (the “Resolution”);
- (3) the Trust Agreement;
- (4) the Bonds;
- (5) the Bond Purchase Agreement, dated February \_\_, 2016 (the “Bond Purchase Agreement”), between you and the District;

- (6) the Official Statement, dated February \_\_\_\_, 2016 (the “Official Statement”), prepared in connection with the offering of the Bonds; and
- (7) the Continuing Disclosure Agreement, dated as of February \_\_\_\_, 2016 (the “Continuing Disclosure Agreement”), delivered by the District for the benefit of the Underwriters and the holders of the Bonds.

The Trust Agreement, the Continuing Disclosure Agreement, and the Bond Purchase Agreement are referred to collectively as the “District Documents.”

As to questions of fact material to this opinion, we have relied upon representations of, and the compliance as of the date hereof with the covenants by, the District contained in the District Documents, certifications of public officials furnished to us, and certifications and representations contained in certificates of the District and others delivered at Closing; provided that nothing has come to our attention that would lead us to believe that reliance upon such representations and certifications is unreasonable. We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them.

Based upon the foregoing, we are of the opinion that:

1. The District is a political subdivision of the Commonwealth of Virginia duly created and validly existing under the Enabling Act and has full power and authority under the Enabling Act to (i) execute and deliver the District Documents and the Bonds, (ii) issue, sell and deliver the Bonds pursuant to the Trust Agreement, and (iii) consummate the transactions contemplated by, and perform its obligations under, the District Documents. The directors and officers of the District identified in the District's general certificate delivered the date hereof have been duly appointed and are qualified to serve as such.

2. The Resolution has been duly adopted, complies with the Enabling Act and is in full force and effect on this date. The Bonds and the District Documents have been duly authorized and executed by the District.

3. The District has duly approved the Official Statement and its use in connection with the public offering of the Bonds.

4. The authorization, execution and delivery of the District Documents and the Bonds and the performance by the District of its obligations thereunder will not conflict with or constitute a violation or breach of or default under (i) any federal or Virginia constitutional provision or any other provision of Virginia law, (ii) any material agreement or other material instrument to which the District is a party or by which the District is bound, or (iii) to the best of our knowledge, any order, rule or regulation of any court or governmental agency or body having jurisdiction over the District or any of its properties.

5. There is no litigation at law or in equity or any proceeding before any governmental agency pending against the District, nor, to the best of our knowledge, threatened

with respect to (i) the organization or existence of the District, (ii) the District's authority to execute and deliver the District Documents and the Bonds, (iii) the validity or enforceability of any of the District Documents and the Bonds against the District or the transactions contemplated by them, (iv) the title of the officers of the District who executed the District Documents and the Bonds to their offices, or (v) any authority or proceedings of the District relating to the execution and delivery of any of the District Documents and the Bonds by the District. [*To be updated* --The District has expressly disclosed that the District and the United States Environmental Protection Agency (“EPA”) have entered into negotiations to integrate an existing consent agreement with the Commonwealth of Virginia and an order from EPA into a federal consent decree, the proposed form of which has been lodged with the federal district court for the eastern district of Virginia. Such a consent decree could impose penalties and other relief, as set forth in the Official Statement under “Consent Agreement and EPA Order.” A separate opinion will be issued by AquaLaw as to these matters, and we express no opinion as to these matters.]

We express no view as to any part of the Official Statement as to financial statements and other financial and statistical data included in the Official Statement or elsewhere.

6. No further consent, approval, authorization or order of any governmental or regulatory authority is required to be obtained by the District as a condition precedent to the issuance of the Bonds, the execution and delivery of the Bonds or the District Documents, or the performance by the District thereunder (provided no opinion is expressed as to any action required under federal or state securities or Blue Sky laws in connection with the purchase or distribution of the Bonds by the Underwriters).

Our services as counsel to the District have been limited to rendering the foregoing opinions based upon our review of such legal proceedings as we have deemed necessary. We express no opinion as to the accuracy or completeness of any information that may have been relied upon by the purchasers of the Bonds.

This letter is furnished by us in our capacity as counsel for the District. No attorney-client relationship has existed or exists between our firm and the addressees hereof in connection with the Bonds, the Official Statement or by virtue of this opinion. This opinion is delivered to, and is solely for the benefit of, the addressees hereof and is not to be used, circulated, quoted or otherwise referred to or relied upon by any person other than you. This opinion may not be relied upon by the Trustee or the holders of the Bonds.

To the best of our knowledge, the information contained in the Official Statement is true and correct and does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. We do not express any opinion or belief, to any financial statements or any other financial or statistical information contained in the Official Statement, and we express no opinion as to the tax-exempt status of the interest on the Bonds or the necessity for the registration of the Bonds or the qualification of the Trust Agreement under

applicable law, including the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended.

KELLAM, PICKRELL, COX, TAYLOE &  
ANDERSON, P.C.

By \_\_\_\_\_  
William A. Cox, III, President

February \_\_, 2016

The Bank of New York Mellon Trust Company, N.A.,  
as Trustee  
Pittsburgh, Pennsylvania

\$ \_\_\_\_\_  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue Bonds,  
Series 2016A

Ladies and Gentlemen:

We have served as general counsel to the Hampton Roads Sanitation District (the “District”) in connection with the issuance and sale of the above-captioned bonds (the “Bonds”). The Bonds are being issued under the Trust Agreement, dated as of October 1, 2011, as amended and supplemented, between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are secured by such Trust Agreement, as further supplemented by the Third Supplemental Trust Agreement, dated as of February \_\_, 2016, between the District and the Trustee (collectively, the “Trust Agreement”). Unless otherwise defined, the capitalized terms used in this opinion have the meanings set forth in the Trust Agreement.

In connection with our opinion, we have examined the following:

- (1) Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended;
- (2) the resolution adopted by the District on January 26, 2016 (the “Resolution”);
- (3) the Trust Agreement; and
- (4) the Bonds.

As to questions of fact material to this opinion, we have relied upon representations of, and the compliance as of the date hereof with the covenants by, the District contained in the Trust Agreement, certifications of public officials furnished to us, and certifications and representations contained in certificates of the District and others delivered in connection with the issuance of the Bonds; provided that nothing has come to our attention that would lead us to believe that reliance upon such representations and certifications is unreasonable. We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to the Bonds have been duly authorized, executed, and delivered by all parties to them other than the District.

Based upon the foregoing and upon such other information and documents as we consider necessary, we are of the opinion that:

(1) the District has the power and authority to execute and deliver the Trust Agreement and the Bonds and to consummate the transactions contemplated by such instruments;

(2) the Trust Agreement and the Bonds have been duly authorized, executed and delivered by the District;

(3) the District has received, and there are currently in full force and effect with respect to the District, all consents, approvals, authorizations and orders of governmental or regulatory authorities, if any, necessary to conduct its business as it is currently being conducted; and

(4) the execution and delivery of the Trust Agreement and the Bonds by the District and its compliance with the terms of such instruments, under the circumstances contemplated by such instruments, do not and will not in any material respect conflict with, or constitute on the part of the District a breach of or default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the District is a party or by which the District or any of its property is bound or conflict with, violate or result in a breach of any law, public administrative rule or regulation, judgment, court order or consent decree to which the District or any of its property is subject.

We express no opinion as to the tax-exempt status of the interest on the Bonds or the necessity for the registration of the Bonds or the qualification of the Trust Agreement under applicable law, including the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended.

KELLAM, PICKRELL, COX, TAYLOE &  
ANDERSON, P.C.

By: \_\_\_\_\_  
William A. Cox, III, President

**[FORM OF OPINION OF AQUALAW PLC, SPECIAL COUNSEL FOR THE  
DISTRICT]**

February \_\_, 2016

Hampton Roads Sanitation District  
Virginia Beach, Virginia

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Charlotte, North Carolina

RBC Capital Markets, LLC  
Philadelphia, Pennsylvania

Morgan Stanley & Co. LLC  
Washington, D.C.

\$ \_\_\_\_\_  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue Bonds,  
Series 2016A

Ladies and Gentlemen:

We are writing as outside environmental counsel to the Hampton Roads Sanitation District ("HRSD") regarding statements made in the Official Statement, dated February \_\_, 2016, of HRSD (the "Official Statement") concerning federal and State enforcement initiatives for HRSD's sewage collection system. These initiatives relate to the portion of HRSD's system which serves localities in the Hampton Roads, Virginia, region.

Specifically, I am writing to confirm that the statements contained in the Official Statement under the caption "THE SYSTEM--Consent Agreement and EPA Order and Regionalization" present a fair and accurate summary of the matters purported to be summarized therein. These statements do not contain an untrue statement of a material fact. Nor do they omit to state any material fact necessary in order to make such statements, in the light of the circumstances under which they were made, not misleading as of the date of the Official Statement and as of the date hereof.

Sincerely,

AquaLaw, PLC

February \_\_, 2016

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Charlotte, North Carolina

RBC Capital Markets, LLC  
Philadelphia, Pennsylvania

Morgan Stanley & Co. LLC  
Washington, D.C.

\$ \_\_\_\_\_  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue Bonds,  
Series 2016A

Ladies and Gentlemen:

We have acted as your counsel in connection with your purchase of the Hampton Road Sanitation District (the “District”) \$\_\_\_\_\_ Subordinate Wastewater Revenue Bonds, Series 2016A (the “Bonds”), pursuant to a Bond Purchase Agreement, dated February \_\_, 2016 (the “Purchase Agreement”). Capitalized terms used and not defined herein shall have the meanings given such terms in the Bond Purchase Agreement.

We have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents:

- (a) The Bond Purchase Agreement, dated February \_\_, 2016, (the “Purchase Agreement”);
- (b) The Preliminary Official Statement, dated February \_\_, 2016, with respect to the Bonds, together with the final version of the Official Statement dated February \_\_, 2016 with respect to the Bonds (the “Official Statement”); and
- (c) The Continuing Disclosure Agreement, dated as of February 1, 2016, for your benefit and the benefit of the holders of the Bonds (the “Continuing Disclosure Agreement”).

Based on the foregoing and upon such other information and papers as we consider necessary for the purposes of rendering this opinion, we are of the opinion that:

1. It is not necessary in connection with the public offering and sale of the Bonds to register any security under the Securities Act of 1933, as amended.

2. Based upon our participation in the preparation of the Official Statement as your counsel and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, we have no reason to believe (a) that the Official Statement, as of its date (except for the financial and statistical data included therein, the opinions expressed therein by Bond Counsel and the information contained in the Appendices thereto, as to all of which no view is expressed), contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (b) that the Official Statement (except for the financial and statistical data included therein, the opinions expressed therein by Bond Counsel and the information contained in the Appendices thereto, as to all of which no view is expressed) as of the date of this opinion contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. Based upon our review of the Continuing Disclosure Agreement, the undertakings made by the District in the Continuing Disclosure Agreement provide a suitable basis for you reasonably to determine that the District has undertaken to provide, directly or indirectly through a designated agent, the information required to be provided in connection with the Bonds pursuant to paragraph (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission, as amended.

We express no view as to compliance by you or the District with any Federal or state statute, ruling or regulation applicable to the initial issuance or any subsequent sale of the Bonds except as expressly set forth herein. We express no opinion as to the treatment of interest on the Bonds for Federal income tax purposes or for purposes of income taxation by any state, or as to the consequences of the receipt of interest on, or the ownership of, the Bonds.

This opinion may not be relied upon by or furnished to any other person, firm or corporation without our prior written consent. This opinion letter speaks as of its date, and we do not undertake to advise you of any changes in the opinions expressed herein from matters that might hereafter arise or be brought to our attention.

Very truly yours,

**ISSUE PRICE CERTIFICATE OF THE UNDERWRITERS**

This Certificate is furnished by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters (the “Underwriter”), in connection with the sale and issuance by the Hampton Roads Sanitation District (the “District”) of its \$\_\_\_\_\_ Subordinate Wastewater Revenue Bonds, Series 2016A, (the “Bonds”). The Underwriter hereby certifies and represents the following, based upon information available to us:

1. The Underwriter reasonably expected when they agreed to purchase the Bonds (the “Sale Date”) that all of the Bonds would be sold by the Underwriters for cash to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriter, placement agents or wholesalers) (the “Public”) at the respective initial public offering prices listed for each maturity on Schedule A hereto (the “Initial Public Offering Prices”).

2. Each of the Bonds was offered to the Public in a bona fide public offering at its Initial Public Offering Price.

3. The first price at which at least ten percent (10%) of each maturity of the Bonds was sold for cash to the Public was at a price equal to its Initial Public Offering Price [except for the Bonds with the following maturities for unsold bonds:].

4. The aggregate Initial Public Offering Price of all of the Bonds is \$\_\_\_\_\_.

5. The Underwriter had no reason to believe that any of the Initial Public Offering Prices of any of the Bonds exceeded the fair market value of such Bonds as of the Sale Date.

6. True, correct and complete copies of the final pricing wires for the Bonds are attached as Schedule B. There are no discrepancies between the offering prices and the Initial Public Offering Prices.

[Address unsold bonds, if any.]

We understand that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate and in preparing filings to be made to the Internal Revenue Service and by Sidley Austin LLP, in connection with rendering its opinion to the District that the interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes. The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned’s interpretation of any laws; in particular the regulations under the Internal Revenue Code of 1986, or the application of any laws to these facts. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Although certain

information furnished in this Certificate has been derived from other purchasers, bond houses and brokers and cannot be independently verified by us, we have no reason to believe it to be untrue in any material respect.

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED, as Representative of the  
Underwriters

By: \_\_\_\_\_  
D. Scott Detar, Jr.  
Director

Dated: February \_\_\_\_, 2016

[SIGNATURE PAGE OF ISSUE PRICE CERTIFICATE]

# SCHEDULE A

## Maturities, Prices and Yields of the Bonds

\$ \_\_\_\_\_  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue Bonds,  
Series 2016A

(Base CUSIP Number \_\_\_\_\_)

Year of Maturity (____)1)	Principal Amount	Interest Rate	Yield	Price
201__	\$	%	%	%

\* Priced to the first optional redemption date of \_\_\_\_\_ 1, 202\_\_.

### Redemption Provisions:

*Optional Redemption.* The Bonds maturing on or before \_\_\_\_\_ 1, 202\_\_ are not subject to optional redemption prior to maturity. The Bonds maturing on or after \_\_\_\_\_ 1, 202\_\_, are subject to redemption prior to their respective maturities on or after \_\_\_\_\_ 1, 202\_\_ at the option of the Commission, in whole or in part (in increments of \$5,000) at any time, at a redemption price equal to 100% of the principal amount of such Bonds to be redeemed, plus the unpaid interest accrued thereon to the date fixed for redemption.

**SCHEDULE B**

Final Pricing Wires for the Bonds

(See attached.)

**\$50,000,000**  
**HAMPTON ROADS SANITATION DISTRICT**  
**SUBORDINATE WASTEWATER REVENUE [AND REFUNDING] BONDS,**  
**SERIES 2016B**

**BOND PURCHASE AGREEMENT**

February \_\_\_\_, 2016

Hampton Roads Sanitation District  
Virginia Beach, Virginia

Ladies and Gentlemen:

J.P. Morgan Securities LLC (the “Underwriter”) hereby offers to enter into this Bond Purchase Agreement (this “Purchase Agreement”) with the Hampton Roads Sanitation District, a political subdivision of the Commonwealth of Virginia (the “District”), for the purchase by the Underwriter and the sale by the District of the Bonds referred to in Section 1 hereof. This offer is made subject to acceptance by the District of this Purchase Agreement, which acceptance shall be evidenced by the execution of this Purchase Agreement by a duly authorized officer of the District, prior to [5:00 p.m.], Eastern Time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the District, at any time prior to the acceptance hereof by the District. Upon such acceptance, execution and delivery, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the District and the Underwriter.

**Section 1. Purchase and Sale of Bonds.** (a) Upon the terms and conditions and in reliance on the representations, warranties, and covenants contained in this Purchase Agreement, the Underwriter hereby agrees to purchase from the District, and the District hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$50,000,000 Hampton Roads Sanitation District (Virginia) Subordinate Wastewater Revenue [and Refunding] Bonds, Series 2016B (the “Bonds”). The purchase price for the Bonds shall be \$[\_\_\_\_\_] (representing the aggregate principal amount of the Bonds, less an Underwriter’s discount of \$\_\_\_\_\_) (the “Purchase Price”). The Purchase Price shall be payable to the District on the Closing Date (as defined herein), by wire transfer of Federal Funds as provided in Section 7 below. Capitalized but undefined terms used herein shall have the meanings assigned thereto in the hereinafter described Official Statement and the hereinafter described Trust Agreement, as applicable.

(b) The Bonds shall be as described in, authorized by and issued and secured under the hereinafter described Bond Resolution and the Trust Agreement, shall be dated the date of delivery, shall bear interest initially at a Weekly Interest Rate determined prior to the date of issuance and thereafter on a weekly or other basis as described in the Trust Agreement, shall mature on [\_\_\_\_\_, 20\_\_], and shall be subject to purchase and redemption as described in the Trust Agreement.

(c) The Underwriter acknowledges that (i) the principal of, purchase price, premium, if any, and interest on the Bonds shall be payable from and secured by the Net Revenues and shall rank on a subordinate basis as to the pledge of and lien on the Net Revenues by the Senior Obligations, (ii) the Bonds are special obligations of the District and shall not be deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia (the “Commonwealth”) or of any county, city, town or political subdivision thereof, and (iii) the Bonds do not and shall not directly, indirectly or contingently obligate the Commonwealth or any county, city, town or political subdivision thereof to levy or to pledge any form of taxation whatever therefor.

**Section 2. Description of Financing.** The following is provided for informational purposes only and shall not affect or control the actual terms and conditions of the Bonds.

(a) The Bonds are authorized to be issued pursuant to the provisions of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the “Enabling Act”), a resolution adopted on [January 26], 2016 (the “Bond Resolution”), by the Hampton Roads Sanitation District Commission (the “Commission”), the governing body of the District, and the Trust Agreement dated as of October 1, 2011, by and between the District and The Bank of New York Mellon Trust Company, N.A., as previously amended and supplemented and as further supplemented by the [Third] Supplemental Trust Agreement dated as of [January] \_\_\_, 2016 (collectively, the “Trust Agreement”).

(b) The proceeds from the sale of the Bonds will be used to finance (i) a portion of the Capital Improvement Program Costs of the District’s ten-year capital improvements plan (as described in the Official Statement), (ii) to currently refund the outstanding principal amount of the District’s \$25,000,000 Subordinate Wastewater Revenue Bonds, Series 2011, and (iii) costs of issuance related to the Bonds.

**Section 3. Delivery of Official Statement - Offering of Bonds.** (a) The Underwriter intends to offer the Bonds at the price of 100% of the principal amount thereof (\$50,000,000) with the interest rate for the initial Weekly Interest Rate Period being \_\_\_\_%. The Underwriter agrees to deliver to the District a certificate dated the Closing Date to the effect that the initial offering price for the Bonds represents 100% of the principal amount thereof.

(b) The District has caused to be prepared an Official Statement dated February \_\_\_, 2016 (such Official Statement, including the cover page and all appendices thereto, and any amendments and supplements thereto that may be authorized by the District for use with respect to the Bonds being herein called the “Official Statement”), which the District has authorized to be circulated by the Bond Resolution, and the District consents to the use of the Official Statement by the Underwriter prior to the date hereof in connection with the offering of the Bonds. Immediately after the acceptance and execution of this Purchase Agreement by the District, the District shall deliver or cause to be delivered to the Underwriter such number of additional copies of the Official Statement as the Underwriter shall request in order to furnish a copy to each of its customers to whom it offers or sells the Bonds. The District hereby authorizes and consents to the use of copies of the Official Statement, the Trust Agreement and such other pertinent documents in connection with the offering and sale of the Bonds. The Underwriter hereby agrees not to distribute or make use of any official statement or offering

memorandum relating to the Bonds unless such official statement or offering memorandum has been approved by and contains a cover page that sets forth the name of the Underwriter.

(c) The Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the District and the Underwriter. If the Official Statement is prepared for distribution in electronic form, the District hereby confirms that it does not object to distribution of the Official Statement in electronic form.

(d) The District agrees that it will cooperate with the Underwriter in the qualification of the Bonds for offering and sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriter shall designate; provided, however, the District shall not be required to register as a dealer or broker in any such jurisdiction, execute a general or special consent to service of process or qualify to do business in connection with any such qualification of the Bonds in any such jurisdiction, nor incur any costs or fees in connection with such qualification of the Bonds.

**Section 4. Reserved.**

**Section 5. Reserved.**

**Section 6. Representations, Warranties and Covenants of the District.** By the District's acceptance hereof, it hereby represents, warrants and covenants to the Underwriter, as of the date of this Purchase Agreement (and it shall be a condition of the obligation of the Underwriter to purchase and accept delivery of the Bonds at the Closing that the District shall so represent and warrant as of the Closing Date), that:

(a) The District is a political subdivision of the Commonwealth duly created and validly existing under the laws of the Commonwealth;

(b) The District has complied with all applicable provisions of the Constitution and laws of the Commonwealth, including the Enabling Act, with respect to the consummation of, and has full power and authority to consummate, all transactions contemplated by this Purchase Agreement, the Trust Agreement, the Continuing Disclosure Agreement dated as of February \_\_\_, 2016 (the "Disclosure Agreement"), and the Remarketing Agreement dated as of February \_\_\_, 2016 (the "Remarketing Agreement"), both executed by the District pursuant to the provisions of the Trust Agreement, and any other agreements relating thereto (collectively, the "District Documents");

(c) The District is authorized under the provisions of the Enabling Act to issue the Bonds for the purposes described in the Trust Agreement and the Official Statement;

(d) The Bond Resolution has been duly adopted by the Commission at a meeting duly called and held and duly and validly authorizes the issuance, sale and delivery of the Bonds pursuant to the Trust Agreement and the execution and delivery of the District Documents, and the Bond Resolution and the Trust Agreement, as of the date hereof, have not been amended, modified or repealed, in any material respect (other than as contemplated herein, or by the Official Statement or with respect to the issuance of the Bonds thereunder);

(e) The Commission has duly and validly authorized all necessary action to be taken by it or the District for (i) the issuance, sale, and delivery of the Bonds upon the terms set forth herein, (ii) the execution, delivery, and performance of the District Documents, including the Trust Agreement which provides for the issuance and delivery of and security for the Bonds, (iii) the carrying out, giving effect to, and consummation of the transactions contemplated hereby, and (iv) the consent to the distribution by the Underwriter of the Official Statement;

(f) The District Documents, when executed by the other parties thereto, if any, will have been duly and validly executed and delivered by the District and will be in full force and effect as to the District, and such District Documents constitute legal, valid and binding obligations of the District, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; and the Bonds, when issued, authenticated and delivered to the Underwriter in accordance with the Bond Resolution will constitute legal, valid and binding general obligations of the District enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights;

(g) Except as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, governmental agency or public board or body, pending or, to the best knowledge of the District, threatened against the District (i) which may affect the existence of the District or the titles or rights of its officers to their respective offices, (ii) which may affect or which seeks to prohibit, restrain or enjoin (A) the sale, issuance or delivery of the Bonds or (B) the collection or payment of the Net Revenues or the pledge and assignment thereof by the District to make payments on the Bonds, (iii) which in any way contests or affects the validity or enforceability of the District Documents, (iv) which contests in any way the completeness or accuracy of the Official Statement, or (v) which contests the powers of the District or, to the best knowledge of the District, any authority or proceedings for the issuance, sale or delivery of the Bonds, the District Documents or any of them or the transactions contemplated thereby, nor, to the best knowledge of the District, is there any basis therefor wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Bond Resolution or any of the other District Documents;

(h) The District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of the Commonwealth of Virginia or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, ordinance, resolution, agreement or other instrument to which the District is a party or to which the District or any of the property or assets of the District are otherwise subject; no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the District under any such instrument; and the execution and delivery of this Purchase Agreement and the other District Documents, and the compliance with the provisions thereof, will not conflict with or constitute on the part of the District a violation of, breach of, or default under (i) the Enabling Act, (ii) in any material respect, any indenture, mortgage, lease or note agreement or any other material agreement or instrument to which the District is a party or by which the District is bound, or (iii) any constitutional provision or statute or any order, rule or regulation of any court

or governmental agency or body having jurisdiction over the District or any of its activities or properties;

(i) All consents, approvals, authorizations and orders of governmental or regulatory authorities that are required to be obtained by the District in connection with the execution and delivery of this Purchase Agreement and the other District Documents and the consummation of the transactions contemplated thereby to be consummated on or before the Closing Date have been or will be, at Closing, duly obtained and in full force and effect; provided, that no representation or warranty is expressed as to any action required under applicable federal or state securities laws or Blue Sky laws of any jurisdiction in connection with the issuance and sale of the Bonds.

(j) The District will execute and deliver the Disclosure Agreement, at or prior to the Closing, in substantially the form attached to the Official Statement as “APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT;”

(k) During the 5-year period ending on the date hereof, except as set forth in the Official Statement, the District has not failed in any material respect to comply with all previous undertakings made by it of the type specified in paragraph (b)(5)(i) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”);

(l) During the 5-year period ending on the date hereof, except as set forth in the Official Statement, no notice of the type specified in paragraph (b)(5)(i)(D) of the Rule has been filed by or on behalf of the District;

(m) (i) Other than the hereinafter defined Excluded Information, the information concerning the District and the System contained in the Official Statement is, and as of the Closing Date will be, true and correct in all material respects and does not and will not, as applicable, contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and (ii) notwithstanding the foregoing, the District has not provided the information in and does not provide any assurance that the information relating to “Price or Yield” of the Bonds and CUSIP numbers on the inside cover, or the first paragraph of page (iv) thereof, or contained in the sections or appendices, as the case may be, captioned “TAX MATTERS,” “UNDERWRITING,” “APPENDIX D - PROPOSED OPINION OF BOND COUNSEL,” and “APPENDIX F - THE DEPOSITORY TRUST COMPANY” (the “Excluded Information”) in the Official Statement is true and correct in all material respects;

(n) The financial statements of, and other financial information regarding the District in the Official Statement and Appendix A thereof fairly present the financial position and results of the operations of the District as of the dates and for the periods therein set forth; and the audited financial statements have been prepared in accordance with U.S. generally accepted accounting principles consistently applied;

(o) The District will cause the Trustee to authenticate and deliver the Bonds when ready for delivery;

(p) To the best of the District's knowledge, neither the Securities and Exchange Commission ("SEC") nor any state securities commission has issued or threatened to issue any order preventing or suspending the use of the Official Statement, which has been "deemed final" by the District under the Rule;

(q) No person, whether generally or through an enterprise, fund, or account of such person, other than the District, is committed by contract or other arrangement structured to support payment of all, or part, of the obligations on the Bonds for purposes of and within the meaning of the Rule;

(r) Any certificate signed by any of the District's authorized officers and delivered to the Underwriter shall be deemed a representation and warranty by it to the Underwriter as to the statements made therein; and

(s) The District acknowledges and agrees that (i) the primary role of the Underwriters, as underwriters, is to purchase the Bonds, for resale to investors, in an arm's-length commercial transaction between the District and the Underwriter, (ii) in connection with such transaction, and the discussions, undertakings and procedures leading up to the consummation of the transaction, the Underwriter is and has been acting solely as a principal and not as an agent, financial advisor, municipal advisor (including without limitation a "Municipal Advisor" (as such term is defined in Section 975(e) for the Dodd-Frank Wall Street Reform and Consumer Protection Act)), or a fiduciary of the District, (iii) the Underwriter has not assumed (individually or collectively) an advisory or fiduciary responsibility in favor of the District with respect to the offering of the Bonds or the discussions, undertakings and procedures leading thereto (regardless of whether the Underwriter, or any affiliate of the Underwriter, has provided services, or is currently providing services, to the District on other matters) and the Underwriter has no other obligation to the District except the obligations expressly set forth in this Agreement, (iv) the Underwriter has financial and other interests that differ from those of the District and (v) the District has consulted with its own legal, financial, municipal and other advisors to the extent it has deemed appropriate in connection with the offering of the Bonds.

**Section 7. Closing.** At or before [1:00 p.m.], prevailing time, on February \_\_\_, 2016, or at such other time or at such other date as shall have been mutually agreed upon by the District and the Underwriter (the "Closing Date"), (a) the District will deliver the Bonds to the Underwriter, in definitive form and duly executed and authenticated, in such authorized denominations and registered in such names as the Underwriter may request through the FAST system of registration with The Depository Trust Company ("DTC"), New York, New York, at the offices of the Trustee, (b) the District will deliver to the Underwriter the closing documents hereinafter mentioned, and (c) the Underwriter will accept such delivery and pay the Purchase Price of the Bonds as set forth in Section 1 hereof by wire transfer of Federal Funds to or as directed by the District for deposit in the various funds established under the Trust Agreement. Such delivery and such acceptance and payment are herein sometimes called the "Closing." Delivery of the other documents as aforesaid shall be made at the offices of Sidley Austin LLP, 787 Seventh Avenue, New York, New York 10019, or at such other location as shall have been mutually agreed upon by the District and the Underwriter. The Bonds shall bear proper CUSIP numbers and shall be in typewritten form, with a single bond for each maturity of each series of the Bonds, each such Bond to be in a principal amount equal to the principal amount of the

Bonds of such series maturing on each such date. The Bonds shall be registered in the name of Cede & Co., as nominee of DTC and will be made available for inspection and checking by the Underwriter at the offices of the Trustee in Richmond, Virginia, not later than the business day prior to the Closing Date. It is anticipated that CUSIP identification numbers will be printed on each Bond, but neither the failure to print the numbers on any Bond nor any error in the numbers or the printing will constitute cause for a failure or refusal by the Underwriter to accept delivery and pay the Purchase Price; provided, however, that the parties acknowledge that the failure to print the CUSIP number on any Bond or an error in the number or the printing thereof may create a delay in Closing.

**Section 8. Conditions to Closing.** The Underwriter's obligation to purchase and pay for the Bonds shall be subject (a) to the performance by the District of its obligations to be performed hereunder at and prior to the Closing or such earlier time as may be specified herein, and (b) to the following conditions, including the delivery by the District of such documents as are contemplated hereby in form and substance satisfactory to, and the taking of all such action as shall be necessary and appropriate in connection with the transactions contemplated hereby in the opinion of Sidley Austin LLP ("Bond Counsel") and Kaufman & Canoles, P.C. ("Underwriter's Counsel"):

(a) At the time of the Closing, the Bond Resolution and the District Documents shall be in full force and effect and shall not have been repealed or amended in any material way since the date of this Purchase Agreement unless agreed to by the Underwriter;

(b) At or prior to the Closing, the Underwriter shall have received each of the following documents:

(i) The final approving opinion of Bond Counsel in substantially the form attached to the Official Statement as "APPENDIX D - PROPOSED OPINION OF BOND COUNSEL;"

(ii) The supplemental opinion of Bond Counsel in substantially the form attached hereto as EXHIBIT A;

(iii) The opinion of Underwriter's Counsel in substantially the form attached hereto as EXHIBIT B;

(iv) The opinions of Kellam, Pickrell, Cox, Tayloe & Anderson, P.C., counsel to the District, in substantially the forms attached hereto as EXHIBITS C-1 and C-2;

(v) The opinion of [AquaLaw PLC], special counsel to the District, in substantially the form attached hereto as EXHIBIT D;

(vi) A certificate of the District dated the Closing Date signed by its General Manager and by the Chairman of the Commission (and/or other such proper officer of the District or the Commission) to the effect that:

(A) the representations and warranties of the District contained herein and in the Trust Agreement are true and correct in all material respects as of the Closing Date, as if made on the Closing Date;

(B) except as otherwise disclosed in the Official Statement, no litigation or proceeding is pending with respect to which service or notice on the District has been perfected or given or, to their knowledge, threatened against the District (1) to restrain or enjoin the issuance or delivery of the Bonds and the other District Documents or the collection of the Net Revenues, (2) in any way contesting or affecting any authority for the issuance or the validity of the Bonds, the validity, due authorization and execution of the other District Documents, the District's right to use the proceeds of the Bonds for the purposes described in the Bond Resolution and the Trust Agreement, or (3) in any way contesting the corporate existence or powers of the District with respect to the transactions contemplated hereby;

(C) none of the proceedings or authority for the issuance and delivery of the Bonds and for the execution and delivery of this Purchase Agreement, the Bond Resolution and the other District Documents have been modified, amended or repealed; and

(D) the audited general purpose financial statements of the District examined by KPMG LLP, independent auditors, for the year ended June 30, 2015 (the "Financial Statements"), present fairly the District's financial condition as of June 30, 2015, and the results of its operations for such period set forth therein and have been prepared in accordance with generally accepted accounting principles consistently applied. There has been no material adverse change in the financial affairs of the District since June 30, 2015, except as disclosed specifically in the Official Statement.

(vii) Certified copy of the adopted Bond Resolution and a fully executed original of each of the District Documents;

(viii) A request and authorization of the District signed by its General Manager or the Chairman of the Commission (or such other proper officer of the District or the Commission) to the Trustee to authenticate and deliver the Bonds to or at the direction of the Underwriter for the account of the Underwriter upon payment to or for the account of the District of the Purchase Price;

(ix) Evidence that Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch, Inc. have assigned ratings of "AA/A-1+" and "AA/F1+," respectively, to the Bonds;

(x) A certificate signed by the District's General Manager or Director of Finance setting forth facts, estimates and circumstances (including covenants of the District) in existence on the Closing Date sufficient to support the conclusion that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the

Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and applicable rules and regulations;

(xi) A copy of the Internal Revenue Service Form 8038-G relating to the Bonds and duly signed by an authorized officer of the District;

(xii) Evidence that the District has satisfied the conditions set forth in the Trust Agreement with respect to the issuance of the Bonds; and

(xiii) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably require to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction on or prior to the Closing Date of all the agreements then to be performed and conditions then to be satisfied by the District.

If the District shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the District shall be under any further obligation hereunder, except that the respective obligations of the District and the Underwriter set forth in paragraph 10 hereof shall continue in full force and effect.

**Section 9. Termination of Purchase Agreement.** The Underwriter shall have the right to cancel its obligation to purchase and accept delivery of the Bonds hereunder by written notification to the District of its election to cancel if at any time subsequent to the date of this Purchase Agreement and prior to the Closing Date:

(a) trading in securities generally on the New York Stock Exchange shall have been suspended or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction; or

(b) a general banking moratorium shall have been declared by federal, New York or Virginia banking authorities and be in force which in the reasonable opinion of the Underwriter materially adversely affects the market for the Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Bonds; or

(c) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis (including terrorism), other than those existing on the date hereof, the effect of which on financial markets is such as to make it, in the reasonable opinion of the Underwriter, impractical or inadvisable to proceed with the offering or delivery of the Bonds as contemplated by the Official Statement; or

(d) legislation shall have been enacted by the Congress of the United States of America or the legislature of the Commonwealth or shall have been reported out of committee of

either body or be pending in a committee of either body, or shall have been recommended to the Congress of the United States of America or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States or a member of the President's Cabinet, or a decision shall have been rendered by the Tax Court of the United States or any other court of the United States, or a ruling, resolution, regulation or temporary regulation, release or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or Commonwealth authority with appropriate jurisdiction, with respect to federal or Commonwealth taxation upon interest received on obligations of the same general character as the Bonds as contemplated hereby which, in the reasonable opinion of the Underwriter, materially and adversely affects the market price of the Bonds; or

(e) legislation shall have been enacted, or shall be actively considered for enactment with an effective date prior to Closing Date or legislation shall be favorably reported out of committee to either house of the Congress of the United States or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter herein shall be made, to the effect that the issuance, offering or sale of the Bonds, or of obligations of the same general character as the Bonds as contemplated hereby, or any document relating to the issuance, offering or sale of the Bonds is subject to registration or qualification under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended, or is in violation of any provision of either of such acts or the Securities Exchange Act of 1934, as amended; or

(f) an event or circumstance shall exist which in the reasonable judgment of the Underwriter (i) makes untrue or incorrect in any material respect, as of the time of such event, any statement of information contained in the Official Statement or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein, in the light of the circumstances under which they were made, not misleading in any material respect; and in either circumstance, the District refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce confirmations for the purchase of the Bonds; or

(g) the purchase of and payment for the Bonds by the Underwriter, or their resale or reoffering by the Underwriter, on the terms and conditions contemplated by this Purchase Agreement and the Official Statement, is prohibited by any applicable law or governmental regulation or by order of any court, governmental body, board, agency, or commission; or

(h) the ratings on the Bonds shall have been withdrawn, downgraded, placed on credit watch with negative outlook or suspended; or

(i) additional material restrictions not in force on the date of this Purchase Agreement have been imposed on trading in securities generally by a governmental authority or national association of securities dealers; or

(j) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way protesting or affecting any authority for or the validity of the Bonds, the Trust Agreement, the Remarketing Agreement, the Disclosure Agreement, or the existence or powers of the District or the System.

**Section 10. Expenses.** (a) Except as provided in paragraph (b) below, the District shall pay any expenses incident to the performance of its obligations hereunder, including but not limited to (i) the cost of the preparation, reproduction, printing, distribution, mailing, execution, delivery, filing and recording, as the case may be, of this Purchase Agreement, the Official Statement, the Bond Resolution, the Trust Agreement, the Remarketing Agreement, the Disclosure Agreement and all other agreements and documents required in connection with the consummation of the transactions contemplated hereby, (ii) the cost of the preparation, execution and delivery of the definitive Bonds, (iii) the cost of preparing and publishing all advertisements relating to the Bonds upon commencement of the offering of the Bonds, (iv) the fees and disbursements of Bond Counsel, the feasibility consultant/engineer and any other experts or consultants retained by the District, (v) the initial or acceptance fee, if any, of the Trustee, (vi) any rating fees charged by the rating agencies, requested by the District to rate the Bonds, and (vii) any expenses incurred by or on behalf of District employees that are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of such employees. The District also agrees to pay, or to reimburse the Underwriter for, any expenses incident to the cost of preparing and publishing all advertisements and investor presentations relating to the Bonds upon commencement of the offering of the Bonds. Notwithstanding anything herein to the contrary, the District's obligation to pay expenses shall be limited to amounts available to it from the proceeds of the sale of the Bonds.

(b) The Underwriter shall pay (i) the cost of qualifying the Bonds under state blue sky laws and determining their eligibility for investment under the laws of such jurisdictions as the Underwriter may designate, including filing fees, (ii) the fees and disbursements of Underwriter's Counsel, (iii) the cost of the transportation and lodging for officials and representatives of the Underwriter to attend meetings and the Closing, (iv) all other expenses incurred by the Underwriter in connection with its public offering and the distribution of the Bonds, (v) any fees of the Municipal Securities Rulemaking Board ("MSRB") in connection with the issuance, offering or sale of the Bonds, and (vi) the cost of obtaining CUSIP number assignments for the Bonds.

**Section 11. Successors and Assigns.** This Purchase Agreement shall inure to the benefit of and be binding upon the District and the Underwriter and their respective successors and assigns. Nothing in this Purchase Agreement is intended or shall be construed to give any person, firm or corporation, other than the parties hereto and their respective successors and assigns, any legal or equitable right, remedy or claim under or in respect of this Purchase Agreement or any provision herein contained. This Purchase Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto and their respective successors and assigns, and not for the benefit of any other person, firm or corporation. No purchaser of the Bonds from the Underwriter or any other persons or entity shall be deemed to be a successor merely by reason of such purchase.

**Section 12. Notices.** All notices, demands and formal actions shall be in writing and mailed, faxed, sent by electronic communication (provided that facsimile and electronic communications must be confirmed by the sender) or hand delivered to: (a) the District, at 1440 Air Rail Avenue, Virginia Beach, Virginia, 23455, Attention: General Manager, Fax: (757) 460-4242, and (b) the Underwriter, at 383 Madison Ave, 8th Floor, New York, New York 10179, Attention: Mary I. DiMartino, Fax: (215) 599-7995.

**Section 13. Representations and Warranties of the Underwriter.** The Underwriter represents and warrants to the District that:

(a) The Underwriter is a limited liability company duly organized and validly existing under the laws of the State of Delaware and is duly authorized to transact business in the Commonwealth;

(b) The Underwriter has been duly authorized to execute this Purchase Agreement;

(c) The Underwriter has the full power and authority to take all actions required or permitted to be taken by the Underwriter by or under, and to perform and observe the covenants and agreements on its part contained in, this Purchase Agreement;

(d) This Purchase Agreement has been duly executed and delivered by the Underwriter; and

(e) The Underwriter represents that it is either registered with the Financial Industry Regulatory Authority, Inc. (“FINRA”) as a broker-dealer and the MSRB as a municipal securities dealer, or is otherwise registered with the necessary regulatory authorities required for it to serve as an Underwriter for the Bonds under this Purchase Agreement, and that at all times during the offering and sale of the Bonds, such entities will continue to be so registered.

The foregoing representations and warranties of the Underwriter shall survive the execution and delivery of this Purchase Agreement, the execution and delivery of the Bonds and the instruments and documents contemplated thereby.

**Section 14. Miscellaneous.** This Purchase Agreement may not be amended without the written consent of the District and the Underwriter. None of the officers, directors, employees or agents of the District shall be charged personally by the Underwriter with any liability, or be held liable by the Underwriter under any term or provision of this Purchase Agreement because of its execution or attempted execution, or because of any breach or attempted or alleged breach thereof. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the Commonwealth, without regard to conflict of law principles.

**Section 15. Severability.** In case any one or more of the provisions of this Purchase Agreement shall, for any reason, be held illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Purchase Agreement, and this Purchase Agreement shall be construed and enforced as if such illegal or invalid provisions had not been contained herein.

**Section 16. Reserved.**

**Section 17. Execution in Counterparts; Facsimile Signatures.** This Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument, and any of the parties hereto may execute this Purchase Agreement by signing any such counterpart. The parties hereto may evidence their acceptance, execution and delivery of this Purchase Agreement by facsimile signature.

**Section 18. Effective Date.** This Purchase Agreement shall become effective upon acceptance hereof by the District.

[SIGNATURE PAGES TO FOLLOW]

**SIGNATURE PAGE TO  
BOND PURCHASE AGREEMENT  
SUBORDINATE WASTEWATER REVENUE [AND REFUNDING] BONDS,  
SERIES 2016B**

Very truly yours,

**J.P. MORGAN SECURITIES LLC**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

**SIGNATURE PAGE TO  
BOND PURCHASE AGREEMENT  
SUBORDINATE WASTEWATER REVENUE [AND REFUNDING] BONDS,  
SERIES 2016B**

Accepted and agreed to as of  
the date first above written.

**HAMPTON      ROADS      SANITATION  
DISTRICT**

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

Jay A. Bernas, PE  
Director of Finance

**FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL**

February \_\_, 2016

J.P. Morgan Securities LLC  
New York, New York

\$50,000,000  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue [And Refunding] Bonds,  
Series 2016B

Ladies and Gentlemen:

As Bond Counsel to the Hampton Roads Sanitation District (the “District”), we have delivered to you a copy of our approving opinion dated today relating to the issuance by the District of the above-captioned bonds (the “Bonds”). This letter confirms that you may rely on our approving opinion as if it were addressed to you.

At your request, we have also reviewed (a) the Bond Purchase Agreement, dated February \_\_, 2016 (the “Bond Purchase Agreement”), between you (the “Underwriter”) and the District with respect to the offering and sale of the Bonds; (b) certain sections described below of the Official Statement, dated February \_\_, 2016, relating to Bonds (the “Official Statement”); (c) the Continuing Disclosure Agreement dated the date of its execution and delivery, for benefit and the benefit of the holders of the Bonds (the “Continuing Disclosure Agreement”) and (d) certified copies of proceedings of the Hampton Roads Sanitation District Commission with respect to the Bond Purchase Agreement and the Official Statement, as well as such other documents as we deem necessary to render this opinion.

We express no view as to any part of the Official Statement not described below, and no view is expressed as to financial statements and other financial and statistical data included in the Official Statement.

Based on the foregoing, we are of the opinion that:

(1) The Bond Purchase Agreement and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the District and, assuming their due authorization, execution and delivery by the other parties thereto, constitute a valid and binding legal obligation of the District, enforceable against the District in accordance with their terms. The enforceability of the Purchase Agreement and the Continuing Disclosure Agreement may be limited by the provisions of bankruptcy, insolvency, reorganization, moratorium, or similar

laws, now or hereafter in effect, and by equitable principles which may limit the specific enforcement of certain remedies

(2) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended.

We also advise you that the statements in the Official Statement under “The Bonds” (except “Book-Entry Only System”) and “Security and Sources of Payment” and the summaries contained in Appendix B and Appendix C fairly and accurately summarize the indicated provisions of the Bonds and the Trust Agreement, and the information in the Official Statement under “Tax Matters,” read together with our approving opinion, the form of which appears as Appendix D to the Official Statement, fairly and accurately reflects the matters discussed thereunder.

This letter is furnished by us in our capacity as Bond Counsel to the District. No attorney-client relationship has existed or exists between our firm and the addressee hereof in connection with the Bonds, the Official Statement or by virtue of this opinion. This opinion is delivered to, and is solely for the benefit of, the addressee hereof and is not to be used, circulated, quoted or otherwise referred to or relied upon by any person other than you. This opinion is not intended to be relied upon by the Trustee (as described in the Bond Purchase Agreement) or the holders or the beneficial owners of the Bonds.

Very truly yours,

**EXHIBIT B**

Opinion of Kaufman & Canoles, P.C., Underwriter's Counsel

February \_\_, 2016

J. P. Morgan Securities LLC  
New York, New York

\$50,000,000  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue [And Refunding] Bonds,  
Series 2016B

Ladies and Gentlemen:

We have acted as your counsel in connection with your purchase from the Hampton Roads Sanitation District (the "District"), of the District's \$50,000,000 Subordinate Wastewater Revenue [And Refunding] Bonds, Series 2016B (the "Bonds"), subject to the terms and conditions set forth in the Bond Purchase Agreement dated as of February \_\_, 2016 (the "Bond Purchase Agreement"), between you and the District.

In this capacity, we have assisted in your review of the Official Statement of the District dated February \_\_, 2016 (the "Official Statement"), relating to the Bonds, and used in connection with the issuance of the Bonds. In the course of providing such assistance, we have examined an executed copy of the Official Statement and executed or conformed copies of certain of the documents referred to therein. We have also examined certain proceedings of the District, and the originals or copies identified to our satisfaction of such agreements, instruments, opinions, certificates and other documents as we have deemed necessary for purposes of the advice contained in this letter. We have assumed the genuineness of signatures on documents submitted to us as originals, the authenticity thereof and the conformity with the originals of any documents submitted to us as copies or specimens.

We also have examined the Official Statement generally and have discussed certain statements therein with representatives of the District, counsel to the District, its financial advisor, and Sidley Austin LLP, bond counsel to the District ("Bond Counsel"), and your representatives.

On the basis of the foregoing, we advise you that, although we have not verified and are not passing upon, and we do not assume any responsibility for, the accuracy or completeness of the statements contained in the Official Statement, nothing has come to our attention during the course of our examination and discussion of the Official Statement that would cause us to believe that the Official Statement, on the date thereof or on this date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not

misleading. Our advice in this paragraph does not apply to the financial statements and the financial and statistical data contained in the Official Statement, as to all of which no advice is given.

In our opinion, the initial offering, sale and delivery of the Bonds do not require the registration thereof under the Securities Act of 1933, as amended, and do not require the qualification under the Trust Indenture Act of 1939, as amended, of any “indenture,” as defined therein.

This letter is issued to you for your sole benefit and for the sole purpose of the transaction specifically referred to herein. No person other than you may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent. We assume no obligation to review or supplement this letter subsequent to its date for any reason.

Very truly yours,

**OPINION OF KELLAM, PICKRELL, COX, TAYLOE & ANDERSON, P.C., COUNSEL  
FOR THE DISTRICT**

February \_\_, 2016

The Bank of New York Mellon Trust Company, N.A.,  
as Trustee  
Richmond, Virginia

\$50,000,000  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue [And Refunding] Bonds,  
Series 2016B

Ladies and Gentlemen:

We have served as general counsel to the Hampton Roads Sanitation District (the “District”) in connection with the issuance and sale of the above-captioned bonds (the “Bonds”). The Bonds are being issued under the Trust Agreement, dated as of October 1, 2011, as amended and supplemented, between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are secured by such Trust Agreement, as further supplemented by the [Third] Supplemental Trust Agreement, dated as of [January] \_\_, 2016, between the District and the Trustee (collectively, the “Trust Agreement”). Unless otherwise defined, the capitalized terms used in this opinion have the meanings set forth in the Trust Agreement.

In connection with our opinion, we have examined the following:

- (1) Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended;
- (2) the resolution adopted by the District on January 26, 2016 (the “Resolution”);
- (3) the Trust Agreement; and
- (4) the Bonds.

As to questions of fact material to this opinion, we have relied upon representations of, and the compliance as of the date hereof with the covenants by, the District contained in the Trust Agreement, certifications of public officials furnished to us, and certifications and representations contained in certificates of the District and others delivered in connection with the issuance of the Bonds; provided that nothing has come to our attention that would lead us to believe that reliance upon such representations and certifications is unreasonable. We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating

to the Bonds have been duly authorized, executed, and delivered by all parties to them other than the District.

Based upon the foregoing and upon such other information and documents as we consider necessary, we are of the opinion that:

(1) the District has the power and authority to execute and deliver the Trust Agreement and the Bonds and to consummate the transactions contemplated by such instruments;

(2) the Trust Agreement and the Bonds have been duly authorized, executed and delivered by the District;

(3) the District has received, and there are currently in full force and effect with respect to the District, all consents, approvals, authorizations and orders of governmental or regulatory authorities, if any, necessary to conduct its business as it is currently being conducted; and

(4) the execution and delivery of the Trust Agreement and the Bonds by the District and its compliance with the terms of such instruments, under the circumstances contemplated by such instruments, do not and will not in any material respect conflict with, or constitute on the part of the District a breach of or default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the District is a party or by which the District or any of its property is bound or conflict with, violate or result in a breach of any law, public administrative rule or regulation, judgment, court order or consent decree to which the District or any of its property is subject.

We express no opinion as to the tax-exempt status of the interest on the Bonds or the necessity for the registration of the Bonds or the qualification of the Trust Agreement under applicable law, including the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended.

KELLAM, PICKRELL, COX, TAYLOE &  
ANDERSON, P.C.

By: \_\_\_\_\_  
William A. Cox, III, President

**OPINION OF KELLAM, PICKRELL, COX, TAYLOE & ANDERSON, P.C., COUNSEL  
FOR THE DISTRICT**

February \_\_, 2016

J.P. Morgan Securities LLC  
New York, New York

\$50,000,000  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue [And Refunding] Bonds,  
Series 2016B

Ladies and Gentlemen:

We have acted as counsel to the Hampton Roads Sanitation District (the “District”) in connection with the issuance and sale of the above-referenced bonds (the “Bonds”). The Bonds are being issued under the Trust Agreement, dated as of October 1, 2011, as amended and supplemented, between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds will be secured by such Trust Agreement, as further supplemented by the [Third] Supplemental Trust Agreement dated as of [January] \_\_, 2016, between the District and the Trustee (collectively, the “Trust Agreement”). Unless otherwise defined, the capitalized terms used in this opinion have the meanings set forth in the Bond Purchase Agreement (as hereinafter defined).

In connection with our opinion, we have examined the following:

- (1) Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (the “Enabling Act”);
- (2) the resolution adopted by the District on January 26, 2016 (the “Resolution”);
- (3) the Trust Agreement;
- (4) the Bonds;
- (5) the Bond Purchase Agreement, dated February \_\_, 2016 (the “Bond Purchase Agreement”), between you and the District;
- (6) the Remarketing Agreement dated as of February \_\_, 2016 (the “Remarketing Agreement”), between you and the District;
- (7) the Official Statement dated February \_\_, 2016 (the “Official Statement”), prepared in connection with the offering of the Bonds; and

- (8) the Continuing Disclosure Agreement dated as of February \_\_, 2016 (the “Continuing Disclosure Agreement”), delivered by the District for the benefit of the Underwriter and the holders of the Bonds.

The Trust Agreement, the Continuing Disclosure Agreement, the Bond Purchase Agreement and the Remarketing Agreement are referred to collectively as the “District Documents.”

As to questions of fact material to this opinion, we have relied upon representations of, and the compliance as of the date hereof with the covenants by, the District contained in the District Documents, certifications of public officials furnished to us, and certifications and representations contained in certificates of the District and others delivered at Closing; provided that nothing has come to our attention that would lead us to believe that reliance upon such representations and certifications is unreasonable. We have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them.

Based upon the foregoing, we are of the opinion that:

1. The District is a political subdivision of the Commonwealth of Virginia duly created and validly existing under the Enabling Act and has full power and authority under the Enabling Act to (i) execute and deliver the District Documents and the Bonds, (ii) issue, sell and deliver the Bonds pursuant to the Trust Agreement, and (iii) consummate the transactions contemplated by, and perform its obligations under, the District Documents. The directors and officers of the District identified in the District's general certificate delivered the date hereof have been duly appointed and are qualified to serve as such.

2. The Resolution has been duly adopted, complies with the Enabling Act and is in full force and effect on this date. The Bonds and the District Documents have been duly authorized and executed by the District.

3. The District has duly approved the Official Statement and its use in connection with the public offering of the Bonds.

4. The authorization, execution and delivery of the District Documents and the Bonds and the performance by the District of its obligations thereunder will not conflict with or constitute a violation or breach of or default under (i) any federal or Virginia constitutional provision or any other provision of Virginia law, (ii) any material agreement or other material instrument to which the District is a party or by which the District is bound, or (iii) to the best of our knowledge, any order, rule or regulation of any court or governmental agency or body having jurisdiction over the District or any of its properties.

5. There is no litigation at law or in equity or any proceeding before any governmental agency pending against the District, nor, to the best of our knowledge, threatened with respect to (i) the organization or existence of the District, (ii) the District's authority to execute and deliver the District Documents and the Bonds, (iii) the validity or enforceability of

any of the District Documents and the Bonds against the District or the transactions contemplated by them, (iv) the title of the officers of the District who executed the District Documents and the Bonds to their offices, or (v) any authority or proceedings of the District relating to the execution and delivery of any of the District Documents and the Bonds by the District. [*To be updated* --The District has expressly disclosed that the District and the United States Environmental Protection Agency (“EPA”) have entered into negotiations to integrate an existing consent agreement with the Commonwealth of Virginia and an order from EPA into a federal consent decree, the proposed form of which has been lodged with the federal district court for the eastern district of Virginia. Such a consent decree could impose penalties and other relief, as set forth in the Official Statement under “Consent Agreement and EPA Order.” A separate opinion will be issued by AquaLaw as to these matters, and we express no opinion as to these matters.]

We express no view as to any part of the Official Statement as to financial statements and other financial and statistical data included in the Official Statement or elsewhere.

6. No further consent, approval, authorization or order of any governmental or regulatory authority is required to be obtained by the District as a condition precedent to the issuance of the Bonds, the execution and delivery of the Bonds or the District Documents, or the performance by the District thereunder (provided no opinion is expressed as to any action required under federal or state securities or Blue Sky laws in connection with the purchase or distribution of the Bonds by the Underwriter).

Our services as counsel to the District have been limited to rendering the foregoing opinions based upon our review of such legal proceedings as we have deemed necessary. We express no opinion as to the accuracy or completeness of any information that may have been relied upon by the purchasers of the Bonds.

This letter is furnished by us in our capacity as counsel for the District. No attorney-client relationship has existed or exists between our firm and the addressees hereof in connection with the Bonds, the Official Statement or by virtue of this opinion. This opinion is delivered to, and is solely for the benefit of, the addressees hereof and is not to be used, circulated, quoted or otherwise referred to or relied upon by any person other than you. This opinion may not be relied upon by the Trustee or the holders of the Bonds.

To the best of our knowledge, the information contained in the Official Statement is true and correct and does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. We do not express any opinion or belief, to any financial statements or any other financial or statistical information contained in the Official Statement, and we express no opinion as to the tax-exempt status of the interest on the Bonds or the necessity for the registration of the Bonds or the qualification of the Trust Agreement under

applicable law, including the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended.

KELLAM, PICKRELL, COX, TAYLOE &  
ANDERSON, P.C.

By \_\_\_\_\_  
William A, Cox, III, President

**[FORM OF OPINION OF AQUALAW PLC, SPECIAL COUNSEL FOR THE  
DISTRICT]**

February \_\_, 2016

Hampton Roads Sanitation District  
Virginia Beach, Virginia

J.P. Morgan Securities LLC  
New York, New York

\$50,000,000  
Hampton Roads Sanitation District  
Subordinate Wastewater Revenue [And Refunding] Bonds,  
Series 2016B

Ladies and Gentlemen:

We are writing as outside environmental counsel to the Hampton Roads Sanitation District ("HRSD") regarding statements made in the Official Statement, dated February \_\_, 2016, of HRSD (the "Official Statement") concerning federal and State enforcement initiatives for HRSD's sewage collection system. These initiatives relate to the portion of HRSD's system which serves localities in the Hampton Roads, Virginia, region.

Specifically, I am writing to confirm that the statements contained in the Official Statement under the caption "THE SYSTEM--Consent Agreement and EPA Order" present a fair and accurate summary of the matters purported to be summarized therein. These statements do not contain an untrue statement of a material fact. Nor do they omit to state any material fact necessary in order to make such statements, in the light of the circumstances under which they were made, not misleading as of the date of the Official Statement and as of the date hereof.

Sincerely,

AquaLaw, PLC

## REMARKETING AGREEMENT

**THIS REMARKETING AGREEMENT**, dated as of February \_\_, 2016 (the “Remarketing Agreement”), between **Hampton Roads Sanitation District**, a political subdivision of the Commonwealth of Virginia (the “District”), and **J.P. Morgan Securities LLC** (the “Remarketing Agent”),

WITNESSETH:

WHEREAS, pursuant to a Fourth Supplemental Trust Agreement dated as of February \_\_, 2016 (the “Fourth Supplemental”), between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), which supplements a Trust Agreement dated as of October 1, 2011 (together with all supplements and amendments thereto, the “Trust Agreement”), between the District and the Trustee, the District has issued its Subordinate Wastewater Revenue [and Refunding] Bonds, Series 2016B (the “Bonds”), in the aggregate principal amount of \$50,000,000; and

WHEREAS, the Bonds will be payable from Net Revenues Available for Debt Service (as defined in the Trust Agreement); and

WHEREAS, the Fourth Supplemental provides that the Bonds shall bear interest at a rate determined weekly (while in the Weekly Interest Rate Period) and from time to time (while in the Long-Term Interest Rate Period); and

WHEREAS, the Fourth Supplemental provides that so long as the Bonds bear interest at a Weekly Interest Rate or Long-Term Interest Rate, the Bonds and the Beneficial Interests (as hereinafter defined) shall be subject to optional and/or mandatory tender by the registered owners or Beneficial Owners thereof for purchase by the Trustee on the purchase dates (the “Tender Dates”) established in accordance with Article III of the Fourth Supplemental; and

WHEREAS, the Remarketing Agent has been appointed by the District as remarketing agent pursuant to the Fourth Supplemental to use its best efforts to remarket Bonds and the Beneficial Interests tendered for purchase and to determine the periodic interest rate on the Bonds based on current market conditions that the Remarketing Agent believes would enable it to remarket the Bonds at a price of par, whether or not any Bonds were then tendered for remarketing; and

WHEREAS, the Remarketing Agent is willing to use its best efforts to remarket the Bonds and the Beneficial Interests so tendered upon the terms and subject to the conditions contained herein and in the Fourth Supplemental and to determine interest rate necessary to remarket the Bonds at par as provided in the Fourth Supplemental;

NOW, THEREFORE, in consideration of the promises and the mutual covenants hereinafter contained the parties hereto hereby agree as follows:

1. Definitions. All capitalized terms used herein and not defined herein shall have the meanings given to them in the Trust Agreement unless the context clearly indicates otherwise, except for the following terms, which shall have the meanings set forth below:

“1933 Act” shall mean the Securities Act of 1933, as amended.

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“1939 Act” shall mean the Trust Indenture Act of 1939, as amended.

“Beneficial Interest” shall mean the interest of a Beneficial Owner in a Bond registered in the name of a nominee of The Depository Trust Company.

“Beneficial Owner” shall have the meaning assigned to such term in the Trust Agreement.

“Bond Purchase Agreement” shall mean the Bond Purchase Agreement dated February \_\_\_\_, 2016, between the District and J.P. Morgan Securities LLC, as underwriter, relating to the Bonds.

“Official Statement” shall mean the Official Statement used in connection with the remarketing of the Bonds, as the same may be amended or supplemented.

“Remarketing Materials” shall mean the Remarketing Materials as described in Section 8 of this Remarketing Agreement.

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

2. Representations and Covenants of the District. The District hereby represents to the Remarketing Agent as follows:

(a) Each of the District’s representations and warranties contained in the Bond Purchase Agreement is true and correct on and as of the date hereof and is hereby made to the Remarketing Agent on and as of the date hereof as if set forth herein at length.

(b) The District authorizes and approves the Official Statement and consents to the use by the Remarketing Agent of the Official Statement in connection with the remarketing of the Bonds.

(c) With the exception of the information relating to “Price or Yield” of the Bonds and CUSIP numbers on the inside cover of the Official Statement, or the fifth paragraph of page (iv) thereof, or contained in the sections or appendices, as the case may be, captioned “TAX MATTERS,” UNDERWRITING,” “APPENDIX D - PROPOSED OPINION OF BOND COUNSEL,” and “APPENDIX F - THE DEPOSITORY TRUST COMPANY” (collectively, the “Excluded Information”), the information concerning the District and the System contained in the Official Statement is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(d) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending to which the District is a party or

as to which any property of the District is subject or, to the knowledge of the District, threatened against the District, the outcome of which could have a material adverse effect on the consummation of the transactions contemplated by this Remarketing Agreement or could have a material adverse effect on the validity or enforceability of the Bonds, the Trust Agreement or this Remarketing Agreement or which could materially adversely affect the District, which is not described in the Official Statement.

(e) This Remarketing Agreement is the legal, valid and binding obligation of the District, enforceable in accordance with its terms except to the extent enforcement hereof may be limited by bankruptcy, insolvency, reorganization or any other laws or equitable principles affecting creditors' rights generally, and subject to any principles of public policy limiting the enforceability of the indemnification provisions contained herein.

(f) The District has duly authorized the execution and delivery of this Remarketing Agreement and has duly and lawfully assumed all of its obligations under the Trust Agreement, and no consent or approval by any governmental body and no filing with any agency of the federal government is required for the execution and delivery of this Remarketing Agreement by the District or the full effectiveness hereof with respect to the District. The execution and delivery of this Remarketing Agreement and the performance of the District's obligations hereunder, will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under the terms of, or result in the creation or imposition of any lien, charge or encumbrance upon any of the property or assets of the District pursuant to the terms of, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the District is bound or to which any of the property or assets of the District is subject, which would affect the validity of this Remarketing Agreement or the legal authority of the District to comply with the terms hereof; nor will such action result in a violation of any provisions of the District's Enabling Act, or in a violation of any statute or any rule or regulation of any court or governmental agency or other body in the United States having jurisdiction (except for the application of the various state securities or Blue Sky laws, as to which no representation is made) over the District which would affect the validity of any provision of this Remarketing Agreement or the legal authority of the District to comply with the terms hereof.

(g) The District shall cooperate with the Remarketing Agent in any endeavor to qualify the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States as the Remarketing Agent may request; and the District will furnish such information, execute such instruments and take such other action in cooperation with the Remarketing Agent as the Remarketing Agent may reasonably request in connection therewith and the District will promptly pay, or reimburse if paid by the Remarketing Agent, all other expenses and filing fees in connection therewith; provided, however, that the District shall not be required to register as a dealer or a broker in any such state or jurisdiction or make any additional representations or warranties in connection with the sale of securities, or to subject itself to service of process in any state or jurisdiction in which it is not already so subject.

(h) The District shall give the Remarketing Agent written notice of (i) each rating, change in the status of any rating of the Bonds or proposed change in the status of any rating of the Bonds by any national rating agency, (ii) each mandatory tender or optional or mandatory call for redemption of one or more of the Bonds, (iii) any amendment, modification

or supplement to the Trust Agreement or any Credit Facility, and (iv) any provision, substitution or expiration of any Credit Facility.

(i) The District shall promptly notify the Remarketing Agent by electronic means of any material adverse changes in the condition of the District, financial or otherwise, or any fact or circumstance which may constitute, or with the passage of time will constitute, an event of default under the Trust Agreement or any Credit Facility.

(j) The District hereby (i) authorizes and consents to the delivery to the Municipal Securities Rulemaking Board (“MSRB”) pursuant to MSRB Rule G-34(c) by the Remarketing Agent of the documents described on Annex A hereto and any other transaction documents (including, without limitation, any executed amendments, extensions, related changes thereto or any substitution liquidity facilities) that establish an obligation to provide liquidity with respect to the Bonds (all such documents, “Rule G-34 Documents”), and (ii) covenants to timely provide the Remarketing Agent with executed copies of such Rule G-34 Documents and amendments thereto on or prior to the effective date thereof, as and when described in (and in accordance with) Section 20, to permit the filing of such Rule G-34 Documents in compliance with MSRB Rule G-34(c).

(k) The District further agrees that the Remarketing Agent shall have no responsibility and, to the extent permitted by law, holds the Remarketing Agent harmless with respect to identifying or redacting any confidential or proprietary information in the Rule G-34 Documents. If the District determines that any information in the Rule G-34 Documents is confidential or proprietary, the District shall discuss such information and the potential redaction thereof with the Remarketing Agent to ensure compliance with Rule G-34(c).

(l) During any period of time the District is subject to a continuing disclosure undertaking under the Continuing Disclosure Agreement applicable to the Bonds or to enable the underwriters to comply with Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal requirement, with respect to the Bonds or otherwise, immediately following any dissemination, distribution or provision thereof to any Person, the District agrees to provide the Remarketing Agent with a copy of any report, financial statements or reportable event notice disseminated, distributed or provided in satisfaction of or as may be required pursuant to such undertaking.

(m) The District shall provide the Remarketing Agent with any additional information that it may reasonably request.

3. Representations of the Remarketing Agent. The Remarketing Agent hereby represents and covenants to the District that the Remarketing Agent has been duly organized and is validly existing as a Delaware limited liability company and has full power and authority to enter into and perform this Remarketing Agreement. This Remarketing Agreement constitutes the legal, valid and binding obligation of the Remarketing Agent enforceable against the Remarketing Agent in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the enforcement of creditors’ rights generally now existing or hereafter enacted and by the application of general principles of equity including equitable subordination.

4. Acceptance of Duties of the Remarketing Agent. The execution and delivery by the Remarketing Agent of this Remarketing Agreement shall constitute the acceptance by the Remarketing Agent of its duties and obligations under the Fourth Supplemental. The Remarketing Agent shall perform such duties and obligations imposed upon it as remarketing agent under the Fourth Supplemental.

5. Conditions Precedent to the Obligations of the Remarketing Agent to Remarket Bonds. The obligations of the Remarketing Agent to offer for sale and to use its best efforts to sell any Bonds or Beneficial Interests in the Bonds hereunder shall be subject to the accuracy in all material respects of the representations and warranties of the District contained herein as of the date hereof and on the Tender Dates, to the performance by the District of its obligations hereunder and to the following conditions:

(a) On the Tender Dates, this Remarketing Agreement, the Trust Agreement, and any Credit Facility shall be in full force and effect (and, in the case of a Credit Facility, the related Credit Facility Provider shall not have failed to pay in respect of a draw request presented in accordance with the terms of such Credit Facility) and shall not have been amended, modified or supplemented since the date hereof, except for any amendment, modification or supplement made in accordance with their terms and of which the Remarketing Agent has received written notice prior to the Tender Date.

(b) No event of default under Section 801 of the Trust Agreement or Section 3.5(g) of the Fourth Supplemental shall have occurred and be continuing.

(c) No adverse tax events with respect to the Bonds shall have occurred or, in connection with a Conversion, the conditions of Section 2.1(f)(3) of the Fourth Supplemental shall have been satisfied.

(d) The Bonds or Beneficial Interests in the Bonds that have been tendered for purchase and would otherwise be subject to remarketing on the Tender Date shall not have been called for redemption or mandatory tender pursuant to the Fourth Supplemental unless the remarketing of such Bonds or Beneficial Interests would be permitted under Article III of the Fourth Supplemental.

(e) None of the following events shall have occurred and be continuing:

(1) Legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or be recommended by committee to the Congress of the United States for signature by the President of the United States, or a decision by a court established under Article III of the Constitution of the United States shall be rendered or a ruling, regulation or order of the Treasury Department of the United States of the Internal Revenue Service shall be made or proposed having the purpose or effect of causing interest received on Bonds to become includable in gross income for federal income tax purposes; provided that the mere introduction of the Proposed Legislation (as defined in the Official Statement) shall be disregarded for purposes of this subsection

unless the Proposed Legislation is further introduced by committee, by amendment or otherwise, in, or is enacted by, the House of Representatives or the Senate, or is recommended by committee to the Congress of the United States for signature by the President of the United States;

(2) Legislation shall be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the SEC or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the offering or sale of obligations of the general character of the Bonds, as contemplated hereby, is or would be in violation of any provision of the 1933 Act as then in effect, or the 1934 Act as then in effect, or the 1939 Act and as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby;

(3) Any information shall have become known, which, at any time, in the Remarketing Agent's reasonable opinion, makes untrue, incorrect, incomplete or misleading in any material respect any statement or information contained in the current Official Statement or Remarketing Materials relating to the Bonds, as the information contained therein has been supplemented or amended by other information, or causes such Official Statement or Remarketing Materials, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(4) Except as provided in clauses (1) and (2) hereof, any legislation, resolution, ordinance, rule or regulation shall be introduced in, or be enacted by any federal governmental body, department or agency of the United States or the State of New York, or a decision by any court of competent jurisdiction with the United States or the State of New York shall be rendered which, in the Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Bonds;

(5) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(6) Any governmental authority shall impose, as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force;

(7) A general banking moratorium shall have been established by federal or New York authorities;

(8) Any of the rating agencies then rating the Bonds shall either (i) downgrade the ratings assigned to the Bonds or (ii) suspend or withdraw the then current

ratings assigned to the Bonds, which, in either case, in the Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Bonds;

(9) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Bonds; or

(10) An event, including without limitation, the bankruptcy of the District or a payment default under any other indebtedness of the District for borrowed money in excess of \$500,000, shall have occurred, which, in the Remarketing Agent's reasonable opinion, materially adversely affects the remarketing of the Bonds.

6. Remarketing of the Bonds on a Conversion Date. At the request of the District, notice of such request having been received by the Remarketing Agent at least 30 days prior to the Conversion Date for a conversion of the Bonds to a different Interest Rate Period and so long as no Event of Default under the Trust Agreement has occurred and is continuing, the Remarketing Agent agrees to offer for sale and use its best efforts to remarket the Bonds or Beneficial Interests which are tendered or deemed tendered on the Conversion Date, at a price at least equal to the principal amount thereof subject to the following conditions:

(a) satisfactory compensation and other terms and conditions shall have been agreed upon by the District and the Remarketing Agent;

(b) the Remarketing Agent shall have received an opinion of nationally recognized bond counsel to the effect that the interest on the Bonds will continue to be excluded from gross income for federal income tax purposes after the Conversion Date;

(c) the Remarketing Agent, as it deems necessary, shall have received an Official Statement or other appropriate disclosure document, in form and substance satisfactory to the Remarketing Agent, to be used in connection with its efforts to remarket the Bonds;

(d) the District shall have delivered to the Remarketing Agent and the Trustee a continuing disclosure agreement in a form satisfactory to the Remarketing Agent, whereby the District agrees to comply with the continuing disclosure requirements of SEC Rule 15c2-12, if and as then applicable; and

(e) the Remarketing Agent shall have received such additional documents, certificates and legal opinions as it may reasonably request;

Further details regarding such remarketing shall be negotiated between the District and the Remarketing Agent prior to the Conversion Date.

7. Fees and Expenses of the Remarketing Agent.

(a) In consideration of the services to be performed by the Remarketing Agent under this Remarketing Agreement, the District agrees to pay to the Remarketing Agent on

demand such amounts as are required to reimburse it for or pay the reasonable expenses incurred, (including, without limitation, the reasonable fees and disbursements of counsel and any reasonable costs incurred in connection with the preparation or delivery of documents and in the delivery of Rule G-34 Documents to the MSRB), advances made (including, without limitation, the advancement of immediately available funds when remarketing proceeds received by the Remarketing Agent are next day funds), and compensation for services rendered pursuant to the Fourth Supplemental or this Remarketing Agreement as described below.

(b) While the Bonds bear interest at a Weekly Interest Rate, the District shall pay the Remarketing Agent, as compensation for its services hereunder, a fee equal to seven basis points (0.07%) per annum of the weighted average principal amount of the Bonds outstanding during each three-month period, or such other amount as may be agreed upon from time to time by the District and the Remarketing Agent, payable quarterly in arrears on each [November 1, February 1, May 1 and August 1, commencing May 1, 2016.]

(c) If pursuant to Section 6 hereof or in any other remarketing of the Bonds in connection with a mandatory tender thereof, the Remarketing Agent is requested by the District to use its best efforts to remarket the Bonds upon conversion of the interest rate thereon to another Interest Rate Mode or otherwise, the Remarketing Agent shall be paid such remarketing fee as may then be mutually agreed upon by the District and the Remarketing Agent, and the District shall reimburse the Remarketing Agent for its costs of document preparation, its costs of funds, its reasonable counsel fees and other out-of-pocket expenses in connection with such services.

(d) The District shall pay the Remarketing Agent's fees and expenses under this Remarketing Agreement without regard to any claim, set off, defense or other right which the District may have at any time against the Remarketing Agent or any other person, whether in connection with this Remarketing Agreement, the Bonds or any unrelated transactions.

8. Furnishing of Remarketing Materials. The District agrees to provide monthly to the Remarketing Agent and to the holders of the Bonds (through a filing on The Electronic Municipal Market Access ("EMMA") system administered by the MSRB) (a) information comparable to the information contained in the Official Statement under the heading "INVESTMENT POLICY AND SOURCES OF LIQUIDITY — Historical Pool Balance" and (b) certain data relating to the District's financial performance relative to the budget adopted for the then-current fiscal year, such data to be substantially in the form shown in Annex B. Further, if the Remarketing Agent determines that it is necessary or desirable to amend or supplement the Official Statement or prepare a new disclosure document in connection with its remarketing of Bonds, the Remarketing Agent will notify the District and the District will provide the Remarketing Agent with an amendment or supplement to the Official Statement or other disclosure document (the "Remarketing Materials") satisfactory to the Remarketing Agent and its counsel in respect of the Bonds. The District will supply the Remarketing Agent, at the District's expense, with such number of copies of the Remarketing Materials as the Remarketing Agent requests from time to time and will amend the Official Statement and any other Remarketing Materials with respect to the District and any summary of documents the amendment of which was approved by the District (and/or the documents incorporated by reference in it) so that at all times the Official Statement and any other Remarketing Materials

will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. In connection with the use of any of the Remarketing Materials by the Remarketing Agent in its remarketing of the Bonds, the District will furnish to the Remarketing Agent such certificates, accountants' letters and opinions of counsel as the Remarketing Agent reasonably requests. In addition, the District, at its own expense, shall take all steps reasonably requested by the Remarketing Agent that the Remarketing Agent or its counsel may consider necessary or desirable to register the sale of the Bonds by the Remarketing Agent under any federal or state securities law or qualify the Trust Agreement under the 1939 Act.

The District shall promptly notify the Remarketing Agent when it becomes aware of any material misstatement or omission in any of the Remarketing Materials furnished to the Remarketing Agent for use in connection with the remarketing of the Bonds.

9. Remarketing Agent Not Acting As Underwriter; Remarketing Agent is Not An Advisor.

(a) The District acknowledges and agrees to the terms of this paragraph (a). In carrying out its duties hereunder, the Remarketing Agent's responsibility is limited to the use of its best efforts to solicit offers to purchase the Bonds or Beneficial Interests. The Remarketing Agent shall not act as underwriter for any tendered Bonds or Beneficial Interests and shall not be obligated to advance, but shall not be prohibited from advancing, its own funds to purchase any tendered Bonds or Beneficial Interests. The Remarketing Agent, in its individual capacity or for its own account, at its sole discretion and for any one or more reasons, may in good faith buy, sell, own, hold and deal in any of the Bonds, including, without limitation, any Bonds offered and sold by the Remarketing Agent pursuant to this Remarketing Agreement. Such activities may include sales to one or more affiliated investment vehicles for collective ownership or entering into derivative arrangements with affiliates or others. The Remarketing Agent may sell any such Bonds at prices above or below par at any time. In connection with a remarketing of the Bonds, the Remarketing Agent has no obligation to notify purchasers if it does not have third-party buyers for all of the tendered bonds at the remarketing price. As an owner of Bonds, the Remarketing Agent may sell Bonds at varying prices, including at a discount to par or at a premium, to different investors on a date on which the Remarketing Agent is to determine the rate on Bonds or any other date. The Remarketing Agent may join in any action which any owner (or Beneficial Owner) of the Bonds may be entitled to take with like effect as if it were not Remarketing Agent. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the District, and may act as depository, trustee or agent for any committee or body of owners of the Bonds or other obligations of the District as freely as if it were not Remarketing Agent. The Remarketing Agent shall have the right to tender Bonds for purchase pursuant to the terms thereof and shall have other rights of an owner (or Beneficial Owner) of the Bonds at any time that it is the owner (or Beneficial Owner) of any Bonds. The Remarketing Agent shall have no obligation to purchase any tendered Bonds for its own account. The Remarketing Agent may make a secondary market in the Bonds by purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing, but it has no obligation to do so and, in its discretion, can discontinue any such activities at any time. No notice is required regarding any such purchases or any discontinuation of such purchases.

(b) The District acknowledges and agrees, whether or not the Remarketing Agent or any affiliate thereof has advised or is currently advising the District on other matters, that in connection with the remarketing of the Bonds and any other duties or obligations of the Remarketing Agent pursuant to and/or as set forth in this Agreement: (a) the Remarketing Agent is not an advisor (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act), an “advisor”) of, and owes no fiduciary duty to, the District or any other person affiliated with the District, (b) the Remarketing Agent’s duties and obligations to the District shall be limited to those contractual duties and obligations expressly set forth in this Agreement, (c) the Remarketing Agent has financial and other interests that differ from those of the District, (d) the District has consulted with those independent legal, financial and any other advisors to the extent it deemed appropriate in connection with any questions or other issues it might have relating to the remarketing of the Bonds, and (e) the transactions contemplated by this Remarketing Agreement are arm’s length, commercial transactions between the District and Remarketing Agent.

(c) Notwithstanding any provisions of this Remarketing Agreement or the Indenture, it is the intention of the District and the Remarketing Agent that the use of the term “agent” with reference to the Remarketing Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an independent contractor relationship between contracting parties, and the Remarketing Agent shall exercise its own independent judgment in connection with its rights and duties as Remarketing Agent. In exercising its rights and duties as Remarketing Agent, the Remarketing Agent is not required to act at the direction of the District, the Trustee, the Tender Agent or the Credit Facility Provider (if any).

(d) The District acknowledges that J.P. Morgan may not serve or otherwise be considered a “municipal advisor” to the District under SEC Rel. No. 34-70462 (Sept. 20, 2013) (such final rules and to the extent referenced therein, Section 975, the “Municipal Advisor Rules”) implementing Section 975 (“Section 975”) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

10. Reserved.

11. Limitation on Liability of Remarketing Agent. The Remarketing Agent shall incur no liability to the District or any person for its actions as remarketing agent pursuant to the terms of this Remarketing Agreement and the Trust Agreement except for its willful misconduct or gross negligence. The Remarketing Agent may conclusively rely upon any notice or document given or furnished to the Remarketing Agent and conforming to the requirements of this Remarketing Agreement or the Indenture and shall be protected in acting upon any such notice or document reasonably believed by it to be genuine and to have been given, signed or presented by the proper party or parties.

12. Term. This Remarketing Agreement will terminate upon the earlier of (a) the date on which the Bonds are no longer Outstanding under the Trust Agreement or are not subject to tender for purchase by the registered owners thereof prior to the stated maturity thereof, or (b)

the effective date of any resignation or removal of the Remarketing Agent in accordance with the Fourth Supplemental.

The Remarketing Agent may at any time resign and be discharged of its duties and obligations by giving at least 30 days' prior written notice to the District, the Credit Facility Provider, if any, and the Trustee. The resignation of the Remarketing Agent shall be effective even if a successor Remarketing Agent has not been appointed by the District.

The District may remove the Remarketing Agent at any time upon 30 days' written notice to the Remarketing Agent, the Credit Facility Provider, if any, and the Trustee. No removal of the Remarketing Agent shall become effective unless a successor Remarketing Agent qualified under the Fourth Supplemental has been appointed by the District to perform the duties of the Remarketing Agent and has accepted such appointment.

Notwithstanding the foregoing, nothing shall prevent the parties hereto from allowing the Remarketing Agent to resign and be discharged from its duties and obligations at any earlier date if the parties hereto so agree. The Remarketing Agent may also resign upon 30 days' prior written notice to the Trustee, the District and the Credit Facility Provider, if any, if (a) the District fails to supply the Remarketing Agent with the Remarketing Materials and such documents, materials or information concerning the District, as the Remarketing Agent reasonably deems necessary to be delivered to purchasers in connection with the remarketing of the Bonds or the District fails to pay when due any fee, reimbursement, indemnification or other amount due to the Remarketing Agent from the District. The Remarketing Agent, after prior consultation with the District, may cease offering and selling the Bonds with immediate effect if it determines, in its reasonable judgment that for any reason, including, without (i) a pending, or proposed change in applicable tax laws, (ii) a material adverse change in the financial condition of the District, (iii) a banking moratorium, (iv) hostilities, (v) any rating of the Bonds shall have been downgraded or withdrawn by a national rating service such that the Bonds are not "Eligible Securities" as defined on the effective date of this Agreement in Rule 2a-7 promulgated under the Investment Company Act of 1940, as amended, (vi) an imposition of material restrictions on the Bonds or similar obligations or (vii) a material misstatement or omission in the Official Statement or Remarketing Materials as then modified or supplemented, it is not advisable to attempt to remarket the Bonds.

In the event that the District fails to appoint a Remarketing Agent hereunder, or in the event that the Remarketing Agent resigns, or is dissolved, or if the property or affairs of the Remarketing Agent are taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the institution shall not have appointed its successor as Remarketing Agent, the Trustee shall ipso facto be deemed to be the Remarketing Agent for all purposes until the appointment by the District of the Remarketing Agent or successor Remarketing Agent, as the case may be; provided, however, that the Trustee, in its capacity as Remarketing Agent, shall not be required to solicit purchasers of, or to remarket, Bonds or determine the interest rate on the Bonds pursuant to the Fourth Supplemental and the Trustee shall have the right to appoint a successor Remarketing Agent meeting the qualifications set forth in the Fourth Supplemental.

Following termination, the provisions of Sections 7 hereof will continue in effect as to transactions prior to the date of termination, and each party will pay the other party any amounts owing at the time of termination.

13. Notices. Any notice or other communication to be given under this Remarketing Agreement shall be given in writing, delivered by confirmed facsimile (including PDF transmissions), by hand or by first-class mail, and if by mail, by being deposited in the United States mail, addressed to the party to which such notice is to be given. Unless otherwise provided, the respective addresses for the District and the Remarketing Agent for notices which are or may be required to be given hereunder are as follows:

If to the District	Hampton Roads Sanitation District 1434 Air Rail Avenue Virginia Beach, Virginia 23455 (Attention: Chief Financial Officer) Telephone: (757) 318-4335 E-Mail: jbernas@hrsdc.com
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If to the Remarketing Agent	J.P. Morgan Securities LLC 383 Madison Avenue, Floor 8 New York, New York 10179 (Attention: Municipal Short Term Desk) Telephone: (212) 834-7224 Telecopier: (917) 456-3542 E-Mail: Peter.mccarthy@jpmorgan.com
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14. Amendment, Modification and Waiver. The provisions of this Remarketing Agreement may not be amended, modified or waived unless such amendment, modification or waiver is in writing and signed by the party against which enforcement is sought.

15. Successors. Any person or entity into which the Remarketing Agent may be merged, or with which it may be consolidated, or to which it may sell, release or transfer its investment banking business and assets as a whole or substantially as a whole, shall be and become successor of the Remarketing Agent hereunder and shall be vested with all the powers, rights, obligations and duties hereunder as was its predecessor, without the execution or filing of any instrument by any person or entity.

16. Governing Law. The validity, interpretation and performance of this Remarketing Agreement shall be governed by the laws of the Commonwealth of Virginia, without regard to choice of law principles.

17. Executed Trust Agreement; Trustee Authorization. (a) The District hereby grants permission for the Remarketing Agent to distribute a copy of the executed Trust Agreement and the Fourth Supplemental (and any further amendments and supplements thereto) to prospective purchasers of the Bonds who request such information in connection with the remarketing of the Bonds by the Remarketing Agent under this Agreement. (b) The District hereby authorizes the Trustee to provide to the Remarketing Agent, at the expense of the District, electronic copies of

any execution form transaction document, upon written request (which may be by electronic means) by the Remarketing Agent.

18. Counterparts. This Remarketing Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

19. Agreement to Provide Credit Facility Documents; List of Redactions. In order to assist the Remarketing Agent to comply with its obligations under MSRB Rule G-34(c), the District shall provide to the Remarketing Agent, in each case described below, in the form of a word-searchable PDF file or in such other form as the Remarketing Agent shall notify the District in writing is required by the MSRB, the following documents at the following times:

(a) On the effective date of this Remarketing Agreement, a copy of each executed and currently effective Rule G-34 Document and prior and effective amendment thereto contained on the list provided on Annex A hereto that specifically relates to the transaction;

(b) No later than ten Business Days prior to the proposed date of any amendment, including an extension or renewal of the expiration date, or replacement or termination of the then current Rule G-34 Document, written notice (which may be by electronic means) that the current Rule G-34 Document is proposed to be amended, extended, renewed, replaced or terminated, as the case may be, and the expected date of execution and delivery of the amendment, extension, renewal, replacement or termination, as the case may be, of the relevant Rule G-34 Document;

(c) Within one Business Day after the execution and delivery of any amendment, including any renewal, extension, replacement or termination of the then current Rule G-34 Document, as the case may be, a copy of the executed amendment, renewal, extension, replacement or termination thereof and any other documents required to be delivered under subsection (e), if any;

(d) No later than three Business Days after receiving a request from the Remarketing Agent for any other Rule G-34 Document either listed on Annex A and not previously provided to the Remarketing Agent or as otherwise required by the MSRB after the effective date of this Remarketing Agreement; such documents relating to the establishment of liquidity for the Bonds in a word searchable PDF file or in such other form as the Remarketing Agent shall notify the District in writing is required by the MSRB; and

(e) In each instance that documents are delivered to the Remarketing Agent pursuant to this Section 20, the District shall provide (1) a clean final execution copy of each relevant Rule G-34 Document, and (2) in each case, if any, where the District or any other transaction party determines that any redactions need to be made to a Rule G-34 Document (which redactions must be in accordance with MSRB Rule G-34(c) and related guidance from the MSRB), (x) a redacted final execution copy of such Rule G-34 Document, and (y) a marked copy or list showing all redactions that have been made to such Rule G-34 Document.

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IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the date and year first written above.

**HAMPTON ROADS SANITATION DISTRICT**

By: \_\_\_\_\_  
Title: Chief Financial Officer

**J.P. MORGAN SECURITIES LLC**

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

## ANNEX A

### **If Credit Facility in place:**

Reimbursement Agreement  
Letter of Credit  
Trust Agreement, Supplemental Trust Agreement or  
similar document  
Letter of Credit Extensions or Renewals\*  
Loan Agreement or similar\*  
Amendments/modifications to any of such documents\*

### **If District Providing its own Liquidity:**

Trust Agreement, Supplemental Trust Agreement or  
similar document  
Loan Agreement or similar\*  
Amendments/modifications to any of such documents \*

\*if applicable

**ANNEX B**

**HAMPTON ROADS SANITATION DISTRICT  
INTERIM FINANCIAL REPORT  
OPERATING BUDGET  
FOR THE PERIOD ENDING [JUNE 30, 2015]**

## ESCROW DEPOSIT AGREEMENT

This ESCROW DEPOSIT AGREEMENT, dated as of March \_\_, 2016, by and among Hampton Roads Sanitation District (the “District”) and The Bank of New York Mellon Trust Company, N.A., as trustee under the Trust Agreement, dated as of October 1, 2011, as amended and restated (the “Trust Agreement”), and its successor or successors and any other corporation which may be substituted in its place pursuant to the Trust Agreement and as Paying Agent for the Refunded Bonds (as hereinafter defined) (the “Trustee”) and as escrow agent hereunder (hereinafter referred to, in either or both capacities, as the “Escrow Agent”).

WHEREAS, the District, under and pursuant to the provisions of that certain Trust Agreement, dated as of March 1, 2008, as supplemented (the “Senior Trust Agreement”), authorized and issued multiple series of Senior Bonds under the Trust Agreement; and

WHEREAS, the District wishes to refund all or a portion of its outstanding Revenue Bonds, \_\_\_\_\_, such Senior Bonds being more particularly identified in **Exhibit A** (the “Refunded Bonds”); and

WHEREAS, the District has determined to issue its Subordinate Wastewater Revenue Bonds, Series 2016A (the “Series 2016A Bonds”) under the Trust Agreement; and

WHEREAS, pursuant to the Trust Agreement, a portion of the proceeds of the Series 2016A Bonds will be provided to the Trustee, along with certain other moneys, to enable the Trustee to purchase securities in order to pay the Refunded Bonds and discharge and satisfy the covenants, agreements and other obligations of the District to the holders of the Refunded Bonds under the Trust Agreement; and

WHEREAS, the purchase and deposit of Escrow Securities (as defined below) and the deposit of the Cash Amount (as defined below) with the Trustee will accomplish the discharge and satisfaction of the covenants, agreements and other obligations of the District to the holders of the Refunded Bonds under the Trust Agreement;

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. All capitalized terms used herein and not otherwise defined herein shall have the same meanings in this Escrow Deposit Agreement as such terms are given in the Trust Agreement. Reference herein to or citation herein of any provisions of the Trust Agreement shall be deemed to incorporate the same as a part hereof in the same manner and with the same effect as if the same were fully set forth herein.

2. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Escrow Agent by the District and, by its execution and delivery hereof, The Bank of New York Mellon Trust Company, N.A. accepts appointment as Escrow Agent hereunder.

3. There is hereby created and established with the Escrow Agent a special and irrevocable fund designated the “Hampton Roads 2016 Refunding Escrow Deposit Fund” (the

“Escrow Fund”) to be held by the Escrow Agent separate and apart from all other funds of the District or the Escrow Agent.

On March \_\_, the District shall cause to be transferred Series 2016A Bond proceeds in the amount of \$\_\_\_\_\_ (the “Bond Proceeds Escrow Deposit”) to the Escrow Agent, and the Escrow Agent shall acknowledge receipt of the Bond Proceeds Escrow Deposit.

The District directs the Escrow Agent, and the Escrow Agent agrees to deposit the Bond Proceeds Escrow Deposit in the Escrow Fund and to apply amounts credited to the Escrow Fund to the purchase of the Defeasance Obligations listed in **Exhibit B** (such Defeasance Obligations together with any Defeasance Obligations substituted therefore and any Defeasance Obligations purchased pursuant to paragraphs (4) or (5) hereof are collectively referred to herein as the “Escrow Securities”), which, as provided in paragraph (6) hereof, are intended to mature at times and in amounts sufficient (excluding reinvestment earnings) to pay principal or redemption price of and interest when due on the Refunded Bonds, respectively. Except as otherwise provided below under subparagraph (b) of paragraph (4) with respect to the Escrow Securities, the Escrow Agent shall have no power or duty to invest any moneys held hereunder or to make substitutions of the Escrow Securities held hereunder or to sell, transfer, or otherwise dispose of the Escrow Securities or moneys acquired hereunder except in accordance with written instructions of the District. Any amounts derived from Escrow Securities not required to be applied to the payment of the principal or redemption price of and interest when due on the Refunded Bonds shall, to the extent practicable, be reinvested at the written direction of the District.

4. (a) Other than as hereinafter provided in this paragraph (4), or in paragraph (5) below, with respect to any amounts received from principal or interest payments on such Escrow Securities (as defined above) remaining in the Escrow Fund, and principal or redemption price of and interest due or to become due on the Refunded Bonds, the Escrow Agent shall leave such amounts received from the maturing principal of and interest on the Escrow Securities to the extent not then used to pay the principal or redemption price of or interest on the Refunded Bonds uninvested in the Escrow Fund.

(b) The District hereby directs the Escrow Agent to enter into this Escrow Deposit Agreement, and to invest and reinvest the amount held in the Escrow Fund pursuant to the terms hereof. The Escrow Agent hereby agrees that it will take all of the actions required to be taken by it in its capacity as Trustee under the Trust Agreement and as Escrow Agent hereunder in order to effectuate this Escrow Deposit Agreement. The liability of the Escrow Agent for the payment of the Refunded Bonds, pursuant to this paragraph and the Trust Agreement shall be limited to the application thereto of the Escrow Securities and the interest earnings thereon available for such purposes in the Escrow Fund. The Escrow Agent shall have no responsibility for any investment losses resulting from the investment, reinvestment, liquidation or substitution of Escrow Securities in accordance with the written direction of the District. The Escrow Agent shall invest amounts held in the Escrow Fund in accordance with the terms of this Escrow Deposit Agreement. The Escrow Agent, at the written direction of the District and upon receipt of the opinions and certificates described below, shall invest and reinvest in Defeasance Obligations any moneys remaining from time to time in the Escrow Fund until such time that they are needed to provide for the payment of the principal or redemption price of and interest on the Refunded Bonds, except as provided by paragraph (5) below. Such moneys shall be

reinvested at the direction of the District in Defeasance Obligations maturing no later than when required to meet an interest or principal payment on the Refunded Bonds, and at such interest rates or yields and for such periods that the District shall direct, provided that the Escrow Agent shall have received (i) a written opinion of a lawyer or a firm of lawyers nationally recognized in the field of municipal finance and satisfactory to the Escrow Agent (an “Opinion of Counsel”) to the effect that such reinvestment of such moneys and the interest rates or yields on such moneys will not adversely affect the exclusion of interest on the Series 2014A Bonds or the Refunded Bonds from gross income for Federal income tax purposes and (ii) a certification from a nationally recognized verification agent that, immediately following such transaction, the principal of and interest on the Defeasance Obligations in the Escrow Fund when due and paid will, without reinvestment, together with any other moneys or securities held in the Escrow Fund for such purpose, be sufficient to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds when due.

5. The District may withdraw from the Escrow Fund at any time moneys or Defeasance Obligations not then or thereafter needed to pay the principal or redemption price of and interest due or to become due on the Refunded Bonds resulting from any activity described in paragraphs (3) or (4) above or any other action of the District permitted by the Trust Agreement (including that certain of the Refunded Bonds have ceased to be Outstanding by virtue of the fact that such Refunded Bonds have been acquired by the Escrow Agent or the Trustee at the direction of the District) or this Escrow Agreement; the District shall provide to the Trustee an Accountant’s Report that after any such withdrawal the principal of and interest on the moneys and securities on deposit in the Escrow Fund, together with other moneys or securities held in the Escrow Fund for such purpose, shall be sufficient to pay without reinvestment, when due, the principal or redemption price of and interest on the Refunded Bonds.

6. The District hereby represents, warrants and certifies to the Escrow Agent that the Escrow Securities deposited in the Escrow Fund are and shall be Defeasance Obligations and that the Escrow Securities mature at such times and in such amounts such that, based solely upon calculations and certifications made to it by Bingham Arbitrage Rebate Services, Inc., verification agent, the maturing principal of and the interest on the Escrow Securities and the Cash Amount not applied to the purchase of the Escrow Securities, collectively, will be sufficient to pay when due the principal or redemption price, if applicable, of and interest due and to become due on the Refunded Bonds, on and prior to the redemption date or maturity date thereof, as the case may be, provided that amounts received from the Escrow Securities and not needed to pay amounts due on the Refunded Bonds, on the date received shall be held uninvested until applied to pay amounts due on the Refunded Bonds, or reinvested as provided in paragraph (4), all in accordance with and in satisfaction of the provisions of the Trust Agreement and this Escrow Deposit Agreement.

7. The District hereby irrevocably designates the Refunded Bonds for redemption on the dates set forth in **Exhibits A-1, A-2 and A-3** hereto. The forms of the notice required to be mailed pursuant to the requirements of the applicable Series Agreement are attached hereto as **Appendices A-1, A-2, and A-3** and the District hereby irrevocably instructs the Trustee to mail such notices at the times and in the manner required by the applicable Series Agreement.

Further, the District hereby irrevocably instructs the Trustee to deliver the notice of defeasance, the form of which is attached hereto as **Appendix B**, on the date hereof.

8. The District irrevocably covenants that it will take, or cause to be taken, all actions necessary to cause any Refunded Bonds anticipated to be redeemed to be so redeemed, including the timely mailing or publication of notices of redemption and the Escrow Agent shall have no obligation or liability with respect thereto.

9. The deposit of the Escrow Securities and moneys in the Escrow Fund shall constitute an irrevocable deposit in trust solely for the payment of the Refunded Bonds, and the principal of and interest earnings on such Escrow Securities and moneys shall be used solely for such purposes, as necessary, subject to paragraphs (4) and (5) hereof.

10. Neither the District nor the Escrow Agent shall sell, transfer or otherwise dispose of the Escrow Securities or the funds held uninvested under this Escrow Deposit Agreement, except as otherwise provided in paragraphs (4) and (5) hereof and except that the Escrow Agent may effect the transfer of such Escrow Securities or funds to a successor escrow agent in accordance with the Trust Agreement relating to the transfer of rights and property to successor trustees.

11. Subject to the provisions of paragraphs (4) and (5) hereof, the lien and pledge hereby created shall be irrevocable and the holders of the Refunded Bonds shall have an express lien on all moneys and Escrow Securities deposited in the Escrow Fund pursuant to paragraphs (3), (4) and (5) hereof and the interest earnings thereon until paid out, used and applied in accordance with this Escrow Deposit Agreement. Nothing in this Escrow Deposit Agreement shall be deemed to imply that the Refunded Bonds have been paid or deemed paid by reason of the execution of this Escrow Deposit Agreement.

12. In consideration of the services rendered by the Escrow Agent under this Escrow Deposit Agreement, the District agrees to and shall pay to the Escrow Agent such fees and expenses as the District and the Escrow Agent shall agree in writing, including all reasonable expenses, charges, counsel fees and other disbursements incurred by the Escrow Agent or by its attorneys, agents and employees in and about the performance of their powers and duties hereunder, from any moneys of the District lawfully available therefor and the Escrow Agent shall have no lien, claim, or right of setoff whatsoever upon or against any of the Escrow Securities, Defeasance Obligations, or the funds held uninvested in said Escrow Fund for the payment of such fees and expenses. The District further agrees, to the extent permitted by law, to indemnify and save the Escrow Agent, any successor escrow agent, and its officers, directors, agents, and employees harmless against any extraordinary expenses, services or liabilities which it may incur as a result of entering into this Escrow Deposit Agreement or which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to the Escrow Agent's negligence, willful misconduct or bad faith. The provisions of this paragraph (12) shall survive the discharge of this Escrow Deposit Agreement or the earlier resignation or removal of the Escrow Agent.

13. The District hereby acknowledges that the rights, duties, immunities and indemnities of the Trustee set out in Article IX of the Trust Agreement, and the obligations of the

District in respect thereof shall be applicable to the Trustee in its capacity as Escrow Agent hereunder.

14. The Escrow Agent will have no duties or responsibilities to the District or any other person in connection herewith except those specifically provided herein and will not be responsible for anything done or omitted to be done by it except for its own negligence, gross negligence, willful or intentional misconduct or default in the performance of any obligation imposed on it hereunder.

15. The Escrow Agent may consult with legal counsel or other experts concerning its duties hereunder, and the opinion of such counsel will be full and complete authority and protection to the Escrow Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

The Escrow Agent may perform its duties hereunder by or through attorneys, agents, receivers, or employees. The Escrow Agent shall not be obligated to use or risk its own funds in the performance of its duties hereunder or to pay the principal of, premium, if any, or interest on the Refunded Bonds.

16. Notices. All notice and communications to the District shall be addressed in writing to:

Jay Bernas  
Director of Finance and CFO  
Hampton Roads Sanitation District  
1434 Air Rail Avenue  
Virginia Beach, Virginia 23455

or at such other address as is furnished from time to time by the District.

All notices and communications to the Escrow Agent shall be addressed in writing to:

The Bank of New York Mellon Trust Company, N.A.  
525 William Penn Plaza, 38th Floor  
Pittsburgh, Pennsylvania, 15259  
Attention: Corporate Trust - Public Finance

or at such other address as is furnished from time to time by the Escrow Agent.

17. Resignation and Discharge of Escrow Agent. The Escrow Agent may resign and thereby become discharged from the trusts hereby created, by written notice mailed to the District by registered or certified mail. Such resignation shall take effect upon the appointment of a new Escrow Agent hereunder and acceptance of the trusts hereby created. The Escrow Agent shall continue to serve as Escrow Agent until a successor is appointed by the District, and the Escrow Agent may, after 60 days subsequent to its resignation, petition the Circuit Court of the City of Virginia Beach, Virginia, for the appointment of a successor Escrow Agent if one has not yet been appointed.

**HAMPTON ROADS SANITATION DISTRICT**

**and**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**

**as ESCROW AGENT**

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**Escrow Deposit Agreement**

**Dated \_\_\_\_\_, 2016**

18. This Escrow Deposit Agreement shall terminate when the Escrow Agent shall have transferred all amounts to be transferred hereunder in accordance with **Exhibit C** hereto.

19. This Escrow Deposit Agreement and the rights and duties of the parties hereunder shall be governed by, and construed in accordance with, the law of the Commonwealth of Virginia.

20. If any one or more of the covenants or agreements provided in this Escrow Deposit Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Deposit Agreement.

21. This Escrow Deposit Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Deposit Agreement to be executed by their duly authorized officers as of the date first above written.

HAMPTON ROADS SANITATION DISTRICT

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

Name:

Title:

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.  
*as Escrow Agent*

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

Name:

Title:

**EXHIBIT A**



**Escrow Cash Flows**

**FORM OF NOTICE OF REDEMPTION**

HAMPTON ROADS SANITATION DISTRICT, VIRGINIA

Wastewater Revenue Bonds,  
Series \_\_\_\_\_

Dated Date:  
Redemption Date:

<b><u>Maturity</u></b> <b><u>(April 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Redemption</u></b> <b><u>Price</u></b>	<b><u>CUSIPs</u></b>
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NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Trust Agreement, dated as of March 1, 2008, as supplemented, between Hampton Roads Sanitation District (the “District”) and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (the “Trustee”), securing the Bonds described above, the District has called and does hereby call for redemption on \_\_\_\_\_, the bonds described above at the redemption price set forth above, together with accrued interest to the date fixed for redemption.

The bonds will become and be due and payable by wire transfer to The Depository Trust Company, New York, New York, or its nominee, as registered owner of the bonds. From \_\_\_\_\_, interest on the above-described bonds will cease to accrue.

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, payers are required to withhold 28% of the amount paid upon redemption to those bondholders who have not returned a correctly completed Form W-9 entitled "Payer's Request for Taxpayer Identification Number". If you need a copy of the Form W-9, you should be able to obtain one at your local bank or IRS Service Center. Please return a correctly completed Form W-9 with your bonds to avoid any such withholding.

Dated: \_\_\_\_\_, 20\_\_

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.,  
as Trustee under the Trust Agreement and as  
Escrow Agent

\* None of the District, the Escrow Agent or the Trustee shall be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of the bondholders.

**FORM OF NOTICE OF REDEMPTION**

HAMPTON ROADS SANITATION DISTRICT, VIRGINIA

Wastewater Revenue Bonds,  
Series \_\_\_\_\_

Dated Date:  
Redemption Date:

<b><u>Maturity</u></b> <b>(November 1)</b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Redemption</u></b> <b><u>Price</u></b>	<b><u>CUSIPs</u></b>
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NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Trust Agreement, dated as of March 1, 2008, as supplemented, between Hampton Roads Sanitation District (the "District") and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (the "Trustee"), securing the Bonds described above, the District has called and does hereby call for redemption on \_\_\_\_\_, the bonds described above at the redemption price set forth above, together with accrued interest to the date fixed for redemption.

The bonds will become and be due and payable by wire transfer to The Depository Trust Company, New York, New York, or its nominee, as registered owner of the bonds. From \_\_\_\_\_, interest on the above-described bonds will cease to accrue.

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, payers are required to withhold 28% of the amount paid upon redemption to those bondholders who have not returned a correctly completed Form W-9 entitled "Payer's Request for Taxpayer Identification Number". If you need a copy of the Form W-9, you should be able to obtain one at your local bank or IRS Service Center. Please return a correctly completed Form W-9 with your bonds to avoid any such withholding.

Dated: \_\_\_\_\_, 20\_\_

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.,  
as Trustee under the Trust Agreement and as  
Escrow Agent

\* None of the District, the Escrow Agent or the Trustee shall be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of the bondholders.

**FORM OF NOTICE OF REDEMPTION**

HAMPTON ROADS SANITATION DISTRICT, VIRGINIA

Wastewater Revenue Bonds,  
Series \_\_\_\_\_

Dated Date:  
Redemption Date:

<b><u>Maturity</u></b> <b>(November 1)</b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Redemption</u></b> <b><u>Price</u></b>	<b><u>CUSIPs</u></b>
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NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Trust Agreement, dated as of March 1, 2008, as supplemented, between Hampton Roads Sanitation District (the “District”) and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (the “Trustee”), securing the Bonds described above, the District has called and does hereby call for redemption on \_\_\_\_\_, the bonds described above at the redemption price set forth above, together with accrued interest to the date fixed for redemption.

The bonds will become and be due and payable by wire transfer to The Depository Trust Company, New York, New York, or its nominee, as registered owner of the bonds. From \_\_\_\_\_, interest on the above-described bonds will cease to accrue.

Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, payers are required to withhold 28% of the amount paid upon redemption to those bondholders who have not returned a correctly completed Form W-9 entitled “Payer’s Request for Taxpayer Identification Number”. If you need a copy of the Form W-9, you should be able to obtain one at your local bank or IRS Service Center. Please return a correctly completed Form W-9 with your bonds to avoid any such withholding.

Dated: \_\_\_\_\_, 20\_\_

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.,  
as Trustee under the Trust Agreement and as  
Escrow Agent

\* None of the District, the Escrow Agent or the Trustee shall be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of the bondholders.

**FORM OF NOTICE OF DEFEASANCE**

NOTICE OF ESTABLISHMENT OF ESCROW FUND

HAMPTON ROADS SANITATION DISTRICT, VIRGINIA

Wastewater Revenue Bonds,  
Series \_\_\_\_  
Dated Date: \_\_\_\_\_  
Redemption Date: \_\_\_\_\_

Wastewater Revenue Bonds,  
Series \_\_\_\_  
Dated Date: \_\_\_\_\_  
Redemption Date: \_\_\_\_\_

Wastewater Revenue Bonds,  
Series \_\_\_\_  
Dated Date: \_\_\_\_\_  
Redemption Date: \_\_\_\_\_

NOTICE IS HEREBY GIVEN by Hampton Roads Sanitation District (the “District”) to the holders of the Bonds described below that, pursuant to the terms of an Escrow Agreement, dated as of March \_\_, 2016 (the “Escrow Agreement”), between the District and The Bank of New York Mellon Trust Company, N.A., in its capacity as escrow agent (the “Escrow Agent”), there has been deposited, in trust, with the Escrow Agent, cash and Defeasance Obligations in an amount that, together with interest thereon, will provide for the payment, when due, of the principal of and the interest on the portion of said bonds (collectively, the “Defeased Bonds”) to their respective maturity dates, as set forth below:

This notice is provided solely for informational purposes and does not constitute a notice of redemption. There is no need for the holders of the Defeased Bonds to take any action with respect to the Defeased Bonds.

Dated: March \_\_, 2016

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.,  
as Trustee under the Trust Agreement and as  
Escrow Agent

\* None of the District, the Escrow Agent or the Trustee shall be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of the bondholders.

TRUST AGREEMENT

by and between

HAMPTON ROADS SANITATION DISTRICT

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Trustee

Dated as of October 1, 2011

Securing

Subordinate Obligations



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Exhibit A

**THIS TRUST AGREEMENT**, dated for convenience of reference as of October 1, 2011, by and between

**HAMPTON ROADS SANITATION DISTRICT,**

a political subdivision of the Commonwealth of Virginia, by Hampton Roads Sanitation District Commission, the Commission of said District, and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**

a national banking association duly incorporated and validly existing under the laws of the United States of America, which is authorized under such laws to exercise trust powers and is subject to examination by federal authority (said banking corporation and any bank or trust company becoming successor Trustee under this Trust Agreement being hereinafter sometimes called the "Trustee"),

**WITNESSETH:**

**WHEREAS**, the Hampton Roads Sanitation District (the "District") was duly created under and pursuant to Chapter 407 of the Acts of Assembly of Virginia of 1940, and the Hampton Roads Sanitation District Commission (the "Commission"), created by said Chapter 407, is the Commission of the District; and

**WHEREAS**, by virtue of Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended (said Chapter 66 as so amended being hereinafter sometimes called the "Enabling Act"), the Commission is authorized and empowered:

(a) to construct, improve, extend, enlarge, reconstruct, maintain, equip, repair and operate a wastewater treatment system or systems, either within or without or partly within and partly without the corporate limits of the District,

(b) to issue, at one time or from time to time, revenue bonds, notes or other obligations of the District payable solely from the special funds provided under the authority of the Enabling Act and pledged for their payment, for the purpose of refunding the outstanding bonds, including the payment of any redemption premium thereon, paying the cost of a wastewater treatment system or systems and extensions and additions thereto, and providing funds for any other authorized purpose of the Commission, and

(c) to fix, revise, charge and collect rates, fees and other charges for the use of, and for the services and facilities furnished or to be furnished by, any such wastewater treatment system; and

**WHEREAS**, as provided by the Enabling Act, the District was constituted a political subdivision of the Commonwealth of Virginia and established as a governmental instrumentality to provide for the public health and welfare; and

**WHEREAS**, the Commission has previously executed and delivered a Master Trust Indenture, dated as of December 1, 1993, as amended and restated March 1, 2008 (as supplemented and as further amended and supplemented from time to time, the “Senior Trust Agreement”), between the District and The Bank of New York Mellon Trust Company, N.A., as successor Trustee (in such capacity, the “Senior Trustee”) pursuant to which District may provide for issuance and incurrence of Senior Obligations (as defined herein); and

**WHEREAS**, Section 705 of the Senior Trust Agreement permits the issuance of Subordinated Indebtedness (as defined in the Senior Trust Agreement) subject to the conditions recited therein; and

**WHEREAS**, the Commission has, from time to time, issued Subordinated Indebtedness to the Virginia Resources Authority (“VRA”) for purposes of financing improvements to the Wastewater System (as defined in the Senior Trust Agreement) (such Subordinated Indebtedness and any additional Subordinate Indebtedness delivered to VRA from time to time, the “VRA Subordinate Obligations”); and

**WHEREAS**, the Commission has determined to execute and deliver this Trust Agreement, dated as of October 1, 2011 (the “Trust Agreement”), between the District and The Bank of New York Mellon Trust Company, N.A., as Trustee (in such capacity, the “Trustee”) to provide for the issuance of Bonds (as defined herein) payable solely from the Net Revenues Available for Debt Service (as defined herein) derived by the District from its Wastewater System and the money attributable to proceeds of the Bonds and the income from the investment thereof; and

**WHEREAS**, the Commission has, with the consent of the Holders and in accordance with Section 1102 of this Trust Agreement, determined to amend and restate this Trust Agreement as of \_\_\_\_\_, 2016; and

**WHEREAS**, the Commission has determined that the Bonds and the certificate of authentication to be endorsed by the Bond Registrar on all Bonds as provided herein shall be, respectively, substantially in the form to be set forth in the applicable Series Agreement authorizing the issuance of such Bonds; and

**WHEREAS**, under the Constitution and laws of the Commonwealth of Virginia, including the Enabling Act, the District is authorized to enter into this Trust Agreement, to issue the Bonds as hereinafter provided 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; and

**WHEREAS**, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Virginia, including the Enabling Act, to happen, exist and be performed precedent to and in the execution and delivery of this Trust Agreement have happened, exist and have been performed as so required to make this Trust Agreement a valid and binding trust agreement securing the Bonds in accordance with its terms; and

**WHEREAS**, the Trustee has accepted the trusts created by this Trust Agreement and in evidence thereof has joined in the execution hereof;

**NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH:** that in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of Parity Obligations by the Holders (as hereinafter defined) thereof, and also for and in consideration of the sum of One Dollar in hand paid by the Trustee at or before the execution and delivery of this Trust Agreement, and for other good and valuable consideration, the receipt whereof is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Holders thereof, and to secure the payment of all Parity Obligations at any time issued and Outstanding under this Trust Agreement and the interest thereon according to their tenor, purport and effect, and to secure the performance and observance of all the covenants, agreements and conditions, express or implied, therein and herein contained, the Commission has executed and delivered this Trust Agreement in the name of and on behalf of the District, and by this Trust Agreement has given, granted, bargained, aliened, remised, released, conveyed, transferred, assigned, confirmed, set over and pledged, and does hereby give, grant, bargain, alien, remise, release, convey, transfer, assign, confirm, set over and pledge unto the Trustee, and its successor or successors in trust, all money and securities held by the Trustee in the 2011 Trust Agreement Bond Fund and in the 2011 Trust Agreement Debt Service Reserve Fund (both as hereinafter defined) and, until applied in payment of any item of the 2011 Trust Agreement Issuance Costs (as hereinafter defined) or Capital Improvement Program Costs (as hereinafter defined) in accordance with Section 403 hereof, all moneys and securities in the 2011 Trust Agreement Issuance Fund (as hereinafter defined) and the 2011 Trust Agreement Construction Fund (as hereinafter defined).

**TO HAVE AND TO HOLD** all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successor or successors in trust and to them and their assigns forever, subject to the exceptions, reservations and matters herein recited.

**IN TRUST, NEVERTHELESS**, upon the terms and trusts herein set forth, for the benefit, security and protection of all and singular the present and future Holders of the Parity Obligations issued or to be issued under and secured by this Trust Agreement, without preference, priority or distinction as to lien or otherwise, except as may otherwise be provided herein, of any one Bond over any other Bond by reason of priority in their issue, sale or otherwise, all as herein provided;

Provided, however, that if the District, its successors or assigns, shall well and truly pay, or cause to be paid, or provide for the payment, pursuant to the provisions of this Trust Agreement, of the principal of Parity Obligations and the interest due or to become due thereon, at the times and in the manner mentioned in the Parity Obligations and this Trust Agreement, according to the true intent and meaning thereof and hereof, and shall cause the payments to be made into the 2011 Trust Agreement Bond Fund as required under this Trust Agreement, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such performance and payments this

Trust Agreement and the rights hereby granted shall cease, determine and be void, as provided in Article XII hereof; otherwise this Trust Agreement to be and remain in full force and effect.

**THIS TRUST AGREEMENT FURTHER WITNESSETH** and it is expressly declared that all Parity Obligations issued and secured hereunder are to be issued, authenticated, delivered and dealt with, and all said property hereby given, granted, bargained, aliened, remised, released, conveyed, transferred, assigned, confirmed, set over and pledged is to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the District has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Holders, from time to time, of Parity Obligations, or any part thereof, as follows:

(End of preamble, granting, habendum and witnessing clauses)

## ARTICLE I.

### DEFINITIONS

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

**“Accreted Amount”** means with respect to Capital Appreciation Bonds, the amount set forth in the Series Agreement authorizing the issuance of such Capital Appreciation Bonds as the amount representing the initial public offering price, plus the accumulated and compounded interest on such Capital Appreciation Bonds.

**“Additional Bonds”** means Bonds, if any, issued by the District, subsequent to the issuance of the 2011 Bonds, under Section 209 of this Trust Agreement, including Additional Bonds issued in exchange for other such Additional Bonds pursuant to Section 205 of this Trust Agreement or in replacement for mutilated, destroyed, stolen or lost Additional Bonds pursuant to Section 211 of this Trust Agreement.

**“Audited Financial Statements”** means the annual financial statements of the District as audited and reported on by a firm of independent public accountants, for a twelve-month period constituting a Fiscal Year or other period indicated, prepared in accordance with generally accepted accounting principles.

**“Balloon Long-Term Indebtedness”** means Long-Term Indebtedness 25% or more of the principal payments of which is due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

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

**“Bonds”** means the 2011 Bonds so designated by and issued under Section 208, and any Additional Bonds issued under Section 209, of this Trust Agreement including Bonds issued in exchange for other such Bonds pursuant to Section 205 of this Trust Agreement or in replacement for mutilated, destroyed, stolen or lost Bonds pursuant to Section 211 of this Trust Agreement.

**“Business Day”** means any day on which banks located in the city in which the principal corporate trust office of the Trustee is located and in New York, New York, are open for commercial banking purposes.

**“Capital Appreciation Bonds”** means Bonds the interest on which is compounded at the rates and on the dates set forth in the Series Agreement authorizing the issuance of such Bonds and is payable upon redemption or on the maturity date of such Bonds. Nothing in this Trust Agreement shall prohibit the District from designating

in such Series Agreement any such Bonds by a name other than Capital Appreciation Bonds.

“**Capital Improvement Program Costs**” means and includes all items of cost that may be paid from the proceeds of Indebtedness of the District and includes the items referred to in Section 402 of this Trust Agreement.

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

“**Commission**” means the Hampton Roads Sanitation District Commission, which is the governing body of the District.

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

“**Corporate Trust Office**” means the office of the Trustee at which its principal corporate trust business is conducted, which at the date hereof is located at 919 East Main Street, Suite 1602, Richmond, Virginia 23219, Attention: Corporate Trust Department.

“**Credit Facility**” means a line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility, including self-liquidity provided by the District, established to provide credit or liquidity support for Indebtedness.

“**Cross-over Date**” means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

“**Cross-over Refunded Indebtedness**” means Indebtedness refunded by Cross-over Refunding Indebtedness.

“**Cross-over Refunding Indebtedness**” means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit (i) are required to be applied to pay interest on such Refunding Indebtedness until the Cross-over Date and (ii) shall not be used directly or indirectly to pay interest on the Refunded Indebtedness.

“**Current Interest Bonds**” means Bonds the interest on which is payable on the Interest Payment Dates provided therefor in the Series Agreement authorizing the issuance of such Bonds.

“**Debt Service Component of Contracted Services**” means that part of the payment for Contracted Services for which the District is obligated to pay that the chief financial officer of the District shall have determined in writing in an Officer’s Certificate

at the time the District commits to receive such Contracted Services to be for the purpose of paying a fixed charge or the principal of and interest on obligations, directly or indirectly associated with rendering the Contracted Services, of the person providing the Contracted Services.

**“Defaulted Interest”** means Defaulted Interest as defined in Section 203 of this Trust Agreement.

**“Defeasance Obligations”** means, except as otherwise provided in a Series Agreement, noncallable (i) Government Obligations, (ii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, and commonly known as “interest strips” of the Resolution Funding Corporation, (iv) Defeased Municipal Obligations, and (v) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian.

**“Defeased Municipal Obligations”** means, except as otherwise provided in a Series Agreement, obligations of state or local government municipal bond issuers which are rated at the time of acquisition the highest rating by at least two of the three Rating Agencies, meeting the following conditions:

(i) (A) such obligations are not to be redeemed prior to maturity or the Trustee has been given irrevocable instructions concerning their call for redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations that may be applied only to interest, principal, and premium payments on such obligations;

(iii) the principal of and interest on such Government Obligations (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations serving as security for the obligations are held by an escrow agent or trustee; and

(v) such Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

**“Derivative Agreement”** means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for

payments based on levels of, or changes or differences in, interest rates or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, rate or other financial risk; and (v) any other type of contract or arrangement that the District determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another or to protect against any type of financial risk or uncertainty.

**“Derivative Agreement Counterparty”** means, with respect to a Derivative Agreement, the Person that is identified in such agreement as the counterparty to, or contracting party with, the District.

**“Derivative Indebtedness”** means all or any portion of Indebtedness of the District which bears interest at either:

(a) a variable rate for any period of time meeting the requirements set forth in clauses (a)(i) and (a)(ii) below:

(i) the District shall have issued or entered into a Derivative Agreement in respect of all or such portion of such Indebtedness, and

(ii) such Derivative Agreement provides that, during the period that such Indebtedness bears interest at a variable rate, the District will pay a fixed rate and the provider of the Derivative Agreement will pay a variable rate, then in such case such Indebtedness, taken together with the Derivative Agreement, shall be deemed to result in a net fixed rate payable by the District for such period of time (the “Hedged Fixed Rate”), for so long as the District and the party(ies) with whom the District has entered into the Derivative Agreement shall make all payments required to be made by the terms of the Derivative Agreement, or

(b) a fixed rate for any period of time meeting the requirements set forth in clauses (b)(i) and (b)(ii) below:

(i) the District shall have issued or entered into a Derivative Agreement in respect of all or such portion of such Indebtedness, and

(ii) such Derivative Agreement provides that during the period that such Indebtedness bears interest at a fixed rate the District will pay a variable rate and the provider of the Derivative Agreement will pay a fixed rate, then such Indebtedness, taken together with the Derivative Agreement, shall be deemed to result in a net variable rate payable by the District for such period of time (the “Hedged Variable Rate”), assuming the District and the party(ies) with whom the District has entered into the Derivative Agreement make all payments required to be made by the terms of the Derivative Agreement.

**“District”** means the Hampton Roads Sanitation District, a political subdivision of the Commonwealth of Virginia.

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

**“Enabling Act”** means Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended.

**“Event of Default”** means any one or more of those events set forth in Section 801 of this Trust Agreement.

**“Financial Statements”** means the unaudited financial statements of the District for the Fiscal Year or other period indicated, pro forma or otherwise, and containing the same financial information as the Audited Financial Statements.

**“Fiscal Year”** means the twelve-month period beginning on July 1 of one calendar year and ending on June 30 of the following calendar year or such other twelve-month period designated by the Commission.

**“Fitch”** means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized statistical rating organization designated by the District by notice to the Trustee.

**“Government Obligations”** means direct obligations of, or obligations the payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

**“Hedged Fixed Rate”** means Hedged Fixed Rate as defined in the definition of Derivative Indebtedness.

**“Hedged Variable Rate”** means Hedged Variable Rate as defined in the definition of Derivative Indebtedness.

**“Holder”** means an owner of any Obligation issued in other than bearer form.

**“Indebtedness”** means (i) all indebtedness of the District for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by the District, and (iii) the Debt Service Component of Contracted Services.

**“Independent Consultant”** means a firm or firms which are not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of the District, and which is a professional management or engineering consultant of national repute for having the skill and experience necessary to render the particular report required by the provision hereof in which such requirement appears.

**“Independent Insurance Consultant”** means a firm or Person selected by the District, who is not an officer, director, trustee or employee of the District, and which or who is qualified to survey risks and to recommend insurance coverage for wastewater treatment systems and organizations engaged in such operations and is selected by the District.

**“Interest Payment Date”** means each date described as such in a Series Agreement.

**“Interest Requirements”** for any Fiscal Year means the amount that is required to pay interest on all Outstanding Parity Obligations.

**“Investment Obligations”** means any and all investment obligations authorized by (A) the Investment of Public Funds Act, being Section 2.2-4500 et seq., Code of Virginia, 1950, as amended, (B) the Government Non-Arbitrage Investment Act, being Section 2.2-4700 et seq., Code of Virginia, 1950, as amended, and (C) successor statutes to those described in (A) and (B) above, as the same shall be from time to time amended.

**“Issuance Costs”** has the meaning given to such term in Section 401(c).

**“Issuance Fund”** means the fund created and so designated by Section 401 of this Trust Agreement.

**“Junior Obligations”** means Indebtedness of the District the terms of which shall provide that it shall be subordinate and junior in right of payment to the prior payment in full of the Senior Obligations and the Parity Obligations to the extent and in the manner set forth below:

In the event (a) of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, arrangement or other similar proceedings in connection therewith, relative to the District or to its Property, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the District whether or not involving insolvency or bankruptcy, (b) any Junior Obligation is declared or otherwise becomes due and payable before its expressed maturity because of the occurrence of an event of default occurring under the documents pursuant to which such Junior Obligation is issued; and such declaration has not been rescinded and annulled, or (c) any Event of Default (as defined in the Senior Trust Agreement) under the Senior Trust Agreement shall occur and be continuing with respect to any Senior Obligation or any Event of Default under this Trust Agreement shall occur and be continuing with respect to any Parity Obligation and (1) written notice of such default shall have been given to the District and (2) judicial proceedings shall be commenced in respect of such Event of Default within 180 days in the case of a default in payment of principal or interest on Senior Obligations or Parity Obligations and within 90 days in the case of any other default after the giving of such notice, then, *first*, the Holders of Senior Obligations shall be entitled to receive payment in full of all principal, premium and interest on all Senior Obligations before the Holders of the Parity Obligation are entitled to receive any payment on account of principal or interest upon the Parity Obligations and, *second*, the

Holders of Parity Obligations shall be entitled to receive payment in full of all principal, premium and interest on all Parity Obligations before the Holders of the Junior Obligations are entitled to receive any payment on account of principal, premium or interest upon the Junior Obligations.

“**Lien**” means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of the District which secures any Indebtedness or any other obligation of the District.

“**Long-Term Debt Service Coverage Ratio**” means, for any period of time, the ratio determined by dividing the Net Revenues Available for Debt Service by Maximum Annual Debt Service on Parity Obligations.

“**Long-Term Debt Service Requirement**” means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of the lesser of thirty (30) years and the number of years until final maturity of such Indebtedness on a level debt service basis, at an interest rate equal to the market rate for a fixed rate obligation, set forth in an opinion, delivered to the District and the Trustee, of a banking institution, an investment banking institution or an independent registered municipal advisor, selected by the District and knowledgeable in municipal finance, as the interest rate at which the District could reasonably expect to borrow the same by incurring Indebtedness with the same term as assumed above; provided, however, that if the date of calculation is within twelve (12) calendar months of the actual final maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank or other financial institution, provided such credit arrangement is rated in one of the three highest rating categories by at least two of the Rating Agencies or rated in the highest short-term rating category by at least two of the Rating Agencies, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the District, be treated as if such principal payments or deposits were due as specified in any credit agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such credit agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate (but not Hedged Fixed Rate) Indebtedness, the interest on such Indebtedness shall

be calculated at 120% of the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness the interest rate for such Indebtedness for the initial interest rate period shall be 120% of the average of the SIFMA Swap Index for last 12 whole months for which such Index is available and thereafter shall be calculated as set forth above;

(iii) with respect to any Credit Facility, (a) to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility shall not be included in the Long-Term Debt Service Requirement and (b) to the extent such Credit Facility has been drawn upon, the payment provisions of such Credit Facility with respect to repayment of principal and interest thereon shall be included in the Long-Term Debt Service Requirement; and

(iv) with respect to Derivative Indebtedness, (i) for any historical computation, the interest on such Indebtedness shall be calculated by adding (A) the amount of interest payable by the District on such Derivative Indebtedness pursuant to its terms and (B) the amount of regularly scheduled payments made by the District pursuant to the Derivative Agreement and subtracting (C) the amount of regularly scheduled payments made by the Derivative Agreement Counterparty pursuant to the Derivative Agreement; (ii) for any historical pro forma or forecasted computation, if the Derivative Agreement Counterparty has a long-term credit rating of at least "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by at least one Rating Agency then rating the Indebtedness and does not have a long-term rating of less than "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) from any Rating Agency then rating the Indebtedness and has not defaulted on its payment obligations thereunder as of the date of computation, the interest on such Derivative Indebtedness shall be calculated at the Hedged Fixed Rate or the Hedged Variable Rate, as the case may be; and (iii) in all other instances, the amount of interest payable by the District on such Derivative Indebtedness shall be calculated as if such Derivative Agreement had not been executed; and

(v) in the case of Indebtedness having the benefit of a Credit Facility that provides for a term loan facility that requires the payment of the principal in one (1) year or more, the Indebtedness shall be considered Balloon Long-Term Indebtedness and shall be assumed to have the maturity schedule provided in clause (i)(a) of this definition;

provided, however, that (i) interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of

the Long-Term Indebtedness, (ii) the aggregate of the payments to be made with respect to principal and interest on Outstanding Long-Term Indebtedness shall not include principal and interest payable from Qualified Escrow Funds and (iii) principal shall be excluded from the determination of Long-Term Debt Service Requirement on Short-Term Indebtedness issued under the provisions of Section 704(c) and secured by a Credit Facility.

**“Long-Term Indebtedness”** means all obligations having a maturity of a term longer than one year for borrowed money incurred or assumed by the District, including (a) Short-Term Indebtedness if secured by a Credit Facility containing a commitment to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness, and (b) the current portion of Long-Term Indebtedness, for any of the following:

(1) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(2) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(3) installment sale or conditional sale contracts having an original term in excess of one year; and

(4) the Debt Service Component of Contracted Services in connection with Contracted Services rendered or provided pursuant to a contract having an original term of more than one year.

**“Maximum Annual Debt Service”** means, at any given time of determination, the greatest Long-Term Debt Service Requirement for the then current or any succeeding Fiscal Year.

**“Maximum Annual Debt Service on the Parity Obligations”** means, at any given time of determination, the maximum coincidental Principal and Interest Requirements for the Parity Obligations for the then-current or any succeeding Fiscal Year.

**“Moody’s”** means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized statistical rating organization designated by the District by notice to the Trustee.

**“Net Book Value”** when used in connection with Property, Plant and Equipment or other Property, means the value of such property, net of accumulated depreciation, as recognized by the District in conformity with generally accepted accounting principles.

“**Net Revenues**” means all revenues received by the District from its Wastewater System less Operating Expenses, provided, that Net Revenues shall not include any Transition Charge.

“**Net Revenues Available for Debt Service**” means all Net Revenues less debt service on Senior Obligations.

“**Officer’s Certificate**” means a certificate signed by a District Representative.

Each Officer’s Certificate presented pursuant to this Trust Agreement shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, this Trust Agreement. Each Officer’s Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer’s Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

“**Operating Expenses**” means those current expenses paid by the District that may be required to pay the cost of maintaining, repairing and operating the Wastewater System, including, but not limited to, reasonable and necessary usual expenses of administration, operation, maintenance and repair, costs for billing and collecting the rates, fees and other charges for the use of or the services furnished by the Wastewater System, insurance premiums, credit enhancement and liquidity support fees, legal, engineering, auditing and financial advisory expenses, expenses and compensation of the Trustee, and deposits into a self-insurance program. Operating Expenses shall exclude allowance for depreciation and amortization and expenditures for extraordinary maintenance or repair or improvements. Operating Expenses shall also exclude expenses for improvements that will not be owned by the District but which will, in the reasonable determination of the Commission, as evidenced by a resolution thereof, maintain or improve the integrity of the Wastewater System.

“**Opinion of Bond Counsel**” means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Trustee and experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

“**Opinion of Counsel**” means an opinion in writing signed by an attorney or firm of attorneys who may be counsel for the District or other counsel selected by the District.

“**Outstanding**”, when used with reference to Bonds or other Parity Obligations, means, as of a particular date, all Bonds and Parity Obligations theretofore issued under this Trust Agreement, except:

- (1) Bonds and Parity Obligations theretofore cancelled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

(2) Bonds and Parity Obligations for the payment of which money, Defeasance Obligations, or a combination of both, sufficient to pay, on the date when such Bonds are to be paid, the principal amount of, and the interest accruing to such date on, the Bonds to be paid, has been deposited with the Trustee or the Bond Registrar in trust for the Holders of such Bonds; Defeasance Obligations shall be deemed to be sufficient to pay Bonds on a specified date if the principal of and the interest on such Defeasance Obligations, when due, will be sufficient to pay on such date the principal of, and the interest accruing on, such Bonds to such date;

(3) Bonds and Parity Obligations in exchange for or in lieu of which other Bonds or Parity Obligations have been issued; and

(4) Bonds and Parity Obligations deemed to have been paid in accordance with Section 1201 of this Trust Agreement;

provided, however, that Bonds and Parity Obligations owned or held by or for the account of the District or any affiliate or any subsidiary or controlled affiliate of the District shall not be deemed Outstanding Bonds or Outstanding Parity Obligations for the purpose of any consent or other action or any calculation of Outstanding Bonds Outstanding Parity Obligations provided for in Article VIII, Article XI and Article XII of this Trust Agreement, and neither the District nor any affiliate, subsidiary or controlled affiliate of the District as registered owners of such Bonds or Parity Obligations shall be entitled to consent or take any other action provided for in Article VIII, Article XI and Article XII of this Trust Agreement. Notwithstanding the foregoing, Bonds or Parity Obligations owned or held for the account of the District or an or any affiliate or any subsidiary or controlled affiliate of the District shall not be deemed to be paid unless the District delivers, or causes such Bonds or Parity Obligations to be delivered, to the Trustee with the express written instructions of a District Representative directing the Trustee to cancel such Bonds pursuant to Section 506(b) hereof.

**“Parity Obligations”** means Bonds and VRA Subordinate Obligations.

**“Permitted Liens”** shall have the meaning given in Section 710 hereof.

**“Predecessor Bonds”** of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and, for purposes of this definition, any Bond authenticated and delivered under Section 211 of this Trust Agreement in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

**“[P]rincipal”** means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default, in which case “principal” means the initial public offering price of a Capital Appreciation Bond and the difference between the Accreted Amount and the initial public offering price shall be deemed to be interest and

(b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity or in satisfaction of a sinking fund requirement, if applicable.

**“Principal and Interest Requirements”** for any Fiscal Year means the sum of the Principal Requirements and Interest Requirements for such Fiscal Year.

**“Principal Payment Date”** means each date described as such in a Series Agreement.

**“Principal Requirements”** for any Fiscal Year means the amount required to pay the principal of all Outstanding Parity Obligations coming due in such Fiscal Year.

**“Property”** means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

**“Property, Plant and Equipment”** means all Property of the District which is property, plant and equipment under generally accepted accounting principles.

**“Qualified Escrow Funds”** means amounts deposited in a segregated escrow fund, or other similar fund or account, in connection with the issuance of Indebtedness which fund is required by the documents establishing such fund to be applied toward the District’s payment obligations with respect to principal or interest on (a) the Indebtedness secured thereby which is issued under the documents establishing such fund or (b) Indebtedness secured thereby which was issued prior to the establishment of such fund.

**“Qualified Reserve Fund Substitute”** means (i) an irrevocable letter of credit, naming the Trustee as beneficiary, issued by any domestic or foreign bank, or any branch or agency thereof, whose long-term debt obligations are rated in one of the two highest rating categories by at least two of the Rating Agencies that shall rate such obligations, or (ii) a policy of reserve fund insurance naming the Trustee as beneficiary, issued by an insurance company or financial institution whose claims paying ability is rated in one of the two highest rating categories by at least two of the Rating Agencies that shall rate such obligations, in either case (A) in an amount not less than the Debt Service Reserve Fund Requirement, (B) the terms of which allow the Trustee to make the draws required by Section 504 of this Trust Agreement and (C) that provides that the issuer of which shall not have been given a lien on any portion of the property of the District unless such lien also secures the Bonds on a parity basis.

**“Rate Covenant”** means the rate covenant of the District set out in Section 705(a) of this Trust Agreement.

**“Rating Agency”** or **“Rating Agencies”** means one or more of Fitch, Moody’s or Standard & Poor’s for so long as it is a nationally recognized statistical rating organization and any new, nationally recognized statistical rating organization.

**“Regular Record Date”** means, for any Series of Bonds or Parity Obligations, the record date or dates established for the Bonds or Parity Obligations of such series in a Series Agreement.

**“Responsible Officer”** means, when used with respect to the Trustee, any vice president, assistant vice president, senior associate or other officer of the Trustee within the corporate trust office specified in Section 1302 (or such corporate trust office so designated in a Series Agreement or any successor corporate trust office) having direct responsibility for the administration of this Trust Agreement.

**“Securities Depository”** means The Depository Trust Company, New York, New York or other recognized securities depository selected by the District, which maintains a book-entry system in respect of the Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

**“Securities Depository Nominee”** means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by the Bond Registrar the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system.

**“Senior Bond Fund”** means the means the Hampton Roads Sanitation District (Virginia) Wastewater Revenue Bonds Bond Fund created and so designated by Section 501 of the Senior Trust Agreement.

**“Senior Bonds”** shall have the meaning given the term “Bonds” by the Senior Trust Agreement.

**“Senior Indebtedness”** shall mean Indebtedness secured on a parity with the Senior Bonds under the terms of the Senior Trust Agreement.

**“Senior Debt Service Requirement”** means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on outstanding Senior Obligations during such period; provided that the amount of principal and interest due during such period shall be calculated using the methodology set forth in the definition of “Long-Term Debt Service Requirement” in the Senior Trust Agreement; provided, further, that, in the event of a deficiency in the Senior Debt Service Reserve Fund, the periodic deposits required to be made pursuant to Section 502 of the Senior Trust Agreement shall be included in the calculation of the Senior Debt Service Requirement.

**“Senior Debt Service Reserve Fund”** means the Hampton Roads Sanitation District (Virginia) Wastewater Revenue Bonds Debt Service Reserve Fund created and so designated by Section 501 of the Senior Trust Agreement.

**“Senior Obligations”** means, collectively, Senior Bonds and Senior Indebtedness and, if the District is required to fund the Senior Debt Service Reserve Fund pursuant to the provision of Section 706(a) of the Senior Trust Agreement, the District’s funding obligations under such section.

**“Senior Trust Agreement”** means that certain trust agreement, dated as of March 1, 2008, as the same may be supplemented and amended from time to time, between the District and The Bank of New York Mellon Trust Company, N.A., as successor Trustee.

**“Series Agreement”** means a supplemental trust agreement entered into or the resolution adopted by the Commission providing for the issuance of Bonds or Parity Obligations pursuant to Section 208 or Section 209 of this Trust Agreement. A Series Agreement shall include any Officer’s Certificate delivered by a District Representative or Representatives to whom authority has been delegated by the terms of the Series Agreement to provide the details of such Bonds and, for purposes of additional VRA Subordinate Obligations, a Series Agreement shall include such resolutions adopted by the Commission or financing agreements authorized thereby specifying the details of such additional VRA Subordinate Obligations.

**“Short-Term Indebtedness”** means all obligations for borrowed money, other than the current portion of Long-Term Indebtedness, incurred or assumed by the District for any of the following:

- (1) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;
- (2) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and
- (3) installment purchase or conditional sale contracts having an original term of one year or less.

**“SIFMA Swap Index”** means The Securities Industry and Financial Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, Tax-Exempt variable rate demand notes published by Bloomberg, or its successor, or otherwise designated by The Securities Industry and Financial Market Association; provided, however, that, if such index is no longer available or its successor, the “SIFMA Swap Index” shall mean such other reasonably comparable index selected by the remarketing agent appointed by the District in connection with Variable Rate Indebtedness.

**“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 Trust Agreement.

**“Standard & Poor’s”** means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized statistical rating organization designated by the District by notice to the Trustee.

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

“**Supplement**” means an agreement, including a Series Agreement, supplemental to, and authorized and executed pursuant to the terms of, this Trust Agreement.

“**Tax-Exempt**” with reference to Bonds or other Parity Obligations means any such Bonds or Parity Obligations so designated in the related Series Agreement.

“**Tax Certificate**” means a certificate or comparable instrument of the District delivered by the District and containing undertakings of the District with reference to Tax-Exempt Parity Obligations.

“**Total Operating Revenues**” means, with respect to the District, as to any period of time, total operating revenues, determined in accordance with generally accepted accounting principles.

“**Transition Charge**” means any rates, fees, charges or surcharges relating to the Wastewater System or the customers thereof established by irrevocable rate order or other action or instrument, and applicable to or by the District, in conjunction with the issuance of debt or other securities under a separate resolution, indenture or similar instrument (other than the Senior Trust Agreement, this Trust Agreement or other instrument securing Indebtedness secured by revenues of the Wastewater System) to the extent such rates, fees, charges or surcharges are pledged or otherwise encumbered or conveyed as security for such debt or other securities.

“**Trust Agreement**” means this Trust Agreement, including any Series Agreement and any other trust agreement amendatory hereof or supplemental hereto.

“**2011 Trust Agreement Bond Fund**” means the Hampton Roads Sanitation District (Virginia) Subordinate Wastewater Revenue Bonds Bond Fund created and so designated by Section 501 of this Trust Agreement.

“**2011 Trust Agreement Construction Fund**” means the fund created and so designated by Section 402 of this Trust Agreement.

“**2011 Trust Agreement Debt Service Reserve Fund**” means the Hampton Roads Sanitation District (Virginia) Subordinate Wastewater Revenue Bonds 2011 Trust Agreement Debt Service Reserve Fund created and so designated by Section 501 of this Trust Agreement.

“**2011 Trust Agreement Debt Service Reserve Fund Requirement**” means (i) on the date of issuance of the 2011 Bonds (as defined in Section 208), zero (0) and (ii) if, and to the extent, the District in its sole discretion determines to fund the 2011 Trust Agreement Debt Service Reserve Fund, the 2011 Trust Agreement Debt Service Reserve Fund Requirement specified in a Series Agreement.

“**2011 Trust Agreement Issuance Fund**” means the fund created and so designated by Section 401 of this Trust Agreement.

**“Variable Rate Indebtedness”** means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate until maturity.

**“VRA Subordinate Obligations”** means the District’s VRA Subordinate Obligations or other evidences of indebtedness, as further described in Exhibit A hereto, and such additional Parity Obligations issued to VRA payable on a parity with Parity Obligations issued pursuant to this Trust Agreement.

**“Wastewater System”** means the wastewater treatment system of the District as it may at any time exist, and includes all improvements and expansions thereof and additions thereto except as may otherwise be provided by resolution of the Commission.

**Section 102. Rules of Construction.** (a) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words “Senior Obligation”, “Bond”, “owner”, “Holder” and “person” shall include the plural as well as the singular number and the word “person” shall mean any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

(b) Any provision of this Trust Agreement referring to actions to be taken by the District shall be deemed to refer to the Commission to the extent that the Enabling Act authorizes the Commission to take such action instead of the District.

(c) All determinations with respect to the calculation of Net Revenues, Net Revenues Available for Debt Service, Long-Term Debt Service Coverage Ratio, Long-Term Debt Service Requirements, interest, principal, Interest Requirements, Principal Requirements and indebtedness of the District and the incurrence tests in Section 704 shall be made with reference to the District’s Audited Financial Statements or Financial Statements, as the case may be, and generally accepted accounting principles consistently applied.

(End of Article I)

## ARTICLE II.

### DETAILS OF BONDS; ISSUANCE OF BONDS, PARITY SUBORDINATE INDEBTEDNESS

**Section 201. Limitation on Indebtedness.** (a) The District may incur indebtedness by issuing Bonds or incurring other Parity Obligations hereunder or by creating Junior Obligations under any other document. The principal amount of Parity Obligations evidencing Indebtedness that may be created hereunder and the principal amount of Indebtedness that may be created under other documents are not limited except as limited by the provisions hereof, including Section 209 and Section 704, or the provisions of any other document securing Parity Obligations.

(b) No Bonds may be issued under the provisions of this Trust Agreement except in accordance with the provisions of this Article, *provided, however*, that nothing herein shall prohibit the District from issuing or incurring additional Parity Obligations through the sale and delivery of additional VRA Subordinate Obligations subject to the limitations and requirements of Section 209 and Section 704 hereof.

A. Bonds shall be issued or incurred in such forms as may from time to time be created by related Series Agreement permitted hereunder. Each Bond or series of Bonds shall be created by a different Series Agreement and shall be designated in such a manner as will differentiate such Bonds from any other Bonds and Parity Obligations.

B. The District and the Trustee may from time to time enter into a Series Agreement or the Commission may from time to time adopt a Series Agreement in order to issue Bonds hereunder. Each such Series Agreement shall, with respect to Bonds issued hereunder, set forth the date thereof, and the date or dates on which the principal of and redemption premium, if any, and interest on such Bonds shall be payable, and the form of such Bonds and such other terms and provisions as shall conform with the provisions hereof.

C. With respect to Bonds issued hereunder, simultaneously with or prior to the execution, authentication and delivery of such Bonds pursuant to this Trust Agreement:

(i) All requirements and conditions to the issuance of such Bonds, if any, set forth in the Series Agreement or in this Trust Agreement shall have been complied with and satisfied, as provided in an Officer's Certificate, a certified copy of which shall be delivered to the Trustee; and

(ii) The District shall have delivered to the Trustee an Opinion of Counsel to the effect that (1) registration of such Bonds under the Securities Act of 1933, as amended, and qualification of this Trust Agreement or the Supplement or resolution under the Trust Indenture Act of 1939, as amended, are not required, or, if such registration or qualification is required, that all applicable registration

and qualification provisions of said acts have been complied with, and (2) the Trust Agreement, the Series Agreement and the Bonds are valid, binding and enforceable obligations of the District in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and usual equity principles.

(c) Bonds authorized hereunder may be issued in one or more series that may be delivered from time to time. The District shall by Series Agreement authorize such series and shall specify, to the extent appropriate: (1) the authorized principal amount of such series; (2) the purposes to be financed with the proceeds of such series, or the Bonds or other indebtedness to be refunded or refinanced with the proceeds thereof, including costs of issuance; (3) the 2011 Trust Agreement Debt Service Reserve Fund Requirement, if any, and the funding of the 2011 Trust Agreement Debt Service Reserve Fund, if any; (4) the date and terms of maturity or maturities of the Bonds of such series, or the dates of payment of the Bonds on the demand of the Owner thereof; (5) the interest rate or rates of the Bonds of such series, which may include variable, adjustable, convertible or other rates, original issue discount, Capital Appreciation Bonds, Current Interest Bonds, municipal multipliers or other deferred interest arrangements and zero interest rate Bonds, provided that the interest cost of such series shall never exceed for such series the maximum interest rate, if any, permitted by law in effect at the time such series is issued; (6) the Interest Payment Dates for such series of Bonds; (7) the denominations, numbering, lettering and series designation of such series of Bonds; (8) the paying agents and place or places of payment of such Bonds; (9) any terms of redemption not inconsistent with the provisions of this Trust Agreement, which may include redemption at the election of the Owner thereof to the extent permitted by law; (10) the amount and date of each mandatory sinking fund or other redemption requirement, if any, for such series of Bonds; (11) the use to be made of the proceeds of such series of Bonds, including deposits required to be made into the Issuance Fund; and (12) any other terms or provisions applicable to the series of Bonds not inconsistent with the provisions of this Trust Agreement or the Act. All of the foregoing may be added by a Series Agreement at any time or from time to time prior to the issuance of such series of Bonds.

**Section 202. Form and Numbering of Bonds.** Except as otherwise provided in a Series Agreement, the definitive Bonds are issuable in fully registered form in denominations of \$5,000 or any whole multiple thereof and shall be substantially in the form hereinabove set forth, with such appropriate variations, omissions and insertions as may be necessary or appropriate to conform to the provisions of this Trust Agreement. All Bonds 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 Bonds shall be dated and shall be stated to mature, all as provided in the applicable Series Agreement.

Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated upon any 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 Bond interest is in default, such Bond shall bear interest from the date to which interest has been paid.

The Bonds shall be executed with the manual or facsimile signatures of the Chairman or Vice-Chairman of the Commission and of the Secretary or any Assistant Secretary of the Commission and a facsimile of the official seal of the Commission shall be printed thereon.

In case any officer a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, 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 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 that is legal tender for the payment of public and private debts on the respective dates of payment thereof. The principal of all Bonds shall be payable at the corporate trust office of the Bond Registrar for the delivery of Bonds upon the presentation and surrender of such Bonds as the same shall become due and payable.

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 is registered at the close of business on the Regular Record Date.

Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest may be paid by the District, at its election in each case, as provided in Subsection A or B below:

A. The District may elect to make payment of any Defaulted Interest on the Bonds to the persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The District shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the District shall deposit or cause to be deposited with the Trustee an amount of money equal to the sum of the unpaid fees and expenses of the Trustee, if any, and the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subsection provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor fewer than ten (10) days prior to the date of the proposed payment and not fewer than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the District of such Special Record Date and, in the name and at the expense of the District, shall cause notice of the proposed payment of such Defaulted Interest

and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the registration books maintained under Section 206 of this Trust Agreement not fewer than ten (10) days prior to such Special Record Date; provided that such notice shall be sent by registered or certified mail or overnight express delivery to any Holder which is a Securities Depository Nominee. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date and shall no longer be payable pursuant to the following subsection B.

B. The District may make payment of any Defaulted Interest on the Bonds in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed and upon such notice as may be required by such exchange, if, after notice given by the District to the Trustee of the proposed payment pursuant to this Subsection, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Bond delivered under this Trust Agreement 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, so 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 Trust Agreement. 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 Trust Agreement. The Bond Registrar's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer 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 corporate trust office of the Bond Registrar for the delivery of Bonds, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same maturity and series, of any denomination or denominations authorized by this Trust Agreement, bearing interest at the same rate, and in the same form as the registered Bonds surrendered for exchange.

The District shall make provision for the exchange of the Bonds at the corporate trust office of the Bond Registrar for the delivery of Bonds.

**Section 206. Negotiability, Registration and Transfer of Bonds.** The Bank of New York Mellon Trust Company, N.A., is hereby appointed as Bond Registrar and as such shall

keep books for the registration and registration of transfer of Bonds as provided in this Trust Agreement. Said registration books shall be available at all reasonable times for inspection by the District, the Trustee and their agents and representatives, and the Bond Registrar shall provide to the Trustee and the District, upon their written request, an accurate copy of the names and addresses of the Holders set forth on such books.

The Bond Registrar shall evidence acceptance of the duties, responsibilities and obligations of the Bond Registrar under this Trust Agreement by the execution of the Certificate of Authentication on the Bonds.

The transfer of any Bond may be registered only upon the books kept for the registration and registration of transfer of Bonds upon surrender thereof to the Bond Registrar together with an assignment duly executed by the registered owner or such owner's attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such registration of transfer the District shall execute and the Bond Registrar shall authenticate and deliver in exchange for such Bond a new registered Bond or Bonds, registered in the name of the transferee, of any denomination or denominations authorized by this Trust Agreement in the aggregate principal amount equal to the principal amount of such Bond surrendered or exchanged, of the same maturity and series 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 District shall execute and the Bond Registrar shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Trust Agreement. 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, transfer, or exchange of Bonds, but the District 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 transfer or exchange of Bonds.

**Section 207. Ownership of Bonds.** Except as may be provided in an applicable Series Agreement relating to the provider of a Credit Facility, the District, the Trustee, the Bond Registrar and any agent of the District may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of 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 District, the Trustee, the Bond Registrar nor any such agent shall be affected by notice to the contrary.

**Section 208. Authorization of Series 2011 Bonds.** There shall be issued under and secured by this Trust Agreement a series of revenue bonds of the District designated "Hampton Roads Sanitation District (Virginia) Subordinate Wastewater Revenue Bonds, Series 2011" (the "2011 Bonds") for the purpose of (i) paying a portion of the Capital Improvement Program Costs and (ii) paying the Issuance Costs of the 2011 Bonds.

The 2011 Bonds shall be stated to mature, shall bear interest and may be made subject to mandatory and optional redemption, and shall have such other details, all as provided in the related Series Agreement.

The 2011 Bonds shall be executed substantially in the form and in the manner hereinabove set forth and shall be deposited with the Bond Registrar for authentication, but before the Bonds shall be delivered by the Bond Registrar, there shall be filed or deposited with the Trustee the following:

(a) a copy, certified by the Secretary or any Assistant Secretary of the Commission, of the resolution of the Commission authorizing the execution of this Trust Agreement, the 2011 Bonds and this Trust Agreement, designating the Trustee and the Bond Registrar, approving the award of, or authorizing Designated Representatives to award, the Bonds, and directing the authentication and delivery of the Bonds to or upon the order of the purchasers thereof upon payment of the purchase price of the Bonds and the accrued interest thereon;

(b) a fully executed counterpart of this Trust Agreement;

(c) the fully executed Bonds;

(d) copies of insurance certificates and a statement, signed by the Independent Insurance Consultant of the District, to the effect that the insurance required by this Trust Agreement is in effect;

(e) an Opinion of Counsel for the District substantially to the effect that (1) the District has the power and authority to execute and deliver this Trust Agreement and the Bonds and to consummate the transactions contemplated by such instruments; (2) this Trust Agreement and the Bonds have been duly authorized, executed and delivered by the District; (3) the District has received, and there are currently in full force and effect with respect to the District, all consents, approvals, authorizations and orders of governmental or regulatory authorities, if any, necessary to conduct its business as it is currently being conducted; and (4) the execution and delivery of this Trust Agreement and the Bonds by the District and its compliance with the terms of such instruments, under the circumstances contemplated by such instruments, do not and will not in any material respect conflict with, or constitute on the part of the District a breach of or default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the District is a party or by which the District or any of its property is bound or conflict with, violate or result in a breach of any law, public administrative rule or regulation, judgment, court order or consent decree to which the District or any of its property is subject;

(f) an Opinion of Bond Counsel to the District, which may be given in reliance on the Opinion of Counsel to the District described in clause (e)(2) above, to the effect that this Trust Agreement and the Bonds constitute valid and binding agreements of the District, enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or by usual equity principles; and

(g) if any VRA Subordinate Obligations remain outstanding, an Officer's Certificate to the effect that the District has complied with any applicable restrictions imposed by such VRA Subordinate Obligations on the issuance or incurrence of Indebtedness such as such Bonds.

When the documents mentioned in paragraphs (a) to (g), inclusive, of this Section shall have been filed with the Trustee and when the 2011 Bonds shall have been executed and

authenticated as required by this Trust Agreement, the Trustee shall deliver the 2011 Bonds at one time to or upon the order of the purchasers named in the resolution mentioned in paragraph (a) of this Section, but only upon payment to the Trustee of the purchase price of the Bonds and the accrued interest thereon. The Trustee shall be entitled to rely upon the resolution mentioned in paragraph (a) of this Section as to all matters stated therein.

Simultaneously with the delivery of the 2011 Bonds, the proceeds thereof shall be applied by the Trustee as provided in the related Series Agreement.

**Section 209. Terms and Conditions for Incurrence of Additional Parity Obligations.** (a) The District covenants and agrees that it will not incur any Indebtedness hereunder, other than the 2011 Bonds, if, after giving effect to all other Indebtedness incurred by the District, such Indebtedness could not be incurred pursuant to this Section 209. Indebtedness may be incurred only in the manner and pursuant to the terms set forth in the following subsections.

(b) Additional Bonds, that is Bonds in addition to the 2011 Bonds, and other Parity Obligations may be issued or incurred if, prior to incurrence thereof, the District shall file or cause to be filed with the Trustee an Officer's Certificate (which may rely upon certificates or other evidence prepared by the officials of the District) demonstrating and stating that the incurrence test in Section 704, if applicable by its terms, will be met with respect to such separate issuance of Additional Bonds or incurrence of other Parity Obligations. The District may incur Parity Obligations in one or more separate issuances, which Parity Obligations may be issued in any form or combination of forms permitted by this Trust Agreement.

(i) Before any Additional Bonds shall be issued or other Parity Obligations incurred, the District shall execute and deliver or adopt a Series Agreement authorizing the issuance of such Bonds or the incurrence of such other Parity Obligations, fixing the amount and the details thereof as provided in Sections 202 and 203 hereof and describing in brief and general terms the purpose for issuing such Parity Obligations. Bonds may be issued and Parity Obligations may be incurred for any purpose permitted under the Act.

(ii) The District in the Series Agreement may (a)(i) establish the 2011 Debt Service Reserve Fund Requirement and (ii) determine to fund the 2011 Trust Agreement Debt Service Reserve Fund to an amount equal to the 2011 Trust Agreement Debt Service Reserve Fund Requirement and fix the provisions with respect thereto or (b) not to make any deposit to the 2011 Trust Agreement Debt Service Reserve Fund.

(iii) The Additional Bonds of each series shall be designated "Hampton Roads Sanitation District (Virginia) [Subordinate] Wastewater Revenue Bonds [Notes], [Refunding] Series ....." (inserting the year such Bonds are issued and any other distinctive letter or number and, if there are no longer any Senior Obligations outstanding under the Senior Trust Agreement, the words "Subordinate" may be omitted), shall be stated to mature, subject to the right of prior redemption as therein set forth, on the date or dates specified therein, in such year or years not later than maximum maturity permitted by law, shall bear interest at a rate or rates not exceeding the maximum rate then permitted by law, shall be numbered and shall have such redemption provisions, all

as provided in the Series Agreement. Except as to any differences in the maturities thereof or in the rate or rates of interest or the provisions for redemption or the provisions regarding the respective accounts and subaccounts within the 2011 Trust Agreement Bond Fund and the 2011 Trust Agreement Debt Service Reserve Fund, all such Additional Bonds shall be on a parity with each other and the 2011 Bonds and any Parity Subordinate Indebtedness and shall be entitled to the same benefit and security of this Trust Agreement, including, in particular, the pledge of Revenues in Section 701.

(iv) The proceeds (including accrued interest) of the Additional Bonds and the proceeds, if any, of any other Parity Obligations shall be applied simultaneously with the delivery thereof as provided in the Series Agreement for the particular Parity Obligations.

(v) In the case of Bonds or Parity Obligations issued to refund Outstanding Bonds or Parity Obligations, the District may direct the Trustee (A) to withdraw moneys and Investment Obligations from the 2011 Trust Agreement Bond Fund and the 2011 Trust Agreement Debt Service Reserve Fund and any appropriate accounts therein to the extent that, following the issuance of such refunding Parity Obligations and the defeasance of such refunded Parity Obligations, such moneys and Investment Obligations would be in excess of the requirements of this Trust Agreement and (B) to set aside such moneys and Investment Obligations so withdrawn, together with proceeds of the refunding Parity Obligations and any other moneys provided by the District, to effect the defeasance of such refunded Parity Obligations in accordance with the provisions of the Series Agreement applicable to the refunded Parity Obligations.

(vi) The District shall provide an Officer's Certificate as to compliance with the condition set forth in Section 705(a) hereof and to the same effect as that described in Section 208(g).

(c) VRA Subordinate Obligations and Junior Obligations may be incurred subject to the provisions of Section 704 hereof.

**Section 210. Temporary Bonds.** Until definitive Bonds are ready for delivery, there may be executed, and upon request of the District, 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 denominations of \$5,000 or any whole multiple thereof, substantially of the tenor of the Bonds set forth in this Trust Agreement 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 Commission by resolution, be exchanged at the corporate trust office of the Bond Registrar for the delivery of Bonds, 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 series and bearing interest at the same rate.

If temporary Bonds shall be issued, the District 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 corporate trust office for the delivery of Bonds, 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 series 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 Trust Agreement as the definitive Bonds to be issued and authenticated hereunder.

**Section 211. Mutilated, Destroyed, Stolen or Lost Bonds.** In case any Bond secured hereby shall become mutilated or be destroyed, stolen or lost, the District 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 (including reasonable attorney's fees, costs and expenses) of the District 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 District that such Bond was destroyed, stolen or lost, and of his ownership thereof, and shall furnish the District and the Bond Registrar indemnity satisfactory to them.

Every Bond issued pursuant to the provisions of this Section 211 in exchange or substitution for any Bond which is mutilated, destroyed, stolen or lost shall constitute an additional contractual obligation of the District, 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 any and all other Bonds duly issued under this Trust Agreement. 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 OF PARITY OBLIGATIONS**

**Section 301. Redemption of Parity Obligations.** Parity Obligations may be made subject to optional and mandatory redemption by the District prior to their respective maturities as provided in the related Series Agreement.

(End of Article III)

## ARTICLE IV.

### ISSUANCE AND CONSTRUCTION FUNDS

**Section 401. 2011 Trust Agreement Issuance Fund.** (a) A special fund is hereby established with the Trustee and designated Hampton Roads Sanitation District (Virginia) Subordinate Wastewater Revenue Bonds 2011 Trust Agreement Issuance Fund (the “Issuance Fund”). The Trustee shall make the deposit to the Issuance Fund required by the provisions of Section 208 of this Trust Agreement and any Series Agreement.

(b) The money in the Issuance Fund shall be held by the Trustee in trust and, subject to the provisions of Section 405 of this Trust Agreement, shall be applied to the payment of Issuance Costs and, pending such application, shall be subject to a lien and charge in favor of the Holders and for the further security of such Holders until paid out or transferred as provided in this Article IV.

(c) All issuance costs (“Issuance Costs”) incurred in connection with the Bonds and to be financed from the proceeds of the sale of the Bonds shall be paid only from the 2011 Trust Agreement Issuance Fund. Examples of such issuance costs include, but are not limited to, the following, if any:

- (i) counsel fees (including bond counsel, underwriter’s counsel, issuer’s counsel, trustee’s counsel, as well as any other specialized counsel, fees and expenses incurred in connection with the issuance of the Bonds);
- (ii) financial advisor fees incurred in connection with the issuance of the Bonds;
- (iii) Rating Agency fees;
- (iv) depository fees incurred in connection with the issuance of the Bonds;
- (v) trustee, paying agent and certifying and authenticating agent fees related to the issuance of the Bonds;
- (vi) accountant fees related to the issuance of the Bonds;
- (vii) printing costs (for the Bonds and of preliminary and final offering materials);
- (viii) costs incurred in connection with the required public approval process (e.g., publication costs for public notices generally and costs of the public hearing or voter referendum); and
- (ix) costs of engineering and feasibility studies necessary to the issuance of the Bonds.

**Section 402. 2011 Trust Agreement Construction Fund.** (a) A special fund is hereby established with the Trustee and designated Hampton Roads Sanitation District (Virginia) Subordinate Wastewater Revenue Bonds Subordinate Obligation 2011 Trust Agreement Construction Fund. The Trustee shall make the deposit to the 2011 Trust Agreement Construction Fund required by the provisions of Section 208 of this Trust Agreement and any Series Agreement.

(b) The money in the 2011 Trust Agreement Construction Fund shall be held by the Trustee in trust and, subject to the provisions of Section 405 of this Trust Agreement, shall be applied to the payment of Capital Improvement Program Costs and, pending such application, shall be subject to a lien and charge in favor of the Holders and for the further security of such Holders until paid out or transferred as provided in this Article IV for the further security of such Holders until paid out or transferred as provided in this Article IV.

(c) All Capital Improvement Program Costs to be financed from the proceeds of the sale of the Bonds shall be paid only from the 2011 Trust Agreement Construction Fund. Examples of such Capital Improvement Program Costs include, but are not limited to, the following, if any:

(i) the costs of preparation of surveys, cost estimates, appraisals, plans and specifications for, and fees for architectural, engineering, supervisory and consulting services, planning and development costs of, the costs of obtaining governmental or regulatory permits, licenses, franchises and approvals for, and estimates of Net Revenues and any other fees or expenses necessary or incidental to determining the feasibility or practicability of, any project;

(ii) the cost of acquiring by purchase, and the amount of any deposit in court or award or final judgment in, or any settlement or compromise of, any proceeding to acquire by eminent domain, such lands, property, property rights, rights of way, easements, franchises and other interests as may be deemed necessary or convenient for, options and partial payments thereon, the cost of demolishing or removing or relocating any buildings or structures or land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, and the amount of any damages incident to or consequent upon, the construction and operation of the Wastewater System;

(iii) all costs incurred in connection with the planning, investigating, licensing, siting, permitting, engineering, financing, equipping, construction and acquisition of a project for the Wastewater System, including the costs of any wastewater treatment plant or necessary transmission or interceptor lines or improvements required to interconnect any of the transmission or interceptor lines with any treatment plant, inventories, working capital, spares and other start up related costs, related environmental compliance costs, legal, engineering, accounting, advisory and other financing costs relating thereto;

(iv) all costs incurred in connection with the refurbishing, improving, repairing, replacement, retiring, decommissioning or disposing of any facility of the Wastewater System, or otherwise paid or incurred or to be paid or incurred by or on behalf of the District, all costs related to the acquisition and construction of any project,

including, without limitation, contractors' fees and charges, the cost of labor, services, materials and supplies used or furnished in site improvement and construction, and the purchase of machinery, equipment, facilities, rolling stock and ancillary items and the cost of utility services;

(v) all administrative services and overheads necessary or incidental to any project, including salaries, wages and benefits of employees and agents, of the District and a reasonable allowance for working capital related to the acquisition, construction and operation of any project and for a reasonable period after the completion thereof;

(vi) Issuance Costs for which funds are not available in the Issuance Fund;

(vii) interest to accrue on the Bonds to the completion of that portion of the project, improvement or other facility for which Program Costs are being incurred and, subject to the receipt of an Opinion of Bond Counsel to the effect that the proposed application for such additional period will not adversely affect the exclusion from gross income of the recipients thereof for federal income tax purposes of interest on the Tax-Exempt Bonds or any of them, for a reasonable period thereafter;

(viii) any amount required to make the amount to the credit of the 2011 Trust Agreement Debt Service Reserve Fund equal to the 2011 Trust Agreement Debt Service Reserve Fund Requirement, if any, and any amount provided in a Series Agreement to fund a debt service or other reserve for the related series of Bonds or other Parity Obligations;

(ix) any federal, state and local taxes and payments in lieu of taxes legally required, or deemed advisable by Commission, to be paid in respect of any project prior to its completion;

(x) to the extent they shall not be paid by a contractor, premiums of all insurance policies and surety and performance bonds required to be maintained in connection with the acquisition and construction of any project and all costs and expenses relating to injury, and damage claims arising from the acquisition and construction of any project and casualty and liability insurance premiums in connection with insurance against loss from such claims; and

(xi) repayment of all temporary borrowings made by and advances to the District in connection with any project.

**Section 403. Requisitions from 2011 Trust Agreement Issuance Fund and 2011 Trust Agreement Construction Fund.** Payments from the 2011 Trust Agreement Issuance Fund or 2011 Trust Agreement Construction Fund shall be made in accordance with the provisions of this Section. Before any such payment shall be made, there shall be filed with the Trustee a requisition signed by an appropriate officer or employee of the District in accordance with the procedures established from time to time by resolution of the Commission.

Upon receipt of each requisition the Trustee shall pay the obligations set forth in such requisition out of money in the Fund designated in such requisition, and each such obligation

shall be paid by check signed by one or more officers or employees of the Trustee designated for such purpose by the Trustee. If for any reason the District should decide prior to the payment of any item in a requisition not to pay such item, it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment.

**Section 404. Reliance Upon Requisitions.** All requisitions received by the Trustee as conditions of payment from the 2011 Trust Agreement Issuance or Construction Fund may be relied upon by the Trustee and shall be retained by the Trustee, subject at all reasonable times upon reasonable notice to the Trustee to examination by the Commission and the District.

**Section 405. Disposition of Fund Balances.** Unexpended fund balances in the 2011 Trust Agreement Issuance Fund and the 2011 Trust Agreement Construction Fund shall be applied as provided in the applicable Series Agreement.

(End of Article IV)

## ARTICLE V.

### REVENUES AND FUNDS

**Section 501. Establishment of Funds.** There are hereby established the following funds:

(a) Hampton Roads Sanitation District (Virginia) Subordinate Wastewater Revenue Bonds 2011 Trust Agreement Bond Fund; and

(b) Hampton Roads Sanitation District (Virginia) Subordinate Wastewater Revenue Bonds 2011 Trust Agreement Debt Service Reserve Fund.

The money and securities in each of such Funds shall be held in trust and applied as hereinafter provided and, pending such application the money and securities in each of such Funds and any accounts therein shall be subject to a lien and charge in favor of the Holders and for the further security of such Holders. The District may, in any Supplemental Agreement, create Subfunds within the Funds created by the Section 501.

**Section 502. Payments and Funds Received.** The District shall make payments directly to the Trustee for deposit in the 2011 Trust Agreement Bond Fund in amounts sufficient to pay in full, when due (whether by maturity, acceleration or otherwise), all Bonds issued under this Trust Agreement, together with the interest thereon. Such payments shall be due and payable as follows:

(a) to the credit of the 2011 Trust Agreement Bond Fund, on the Business Day next preceding each Interest Payment Date, an amount equal to the interest payable on the Bonds on such Interest Payment Date;

(b) to the credit of the 2011 Trust Agreement Bond Fund, on the Business Day next preceding each Principal Payment Date, an amount equal to the principal of the Bonds due on such Principal Payment Date; and

(c) any amount that may from time to time be required to enable the District to pay the principal of and interest due on Bonds upon acceleration.

Each payment shall be equal to the sum of the amounts specified above in paragraphs (a) to (c), inclusive, *provided, however*, that such payments shall be made only in the event and to the extent that, as of the date of such payment, the District shall have paid to the Senior Trustee for the account of the Senior Bond Fund all amounts attributable to the principal of and interest on any outstanding Senior Obligations due and owing thereon, plus any amounts required to be deposited to the credit of the Senior Debt Service Reserve Fund in accordance with the terms of the Senior Trust Agreement, as of such date.

On the Payment Date following a date on which the District shall have failed to pay to the Trustee the sum of the amounts specified in paragraphs (a) to (c) above or on which an investment loss shall have been charged to the 2011 Trust Agreement Bond Fund in accordance with Section 602 of this Trust Agreement, the District shall pay, in addition to the payment then

due, an amount equal to the deficiency in payment or the amount of such loss, unless such deficiency or loss shall have been remedied. To the extent that the investment earnings are transferred or credited to the 2011 Trust Agreement Bond Fund in accordance with this Trust Agreement or amounts are transferred or credited to such Fund as a result of the application of Bond proceeds or a transfer of surplus funds from the 2011 Trust Agreement Issuance Fund or otherwise, future payments shall be proportionately reduced by the amount so credited unless such transfer is made to cure deficiencies in such Fund to which the transfer is made.

Unless a Qualified Reserve Fund Substitute shall then be in effect, there shall be due and payable directly to the Trustee as a required payment from the District, on the twenty-fifth (25th) day of each month, (i) beginning in the month following the month in which money is transferred from the 2011 Trust Agreement Debt Service Reserve Fund to the 2011 Trust Agreement Bond Fund to cure a deficiency therein pursuant to Section 504 of this Trust Agreement, into the 2011 Trust Agreement Debt Service Reserve Fund one-twelfth (1/12) of the amount or amounts so transferred until the amount then on deposit in the Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement and (ii) beginning in the month following a valuation made in accordance with Section 603 of this Trust Agreement in which the amount on deposit in the 2011 Trust Agreement Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement and a loss resulting from a decline in the value of Investment Obligations held for the credit of the 2011 Trust Agreement Debt Service Reserve Fund is computed, into the Debt Service Reserve Fund, one-sixth (1/6) of the amount of such loss until the amount of such loss is reimbursed. Such payments shall be increased as may be necessary in any month to make up any previous deficiency in any of such monthly payments.

If, after giving effect to the credits specified below, any installment of payments made by the District should be insufficient to enable the Trustee to make the deposits required above, the Trustee shall give the District telephonic notice thereof, promptly confirmed in writing, and request that each future installment of payments due from the District be increased as may be necessary to make up any previous deficiency in any of the required payments and to make up any deficiency or loss in any of the above-mentioned funds.

To the extent that investment earnings are credited to the 2011 Trust Agreement Bond Fund in accordance with Section 602 of this Trust Agreement or amounts are credited thereto as a result of the application of Bond proceeds or a transfer of investment earnings on any other fund or account held by the Trustee, or otherwise, future deposits to the 2011 Trust Agreement Bond Fund shall be reduced by the amount so credited, and the payments due from the District in the months following the date upon which such amounts are credited shall be reduced by the amounts so credited.

**Section 503. Application of Money in 2011 Trust Agreement Bond Fund.** (a) Not later than 1:00 P.M. on the Business Day next preceding each Interest Payment Date or date for the payment of Defaulted Interest, the Trustee shall withdraw from the 2011 Trust Agreement Bond Fund and remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the amounts required for paying interest on the Bonds to each Holder which is not a Securities Depository Nominee. The Bond Registrar shall, not later than the Business Day next preceding each Interest Payment Date, remit by mail to each Holder

which is not a Securities Depository Nominee the amount required for paying interest on such Bonds when due and payable.

At such time as to enable the Bond Registrar to make payments of interest on the Bonds in accordance with any existing agreement between the Bond Registrar and any Securities Depository, the Trustee shall withdraw from the 2011 Trust Agreement Bond Fund and remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the amounts required to pay to any Holder which is a Securities Depository Nominee interest on the Bonds on the next ensuing Interest Payment Date; provided, however, that in no event shall the Trustee be required to make such wire transfer prior to the Business Day next preceding each Interest Payment Date, and provided further that such wire transfer shall be made not later than 1:00 P.M. on each Interest Payment Date.

In the event the balance in the 2011 Trust Agreement Bond Fund on the Business Day next preceding an Interest Payment Date is insufficient for the payment of interest becoming due on the Bonds on such Interest Payment Date, the Trustee shall immediately notify the District of the amount of the deficiency. Upon notification, the District shall immediately deliver to the Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the 2011 Trust Agreement Bond Fund, the Trustee shall transfer to such Fund such amount as may be necessary to remedy the deficiency therein from the 2011 Trust Agreement Debt Service Reserve Fund.

(b) Not later than 10:00 A.M. on each Principal Payment Date, the Trustee shall withdraw from the 2011 Trust Agreement Bond Fund and remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the amount necessary to pay the principal of all Bonds maturing on such Principal Payment Date.

In the event that the balance in the 2011 Trust Agreement Bond Fund on the Business Day next preceding any Principal Payment Date is insufficient for the payment of principal of all Bonds becoming due on such Principal Payment Date, the Trustee shall immediately notify the District of the amount of the deficiency. Upon notification, the District shall immediately deliver to the Trustee an amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in the 2011 Trust Agreement Bond Fund, the Trustee shall transfer to such Fund such amount as may be necessary to remedy the deficiency therein from the 2011 Trust Agreement Debt Service Reserve Fund.

(c) The Trustee shall also withdraw from the 2011 Trust Agreement Bond Fund and remit by wire or otherwise transfer to the payee, in Federal Reserve or other immediately available funds, the amount necessary to make any other payment in respect of outstanding Parity Obligations when due.

**Section 504. Application of Money in 2011 Trust Agreement Debt Service Reserve Fund; Qualified Reserve Fund Substitute.** No funds shall be deposited in the 2011 Trust Agreement Debt Service Reserve Fund upon delivery of the 2011 Bonds. If the District shall elect to fund the 2011 Trust Agreement Debt Service Reserve Fund, then an amount equal to the 2011 Trust Agreement Debt Service Reserve Fund Requirement, as the same shall be specified

in a Supplemental Agreement, shall be deposited in the 2011 Trust Agreement Debt Service Reserve Fund.

The Trustee shall use amounts in the 2011 Trust Agreement Debt Service Reserve Fund to make transfers to the 2011 Trust Agreement Bond Fund to the extent necessary to pay interest on and principal of (whether at maturity or by acceleration) the Bonds, whenever and to the extent that the money on deposit in the 2011 Trust Agreement Bond Fund is insufficient for such purposes and the District has failed to cure such deficiency.

If, on any date of valuation, the amounts held in the 2011 Trust Agreement Debt Service Reserve Fund, including the interest earnings on such Fund, exceed for any reason the 2011 Trust Agreement Debt Service Reserve Fund Requirement on the Bonds, whether on account of the expiration of the District's election to terminate a discretionary funding of the 2011 Trust Agreement Debt Service Reserve Fund or otherwise, an amount equal to such excess shall be transferred by the Trustee, (i) to the 2011 Trust Agreement Bond Fund or (ii) if the District shall deliver to the Trustee a written statement setting forth the use which the District proposes to make of such excess amounts, accompanied by an Opinion of Bond Counsel to the District, addressed to the Trustee, to the effect that such proposed use will not cause the interest on Tax-Exempt Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation, then to the District.

The District may, at any time, deliver to the Trustee a Qualified Reserve Fund Substitute. In such event, if the District shall also deliver to the Trustee a written statement setting forth the use which the District proposes to make of the cash and Investment Obligations then on deposit to the credit of the 2011 Trust Agreement Debt Service Reserve Fund, accompanied by an Opinion of Bond Counsel to the District, addressed to the Trustee, to the effect that such proposed use will not cause the interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation, the Trustee shall transfer to the District all amounts on deposit to the credit of the 2011 Trust Agreement Debt Service Reserve Fund.

If any Qualified Reserve Fund Substitute shall be in effect, the Trustee hereby agrees to give such notices and execute such documents as shall be required to assure that funds (i) are available in such amounts and at such times to assure timely payment of principal of and interest on the Bonds and (ii) are drawn to fund the 2011 Trust Agreement Debt Service Reserve Fund in an amount equal to the 2011 Trust Agreement Debt Service Reserve Fund Requirement at least six (6) months prior to the expiration date of the Qualified Reserve Fund Substitute unless (a) the Trustee shall have received a substitute Qualified Reserve Fund Substitute to replace such expiring Qualified Reserve Fund Substitute or (b) the expiration date of the expiring Qualified Reserve Fund Substitute is no earlier than the final stated maturity date of the Bonds.

**Section 505. Money Held in Trust.** All money that the Trustee shall have withdrawn from the 2011 Trust Agreement Bond Fund or shall have received from any other source and set aside or transferred to the Bond Registrar for the purpose of paying any of the Bonds hereby secured, either at the maturity thereof or for the purpose of paying any interest on the Bonds hereby secured, shall be held in trust for the respective Holders. Any money that is so set aside or transferred and that remains unclaimed by the Holders for a period of three (3) years after the

date on which such Bonds have become payable shall upon request in writing be paid to the District or to such officer, board or body as may then be entitled by law to receive the same, and thereafter the Holders of such Bonds shall look only to the District or to such officer, board or body, as the case may be, for payment and then only to the extent of the amounts so received, without any interest thereon, and the Trustee and Bond Registrar shall have no responsibility with respect to such money.

**Section 506. Cancellation of Bonds.** (a) All Bonds paid shall be delivered to the Bond Registrar when such payment is made, and such Bonds shall be cancelled. The Bond Registrar shall certify to the Trustee and the District the details of all Bonds so cancelled. All Bonds cancelled under any of the provisions of this Trust Agreement shall, as directed in writing by the District Representative, be either delivered to the District or destroyed by the Bond Registrar, which shall, in such event, execute a certificate in duplicate, describing the Bonds so destroyed, and one (1) executed certificate shall be filed with the District and one (1) executed certificate shall be filed with and retained by the Trustee.

(b) Bonds owned or held for the account of the District or any affiliate or any subsidiary or controlled affiliate of the District shall not be deemed to be paid unless the District delivers, or causes such Bonds to be delivered, to the Trustee accompanied with the express written instructions of a District Representative directing the to cancel such Bonds pursuant to Section 506 hereof. Except as set forth in a Series Agreement, for the avoidance of doubt, the purchase of, or for the account of, the District of Indebtedness evidenced by Bonds shall not extinguish such Indebtedness unless the District shall deliver the written instructions to the Trustee directing the Trustee to cancel such Bonds.

**Section 507. Disposition of Fund Balances.** After provision shall be made for the payment of all Outstanding Indebtedness secured by this Trust Agreement, 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 Trust Agreement and, assuming the existence of no other indentures or other agreements imposing a continuing lien on the balances hereinafter mentioned, the Trustee shall pay all amounts in any fund or account then held by it under this Trust Agreement to the District; provided, however, that if a continuing lien has been imposed on any such balance by another bond order, resolution, indenture or agreement as to which the Trustee has received actual notice from the District, the Trustee shall pay such balance to such person as such bond order, resolution, indenture or agreement shall provide.

(End of Article V)

## ARTICLE VI.

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

**Section 601. Security for Deposits.** Any and all money received by the District under the provisions of this Trust Agreement shall be deposited as received by the District with the Trustee and shall be trust funds under the terms hereof and shall not be subject to any lien or attachment by any creditor of the District. Such money shall be held in trust and applied in accordance with the provisions of this Trust Agreement.

All money deposited with the Trustee 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 District and the Holders, either (a) by lodging with a bank or trust company chosen by the Trustee or custodian 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 (b) if the furnishing of security as provided in clause (a) 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 Trustee or the Bond Registrar to give security for the deposit of any money with it for the payment of the principal of or the interest on any Bonds, or for the Trustee to give security for any money that shall be represented by obligations purchased under the provisions of this Article as an investment of such money.

Subject to the provisions of Section 602, all money deposited with the Trustee shall be credited to the particular fund or account to which such money belongs.

**Section 602. Investment of Money.** Money held for the credit of all funds and accounts created under this Trust Agreement shall be continuously invested and reinvested by the Trustee in Investment Obligations to the extent practicable in accordance with the instructions of the District Representative as provided herein. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended; provided, however, that Investment Obligations deposited in the 2011 Trust Agreement Debt Service Reserve Fund shall mature no later than the final maturity date of the Bonds secured by the 2011 Trust Agreement Debt Service Reserve Fund.

Unless a Qualified Reserve Fund Substitute shall be in effect, the District shall reimburse the 2011 Trust Agreement Debt Service Reserve Fund for any loss resulting from a decline in the value of Investment Obligations in which money held for the credit of the 2011 Trust Agreement Debt Service Reserve Fund is invested if on any date of valuation the amount on deposit in the 2011 Trust Agreement Debt Service Reserve Fund is less than the 2011 Trust Agreement Debt Service Reserve Fund Requirement. Such reimbursement shall be made by depositing in the

2011 Trust Agreement Debt Service Reserve Fund on a monthly basis an amount equal to one-sixth (1/6) of such loss commencing in the month following a valuation made in accordance with Section 603 hereof in which such a loss is computed.

The District Representative shall give to the Trustee written directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Article, and the Trustee shall then invest such money under this Section 602 as so directed by the District Representative. The Trustee may request, in writing, direction or authorization of the District Representative with respect to the proposed investment of money under the provisions of this Trust Agreement. Upon receipt of such request, accompanied by a memorandum setting forth the details of any proposed investment, the District Representative will either approve such proposed investment or will give written directions to the Trustee respecting the investment of such money and, in the case of such directions, the Trustee shall then, subject to the provisions of this Article, invest such money in accordance with such directions.

The Trustee may conclusively rely upon the District's written instructions as to both the suitability and legality of all investments directed under this Trust Agreement. Ratings of investments, to the extent such ratings affect the permissibility of a proposed investment for purposes of this Trust Agreement, shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of investments after the initial purchase of such investments. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades. Notwithstanding anything that may be to the contrary herein, in the absence of written investment instructions from the District, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested. Confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. The Trustee shall not be liable for any losses from any investments directed under this Trust Agreement.

Investment Obligations acquired with money and credited to any fund or account established under this Trust Agreement shall be held by or under the control of the Trustee and while so held shall be deemed at all times to be part of such fund or account in which such money was 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 fund or account. The Trustee shall sell at the best price attainable or reduce to cash a sufficient amount of such Investment Obligations whenever it shall be necessary so to do in order to provide money to make any payment or transfer of money from any such fund or account. The Trustee shall not be liable or responsible for any loss resulting from any such investment.

Whenever a payment or transfer of money between two (2) or more of the funds or accounts established pursuant to Article V of this Trust Agreement 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 VI, provided that the

Investment Obligations transferred are those in which money of the receiving fund or account could be invested at the date of such transfer.

**Section 603. Valuation.** For the purpose of determining the amount on deposit in any fund or account, Investment Obligations in which money in such fund or account is invested shall be valued (a) if such Investment Obligations mature, or are subject to redemption at the option of the holder thereof, within five years or less from the date of valuation thereof, such Investment Obligations shall be valued at amortized cost, and (b) if such Investment Obligations mature, or are subject to redemption at the option of the holder thereof, more than five years from the date of valuation thereof, such Investment Obligations shall be valued at the market value or the amortized cost thereof, whichever is lower.

The Trustee shall value the Investment Obligations in the funds and accounts established under this Trust Agreement five (5) Business Days prior to each Interest Payment Date. In addition, the Investment Obligations shall be valued by the Trustee at any time requested by the District Representative on reasonable notice to the Trustee (which period of notice may be waived or reduced by the Trustee); provided, however, that the Trustee shall not be required to value the Investment Obligations more than once in any calendar month other than as provided herein.

If upon valuation of the 2011 Trust Agreement Debt Service Reserve Fund, the balance in such Fund, including accrued interest to the date of valuation, is less than the 2011 Trust Agreement Debt Service Reserve Fund Requirement, the Trustee shall compute the amount by which the 2011 Trust Agreement Debt Service Reserve Fund Requirement exceeds such balance and shall immediately give the District notice of such deficiency and the amount necessary to cure the same. The foregoing sentence shall not apply during any period for which a Qualified Reserve Fund Substitute is in effect.

(End of Article VI)

## ARTICLE VII.

### GENERAL COVENANTS AND REPRESENTATIONS

#### **Section 701. Payment of Principal and Interest.**

(a) The District shall cause to be paid, when due, the principal of (whether at maturity, by acceleration or otherwise) and interest on the Bonds at the places, on the dates and in the manner provided herein and in said Bonds according to the true intent and meaning thereof; provided that it is understood that the Bonds are not general obligations of the District but are special obligations and are payable solely from Net Revenues Available for Debt Service derived by the District from its Wastewater System and the money attributable to proceeds of Bonds and the income from the investment thereof and not from any other fund or source. To secure the prompt payment of the principal and purchase price of, redemption premium, if any, and the interest on the Parity Obligations and the performance by the District of its other obligations hereunder, the District hereby grants to the Trustee a security interest in its Net Revenues Available for Debt Service.

(b) The Bonds issued under this Trust Agreement shall not be deemed to constitute a debt, or a pledge of the faith and credit, of the State or of any county, city, town or political subdivision thereof, and the issuance of the Bonds under this Trust Agreement shall not directly or indirectly or contingently obligate the State or any county, city, town, or political subdivision thereof to levy or to pledge any form of taxation whatever therefor.

**Section 702. Covenant to Perform and Authority of District.** The District shall faithfully perform at all times all of its covenants, undertakings and agreements contained in this Trust Agreement, in any Bond or Parity Obligation executed, authenticated and delivered hereunder, or in any proceedings of the Commission pertaining thereto. The District represents that it is duly authorized under the Constitution and laws of the State, particularly the Enabling Act, to issue the Bonds and Parity Obligations authorized hereby, to execute this Trust Agreement, to pledge its Net Revenues Available for Debt Service pursuant to this Trust Agreement in the manner and to the extent herein set forth as security for the Bonds or Parity Obligations; that all action on its part for the issuance of the Bonds or Parity Obligations and the adoption of this Trust Agreement has been duly and effectively taken; and that such Bonds or Parity Obligations in the hands of the Holders thereof are and will be valid and enforceable special obligations of the District enforceable according to their terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally and usual equitable principles.

**Section 703. Compliance with Covenants Conditions and Agreements in Trust Agreement.** The District covenants that, so long as any Parity Obligations are Outstanding, it shall comply with each and every covenant, condition and agreement in this Trust Agreement, any Series Agreements and such Parity Obligations. Each such covenant, condition and agreement in the Series Agreements and the Parity Obligations is hereby incorporated by reference and made a part of this Trust Agreement with the same effect intended as though the text of each such covenant, condition and agreement were set forth in this Trust Agreement as express covenants, conditions and agreements of the District.

**Section 704. Limitations on Indebtedness.** The District covenants and agrees that it will not issue any Additional Bonds or incur any other Parity Obligations, other than the 2011 Bonds if, after giving effect to all other Indebtedness incurred by the District, such Indebtedness could not be incurred pursuant to this Section 704. Any Additional Parity Obligations and Junior Obligations may be incurred only in the manner and pursuant to the terms set forth in this Section 704.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Trustee:

(i) an Officer's Certificate of a District Representative certifying that the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate of the District Representative for which there are Financial Statements available, adjusted for revenues and expenses resulting from anticipated new customers and any planned program of rate increases that has been approved by the Commission, taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than one hundred twenty percent (120%); or

(ii) an Officer's Certificate of a District Representative certifying that the District is expected to comply with the Rate Covenant set forth in Section 705 of this Trust Agreement for the five Fiscal Years following the date of issuance of the proposed Long-Term Indebtedness. Such certificate shall be accompanied by a statement of the relevant assumptions upon which such pro forma Financial Statements for the District are based including, but not limited to, adjustments to revenues and expenses resulting from anticipated new customers and any planned program of rate increases that has been approved by the Commission; or

(iii) if the Long-Term Indebtedness is authorized for any purpose other than the refunding of the outstanding Senior Obligations or Outstanding Parity Obligations, an Officer's Certificate of a District Representative to the effect, and to the extent applicable, that in his or her opinion (a) the improvements or property to which the proceeds from the issuance of the Long-Term Indebtedness are to be applied will be a part of the Wastewater System, (b) the proceeds of the Long-Term Indebtedness and other specified sources will be sufficient to pay the estimated cost of such improvements or property, (c) the period of time which will be required to complete such improvements or acquire such property, and (d)(1) the proceeds of the Long-Term Indebtedness are necessary to complete the project to be financed thereby, (2) the failure to make such improvements or acquire or construct such property will result in an interruption or reduction of Net Revenues, or (3) during the first two Fiscal Years following the completion of the improvements or the acquisition of the property, the projected Net Revenues Available for Debt Service will satisfy the Rate Covenant in Section 705 hereof. In providing this certificate, the District Representative may take into consideration future Wastewater System rate increases, provided that such rate increases have been duly approved by the Commission and any other person and entity required to give approval for the rate increase to become effective. In addition, he or she may take

into consideration additional future revenues of the Wastewater System to be derived under then existing contractual agreements entered into by the District and from reasonable estimates of growth in the customer base of the District; or

(iv) an Officer's Certificate of a District Representative certifying compliance with the Rate Covenant set forth in Section 705 of this Trust Agreement for the most recent period of twelve (12) full consecutive calendar months for which there are Financial Statements available preceding the date of delivery of the certificate.

(b) Long-Term Indebtedness may be incurred for the purpose of refunding Outstanding Long-Term Indebtedness if either (i) a certificate of an independent financial advisor to the effect that, the Long-Term Indebtedness issued to refund outstanding Senior Obligations or Outstanding Parity Obligations will have, in the aggregate, a lower Long-Term Debt Service Requirement than the Long-Term Debt Service Requirement on the Senior Obligations or Outstanding Parity Obligations to be refunded with the proceeds thereof, or (ii) an Officer's Certificate of a District Representative to the effect that during the first two complete Fiscal Years following the issuance of the refunding Long-Term Indebtedness, the projected Net Revenues Available for Debt Service will satisfy the Rate Covenant in Section 705 hereof. In providing the certificate described in this clause (b), the Officer's Certificate may take into account the factors described in the last two sentences of subsection (a)(iii) of this Section. In addition, the Trustee shall receive an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and application of the proceeds thereof (on the Cross-over Date, in the case of Cross-over Refunding Indebtedness), the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding.

(c) Short-Term Indebtedness may be incurred as a Parity Obligation subject to the same tests that apply to the incurrence of Parity Obligations generally; provided, however, that notwithstanding such limitation, the District may incur as a Parity Obligation from time to time and have outstanding at any one time Short-Term Indebtedness in an amount up to 10% of its Total Operating Revenues as reflected in the Financial Statements of the District for the most recent period of twelve consecutive months for which Financial Statements are available and provided, further, that the District may incur Short-Term Indebtedness secured by a Credit Facility without limitation. Short-Term Indebtedness may be incurred as Junior Obligations without compliance with the tests that apply to the incurrence of Parity Subordinate Indebtedness.

(d) Additional VRA Subordinate Obligations may be incurred by the District subject to the delivery of an Officer's Certificate of a District Representative demonstrating compliance with Sections 704(a) or (b) and 705(a) hereof, *provided, however*, anything in this Trust Agreement notwithstanding, the District may make such additional covenants in a supplemental resolution, financing agreement or other agreement authorizing and securing a VRA Subordinate Obligations as may be required by VRA as a condition of selling such VRA Subordinate Obligations.

(e) Junior Obligations may be incurred without limitation.

(f) For purposes of demonstrating compliance with the incurrence test set forth in subsection (a) of this Section 704, the District may (but is not required to) elect in the applicable Series Agreement to treat all or any Parity Obligations authorized in a Credit Facility (including, for example and without limitation, a self-liquidity arrangement provided by the District, a line of credit or a liquidity facility supporting a commercial paper program), but not immediately issued or incurred under such Credit Facility, as subject to such incurrence test as of a single date, notwithstanding that none, or less than all, of the authorized principal amount of such Parity Obligations shall have been issued or incurred as of such date.

(g) Notwithstanding the foregoing provisions of this Section 704, nothing herein contained shall preclude the District from incurring any obligation under a Credit Facility.

**Section 705. Rate Covenant.** (a) The District covenants and agrees that it will fix and collect rates, fees and other charges for the use of and for services furnished or to be furnished by the Wastewater System, and will from time to time revise such rates, fees and other charges so that in each Fiscal Year the Net Revenues Available for Debt Service will equal at least 120% of the Principal and Interest Requirements and all other Indebtedness payable from Net Revenues Available for Debt Service. If, for any reason, the Net Revenues Available for Debt Service are insufficient to satisfy the foregoing covenant, the District shall within one hundred twenty (120) days adjust and increase its rates, fees and other charges (to the extent permitted by the Enabling Act), or reduce its operating and maintenance expenses so as to provide sufficient Net Revenues Available for Debt Service to satisfy such requirement.

(b) If at any time the District fails to comply with its Rate Covenant in subsection (a) of this Section 705, the District shall immediately notify the Trustee, such notice also containing an Officer's Certificate of a District Representative as to (i) the amount of the deficiency in Net Revenues Available for Debt Service which existed for the applicable period and the rates, fees and other charges which must be established by the District to cure such deficiency, and (ii) during the Fiscal Year in which the certificate is delivered, the projected Net Revenues Available for Debt Service will satisfy the Rate Covenant made by the District in subsection (a) of this Section, or, if not, the rates, fees and other charges the District must establish to satisfy such rate covenant. In addition, the District shall, to the extent permitted by law, take appropriate action to increase its rates, fees and other charges or reduce its Operating Expenses to cure any deficiency.

(c) On or before the last day of each Fiscal Year, the District shall review the adequacy of its rates, fees and other charges for the next Fiscal Year, and, if such review indicates the District's rates, fees and other charges are insufficient to satisfy the Rate Covenant in subsection (a) of this Section, the District shall promptly take appropriate action to increase its rates, fees and other charges or reduce its operating and maintenance expenses to cure any deficiency.

**Section 706. Designation of Funds.** No later than the last Business Day of each month, the District shall specifically earmark cash, cash equivalents or marketable securities or any combination thereof in an amount equal to the amount of (a) the interest on the Bonds that shall accrue in the next month and (b) the principal of the Bonds that shall accrue in the next month. In computing the amount to be earmarked for any particular month, the District shall take into account any scheduled maturities of interest or principal scheduled to become due and

payable in such month and the funds theretofore earmarked for such purpose and may assume that both interest and principal accrue daily from the prior payment date or date of issuance but not more than twelve (12) months prior to a payment date.

**Section 707. Covenants as to Maintenance of Properties, Etc.** The District hereby covenants:

(a) At all times to cause its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (supported, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of an Independent Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Commission, useful in the conduct of its business;

(b) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the State and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith;

(c) To pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof;

(d) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Indebtedness created and Outstanding hereunder) whose validity, amount or collectability is being contested in good faith;

(e) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness; and

(f) To procure and maintain all necessary licenses and permits for the operation of its Wastewater System;

provided, however, that it need not comply with this Section 707 if and to the extent that its Commission shall have determined in good faith, evidenced by a resolution of the Commission, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

**Section 708. Insurance.** (a) The District agrees that it will maintain, or cause to be maintained, the following types of insurance, subject to the provisions of subsection (b) of this Section, in such amounts as, in its judgment, are adequate to protect it and its Property and operations from material financial loss: (i) comprehensive general liability insurance and (ii) property coverage on an “all risk” basis.

(b) If the District shall be self-insured (excluding deductibles) for any coverage detailed in paragraph (a) of this Section, the District shall provide the Trustee a report of an Independent Insurance Consultant selected by the District not less than every three (3) years, which report shall state whether the anticipated funding of any self-insurance fund is sufficient, and if not, the required funding to obtain such result, and any such self-insurance coverage shall be reviewed by the Independent Insurance Consultant not less frequently than annually. If the Independent Insurance Consultant determines in any such report that the anticipated funding of any self-insurance fund is not sufficient, the District covenants that it will undertake to fund such self-insurance fund in the manner recommended by the Independent Insurance Consultant.

**Section 709. Insurance and Condemnation Proceeds.** (a) Amounts that do not exceed twenty percent (20%) of the Net Book Value of the Property, Plant and Equipment of the District received by the District as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the District may determine, including, without limitation, applying such moneys to the partial payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

(b) Amounts that exceed twenty percent (20%) of the Net Book Value of the Property, Plant and Equipment of the District received by the District as insurance proceeds with respect to any casualty loss or as condemnation awards shall be applied in such manner as the District may determine; provided, however, that the District shall notify the Trustee and within twelve (12) months after the casualty loss or taking, deliver to the Trustee a written report of an Independent Consultant stating the Independent Consultant’s recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the two periods of twelve (12) full consecutive calendar months following the date on which such proceeds or awards are expected to have been fully applied to be not less than one hundred twenty percent (120%), or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, at the highest practicable level.

(c) In determining the disposition of such proceeds, the District agrees that it will take into account the recommendations described in subsection (b) of this section.

**Section 710. Limitations on Creation of Liens.**

(a) The District agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it or upon its Net Revenues other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits with the District in connection with leases of real estate, bids or contracts (other than contracts for the

payment of money), deposits by the District to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the District to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against the District so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 90 days; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (D) to the extent that it affects title to any Property, this Indenture; and (E) landlord's liens;

(v) Any Lien which is existing on the date of authentication and delivery of the 2011 Bonds issued under this Trust Agreement; provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of the District not subject to such Lien on such date or to secure Indebtedness not Outstanding on the date of issuance of the 2011 Bonds, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(vi) Any lien on pledges, gifts or grants to be received in the future including any income derived from the investment thereof;

(vii) The Lien of the Senior Trust Agreement;

(viii) Any Lien securing all Parity Obligations on a parity basis;

(ix) Any Liens on Property received by the District through gifts, grants or bequests, such liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(x) Any Lien on moveable equipment securing Indebtedness incurred to purchase such moveable equipment, provided that the total of such Indebtedness does not exceed fifteen percent (15%) of the Net Book Value of the Property, Plant and Equipment of the District as shown on the Financial Statements for the prior Fiscal Year; and

(xi) Any Lien on Net Revenues securing Junior Obligations; provided that such Lien is expressly subordinate and junior to the Lien on Net Revenues Available for Debt Service created pursuant to Section 701(a) hereof.

**Section 711. Filing of Financial Statements, Certificate of No Default, Other Information.** The District covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than one hundred fifty (150) days after the end of each fiscal reporting period for which the Audited Financial Statements are opined upon by independent public accountants, file with the Trustee a copy of the Audited Financial Statements as of the end of such fiscal reporting period, accompanied by the opinion of independent public accountants. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles.

(b) Within thirty (30) days after receipt of the Audited Financial Statements mentioned above, but in no event later than one hundred fifty (150) days after the end of each fiscal reporting period, file with the Trustee an Officer's Certificate stating whether, to the best knowledge of the signers, the District is in default in the performance of any covenant contained in this Trust Agreement and, if so, specifying each such default of which the signers may have knowledge and whether each such default has been corrected. If any default has not been remedied then such Officer's Certificate, to the best knowledge of the signers, shall identify what, if any, corrective action will be taken to cure such default.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Trustee such other financial statements and information concerning its operations and financial affairs as the Trustee may from time to time reasonably request, excluding specifically personnel records, and (ii) provide access to its facilities for the purpose of inspection by the Trustee during regular business hours or at such other times as the Trustee may reasonably request.

(d) Within thirty (30) days after its receipt thereof, file with the Trustee a copy of each report required by any provision of this Trust Agreement to be prepared by an Independent Consultant.

**Section 712. Annual Budget.** The District covenants that on or before the 1<sup>st</sup> day of the last month preceding the beginning of each Fiscal Year the Commission will adopt a budget of operating and nonoperating revenues and expenses for the ensuing Fiscal Year.

**Section 713. Renewal and Replacement Reserve.** The District covenants that it will establish a reserve to finance anticipated renewals, replacements, extensions, additions and extraordinary repairs of the Wastewater System and that it will reserve in retained earnings and credit to such reserve Net Revenues to the extent needed to finance such anticipated renewals, replacements, extensions, additions and extraordinary repairs.

**Section 714. Senior Trust Agreement.** The District covenants to observe the covenants of the Commission contained in the Senior Trust Agreement, which are hereby expressly incorporated herein by reference until there shall be no outstanding Senior Obligations. To the extent the provisions of this Article and Article VII of the Senior Trust Agreement shall conflict, for so long as there shall be any outstanding Senior Obligations, the provisions of the covenants contained in the Senior Trust Agreement shall control.

**Section 715. Further Instruments and Actions.** At the request of the Trustee, the District or the Commission shall execute and deliver such further instruments or take such further actions as may be required to carry out the purposes of this Trust Agreement.

(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 the purchase price of any Bond shall not be made by the District when the same shall become due and payable,

(b) payment of any installment of interest on any Bond shall not be made by the District when the same shall become due and payable; or

(c) payment of the principal of any Bond shall not be made by the District when the same shall become due and payable, whether at maturity or by acceleration or otherwise; or

(d) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in this Trust Agreement or any agreement supplemental hereto, including any covenant, condition, agreement or provision in this Trust Agreement applicable to the District and incorporated by reference in this Trust Agreement pursuant to Section 703 of this Trust Agreement, and such default shall continue for thirty (30) days after receipt by the District of a written notice from the Trustee specifying such default and requiring the same to be remedied; provided, however, if prior to the expiration of such thirty-day period the District institutes action reasonably designed to cure such default, no Event of Default shall be deemed to have occurred upon the expiration of such thirty-day period for so long as the District pursues such curative action with reasonable diligence and provided that such curative action can be completed within a reasonable time.

**Section 802. Remedies.** Upon the happening and continuance of an Event of Default specified in Section 801 of this Trust Agreement, the Trustee may take the following remedial steps: (i) in the case of an Event of Default described in Section 801(a), (b) or (c) hereof, the Trustee may take whatever action at law or in equity is necessary or desirable to collect the payments then due under this Trust Agreement or the Bonds; and (ii) in the case of an Event of Default described in Section 801(d) of this Trust Agreement, the Trustee may take whatever action at law or in equity is necessary or desirable to enforce performance, observance or compliance by the District with any covenant, condition, agreement or provision under this Trust Agreement or under this Trust Agreement.

When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

**Section 803. Acceleration of Maturities.** Upon the happening and continuance of any Event of Default specified in Section 801 of this Trust Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding shall, by notice in writing to the District, declare the principal of all Bonds then

Outstanding (if not then due and payable) 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 in this Trust Agreement to the contrary notwithstanding; provided, however, that if at any time after the principal of 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 Trust Agreement, money shall have accumulated in or shall have been paid into the 2011 Trust Agreement Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bond not then due and payable by its terms and the interest accrued on such Bond since the last Interest Payment Date), and the charges, compensations, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the District hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in this Trust Agreement (other than a default in the payment of the principal of such Bonds then due 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 upon the written request of the Holders of not less than a majority in aggregate principal amount of Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration under this Section shall not be deemed to be due and payable by their terms) and then Outstanding shall, by written notice to the District, 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 804. Enforcement of Remedies.** Upon the happening and continuance of any Event of Default specified in Section 801 of this Trust Agreement, 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 Bonds then Outstanding shall proceed, subject to the provisions of Section 902 of this Trust Agreement, to protect and enforce its rights and the rights of the Holders under the laws of the State or under this Trust Agreement 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 chosen by the Trustee, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under this Trust Agreement, 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 District for principal, interest or otherwise under any of the provisions of this Trust Agreement or of the Bonds, together with interest on overdue payments of principal at the rate or rates of interest payable on any 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 District, 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 805. Pro-Rata Application of Funds.** Anything in this Trust Agreement to the contrary notwithstanding, if at any time the money in the 2011 Trust Agreement Bond Fund shall not be sufficient to pay the interest on or the principal of Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities under the provisions of Section 803 of this Trust Agreement), such money, together with any money 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, subject to the provisions of Section 905 of this Trust Agreement, as follows:

(a) if the principal of all Bonds shall not have become or shall not have been declared due and payable, all such money in the 2011 Trust Agreement Bond Fund shall be applied:

first: to the payment to the persons entitled thereto of all installments of interest on 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 in such Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that shall have become due and payable (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of this Trust Agreement), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of Bonds due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of Bonds, to the purchase and retirement of Bonds, and to the redemption of Bonds, all in accordance with the provisions of Article III of this Trust Agreement.

(b) If the principal of all Bonds shall have become or shall have been declared due and payable, all such money shall be applied to the payment of principal and interest then due upon the Bonds without preference to the persons entitled thereto, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest or any Bond over any other Bond ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference.

(c) If the principal of all Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 803 of this Trust Agreement, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Bonds shall later become due and payable or be declared due and payable, the money then remaining in and thereafter accruing to the 2011 Trust Agreement Bond Fund shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever money is to be applied by the Trustee pursuant to the provisions of this Section, such money 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 for the amount of such money available for such application and the likelihood of additional money becoming available for such application in the future; the setting aside of such money, in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the District, to any Holder or to any other person for any delay in applying any such money so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such money, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date 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 shall give notice by first class mail, postage prepaid, to all Holders of the fixing of any such date, and shall not be required to make payment to the Holder of any Bonds until such Bonds shall be surrendered to the Bond Registrar for cancellation if fully paid.

**Section 806. Effect of Discontinuance of Proceedings.** If any proceeding taken by the 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 District, 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 807. Control of Proceedings by Holders.** The Holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, subject to the provisions of Section 902 of this Trust Agreement, 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 Trust Agreement.

**Section 808. Restrictions upon Actions by Individual Holders.** Except as provided in Section 813 of this Trust Agreement, 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 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 of not less than a majority in aggregate principal amount of Bonds then Outstanding 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 (including attorney's fees, costs and expenses) 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 Trust Agreement 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 (1) 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 Trust Agreement, 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 Trust Agreement to the rights and remedies herein provided.

**Section 809. Enforcement of Rights of Action.** All rights of action (including the right to file proof of claim) under this Trust Agreement or under any 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 810. 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 811. Waivers.** No delay or omission by the Trustee or of any Holder in the exercise of any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or any acquiescence therein; and every power or remedy given by this Trust Agreement 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 Event of 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 Trust Agreement or before the completion of the enforcement of any rights of the Trustee hereunder, but such waiver shall not waive any subsequent Event of Default or impair any rights or remedies consequent thereon.

**Section 812. Notice of Default.** The Trustee 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 Trust Agreement within thirty (30) days after the Trustee shall have actual notice of the same, pursuant to the provisions of Section 908 of this Trust Agreement; provided that, except upon the happening of an Event of Default specified in clauses (a), (b) or (c) of Section 801 of this Trust Agreement, the Trustee may withhold such notice to the Holders if in its opinion such withholding is in the interest of the Holders; and provided further that the Trustee shall not be subject to any liability to any Holder by reason of its failure to mail any such notice.

**Section 813. Right to Enforce Payment of Bonds Unimpaired.** Nothing in this Article shall affect or impair the right of any Holder to enforce the payment of the principal of and interest on such Holder's Bond or the obligation of the District to pay the principal of and interest on each Bond to the Holder thereof at the time and place in said Bond expressed.

**Section 814. Enforcement of the Bonds.** The Trustee may enforce all obligations of the District under this Trust Agreement for and on behalf of the Holders, whether or not the District is in default hereunder.

**Section 815. Subordination.** Notwithstanding any other provision of this Trust Agreement to the contrary:

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

(b) In the event that the Parity Obligations 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 (a) above shall not be applicable), the holders of all Senior Obligations outstanding at the time the Parity Obligations 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 Senior Obligations before the Holders of the Parity Obligations are entitled to receive any accelerated payment from the Net Revenues Available for Debt Service and other money pledged to the Parity Obligations of principal (and premium, if any) or interest upon the Parity Obligations.

(c) If any event of default with respect to the Senior Obligations shall have occurred and be continuing (under circumstances when the provisions of paragraph (a) above shall not be applicable), the holders of all such Senior Obligations then outstanding shall be entitled to receive payment in full of all principal and interest on all such Senior Obligations as the same become due and payable before the Holders of the Parity Obligations are entitled to receive, subject to the provisions of paragraph (e) below, any payment from the Net Revenues Available for Debt Service and other money pledged to the Parity Obligations under this Trust Agreement of principal (and premium, if any) or interest upon the Parity Obligations.

(d) No holder of Senior Obligations shall be prejudiced in his right to enforce subordination of the Parity Obligations by any act or failure to act on the part of the District.

(e) The provisions of paragraphs (a), (b), (c) and (d) above are solely for the purpose of defining the relative rights of the holders of the Senior Obligations on the one hand, and the Holders of Parity Obligations on the other hand, and nothing herein shall impair, as between the District and the Holders of the Parity Obligations, the obligation of the District, which shall be unconditional and absolute, to pay to the Holders of the Parity Obligations the principal thereof and premium, if any, and interest on the Parity Obligations, respectively, in accordance with their terms, nor shall anything herein prevent the Holders of the Parity Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under paragraphs (a), (b), (c) and (d) above of the holders of the Senior Obligations to receive cash, property or securities from the Net Revenues and other money pledged to such Senior Obligations otherwise payable or deliverable to the Holders of the Parity Obligations; 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 Parity Obligations 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 TRUSTEE  
AND THE BOND REGISTRAR**

**Section 901. Acceptance of Duties.** The Trustee by execution hereof accepts and agrees to fulfill the trusts imposed upon it by this Trust Agreement, but only upon the terms and conditions set forth in this Article and subject to the provisions of this Trust Agreement, to all of which the District, and the respective Holders agree. Prior to the occurrence of any Event of Default and after the curing of all such Events of Default that may have occurred, the Trustee shall perform such duties and only such duties of the Trustee as are specifically set forth in this Trust Agreement. During the existence of any such Event of Default that has not been cured the Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs:

No provision of this Trust Agreement or any Bond shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) prior to any such Event of Default hereunder, and after the curing of any other Events of Default that may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Trust Agreement and the Trustee shall not be liable except for the performance of such duties and obligations of the Trustee as are specifically set forth in this Trust Agreement, and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee, and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the accuracy of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to it conforming to the requirements of this Trust Agreement, but in the case of any such certificate or opinion by which any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Trust Agreement; and

(b) at all times, regardless of whether or not any such Event of Default shall exist:

(i) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and

(ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of or the Holders of not less than a majority, as this Trust Agreement shall require, in aggregate principal amount of Bonds then Outstanding, relating to the time, method and place of conducting any

proceeding for any remedy available to the Trustee, or exercising any power conferred upon the Trustee under this Trust Agreement.

None of the provisions contained in this Trust Agreement shall require the Trustee 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. Indemnification of Trustee as Condition for Remedial Action.** The Trustee shall be under no obligation to institute any suit or to take any remedial proceeding (including, but not limited to, the acceleration of the maturity date of any or all Bonds) under this Trust Agreement or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. The Trustee nevertheless may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the District, at the request of the Trustee, shall reimburse the Trustee from the revenues of the District, for all costs, expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the District shall fail to make such reimbursement, the Trustee may reimburse itself from any money in its possession under the provisions of this Trust Agreement and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

**Section 903. Limitations on Obligations and Responsibilities of Trustee.** The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the District, or to report, or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. Except as to the acceptance of the trusts by its execution of this Trust Agreement, the Trustee shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment of this Trust Agreement, or in respect of the validity of Bonds or the due execution or issuance thereof. The Trustee shall be under no obligation to see that any duties herein imposed upon the District, the Bond Registrar, any Independent Insurance Consultant, any depository other than the Trustee acting as a depository, or any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

**Section 904. Trustee Not Liable for Failure of District to Act.** The Trustee shall not be liable or responsible because of the failure of the District or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the District or because of the loss of any money arising through the insolvency or the act or default or omission of any depository other than the Trustee acting as a depository in which such money shall have been deposited under the provisions of this Trust Agreement. The Trustee shall not be responsible for the application of any of the proceeds of 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 Trust Agreement.

The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

**Section 905. Compensation and Indemnification of Trustee and Bond Registrar.**

Subject to the provisions of any contract between the District and the Trustee or the Bond Registrar relating to the compensation of the Trustee or the Bond Registrar, the District shall pay to pay to the Trustee and the Bond Registrar reasonable compensation for all services performed by them hereunder and also all their reasonable expenses, charges and other disbursements and those of their attorneys, agents and employees incurred in and about the administration and the performance of their powers and duties hereunder and shall indemnify and save the Trustee and the Bond Registrar harmless against any liabilities that they may incur in the proper exercise and performance of their powers and duties hereunder. If the District shall fail to cause any payment required by this Section to be made, the Trustee or the Bond Registrar may make such payment from any money in their possession under the provisions of this Trust Agreement and shall be entitled to a preference therefor over any Bonds Outstanding hereunder. The District covenants that it shall promptly deposit or cause to be deposited to the credit of the respective fund or account the amount withdrawn therefrom by the Trustee or the Bond Registrar to make any such payment, provided sufficient funds are available to pay all costs and expenses, if any, reasonably incurred by the District in connection therewith.

**Section 906. Monthly Statements from Trustee.** It shall be the duty of the Trustee, on or before the fifteenth (15th) day of each month, to file with the District, a statement setting forth in respect of the preceding calendar month:

- (a) the amount withdrawn or transferred by it and the amount deposited with it on account of each fund or account held by it under the provisions of this Trust Agreement,
- (b) the amount on deposit with it at the end of such month in each such fund or account,
- (c) a brief description of all obligations held by it as an investment of money in each such fund or account, and
- (d) any other information that the District may reasonably request.

It shall also be the duty of the Trustee to file with the District an annual statement summarizing such monthly statements which statement shall include, as to each investment transaction, the information required under the heading "Record Keeping" in the Tax Certificate.

In addition, on the anniversary date specified in the Tax Certificate for each issue of the Bonds, the Trustee shall file with the District the information required by the District or its bond counsel or arbitrage compliance service to determine the Rebate Requirement as set forth in the Tax Certificate.

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

**Section 907. Trustee May Rely on Certificates.** If at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, and in any case in which this Trust Agreement provides for permitting or taking any action, the Trustee may conclusively rely upon any certificate required or permitted to be filed with it under the provisions of this Trust Agreement, and any such certificate shall be evidence of such fact or protect the Trustee 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 Trust Agreement, any request, notice, certificate or other instrument from the District to the Trustee shall be deemed to have been signed by the proper party or parties if signed by any District Representative, and the Trustee may accept and conclusively rely upon a certificate signed by any District Representative as to any action taken by the District.

**Section 908. Notice of Default.** Except upon the happening of any Event of Default specified in clauses (a), (b) and (c) of Section 801 of this Trust Agreement, the Trustee shall not be obliged to take notice or be deemed to have notice of any Event of Default under this Trust Agreement, unless a Responsible Officer is specifically notified in writing of such Event of Default by the District or the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding.

**Section 909. Trustee 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 District and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

**Section 910. Trustee Protected in Relying on Certain Documents.** The Trustee shall be fully 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 Trust Agreement, 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 Trust Agreement, or upon the written opinion of any attorney, engineer or accountant, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument. The Trustee shall not be under any obligation to see to the recording or filing of this Trust Agreement or otherwise to the giving to any person of notice of the provisions hereof.

**Section 911. Trustee May Pay Taxes and Assessments.** In case the District shall fail to pay or cause to be paid any tax, assessment or governmental or other charge upon any part of the District, to the extent, if any, that the District shall be deemed by the Trustee liable for same, the Trustee may pay such tax, assessment or governmental charge, without prejudice, however, to any rights of the Trustee or the Holders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section shall be repaid upon demand by the Trustee by the District from funds made available by the District, but the Trustee shall be under no obligation to make any such payment from sources provided in the Trust Agreement unless it shall have available or be provided with adequate funds for the purpose of such payment.

**Section 912. 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 915 of this Trust Agreement.

**Section 913. Resignation of Trustee.** Subject to the provisions of Section 912 of this Trust Agreement, the Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing given to the District, and mailed, postage prepaid, at the Trustee's expense, to each Holder, 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 914. Removal of Trustee.** The Trustee may be removed at any time by an instrument or concurrent instruments in writing, (i) executed by the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding and filed with the District, or (ii) so long as no Event of Default shall have occurred and be continuing, an instrument executed by the District, not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments. A photographic copy of any instrument or instruments filed with the District under the provisions of this paragraph, duly certified by any District Representative as having been received by the District, shall be delivered promptly by the District to the Trustee.

The Trustee may also be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the District or the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding.

**Section 915. 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 reason, the District shall appoint a Trustee to fill such vacancy. A successor Trustee shall not be required if the Trustee shall sell or assign substantially all of its trust business and the vendee or assignee shall continue in the trust business, or if a transfer of the trust department of the Trustee is required by operation of law, provided that such vendee, assignee or transferee is (a) (i) is a bank or trust company which is duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, (ii) is in good standing, and (iii) has a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000) or (b) is a subsidiary trust company under the Trust Subsidiary Act, Title 6.2, Article 3, 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 6.2-1056 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.

The District shall mail notice of any such appointment made by it, postage prepaid, to all Holders. At any time within one (1) year after any such vacancy shall have occurred, the Holders of not less than a majority in principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Holders and filed with the District, may nominate a successor Trustee, which the District shall appoint and which shall supersede any Trustee theretofore appointed by the District. Photographic copies, duly certified by any District Representative as having been received by the District, of each such instrument shall be delivered promptly by the District to the predecessor Trustee and to the Trustee so appointed by the Holders.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section, any Holder hereunder or any retiring Trustee may apply to any court of competent jurisdiction 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 successor Trustee hereafter appointed shall (a) (i) be a bank or trust company which is duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, (ii) be in good standing and (iii) have a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000) or (b) be a subsidiary trust company under the Trust Subsidiary Act, Title 6.2, Article 3, 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 6.2-1056 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.

**Section 916. Vesting of Duties in Successor Trustee.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the District, 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 and powers, 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 District and upon payment of the expenses, charges and other disbursements of such predecessor that are payable pursuant to the provisions of Section 905 of this Trust Agreement, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities and powers of such predecessor hereunder; and every predecessor Trustee shall deliver all property and money held by it hereunder to its successor. Should any instrument in writing from the District 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 District.

**Section 917. Removal and Resignation of Bond Registrar.** The Bond Registrar may be removed at any time, with or without cause, by the District upon forty-five (45) days' written notice by the District to the Bond Registrar. A copy of such written notice shall be delivered promptly by the District to the Trustee. Upon receipt of such notice the Trustee shall cause

notice of such removal to be mailed, postage prepaid, to the Holders not fewer than thirty (30) days before such removal is to take effect.

The Bond Registrar may resign and thereby become discharged from the duties, obligations and responsibilities of Bond Registrar under this Trust Agreement, by written notice delivered to the District and the Trustee not fewer than seventy-five (75) days before such resignation is to take effect. Upon receipt of such notice the Trustee shall cause notice of such resignation to be mailed, postage prepaid, at the Bond Registrar's expense, to the Holders not fewer than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Bond Registrar hereunder if such new Bond Registrar shall be appointed before the time limited by such notice and shall then accept the duties, obligations and responsibilities of Bond Registrar under this Trust Agreement. If at any time thereafter the Bond Registrar shall resign, be removed, be dissolved or otherwise become incapable of acting, or the entity acting as Bond Registrar shall be taken over by any governmental official, agency, department or board, the position of Bond Registrar shall thereupon become vacant. If the position of Bond Registrar shall become vacant for any reason, the District shall, within thirty (30) days after it receives notice of such vacancy, appoint a bank or trust company to fill such vacancy. A successor Bond Registrar shall not be required if the Bond Registrar shall sell or assign substantially all of its business and the vendee or assignee shall be qualified in the sole judgment of the District to carry out the duties, obligations and responsibilities of Bond Registrar under this Trust Agreement. The District shall promptly deliver written notice of any such appointment by it to the Trustee and mail such notice, postage prepaid, to all Holders.

No resignation or removal of the Bond Registrar shall take effect until a successor Bond Registrar shall have been appointed and accepted its duties hereunder.

**Section 918. Additional Provisions Concerning the Trustee.**

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed with due care.

(b) The Trustee may consult with counsel, and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon.

(c) The Trustee shall not be accountable for the use or application of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Trust Agreement.

(d) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its gross negligence or willful default.

(e) Before taking any action under this Trust Agreement relating to an event of default or in connection with its duties under this Trust Agreement other than making payments

of the principal, redemption price, if any, and purchase price of and interest on the Bonds as they become due or causing an acceleration of the Bonds whenever required by the Trust Agreement, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all costs and expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its gross negligence or willful misconduct in connection with any action so taken.

(f) Notwithstanding the effective date of this Trust Agreement or anything to the contrary in this Trust Agreement, the Trustee shall have no liability or responsibility for any act or event relating to this Trust Agreement which occurs prior to the date the Trustee formally executes this Trust Agreement and commences acting as Trustee hereunder.

(g) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(h) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Trust Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(i) The Trustee agrees to accept and act upon instructions or directions pursuant to this Trust Agreement or any other document reasonably relating to the Bonds sent by the District by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the District shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District assumes all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(End of Article IX)

## ARTICLE X.

### EXECUTION OF INSTRUMENTS BY HOLDERS, PROOF OF OWNERSHIP OF 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 Trust Agreement 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 Trust Agreement and shall be conclusive in favor of the Trustee and the District with regard to any action taken by any of them 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 Bonds shall be proved by the registration books kept under the provisions of Section 206 of this Trust Agreement.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee 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 Trustee shall not be required to recognize any person as a Holder or to take any action at his request unless such Bonds shall be deposited with it.

**Section 1002. Preservation of Information; Communications to Holders.** (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders received by the Trustee from the Bond Registrar.

(b) If three (3) or more Holders (hereinafter collectively referred to as “applicants”) apply in writing to the Trustee and furnish reasonable proof that each such applicant has owned a Bond for a period of at least six (6) months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders with respect to their rights under this Trust Agreement or under the Bonds and such application is accompanied by a copy of the form of communication which such applicants propose to transmit, then the Trustee shall, within five (5) Business Days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with subsection (a) of this Section 1002, or

(ii) inform such applicants as to the approximate number of Holders whose names and addresses appear in the information preserved at the time by the Trustee in accordance with subsection (a) of this Section 1002, and as to the approximate cost of mailing to such Holders the form of communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder whose name and address appears in the information preserved at the time by the Trustee in accordance with subsection (a) of this Section 1002 a copy of the form of communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing.

(c) Every Holder, by receiving and holding one (1) or more Bonds, agrees with the District and the Trustee that neither the District nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with subsection (b) of this Section 1002, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under such subsection.

(End of Article X)

## ARTICLE XI.

### SUPPLEMENTAL TRUST AGREEMENTS

**Section 1101. Supplemental Trust Agreements without Consent of Holders.** The District and the Trustee may, from time to time and at any time, without the consent of or notice to any of the Holders, enter into such agreements supplemental hereto as shall be substantially consistent with the terms and provisions of this Trust Agreement:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision herein that may be inconsistent with any other provision herein, to make any other provisions with respect to matters or questions arising under this Trust Agreement, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this Trust Agreement, or

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

(c) to add to the provisions of this Trust Agreement other conditions, limitations and restrictions thereafter to be observed, or

(d) to add to the covenants and agreements of the District in this Trust Agreement other covenants and agreements thereafter to be observed by the District or to surrender any right or power herein reserved to or conferred upon the District, or

(e) to permit the qualification of this Trust Agreement under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the District so determines, to add to this Trust Agreement or any supplemental trust agreement such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law, or

(f) to provide for the issuance of Bonds under a book-entry system, or

(g) to make any other change in this Trust Agreement that, in the judgment of the District, expressed in a resolution of the Commission, and the Trustee, each of which may rely upon a written Opinion of Counsel, shall not materially and adversely affect the Holders of the Bonds of each series that shall be affected by such supplement.

**Section 1102. Modification of Trust Agreement with Consent of Holders.** Subject to the terms and provisions contained in this Section, and not otherwise, the Holders of not less than a majority of the aggregate principal amount of Bonds then Outstanding shall have the right, from time to time, anything contained in this Trust Agreement to the contrary notwithstanding, to consent to and approve the execution and delivery by the District and the acceptance by the Trustee of such trust agreement or trust agreements supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Trust Agreement; 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 Bonds issued hereunder without the consent of the Holders of such Bonds, or (b) a reduction in the principal amount of any Bonds or the rate of interest thereon without the consent of the Holders of such Bonds, or (c) the creation of a pledge of receipts and revenues superior to the pledge created by this Trust Agreement without the consent of the Holders of all Bonds Outstanding, or (d) a preference or priority of any Bond over any other Bond without the consent of the Holders of all Bonds Outstanding, or (e) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental trust agreement without the consent of the Holders of all Bonds Outstanding. Nothing contained in this Section 1102, however, shall be construed as making necessary the approval by the Holders of the adoption and acceptance of any supplemental trust agreement as authorized in Section 1101 hereof.

If at any time the District shall request the Trustee to enter into any supplemental trust agreement for any of the purposes of this Section, the Trustee shall, at the expense of the District, cause notice of the proposed execution of such supplemental trust agreement to be mailed, postage prepaid, to all Holders. Such notice shall briefly set forth the nature of the proposed supplemental trust agreement and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Holders. The Trustee 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 trust agreement when approved and consented to as provided in this Section.

Whenever, at any time after the date of the mailing of such notice, the District shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority of the aggregate principal amount of Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental trust agreement 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 Trustee may execute such supplemental trust agreement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of Bonds Outstanding at the time of the execution of such supplemental trust agreement 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 trust agreement, 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 execution thereof, or to enjoin or restrain the District and the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any supplemental trust agreement pursuant to the provisions of this Section, this Trust Agreement shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Trust Agreement of the District, the Trustee and all Holders shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Trust Agreement as so modified and amended.

**Section 1103. Exclusion of Bonds.** At the time of any consent or other action taken under this Article, Article VIII, Article IX or Article XII of this Trust Agreement, the District shall furnish the Trustee a certificate signed by a District Representative, upon which the Trustee may rely, describing all Bonds to be excluded, consistent with the definition of “Outstanding” in Section 101 of this Trust Agreement.

**Section 1104. Responsibilities of Trustee and the District under this Article.** The Trustee and the District shall be entitled to exercise their discretion in determining whether or not any proposed supplemental trust agreement or any term or provision therein contained is desirable, after considering the purposes of such instrument, the needs of the District, the rights and interests of the Holders, and the rights, obligations and interests of the Trustee, and the Trustee shall not be under any responsibility or liability to the District or to any Holder or to anyone whomsoever for its refusal in good faith to execute any such supplemental trust agreement if such trust agreement is deemed by it to be contrary to the provisions of this Article. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel as conclusive evidence that any such proposed supplemental trust agreement does or does not comply with the provisions of this Trust Agreement, and that it is or is not proper for it, under the provisions of this Article, to accept such supplemental trust agreement.

(End of Article XI)

## ARTICLE XII.

### DEFEASANCE

#### **Section 1201. Release of Trust Agreement.**

(a) When the Bonds secured hereby shall have become due and payable in accordance with their terms or otherwise as provided in this Trust Agreement and the whole amount of the principal and the interest so due and payable upon all Bonds shall be paid, and (b) if the Bonds shall not have become due and payable in accordance with their terms, the Trustee or the Bond Registrar shall hold, sufficient money or Defeasance Obligations, or a combination of money and Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest on, all Bonds then Outstanding to the maturity date or dates of such Bonds and (c) sufficient funds shall also have been provided or provision made for paying all other obligations payable hereunder by the District, then and in that case the right, title and interest of the Trustee in the funds and accounts mentioned in this Trust Agreement shall thereupon cease, determine and become void and, on demand of the District and upon being furnished with an opinion, in form and substance satisfactory to the Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of this Trust Agreement have been satisfied, the Trustee shall release this Trust Agreement and shall execute such documents to evidence such release as may reasonably be required by the District and shall turn over to the District any surplus in, and all balances remaining in, all funds and accounts. Otherwise, this Trust Agreement shall be, continue and remain in full force and effect; provided, that, in the event Defeasance Obligations shall be deposited with and held by the Trustee or the Bond Registrar as hereinabove provided, (i) the Trustee shall nevertheless retain such rights, powers and privileges under this Trust Agreement as may be necessary and convenient in respect of the Bonds for the payment of the principal and interest for which such Defeasance Obligations have been deposited, and (ii) the Bond Registrar shall retain such rights, powers and privileges under this Trust Agreement as may be necessary and convenient for the registration, transfer and exchange of Bonds.

All money and Defeasance Obligations held by the Trustee (or the Bond Registrar) pursuant to this Section shall be held in trust and applied to the payment, when due, of the obligations payable therewith.

(End of Article XII)

## ARTICLE XIII.

### MISCELLANEOUS PROVISIONS

**Section 1301. Effect of Dissolution of the District.** In the event the District 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 Trust Agreement by or on behalf of or for the benefit of the District shall bind or inure to the benefit of the successor or successors of the District from time to time and any officer, board, commission, 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 “District” as used in this Trust Agreement shall include such successor or successors.

**Section 1302. Manner of Giving Notice.** All notices, demands and requests to be given to or made hereunder by the District 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 District—

Hampton Roads Sanitation District  
P.O. Box 5000  
1434 Air Rail Avenue  
Virginia Beach, Virginia 23455  
Attention: General Manager

(b) As to the Trustee—

The Bank of New York Mellon Trust Company, N.A.  
525 William Penn Place, 38th Floor  
Pittsburgh Pennsylvania, 15259  
Attention: Corporate Trust Department

(c) As to the Bond Registrar—

The Bank of New York Mellon Trust Company, N.A.  
525 William Penn Place, 38th Floor  
Pittsburgh Pennsylvania, 15259  
Attention: Corporate Trust Department

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by telegram, telecopy 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.

All documents received by the Trustee under the provisions of this Trust Agreement, or photographic copies thereof, shall be retained in its possession until this Trust Agreement shall be released under the provisions of Section 1201 of this Trust Agreement, subject at all reasonable times to the inspection of the District and any Holder and the agents and representatives thereof.

**Section 1303. Substitute Mailing.** If, because of the temporary or permanent suspension of postal service, the District or the Trustee shall be unable to mail any notice required to be given by the provisions of this Trust Agreement, the District or the Trustee shall give notice in such other manner as in the judgment of the District or the Trustee shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Trust Agreement be deemed to be in compliance with the requirement for the mailing thereof.

**Section 1304. Parties, Bond Registrar and Holders Alone Have Rights under Trust Agreement.** Except as herein otherwise expressly provided, nothing in this Trust Agreement, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the Trustee, the Bond Registrar, the District and the Holders, any right, remedy or claim, legal or equitable, under or by reason of this Trust Agreement or any provision being intended to be and being for the sole and exclusive benefit of the Trustee, the District, the Bond Registrar and the Holders.

**Section 1305. Effect of Partial Invalidity.** In case any one or more of the provisions of this Trust Agreement or 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 Trust Agreement or the Bonds, but this Trust Agreement 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 Trust Agreement 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 Commission or the District to the full extent permitted by law.

**Section 1306. Effect of Covenants.** All covenants, stipulations, obligations and agreements of the District contained in this Trust Agreement shall be deemed to be covenants, stipulations, obligations and agreements of the District to the full extent permitted by the Constitution and laws of the State. This Trust Agreement is adopted with the intent that the laws of the State shall govern its construction.

**Section 1307. No Recourse Against Members, Officers or Employees of Commission or District.** No recourse under, or upon, any statement, obligation, covenant, or agreement contained in this Trust Agreement, or in any Bond hereby secured, or in any document or certification whatsoever, or under any judgment obtained against the Commission or the District 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 Commission or the District, either directly or through the Commission or the District, respectively, or otherwise, for the payment for or to, the Commission or the District 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 any such Bond. 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 Commission or the District 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 secured, is hereby expressly waived and released as an express condition of, and in consideration for, the execution of this Trust Agreement and the issuance of the Bonds.

**Section 1308. Expenses Payable under Trust Agreement.** All expenses incurred in carrying out this Trust Agreement, except those expenses incurred by the Bond Registrar or Trustee in mailing resignation notices, shall be payable solely from funds derived by the District from the operation of its Wastewater System. Anything in this Trust Agreement to the contrary notwithstanding, the performance by the District 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 District for all warranties and other covenants herein shall be limited solely to the money and revenues received from the payments by the District in respect to the Bonds and this Trust Agreement, and from money attributable to the proceeds of Bonds, or the income from the investment thereof; and the District shall not be required to effectuate any of its duties, obligations, powers or covenants except from, and to the extent of, such money, revenues, proceeds, and payments.

**Section 1309. Dealing in Bonds.** The Trustee and the Bond Registrar and their directors, officers, employees or agents may in good faith, buy, sell, own, hold and deal in any Bonds issued under the provisions of this Trust Agreement and may join in any action which any Holder may be entitled to take with like effects as if such Trustee were not a Trustee and such bank or trust company were not the Bond Registrar under this Trust Agreement.

**Section 1310. Multiple Counterparts.** This Trust Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

**Section 1311. 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 convenience of reference and shall not constitute a part of this Trust Agreement, nor shall they affect its meaning, construction or effect.

**Section 1312. Further Authority.** The officers of the Commission or the District, attorneys, engineers and other agents or employees of the Commission or the District are hereby authorized to do all acts and things required of them by this Trust Agreement and the Agreement for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds and this Trust Agreement.

(End of Article XIII)

**IN WITNESS WHEREOF**, the Hampton Roads Sanitation District has caused these presents to be signed in its name and on its behalf and attested by its duly authorized officers and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on behalf by its duly authorized officer, all as of the date first written above.

HAMPTON ROADS SANITATION DISTRICT

(Seal)

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

Chairman

Hampton Roads Sanitation District Commission

Attest:

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

Secretary

Hampton Roads Sanitation District Commission

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, as Trustee

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

Vice President

(Seal)

**VRA Subordinate Obligations**

\$16,620,198 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated June 22, 1993 (Smithfield Project).

\$40,627,818 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated May 26, 1994 (Nansemond Project).

\$15,772,182 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated May 4, 1995 (Nansemond Project).

\$5,450,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated August 29, 1996 (Army Base and Chesapeake-Elizabeth Project).

\$700,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated February 24, 2000 (Middle Peninsula Small Communities Project).

\$6,490,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated July 19, 2000 (Disinfection Projects).

\$2,380,185 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated September 28, 2000 (Odor Control Projects).

\$3,843,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated July 17, 2001 (Boat Harbor/Atlantic Generator and York River Odor Control Projects).

\$1,759,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated January 31, 2002 (Army Base Aeration and James River Thickener Projects).

\$2,476,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated April 3, 2002 (York River STP-Wastewater Reuse Project).

\$1,070,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated May 31, 2002 (Chesapeake-Elizabeth Incinerator Project).

\$40,330,298 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated February 26, 2004 (Chesapeake-Elizabeth Treatment Plant Project).

\$1,235,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated July 29, 2005 (Army Base Treatment Plant Project).

\$7,339,600 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated June 22, 2006 (Atlantic Wastewater Treatment Plant Project).

\$1,605,200 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated June 22, 2006 (Colonial Williamsburg Pump Station Project).

\$30,000,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated December 17, 2008 (York River Wastewater Treatment Plant Project).



Cleaning wastewater every day for a better Bay.

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# Commission Briefing on Finance Resolutions

January 26, 2016

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## Three Resolutions for Approval

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- Series 2016 Wastewater Revenue Bonds – Fixed and Variable Rate
- Virginia Resources Authority (VRA) Master Financing Agreement
- Amended Interim Financing Agreement

- Lien – way to secure debt
  - Senior Lien – first priority
  - Subordinate Lien – second priority
- Trust Indenture – highlights rules and responsibilities
- Debt Service = Principal + Interest
- Debt Service Coverage Ratio

$$\text{Debt Service Coverage Ratio} = \frac{\text{Net Operating Income}}{\text{Debt Service}}$$

## Background – Regional Wet Weather Management Plan

- Hybrid Regionalization = \$1B in savings
  - 65%+ is Locality/Private Property related
  - Performing work on assets that we do not own
- Generally Accepted Accounting Procedures (GAAP)
  - Locality capex must be shown as an expense, not capitalized
- Debt Service Coverage Ratio becomes an issue
- HRSD's Financial Policy – updated March 2015
  - Funds spent on Locality assets are excluded from the definition of Operating Expenses
  - Debt Service Coverage is on an “Adjusted Basis”, not GAAP

## Example – Debt Service Coverage Ratio Calculation

	GAAP Basis	Adjusted Basis
Net Operating Income	\$150M	\$150M
- Locality Projects Expensed	-\$50M	\$ -
Net Operating Income (adjusted)	\$100M	\$150M
Debt Service	\$75M	\$75M

**Debt Service Coverage Ratio**

$$\$100M/\$75 =$$

**1.33**

$$\$150/\$75M =$$

**2.0**

## Debt Service Coverage & Trust Agreements

- Existing trust agreements (Senior and Subordinate) use GAAP based coverage definition
  - Failure to meet coverage would be a default
  - Locality/Private I&I work would require higher revenue to meet GAAP coverage requirements

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## Debt Service Coverage & Ratings Agencies

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- Ratings highly dependent on debt service coverage and liquidity (available cash)
- Will review both GAAP and Adjusted debt service coverage
- Consequence of missing is limited to ratings impact and/or policy exception - not a default

## Debt Service Coverage Strategy

- Modify subordinate trust agreement in the next debt issue
  - Trust modifications requires approval by a majority of bond holders
  - Senior lien is too large with too many bond holders
- Issue all new debt at the subordinate level
- Over time, subordinate lien will become the senior lien
  - Ratings may converge
- Migrate senior debt to the subordinate level
  - VRA component

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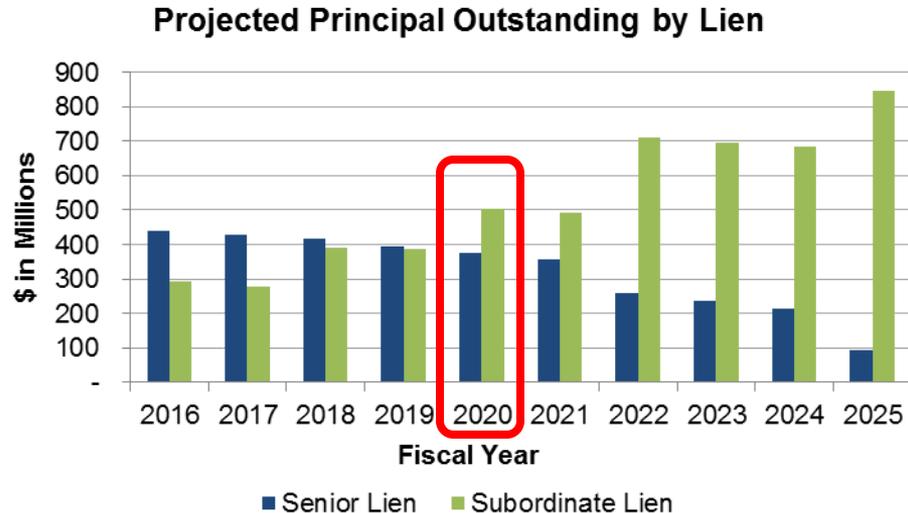
## Subordinate Lien Trust Amendments

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- Unique opportunity to amend the subordinate trust
- Locality and private property capital costs will be excluded from “Operating Expenses”
- Debt service coverage calculated on an “Adjusted Basis”
- Increased minimum legal coverage to 1.20 times Total Debt Service
- Also making modernization and clarification changes

## Transition Plan to the Subordinate Lien

- All future debt issued at the subordinate lien
- Senior lien open for emergency purposes
- Senior and subordinate lien ratings may converge between FY2020 to FY2025



## Va Resources Authority (VRA) - Master Financing Agreement

- On December 8, 2015, the VRA Board approved a resolution to migrate VRA senior debt to the subordinate level when the senior lien is closed
- Estimated to occur by FY 2025 through refundings
  - Except the Series 2009 Build America Bonds
- One agreement for all future and existing VRA debt
  - Current process of unique agreement with each bond is costly and cumbersome
  - Substance of provisions is substantially complete, but language may be revised to address technical details
    - Modified requirement for land ownership
    - Adjusted debt service coverage = 1.4x for adopted budgets

## Interim Financing (Line of Credit) Amendment

- CIP requires regular feeding – monthly draws in the millions
- Costly to go to market annually – limits ability to time offering
- Financial plan has always included some interim financing mechanism via Line of Credit or Commercial Paper program
- Currently using a \$90 million revolving Line of Credit with Bank of America (October 2015 Commission approval)
  - Through December 31, 2015, drew \$37.2 million under the line
  - Will repay the outstanding line balance with proceeds of the 2016 bonds
  - Available line of credit reduced to \$1 million
  - May expand the line of credit when the 2016 proceeds are expended
  - Will evaluate most cost effective interim financing vehicle regularly

## Series 2016A Bonds (Fixed Rate)

- Subordinate Wastewater Revenue Bonds, Series 2016A
  - Third Supplemental Trust
  - Estimated \$294 million bond proceeds
    - Will repay all outstanding line of credit draws, currently estimated at \$42 million
    - New money proceeds of approximately \$83 million
    - Escrow for refunding \$169 million

## Series 2016A Bonds (Fixed Rate) – Refunding Opportunity

- Market conditions currently favorable
- Moves senior debt to subordinate
- Refund bonds with savings over 5% and refunding weighted average efficiency over 60%
  - Financial Policy – “may consider efficiency”
- Based on market conditions as of Jan 25, 2016
  - Refund par \$151 million of the Series 2008, 2011 & 2012A bonds
  - Net Present Value savings of \$20.9 million or 13.9%

## Series 2016B Bonds (Variable Rate)

- Subordinate Wastewater Variable Rate Demand Revenue Bonds, Series 2016B
  - Fourth Supplemental Trust
  - Secured with self-liquidity (Total Return = \$122M)
  - \$50 million par amount
  - Mandatory tender of the \$25 million Series 2011 variable rate bonds
  - \$25 million new money proceeds
  - 2011 Bonds, ranged from 0.01% to 0.23%

- Unique opportunity to amend Subordinate Trust
- Subordinate lien will become Senior lien between FY2020 to FY2025 – ratings may converge
- Total deal estimated \$344M, \$108M new money
- Refunding will create significant savings
- Variable Rate Bonds diversify debt portfolio
- VRA Master Financing Agreement is important for future VRA financing

- Resolution - Series 2016 Subordinate Wastewater Revenue Bonds – Fixed Rate and Variable Rate
  - Third Supplemental Trust Agreement
  - Fourth Supplemental Trust Agreement
  - Preliminary Official Statement
  - Bond Purchase Agreement, Merrill Lynch – 2016 Fixed Rate Underwriter
  - Bond Purchase Agreement J.P. Morgan - 2016 Variable Rate Underwriter
  - Remarketing Agreement J.P. Morgan - 2016 Variable Rate Bonds;
  - Continuing Disclosure Agreement - Appendix E to the Preliminary Official Statement
  - Escrow Deposit Agreement - Refunding
  - Amended Subordinate Trust Agreement

- Resolution – Amend Interim Financing (Line of Credit) Agreement with Bank of America
  - Reduce from \$90M to \$1M to avoid 0.15% unutilized fee – based on undrawn amounts
  - Extends the line from June 30, 2015 to June 30, 2016
  - Eliminates waiver of a jury trial

- Resolution – Master Financing Agreement with the Virginia Resources Authority
  - Encompasses all future and existing VRA debt
  - Migrates VRA senior debt to subordinate when the senior lien is legally closed
  - Modifies the land ownership provision
  - Adjusted debt service coverage = 1.4x for adopted budgets

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Questions?

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# HRSD Coverage Requirements

***As long as any debt is outstanding under the senior lien, the senior and total non-cash MADS debt service coverage requirements of 1.20x and 1.00x must be met.***

## Summary of Minimum Rate Covenants

	Senior Debt Service Coverage		Total Debt Service Coverage	
	Non-Cash	Cash-Based	Non-Cash	Cash-Based
Senior Trust Agreement	1.20x (MADS)	None	1.00x (MADS)	None
Amended Subordinate Trust Agreement	None	None	None	1.20x (Current Year)
Financial Policy	None	1.50x (Current Year)	None	1.40x (Current Year)

HRSD COMMISSION MEETING MINUTES  
January 26, 2016

ATTACHMENT #3

AGENDA ITEM 4. – Interim Financing Line of Credit Agreement

- [Credit Agreement Amendment](#)
- [Resolution](#)

AMENDMENT

Dated as of \_\_\_\_\_ \_\_, 2016

TO THE

CREDIT AGREEMENT

Dated as of October 30, 2015

by and between

HAMPTON ROADS SANITATION DISTRICT,

and

BANK OF AMERICA, N.A.

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This AMENDMENT, dated as of \_\_\_\_\_, 2016 (this "Amendment"), to the CREDIT AGREEMENT dated as of October 30, 2015, between, HAMPTON ROADS SANITATION DISTRICT, a political subdivision of the Commonwealth of Virginia having its principal office at 1434 Air Rail Avenue, Virginia Beach, Virginia (the "District"), and BANK OF AMERICA, N.A., a national banking association organized under the laws of the United States (the "Bank"),

**WITNESSETH:**

**WHEREAS**, the District and the Bank have entered the Credit Agreement, dated as of October 30, 2015 (the "Credit Agreement") pursuant to which the Bank agrees, on the terms and conditions set forth in the Credit Agreement, to certain sums such sums to the District to provide interim financing for the costs of the District's Capital Improvement Program (the "Projects") for the benefit of the District; and

**WHEREAS**, the District issued a Bank Note (the "Bank Note") to the Bank to evidence its obligation to make principal and interest payments on outstanding amounts owed under the line of credit provided under the Credit Agreement; and

**WHEREAS**, the Credit Agreement is scheduled to terminate on June 30, 2016, and the Bank has offered to extend the termination date of the Credit Agreement until June 30, 2017; and

**WHEREAS**, the initial commitment under the revolving line of credit established in the Credit Agreement is \$90,000,000 and the District wishes to lower the commitment amount to \$1,000,000; and

**WHEREAS**, in furtherance of the foregoing the District and the Bank propose to enter into this Amendment pursuant to which certain terms of the Credit Agreement will be modified and amended; and

**NOW, THEREFORE**, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 101. **Definitions.** Unless otherwise defined herein, words defined in the Credit Agreement are used in this Amendment with the meanings assigned to them in the Credit Agreement.

Section 102. **Rules of Construction.** Unless the content clearly indicates to the contrary, the following rules shall apply to the construction of this Amendment:

(a) Words importing the singular shall include the plural number and vice versa.

(b) Unless otherwise indicated, all references herein to particular Articles or Sections are references to Articles or Sections of this Amendment.

(c) The headings and herein are solely for convenience of reference and shall not constitute a part of this Amendment nor shall they affect its meaning, construction or effect.

## ARTICLE II

### CREDIT AGREEMENT AMENDMENTS

Section 201. **Amended Definitions.** (a) The following definitions in the Credit Agreement are amended to read as follows:

“Commitment” means \$1,000,000, as such amount may be modified pursuant to Section 2.13 and Section 6.2 hereof.

“Maturity Date” means June 30, 2017.

“Scheduled Termination Date” means June 30, 2017.

Section 202. **Deletion of Section 7.9(d).** Section 7.9(d) of the Credit Agreement is hereby deleted and no longer applicable.

## ARTICLE III

### **CLOSING CONDITIONS and REPRESENTATIONS and WARRANTIES**

Section 301. **Conditions to Closing.** This Amendment shall become effective when each of the following conditions precedent has been fulfilled in a manner satisfactory to the Bank.

(a) **Delivery of Documents.** The Bank shall have received the following, each in form and substance satisfactory to the Bank:

(i) certified copies of the resolution of the Commission approving this Amendment;

(ii) a favorable opinion of bond counsel as to the validity of this Amendment;

(iii) a favorable opinion of counsel to the District, as to such matters as mutually agreed to by the parties to this Amendment.

(b) **Fees, etc.** The Bank shall have received the payment of the fees and disbursements of Bank counsel incurred in connection with this Amendment.

(c) **Material Adverse Change.** Since October 30, 2015, no material adverse change in the financial condition, business, assets, liabilities or prospects of the District shall have occurred.

Section 302. **Opinion as to Tax Status of Tax-Exempt Note.** In addition to the conditions set forth in Section 4.2 of the Credit Agreement, prior to the Bank approving the initial Advance Notice after the effective date of this Amendment, the District shall provide to the bank an unqualified opinion of bond counsel that the interest on the Tax-Exempt Note is not includable in gross income for purposes of federal income tax.

Section 303. **Numerical References.** The references to the amount of \$90,000,000 in the Credit Agreement are hereby amended to \$1,000,000.

Section 304. **Representations and Warranties.** The District hereby represents and warrants to the Bank as of the date hereof that:

(a) It is in compliance with all of the terms, covenants and conditions of the Credit Agreement, as amended by this Amendment.

(b) There exists no Event of Default under the Credit Agreement, as amended by this Amendment, and no event has occurred or condition exists which, with the giving of notice or lapse of time, or both, would constitute such an Event of Default.

(c) The representations contained in Section 3.1 of the Credit Agreement are, except to the extent that they relate solely to an earlier date, true with the same effect as though such representations and warranties had been made on the date of this Amendment.

(d) It has full authority to enter into this Amendment and to incur the obligations provided for herein. No consent or approval of, notice to or filing with any public authority is required as a condition to the validity of this Amendment or the performance by the District of its obligations hereunder.

(e) This Amendment, once executed and delivered, will constitute a valid and legally binding obligation of District, enforceable against the District in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally, and general principles of equity.

(f) There are no actions, suits, proceedings or investigations pending or, so far as the District knows, threatened before any court or administrative agency that will materially adversely affect the (i) financial condition or operations of the District or (ii) the ability of the District to execute, deliver or carry out the terms of this Amendment.

Section 305. **Reaffirmation.** Except as expressly amended hereby, the terms of the Credit Agreement shall remain in full force and effect in all respects, and the District hereby reaffirms its obligations under the Credit Agreement as amended by this Amendment. The District hereby waives any claim, cause of action, defense, counterclaim, setoff or recoupment of any kind or nature that it may assert against the Bank arising from or in connection with the Credit Agreement, as amended by this Amendment, or the transactions contemplated thereby or

hereby that exist on the date hereof or arise from facts or actions occurring prior hereto or on the date hereof. Nothing contained in this Amendment shall be construed to constitute a novation with respect to the obligations described in the Credit Agreement.

Section 306. **References to Documents**. All references to the Credit Agreement in the Bank Note, or any other documents or instruments that refer to the Credit Agreement, shall be deemed to be references to the Credit Agreement as amended by this Amendment.

#### ARTICLE IV

#### **MISCELLANEOUS**

Section 401. **Agreement Effective**. This Amendment shall take effect immediately upon its execution and delivery.

Section 402. **Counterparts**. This Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

Section 403. **Governing Law**. This Amendment shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia.

Section 404. **Successors and Assigns**. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed on their behalf by their duly authorized officers.

**HAMPTON ROADS SANITATION  
DISTRICT**

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

**BANK OF AMERICA, N.A.**

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

*Hampton Roads Sanitation District*  
*Resolution of*  
*January 26, 2016*

---

HAMPTON ROADS SANITATION DISTRICT COMMISSION

\*\*\*\*\*

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT TO THE CREDIT AGREEMENT WITH BANK OF AMERICA, N.A., WHICH CREDIT AGREEMENT PROVIDES A REVOLVING LINE OF CREDIT FOR THE PURPOSE OF PROVIDING INTERIM FINANCING FOR THE COSTS OF THE HAMPTON ROADS DISTRICT'S CAPITAL IMPROVEMENT PROGRAM; AND GRANTING THE AUTHORITY TO EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND AGREEMENTS RELATING TO SUCH TRANSACTION AS MAY BE NECESSARY OR APPROPRIATE.

Adopted January 26, 2016

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**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDMENT TO THE CREDIT AGREEMENT WITH BANK OF AMERICA, N.A., WHICH CREDIT AGREEMENT PROVIDES A REVOLVING LINE OF CREDIT FOR THE PURPOSE OF PROVIDING INTERIM FINANCING FOR THE COSTS OF THE HAMPTON ROADS SANITATION DISTRICT'S CAPITAL IMPROVEMENT PROGRAM; AND GRANTING THE AUTHORITY TO EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND AGREEMENTS RELATING TO SUCH TRANSACTION AS MAY BE NECESSARY OR APPROPRIATE**

**WHEREAS**, in 2015 the Hampton Roads Sanitation District (the "District") an Bank of America, N.A. (the "Bank") entered into a Credit Agreement dated as of October 30, 2015 (the "Credit Agreement") pursuant to which the Bank provided a line of credit to the District (the "Line of Credit") in an aggregate principal amount of up to \$90,000,000 (the "Line of Credit Commitment") to provide interim financing for costs of the District's Capital Improvements Program (the "Projects") and pursuant to the Credit Agreement, the Bank is obligated to make advances under the Line of Credit to the District, all for the purpose of providing interim financing for Projects; and

**WHEREAS**, after the payment of amounts drawn under the Line of Credit, the District in order to decrease the amount of fees owed under the Credit Agreement desires to amend the Credit Agreement for purposes of lowering the Line of Credit Commitment to \$1,000,000; and

**WHEREAS**, the Credit Agreement is scheduled to terminate on June 30, 2016, and the Bank has offered to extend the termination date of the Credit Agreement until June 30, 2017 upon acceptance by the District of the modification of certain of the terms of the Credit Agreement; and

**WHEREAS**, the Hampton Roads Sanitation District Commission (the "Commission") is the District's governing body; and

**WHEREAS**, there has been presented to the Commission a proposed Amendment to the Credit Agreement (the "Amendment to the Credit Agreement") by and between the District and Bank pursuant to which the Line of Credit Commitment will be lowered to \$1,000,000 and the scheduled termination date of the Credit Agreement will be extended to June 30, 2017; now therefore,

**BE IT RESOLVED** by the Hampton Roads Sanitation District Commission as follows:

**SECTION 1. Authorization of Amendment to the Credit Agreement.** The form of the Amendment to the Credit Agreement presented to this meeting is approved, and the Chairman of the Commission, the Vice Chairman of the Commission, the Secretary of the Commission, the General Manager of the District or the Chief Financial Officer of the District (each a "Delegate") are hereby are authorized, directed and empowered to execute and deliver, under seal, in the name and on behalf of the District, the Amendment to the Credit Agreement in such form and containing substantially the same terms and provisions, with such additions and modifications as shall be approved by the Delegate executing the Amendment to the Credit Agreement, the execution thereof by such officers being conclusive evidence of such approval.

**SECTION 2. Execution of Documents.** The execution and delivery by any Delegate the District of the Amendment to the Credit Agreement, and any other agreements, documents, closing papers and certificates executed and delivered pursuant to this Resolution shall be conclusive evidence of their approval of the changes, if any, in the forms thereof.

**SECTION 3. Ratification.** All actions taken by the District, the members of the Commission, and officers and employees of the District in connection with the authorization, execution and delivery of the Amendment to the Credit Agreement and the authorization, execution and delivery of the agreements, certificates and other documents to be executed by the District and delivered in connection with such authorization, execution and delivery are hereby ratified and confirmed.

**SECTION 4. Further Actions.** The members, officers and employees of the District are hereby authorized and directed to do all acts and things, including without limitation the, execution and delivery of such agreements, documents, certificates and closing papers on behalf of the District required of them by the provisions of the Amendment to the Credit Agreement for the full, punctual and complete performance of all the terms, covenants, provisions and agreements of the Amendment to the Credit Agreement and, also, to do all acts and things required of them by the provisions of this Resolution.

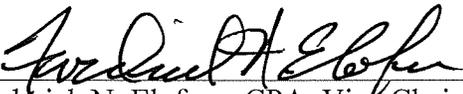
**SECTION 5. Delegates' Certificate.** Each Delegate may execute a Certificate or Certificates evidencing the determinations made or other actions carried out pursuant to the authority granted in this Resolution, and any such Certificate shall be conclusive evidence of the actions or determinations as stated therein.

**SECTION 6. Repeal of Conflicting Resolutions.** Any and all resolutions of the Commission or portions thereof in conflict with the provisions of this Resolution are hereby repealed to the extent of such conflict.

**SECTION 7. Effective Date.** This resolution shall take effect immediately upon its adoption.

[END OF RESOLUTION]

Adopted By the Hampton Roads Sanitation District Commission on January 26,  
2016:

  
\_\_\_\_\_  
Frederick N. Elofson, CPA, Vice Chairman

HRSD COMMISSION MEETING MINUTES  
January 26, 2016

ATTACHMENT #4

AGENDA ITEM 5. – Master Financing Agreement

- [Agreement](#)
- [Resolution](#)

**MASTER FINANCING AGREEMENT**

**dated as of February 1, 2016**

**BETWEEN**

**VIRGINIA RESOURCES AUTHORITY,**

**as Administrator of the  
Virginia Water Facilities Revolving Fund**

**AND**

**HAMPTON ROADS SANITATION DISTRICT**

Virginia Resources Authority  
Virginia Water Facilities Revolving Fund

- C-515211-02 (York River STP-Wastewater Reuse Project)
- C-515232-02 (Disinfection Projects)
- C-515236-02 (Odor Control Project)
- C-515266-02 (Chesapeake-Elizabeth Incinerator Project)
- C-515268-02 (Army Base Aeration and James River Thickener Project)
- C-515303-02 (Chesapeake-Elizabeth Treatment Plant Project)
- C-515341-02 (Army Base Treatment Plant Project)
- C-515363-01 (Atlantic Wastewater Treatment Plant Project)
- C-515364-02 (Colonial Williamsburg Pump Station Project)
- C-515393-02 (York River Wastewater Treatment Plant Project)
- C-515409-02 (James River Treatment Plant Project)
- C-515410-02 (Nansemond Treatment Plant Project)
- C-515418-02 (Interceptor System Metering Project)
- C-515428-01 (Army Base Wastewater Treatment Plant Project)
- C-515438-02 (Williamsburg Oxidation Towers Project)
- C-515439-01 (Boat Harbor Treatment Project)
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## MASTER FINANCING AGREEMENT

**THIS MASTER FINANCING AGREEMENT** is made as of this first day of February, 2016 and effective as of February 18, 2016, between the **VIRGINIA RESOURCES AUTHORITY**, a public body corporate and a political subdivision of the Commonwealth of Virginia (the “Authority”), as Administrator of the **VIRGINIA WATER FACILITIES REVOLVING FUND**, and the **HAMPTON ROADS SANITATION DISTRICT**, a political subdivision of the Commonwealth of Virginia (the “Borrower”), acting by and through the **HAMPTON ROADS SANITATION DISTRICT COMMISSION**, the governing body of the Borrower (the “Commission”).

The Authority was duly created under the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended (the “VRA Act”), for the purposes of encouraging the investment of both public and private funds and making such funds available to local governments to finance, among other things, sewage and wastewater (including surface and ground water) collection, treatment and disposal facilities, drainage facilities and projects, and certain other related facilities and assets (“Sewer Projects”).

Pursuant to Chapter 22, Title 62.1 of the Code of Virginia of 1950, as amended (the “VWFRF Act”), the General Assembly created a permanent and perpetual fund known as the “Virginia Water Facilities Revolving Fund” (the “Fund”). In conjunction with the State Water Control Board (the “Board”), the Authority administers and manages the Fund. From the Fund, the Authority from time to time makes loans to and acquires obligations of local governments to finance the costs of Sewer Projects within the meaning of Section 62.1-224 of the VWFRF Act.

Pursuant to the VWFRF Act, the Authority may at any time or from time to time transfer from the Fund to banks or trust companies designated by the Authority any or all of the assets of the Funds to be held in trust as security for the payment of the principal of, premium, if any, and interest on any or all of the bonds of the Authority.

The Authority has entered into an Amended and Restated Master Trust Indenture dated as of April 1, 2010, as previously supplemented and amended (the “Master Indenture”), between the Authority and U.S. Bank National Association (successor to SunTrust Bank), as trustee (the “Trustee”), under which the Authority has provided for the issuance from time to time of bonds of the Authority (the “VRA Bonds”) for the purpose of purchasing and acquiring local obligations issued by local governments to finance or refinance, among other things, the costs of Sewer Projects, and for such other purposes as may be authorized under and pursuant to the VRA Act and VWFRF Act.

As provided under the Master Indenture, a portion of the assets of the Fund will be held in trust as security for the VRA Bonds. The Authority has used the net proceeds of the VRA Bonds to purchase local obligations issued by local governments to finance or refinance Sewer Projects at below-market interest rates.

The Borrower has requested certain loans from the Fund and has evidenced its obligation to repay such loans by the Direct Local Bonds (as hereinafter defined) the Borrower issued and

sold to the Authority, as Administrator of the Fund, and the Leveraged Local Bonds (as hereinafter defined) the Borrower issued and sold to (i) the Authority and assigned to the Trustee or (ii) the Trustee on behalf of the Authority pursuant to the Master Indenture. The Borrower used the proceeds from the sale of the Local Bonds (as hereinafter defined) to the Authority to finance that portion of the Project Costs (as hereinafter defined) not being paid from other sources, all as further set forth in the Project Budgets (as hereinafter defined).

The Borrower has requested that the Authority agree to amendments to and restatements of the Financing Agreements (as hereinafter defined) between the Authority and the Borrower with respect to the Local Bonds.

In the event additional loans are made to the Borrower from the Fund, this Agreement may be supplemented through the Authority and the Borrower entering into one or more Supplemental Financing Agreements (as hereinafter defined) related to such additional loans.

## ARTICLE I

### DEFINITIONS

**Section 1.1. Definitions.** The capitalized terms contained in this Agreement and not defined above shall have the meanings set forth below unless the context requires otherwise and any capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the VRA Act and the VWFRF Act:

“Additional Payments” means the payments required by Section 6.2.

“Agreement” means this Master Financing Agreement between the Authority and the Borrower, as supplemented, amended or modified by one or more Supplemental Financing Agreements.

“Annual Administrative Fee” means the portion of the Cost of Funds, if any, specified in Section 6.1(a) and Exhibit G payable as an annual fee for administrative and management services attributable to each of the Local Bonds.

“Annual Budget” means the Annual Budget described in Section 712 of the Parity Trust Agreement with respect to the Parity Bonds and Section 713 of the Senior Trust Agreement with respect to the Senior Bonds.

“Borrower” means the Hampton Roads Sanitation District, a political subdivision of the Commonwealth of Virginia, created by and acting under Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended by Chapter 584 of the Acts of Assembly of Virginia of 1962, Chapter 520 of the Acts of Assembly of Virginia of 1964, Chapter 112 of the Acts of Assembly of Virginia of 1974, Chapter 637 of the Acts of Assembly of Virginia of 1976, Chapter 271 of the Acts of Assembly of Virginia of 1977, Chapter 30 of the Acts of Assembly of Virginia of 1987, Chapter 350 of the Acts of Assembly of Virginia of 1989, Chapter 153 of the Acts of Assembly of Virginia of 1990, Chapter 210 of the Acts of Assembly of Virginia of 1998, Chapter 120 of the Acts of Assembly of Virginia of 2004, Chapter 574 of the Acts of Assembly

of Virginia of 2008, and Chapter 724 of the Acts of Assembly of Virginia of 2012, as such acts may be further amended from time to time.

“Closing Dates” means the respective dates of delivery of the Direct Local Bonds to the Authority and the Leveraged Local Bonds to (i) the Authority and assigned to the Trustee or (ii) the Trustee on behalf of the Authority.

“Commitment Letters” shall mean the commitment letters from the Authority to the Borrower with respect to each of the Local Bonds, and all extensions, modifications and amendments thereto.

“Commission” means the Hampton Roads Sanitation District Commission, which is the governing body of the District.

“Cost of Funds” means interest, including the part thereof allocable to the Annual Administrative Fee, if any, payable as set forth in Section 6.1(a) and Exhibit G, and including Supplemental Interest, as defined in Section 6.1(b), when and if applicable with respect to the Leveraged Local Bonds.

“Default” means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“Department” means the Department of Environmental Quality, created and acting under Chapter 11.1, Title 10.1, of the Code of Virginia, as amended.

“Direct Local Bonds” means, collectively, the bonds and any allonges thereto described in Exhibit A-1 issued by the Borrower to the Authority.

“District Representative” means any member, official or employee of the Borrower authorized by resolution, ordinance or other official act of the Commission to perform the act or sign the document in question.

“Event of Default” shall have the meaning set forth in Section 11.1.

“Financing Agreements” means, collectively, the financing agreements between the Authority and the Borrower as further described on Exhibit E.

“Fiscal Year” means the period of twelve months established by the Borrower as its annual accounting period. As of the date hereof, the Borrower’s Fiscal Year begins on each July 1 and ends on the following June 30.

“Leveraged Local Bonds” means, collectively, the Tax-Exempt Leveraged Local Bonds and the Taxable Leveraged Local Bonds.

“Local Bonds” means, collectively, the Direct Local Bonds and the Leveraged Local Bonds.

“Local Bond Proceeds” means the aggregate proceeds from the sale of the Local Bonds pursuant to this Agreement.

“Local Bond Resolution” means all resolutions adopted by the Commission approving the transactions contemplated by and authorizing the execution, amendment and restatement, and delivery of this Agreement and the execution, issuance, and delivery of the Local Bonds.

“Local Parity Trustee” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Parity Trust Agreement, or any successor in trust thereto.

“Local Senior Trustee” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Senior Trust Agreement, or any successor in trust thereto.

“Long-Term Debt Service Coverage Ratio” means Long-Term Debt Service Coverage Ratio, as defined in the Senior Trust Agreement.

“Migrating Senior Bonds” means, collectively, the Senior Bonds subject to migration in position as Parity Bonds as further described in Section 10.12 and on Exhibit F. For the avoidance of doubt, the Migrating Senior Bonds shall be considered Senior Bonds under this Agreement until such Migrating Senior Bonds migrate to the position of Parity Bonds.

“Net Proceeds” means the gross proceeds from any insurance recovery or condemnation award remaining after payment of attorneys’ fees and expenses of the Authority and all other expenses incurred in the collection of such gross proceeds.

“Net Revenues” means Net Revenues, as defined in the Senior Trust Agreement.

“Net Revenues Available for Debt Service” means Net Revenues Available for Debt Service, as defined in the Parity Trust Agreement.

“Opinion of Bond Counsel” shall mean a written opinion of recognized bond counsel, acceptable to the Authority.

“Parity Bonds” means any of the Borrower’s bonds, notes or other evidences of indebtedness, as further described on Exhibit F or issued under or secured by the Parity Trust Agreement after the date hereof, that are secured on parity by a pledge of Net Revenues Available for Debt Service.

“Parity Trust Agreement” means the Trust Agreement, dated as of October 1, 2011, between the Borrower and The Bank of New York Mellon Trust Company, N.A., as Local Parity Trustee, as previously supplemented and amended.

“Project” means, collectively, the particular projects described in Exhibit B or identified in a Supplemental Financing Agreement, the costs of the construction, acquisition or equipping of which are to be financed in whole or in part with the Local Bond Proceeds.

“Project Budgets” means, collectively, the budgets for the financing of the Projects, copies of which are attached to this Agreement as Exhibits C or identified in a Supplemental

Financing Agreement, with such changes therein as may be approved in writing by the Authority.

“Project Costs” means the costs of the construction, acquisition or equipping of each Project, as further described in the Project Budgets, and such other costs as may be approved in writing by the Authority, provided such costs are permitted by the VWFRF Act.

“Rate Covenant” means Rate Covenant, as defined in the Parity Trust Agreement.

“Senior Bonds” means any of the Borrower’s bonds, notes or other evidences of indebtedness; as further described on Exhibit F or issued under or secured by the Senior Trust Agreement after the date hereof; that are secured by or payable from a pledge of Net Revenues all or any portion of which is senior to the pledge of Net Revenues Available for Debt Service securing the Parity Bonds.

“Senior Trust Agreement” means the Trust Agreement, dated as of March 1, 2008, between the Borrower and the predecessor in trust to The Bank of New York Mellon Trust Company, N.A., as Local Senior Trustee, as previously supplemented and amended.

“Supplemental Financing Agreement” means any Supplemental Financing Agreement supplementing, amending or modifying the provisions of this Agreement entered into by the Authority and the Borrower.

“System” means the “Wastewater System” as defined in the Senior Trust Agreement and the Parity Trust Agreement, including all plants, systems, facilities, equipment or property, of which each Project constitutes the whole or is a part, owned, operated or maintained by the Borrower and used in connection with the collection or treatment of wastewater.

“Tax Compliance Agreements” mean, collectively, the Federal Tax Certificate and Compliance Agreements, dated the respective Closing Dates for each of the Leveraged Local Bonds, between the Authority and the Borrower, together with any amendments or supplements thereto.

“Taxable Leveraged Local Bonds” means, collectively, the bonds and any allonges thereto described in Exhibit A-2 as the Taxable Leveraged Local Bonds, issued by the Borrower to (i) the Authority and assigned to the Trustee or (ii) the Trustee on behalf of the Authority.

“Tax-Exempt Leveraged Local Bonds” means, collectively, the bonds and any allonges thereto described in Exhibit A-2 as the Tax-Exempt Leveraged Local Bonds, issued by the Borrower to (i) the Authority and assigned to the Trustee or (ii) the Trustee on behalf of the Authority.

**Section 1.2. Rules of Construction.** The following rules shall apply to the construction of this Agreement unless the context requires otherwise:

(a) Singular words shall connote the plural number as well as the singular and vice versa.

(b) All references in this Agreement to particular Sections or Exhibits are references to Sections or Exhibits of this Agreement unless otherwise indicated.

(c) The headings and table of contents as used in this Agreement are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

## ARTICLE II

### REPRESENTATIONS

**Section 2.1. Representations by Borrower.** The Borrower makes the following representations as the basis for its undertakings under this Agreement:

(a) The Borrower is a duly created and validly existing "local government" (as defined in Section 62.1-224 of the VWFRF Act) of the Commonwealth of Virginia and is vested with the rights and powers conferred upon it by Virginia law.

(b) The Borrower has full right, power and authority to (i) adopt the Local Bond Resolution and execute and deliver this Agreement and the other documents related thereto, (ii) issue, sell and deliver the Local Bonds to the Authority, as Administrator of the Fund, (iii) own and operate the System, and (iv) carry out and consummate all of the transactions contemplated by the Local Bond Resolution, this Agreement, the Tax Compliance Agreements and the Local Bonds.

(c) This Agreement, the Tax Compliance Agreements and the Local Bonds were duly authorized by the Local Bond Resolution and this Agreement and the Local Bonds are in substantially the same form as presented to the governing body of the Borrower at its meeting at which the Local Bond Resolution was adopted.

(d) All governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the date of the delivery of this Agreement have been obtained for (i) the Borrower's adoption of the Local Bond Resolution, (ii) the execution and delivery by the Borrower of this Agreement, the Tax Compliance Agreements and the Local Bonds, (iii) the performance and enforcement of the obligations of the Borrower thereunder, and (iv) the operation and use of the System and the performance by the Borrower of its obligations under the Senior Trust Agreement and the Parity Trust Agreement. The Borrower knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations and approvals not obtained as of the date hereof cannot be obtained as needed.

(e) This Agreement, the Tax Compliance Agreements, the Senior Trust Agreement, the Parity Trust Agreement and the Local Bonds have been executed and delivered by duly authorized officials of the Borrower and constitute the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms.

(f) The Local Bonds have been executed and delivered by duly authorized officials of the Borrower and constitute legal, valid and binding limited obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.

(g) The issuance of the Local Bonds and the execution and delivery of this Agreement and the performance by the Borrower of its obligations thereunder are within the powers of the Borrower and do not conflict with, or constitute a breach or result in a violation of, (i) to the best of the Borrower's knowledge, any Federal or Virginia constitutional or statutory provision, including the Borrower's charter or articles of incorporation, if any, (ii) any agreement or other instrument to which the Borrower is a party or by which it is bound or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Borrower or its property.

(h) The Borrower is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument under and subject to which any indebtedness for borrowed money has been incurred. No event or condition has happened or existed, or is happening or existing, under the provisions of any such instrument, including but not limited to this Agreement, the Tax Compliance Agreements, the Senior Trust Agreement and the Parity Trust Agreement, which constitutes, or which, with notice or lapse of time, or both, would constitute an event of default thereunder.

(i) The Borrower (i) to the best of the Borrower's knowledge, is not in violation of any existing law, rule or regulation applicable to it in any way which would have a material adverse effect on its financial condition or its ability to perform its obligations under this Agreement, the Tax Compliance Agreements, the Senior Trust Agreement, the Parity Trust Agreement or the Local Bonds and (ii) is not in default under any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the Borrower is a party or by which it is bound or to which any of its assets is subject, which would have a material adverse effect on its financial condition or its ability to perform its obligations under this Agreement, the Tax Compliance Agreements, the Senior Trust Agreement, the Parity Trust Agreement or the Local Bonds. The execution and delivery by the Borrower of this Agreement or the Local Bonds and the compliance with the terms and conditions thereof does not conflict with or result in a breach of or constitute a default under any of the foregoing.

(j) There are not pending or, to the best of the Borrower's knowledge, threatened against the Borrower, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature, (i) affecting the creation, organization or existence of the Borrower or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the approval, execution, delivery or performance of the Local Bond Resolution, this Agreement, the Tax Compliance Agreements, the Senior Trust Agreement, the Parity Trust Agreement or the Local Bonds or the issuance or delivery of the Local Bonds, (iii) in any way contesting or affecting the validity or enforceability of the Local Bond Resolution, this Agreement, the Tax Compliance Agreements, the Senior Trust Agreement, the Parity Trust Agreement, the Local Bonds or any agreement or instrument relating to any of the foregoing, or (iv) in which a judgment, order or resolution may have a material adverse effect on the Borrower or its business, assets, condition (financial or otherwise), operations or prospects or on its ability

to perform its obligations under the Local Bond Resolution, this Agreement, the Tax Compliance Agreements, the Senior Trust Agreement, the Parity Trust Agreement or the Local Bonds. Notwithstanding the preceding sentence, the Borrower references the ongoing matter described in Exhibit I. The status of the matter is essentially the same as described herein.

(k) No material adverse change has occurred in the financial condition of the Borrower as indicated in the financial statements, applications and other information furnished to the Authority as of June 30, 2015.

(m) Except as may otherwise be approved by the Authority or permitted by the terms of the Senior Trust Agreement or the Parity Trust Agreement or the terms hereof, the System at all times will be owned by the Borrower and will not be operated or controlled by any other entity or person.

(n) There is no indebtedness of the Borrower secured by or payable from a pledge of Net Revenues with respect to the Senior Bonds or Net Revenues Available for Debt Service with respect to the Parity Bonds on a parity with or prior to the lien of the pledge of Revenues securing the Local Bonds except any Parity Bonds or Senior Bonds set forth on Exhibit F.

(o) No Event of Default or Default has occurred and is continuing.

(p) All of the representations and warranties of the Borrower contained in the Tax Compliance Agreements are true and correct and all terms of the Tax Compliance Agreements are reaffirmed, ratified and confirmed.

### ARTICLE III

#### AMENDMENT AND RESTATEMENT OF FINANCING AGREEMENTS

**Section 3.1. Amendment and Restatement of Financing Agreements.** (a) This Agreement in part constitutes an amendment and restatement of the Financing Agreements with respect to the Local Bonds; however, this Agreement shall not constitute a novation of the original debt evidenced by the respective Local Bonds.

(b) The Borrower consents to or ratifies, as applicable, the Authority's assignment to the Trustee of the Leveraged Local Bonds. The Authority shall be the registered owner of the Leveraged Local Bonds, however, the Borrower agrees to pay directly to the Trustee all amounts payable by the Borrower under the Leveraged Local Bonds and this Agreement (except for those amounts due under Section 12.7, which are payable directly to the Authority).

**Section 3.2. Conditions Precedent to Entering into Master Financing Agreement.** This Agreement shall not be effective until the Authority shall have received the following, all in form and substance satisfactory to the Authority:

(a) This Agreement.

- (b) A certified copy of the Local Bond Resolution.
- (c) A certificate of appropriate officials of the Borrower as to the matters set forth in Section 2.1 and such other matters as the Authority may reasonably require.
- (d) Evidence satisfactory to the Authority that the Borrower has performed and satisfied all of the terms and conditions contained in this Agreement to be performed and satisfied by it as of such date.
- (e) An Opinion of Bond Counsel, substantially in the form of Exhibit D, addressed to the Fund and the Authority.
- (f) A written opinion of counsel to the Borrower in form and substance reasonably satisfactory to the Authority.
- (g) Evidence satisfactory to the Authority that the Senior Bonds held by the Authority or the Trustee on behalf of the Authority have been issued as Senior Indebtedness under and as defined in the Senior Trust Agreement on a parity with the Senior Bonds and that the Parity Bonds held by the Authority or the Trustee on behalf of the Authority have been issued as VRA Subordinate Obligations under and as defined in the Parity Trust Agreement on a parity with the Parity Bonds.
- (h) Copies of any and all documents, certificates or instruments required to be delivered to the Local Parity Trustee pursuant to the Parity Trust Agreement and to the Local Senior Trustee pursuant to the Senior Trust Agreement as a condition precedent to the amendment and restatement of the Financing Agreements.
- (i) Such other documentation, certificates and opinions as the Authority, the Board or the Department may reasonably require.

#### ARTICLE IV

#### RESERVED

#### ARTICLE V

#### PLEDGE, RATE COVENANTS AND ANNUAL BUDGETS

**Section 5.1. Pledge and Rate Covenants.** (a) Subject to the terms of the Senior Trust Agreement with respect to the Senior Bonds and the Parity Trust Agreement with respect to the Parity Bonds, the Borrower hereby pledges the Net Revenues with respect to the Senior Bonds and the Net Revenues Available for Debt Service with respect to the Parity Bonds to secure the payment of the principal of and Cost of Funds on the Local Bonds and the payment and performance of the Borrower's obligations under this Agreement.

(b) The Borrower covenants and agrees to comply with its Long-Term Debt Service Coverage Ratio set forth in Section 704 of the Senior Trust Agreement with respect to the Senior Bonds and its Rate Covenant set forth in Section 705 of the Parity Trust Agreement with respect

to the Parity Bonds. The Borrower shall promptly provide the Authority with copies of any certificates, recommendations or reports required pursuant to Section 704 of the Senior Trust Agreement with respect to the Senior Bonds or Section 705 of the Parity Trust Agreement with respect to the Parity Bonds.

**Section 5.2. Annual Budget and Inspection.** The Borrower covenants and agrees to comply with Section 713 of the Senior Trust Agreement with respect to the Senior Bonds and Section 712 of the Parity Trust Agreement with respect to the Parity Bonds in the adoption of an Annual Budget. The Borrower shall promptly upon adoption submit a copy of the Annual Budget and any amendments thereto to the Authority.

## ARTICLE VI

### PAYMENTS

**Section 6.1. Payment of Local Bonds.** (a) The Local Bonds shall be dated their respective Closing Dates. The Cost of Funds of each of the Local Bonds shall be computed on the disbursed principal balance thereof from the date of each disbursement at the rate set forth on Exhibit G with respect to each of the Local Bonds. Principal and the Cost of Funds due under each of the Local Bonds shall be payable in equal installments as set forth on Exhibit G with respect to each of the Local Bonds. All amounts due hereunder and under each of the Local Bonds shall be due and payable in full with the final installment of principal and Cost of Funds due as set forth on Exhibit G with respect to each of the Local Bonds. Each installment shall be applied first to payment of the Cost of Funds accrued and unpaid to the payment date and then to principal. If any installment of principal or of the Cost of Funds on any of the Local Bonds is not paid within ten (10) days after its due date, the Borrower agrees to pay the Authority a late payment charge in an amount equal to five percent (5.0%) of the overdue installment on such Local Bonds.

(b) If any failure of the Borrower to pay any required payment hereunder or of the principal or of Cost of Funds on the Leveraged Local Bonds results in a withdrawal from the Debt Service Fund, the Reserve Fund or the Subordinate Reserve Fund with respect to the VRA Bonds (as such terms are defined in the Master Indenture), the Cost of Funds applicable to the such Leveraged Local Bonds, as set forth in subsection (a) of this Section, shall be increased to a rate sufficient to reimburse such Funds for any foregone investment earnings thereon. The increment payable pursuant to such increase in the Cost of Funds shall be referred to as "Supplemental Interest." The term "Cost of Funds," as used herein and in the Leveraged Local Bonds shall include Supplemental Interest, when and if payable. Supplemental Interest shall be due and payable on the Authority's demand. The Authority shall deliver to the Borrower a certificate as to the increase in the Cost of Funds and the amount of Supplemental Interest. The certificate shall set forth in reasonable detail the basis for the increase in the Cost of Funds and the manner of calculation of the increase and the amount of Supplemental Interest. The certificate shall be conclusive (absent manifest error) as to the Cost of Funds increase and amount of Supplemental Interest set forth therein. In determining the Cost of Funds increase and the amount of Supplemental Interest, the Authority may use any reasonable averaging and attribution methods.

**Section 6.2. Payment of Additional Payments.** In addition to the payments of principal of and the Cost of Funds on the Local Bonds, the Borrower agrees to pay on the demand and at the direction of the Authority the following Additional Payments:

(1) The costs of the Authority, the Trustee, the Department or the Board in connection with the enforcement of this Agreement, including the reasonable fees and expenses of any attorneys used by any of them; and

(2) All expenses, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof.

The Borrower agrees to pay interest on any Additional Payments enumerated in (1) or (2) above not received by or at the direction of the Authority within ten (10) days of demand therefor at a rate of five percent (5.00%) per annum on the overall installment from its due date until the date it is paid.

**Section 6.3. Payments and Rights Assigned.** The Borrower consents to or ratifies, as applicable, the Authority's assignment to the Trustee of the Leveraged Local Bonds and the Authority's rights under this Agreement with respect to the Leveraged Local Bonds. The Borrower also acknowledges and consents to the reservation by the Authority of the right and license to enjoy and enforce the Authority's rights under the Leveraged Local Bonds and this Agreement so long as no Event of Default (as defined in the Master Indenture) with respect to the VRA Bonds shall have occurred and be continuing. The Authority directs the Borrower, and the Borrower agrees, to pay directly to the Trustee all amounts payable by the Borrower under the Leveraged Local Bonds and Section 6.1 of this Agreement.

## ARTICLE VII

### PREPAYMENTS

**Section 7.1. Prepayment of Direct Local Bonds.** At its option and after giving at least ten (10) days' written notice to the Authority, the Borrower may prepay the Direct Local Bonds at any time, in whole or in part and without penalty. Such written notice shall specify the date on which the Borrower will make such prepayment and whether the Direct Local Bonds will be prepaid in full or in part, and if in part, the principal amount to be prepaid. Any such partial prepayment shall be applied against the principal amount outstanding under the Direct Local Bonds but shall not postpone the due date of any subsequent payment on the Direct Local Bonds, or change the amount of such installment, unless the Authority and the Borrower agree otherwise in writing.

**Section 7.2. Prepayment of Leveraged Local Bonds.** The Borrower may not prepay or refund the Leveraged Local Bonds without the written consent of the Authority. Any prepayment or refunding that is approved by the Authority shall occur in such manner and in such amount, and shall be subject to such conditions as the Authority shall determine.

## ARTICLE VIII

### OPERATION AND USE OF SYSTEM

**Section 8.1. Maintenance.** Except as may be otherwise approved by the Authority or permitted by the terms hereof, the System at all times shall be owned by the Borrower and shall not be operated or controlled by any other entity or person. At its own cost and expense, the Borrower shall operate the System in a proper, sound and economical manner and in compliance with all legal requirements, shall maintain the System in good repair and operating condition and from time to time shall make all necessary repairs, renewals and replacements. The Borrower shall pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or the System; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

**Section 8.2. Additions and Modifications.** At its own expense, the Borrower from time to time may make any additions, modifications or improvements to the System which it deems desirable and which do not materially reduce the value of the System or the structural or operational integrity of any part of the System, provided that all such additions, modifications or improvements comply with all applicable federal, state and local laws, rules, regulations, orders, permits, authorizations and requirements. All such renewals, replacements, additions, modifications and improvements shall become part of the System.

**Section 8.3. Use of System.** The Borrower shall comply with all lawful requirements of any governmental authority regarding the System, whether now existing or subsequently enacted, whether foreseen or unforeseen or whether involving any change in governmental policy or requiring structural, operational and other changes to the System, irrespective of the cost of making the same.

**Section 8.4. Inspection of System and Borrower's Books and Records.** The Authority and the Department and their duly authorized representatives and agents shall have such reasonable rights of access to the System as may be necessary to determine whether the Borrower is in compliance with the requirements of this Agreement and shall have the right at all reasonable times and upon reasonable prior notice to the Borrower to examine and copy the books and records of the Borrower insofar as such books and records relate to the System.

**Section 8.5. Ownership of Land.** With respect to additions, modifications or improvements to the System in excess of \$5,000,000 in cost per occurrence, the Borrower shall not construct, reconstruct or install any part of the System on (i) lands other than those which the Borrower owns or can acquire title to or a perpetual easement over, in either case sufficient for the Borrower's purposes or (ii) lands in which the Borrower has acquired a right or interest less than a fee simple or perpetual easement, unless (1) such part of the System is lawfully located in a public street or highway or, (2) the Borrower provides a written opinion of counsel or a report of a District Representative, either of which in a form reasonably acceptable to the Authority, that indicates the Borrower's right or interest in such lands is sufficient for the Borrower's purposes.

**Section 8.6. Sale or Encumbrance.** The Borrower shall not sell, exchange, lease, mortgage, encumber or otherwise dispose of any part of the System having a depreciated value in excess of \$50,000,000 unless there shall be filed with the Borrower and the Authority a certificate of a District Representative and a resolution of the Borrower's governing body stating that such property is no longer needed or useful in the operation of the System, or unless the Authority shall give its prior written approval. Any proceeds to be received from such sale or disposition not used to replace such property shall be applied as provided in the Senior Trust Agreement and the Parity Trust Agreement, as applicable. The Borrower shall notify the Authority of the sale or disposition of any property with a depreciated value in excess of \$5,000,000.

**Section 8.7. Lawful Charges.** The Borrower shall pay when due all taxes, fees, assessments, levies and other governmental charges of any kind whatsoever (collectively, the "Governmental Charges") which are (i) assessed, levied or imposed against the System or the Borrower's interest in it, or (ii) incurred in the operation, maintenance, use and occupancy of the System. The Borrower shall pay or cause to be discharged, or shall make adequate provision to pay or discharge, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon all or any part of the System or the Net Revenues or Net Revenues Available for Debt Service (collectively, the "Mechanics' Charges"). The Borrower, however, after giving the Authority ten (10) days' notice of its intention to do so, at its own expense and in its own name, may contest in good faith any Governmental Charges or Mechanics' Charges. If such a contest occurs, the Borrower may permit the same to remain unpaid during the period of the contest and any subsequent appeal unless, in the reasonable opinion of the Authority, such action may impair the lien on Net Revenues or Net Revenues Available for Debt Service granted by this Agreement, in which event, such Governmental Charges or Mechanics' Charges promptly shall be satisfied or secured by posting with the Authority or an appropriate court a bond in form and amount reasonably satisfactory to the Authority. Upon request, the Borrower shall furnish to the Authority proof of payment of all Governmental Charges and the Mechanics' Charges required to be paid by the Borrower under this Agreement.

## ARTICLE IX

### INSURANCE, DAMAGE AND DESTRUCTION

**Section 9.1. Insurance.** The Borrower continuously shall maintain or cause to be maintained insurance against such risks as is required by the Senior Trust Agreement with respect to the Senior Bonds and the Parity Trust Agreement with respect to the Parity Bonds and shall send the Authority any report of any insurance contemplated or delivered thereunder.

The Authority shall not have any responsibility or obligation with respect to (i) the procurement or maintenance of insurance or the amounts or the provisions with respect to policies of insurance, or (ii) the application of the proceeds of insurance.

The Borrower shall provide no less often than annually and upon the written request of the Authority a certificate or certificates of the respective insurers evidencing the fact that the insurance required by this Section is in force and effect.

**Section 9.2. Notice of Damage, Destruction and Condemnation.** In the case of (i) any damage to or destruction of any material part of the System, (ii) a taking of all or any part of the System or any right therein under the exercise of the power of eminent domain, (iii) any loss of the System because of failure of title, or (iv) the commencement of any proceedings or negotiations which might result in such a taking or loss, in each case, where such loss would or could materially adversely affect the operational integrity of the System, the Borrower shall give prompt notice thereof to the Authority describing generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

**Section 9.3. Damage and Destruction.** If all or any part of the System is destroyed or damaged by fire or other casualty, unless it shall determine that the operational integrity of the System shall not be materially adversely affected, the Borrower shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage or destruction, with such alterations and additions as the Borrower may determine and which will not impair the capacity or character of the System for the purpose for which it then is being used or is intended to be used. The Borrower shall apply the Net Proceeds in accordance with the Senior Trust Agreement with respect to the Senior Bonds and the Parity Trust Agreement with respect to the Parity Bonds.

**Section 9.4. Condemnation and Loss of Title.** If title to or the temporary use of all or any part of the System shall be taken under the exercise of the power of eminent domain or lost because of failure of title, the Borrower shall cause the Net Proceeds from any such condemnation award or from title insurance to be applied in accordance with the Senior Trust Agreement with respect to the Senior Bonds and the Parity Trust Agreement with respect to the Parity Bonds.

## ARTICLE X

### SPECIAL COVENANTS

**Section 10.1. Maintenance of Existence.** The Borrower shall maintain its existence as a "local government" (as defined in the VWFRF Act) of the Commonwealth of Virginia and, without consent of the Authority and the Department, shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate or merge with or into another entity. Notwithstanding the foregoing, the Borrower may consolidate or merge with or into, or sell or otherwise transfer all or substantially all of its assets to a political subdivision of the Commonwealth of Virginia, and the Borrower thereafter may dissolve, if the surviving, resulting or transferee political subdivision, if other than the Borrower, assumes, in written form acceptable to the Authority and the Department, all of the obligations of the Borrower contained in the Local Bonds and this Agreement, and there is furnished to the Authority and the Department an Opinion of Bond Counsel acceptable to the Authority and the Department, subject only to customary exceptions and qualifications, to the effect that such assumption (i) constitutes the legal, valid and binding obligation of the surviving, resulting or transferee political subdivision enforceable against it in accordance with its terms, and (ii) will not cause the interest on the Tax-Exempt Leveraged Local Bonds or the VRA Bonds to be includable in gross income for federal income tax purposes or to become a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

**Section 10.2. Financial Records and Statements.** The Borrower shall maintain proper books of record and account in which proper entries shall be made in accordance with generally accepted government accounting standards, consistently applied, of all its business and affairs related to the System. The Borrower shall have an annual audit of the financial condition of the Borrower (and at the reasonable request of the Authority, of the System) made by an independent certified public accountant, within one hundred and eighty (180) days after the end of each Fiscal Year. The annual audit shall include a supplemental schedule demonstrating whether the Borrower during such Fiscal Year satisfied the Long-Term Debt Service Coverage Ratio set forth in Section 704 of the Senior Trust Agreement with respect to the Senior Bonds and its Rate Covenant set forth in Section 705 of the Parity Trust Agreement with respect to the Parity Bonds. The Borrower shall furnish to the Authority copies of such report immediately after it is accepted by the Borrower. Such report shall include statements in reasonable detail, certified by such accountant, reflecting the Borrower's financial position as of the end of such Fiscal Year and the results of the Borrower's operations and changes in the financial position of its funds for the Fiscal Year. The Borrower agrees to file, or to cause the Local Parity Trustee or Local Senior Trustee to file, with the Authority each of the documents required to be filed with the Local Parity Trustee pursuant to the Senior Trust Agreement and to the Local Senior Trustee pursuant to the Parity Trust Agreement at the time each such document is required to be filed with the Local Parity Trustee or Local Senior Trustee.

**Section 10.3. Certificate as to No Default.** The Borrower shall deliver to the Authority, within one hundred and eighty (180) days after the close of each Fiscal Year, a certificate signed by a District Representative stating that, during such year and as of the date of such certificate, no event or condition has happened or existed, or is happening or existing, which constitutes an Event of Default or a Default, or if such an event or condition has happened or existed, or is happening or existing, specifying the nature and period of such event or condition and what action the Borrower has taken, is taking or proposes to take to rectify it.

**Section 10.4. Additional Indebtedness.** The Borrower shall not incur any indebtedness or issue any bonds, notes or other evidences of indebtedness secured by or payable from a pledge of Net Revenues or Net Revenues Available for Debt Service except in accordance with the terms and conditions of the Senior Trust Agreement with respect to any Senior Bonds and the Parity Trust Agreement with respect to any Parity Bonds. The Borrower agrees to notify the Authority before the issuance of any Bonds, Senior Bonds or Senior Indebtedness, as each such term is defined in the Parity Trust Agreement. Notwithstanding anything else in this section to the contrary, the Borrower may not issue any other obligations or indebtedness to refund or refinance some or all of the Leveraged Local Bonds without the Authority's prior written consent.

**Section 10.5. Compliance with Trust Agreements.** The Borrower covenants that it will, in every material respect, comply with the material terms and provisions of the Senior Trust Agreement with respect to the Senior Bonds and the Parity Trust Agreement with respect to the Parity Bonds.

**Section 10.6. Further Assurances.** The Borrower shall to the fullest extent permitted by law pass, make, do, execute, acknowledge and deliver such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming the rights, Net Revenues, Net

Revenues Available for Debt Service and other funds assigned or pledged by this Agreement, or as may be required to carry out the purposes of this Agreement. The Borrower shall at all times, to the fullest extent permitted by law, defend, preserve and protect the pledges made under this Agreement and all rights of the Authority and the Department under this Agreement against all claims and demands of all persons.

**Section 10.7. Other Indebtedness.** The Borrower agrees to pay when due all amounts required by any other indebtedness of the Borrower.

**Section 10.8. Assignment by Borrower.** The Borrower may not assign its rights under this Agreement without the prior written consent of the Authority and the Department. If the Borrower desires to assign its rights under this Agreement to another "local government" (as defined in the VWFRF Act), the Borrower shall give notice of such fact to the Authority and the Department. If the Authority and the Department consent to the proposed assignment, the Borrower may proceed with the proposed assignment, but such assignment shall not become effective until the Authority and the Department are furnished (i) an assumption agreement in form and substance satisfactory to the Authority and the Department by which the assignee agrees to assume all of the Borrower's obligations under the Local Bonds and this Agreement, and (ii) an Opinion of Bond Counsel to the assignee, subject to customary exceptions and qualifications, that the assumption agreement, the Local Bonds and this Agreement constitute legal, valid and binding obligations of the assignee enforceable against the assignee in accordance with their terms, that the assignment and assumption comply in all respects with the provisions of this Agreement, and that the assignment and assumption will not cause the interest on the Tax-Exempt Leveraged Local Bonds or the VRA Bonds to be includable in gross income for federal income tax purposes or to become a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Notwithstanding the foregoing, unless otherwise agreed to by the Authority in writing, the assignment of the rights of the Borrower under the Local Bonds and this Agreement or the assumption of the obligations thereunder by the assignee shall in no way be construed as releasing the Borrower's obligations.

**Section 10.9. Tax Covenants.** The Borrower agrees that it will not directly or indirectly use or permit the use of any of the proceeds of the Leveraged Local Bonds or any other of its funds in such manner as would, or enter into, or allow any other person or entity to enter into, any arrangement, formal or informal, that would, or take or omit to take any other action that would, cause the interest on the Tax-Exempt Leveraged Local Bonds or the VRA Bonds to be includable in gross income for federal income tax purposes or to become a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Borrower agrees to perform all duties imposed upon it by the Tax Compliance Agreements. Insofar as the Tax Compliance Agreements impose duties and responsibilities on the Borrower, including the payment of any arbitrage rebate in respect of the Leveraged Local Bonds or the VRA Bonds, it is specifically incorporated by reference into this Agreement.

**Section 10.10. Continuing Disclosure Obligations.** (a) For purposes of this Section, the following terms and phrases shall have the following meaning:

“Annual Financial Information” with respect to any Fiscal Year for the Borrower, means the following:

(i) the financial statements (consisting of at least a balance sheet and statement of revenues and expenses) of the System, or, if not available, the financial statements (consisting of at least a balance sheet and a statement of revenues and expenses) of the Borrower, which financial statements must be (A) prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the Borrower after the date of this Agreement from changing such other principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable law) and (B) audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time (provided that if audited financial statements are not available for filing when required by this Section or the Rule (as defined herein), unaudited financial statements will be filed and audited financial statements will be filed as soon as possible thereafter); and

(ii) operating data of the type set forth in Exhibit H.

“Dissemination Agent” shall mean any person, reasonably acceptable to the Authority, whom the Borrower contracts in writing to perform its obligations as provided in subsection (b) of this Section.

“Leveraging Bonds” means the bonds and other evidences of indebtedness issued and sold by the Authority pursuant to the VRA Act and the VWFRF Act, and any successor provisions of law, including without limitation the bonds and other evidences of indebtedness issued by the Authority under the Master Indenture.

“Local Government” shall have the meaning set forth in Section 62.1-199 of the Code of Virginia of 1950, as amended.

“Local Obligations” shall mean any bonds, notes, debentures, interim certificates, bond, grant or revenue anticipation notes, leases or any other evidences of indebtedness of a Local Government evidencing a loan made by the Authority to a Local Government from the Fund or the proceeds of Leveraging Bonds.

“Make Public” or “Made Public” shall have the meaning set forth in subsection (c) of this Section.

“Material Local Government” shall mean a Local Government that satisfies a set of objective criteria established by the Authority at the time of sale of each series of Leveraging Bonds and based on the level of participation of each Local Government in the aggregate outstanding principal amount of all Local Obligations. For all Leveraging Bonds currently outstanding as of the date of this Agreement, a Material Local Government is any Local Government whose aggregate outstanding principal amount of

Local Obligations represents twenty percent (20%) or more of the aggregate outstanding principal amount of all Local Obligations.

“Rule” means Rule 15c2-12, as it may be amended from time to time, under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

“SEC” means the U.S. Securities and Exchange Commission.

(b) The Borrower shall Make Public or cause to be Made Public:

(1) Within 270 days after the end of the Borrower’s Fiscal Year (commencing with the Fiscal Year in which the Closing Date occurs), Annual Financial Information for such Fiscal Year as of the end of which the Borrower constitutes a Material Local Government. Annual Financial Information may be set forth in the documents Made Public or may be included by reference in a document Made Public to any document previously filed with the SEC. If the document referred to is a final official statement within the meaning of the Rule, then it must be available from the Municipal Securities Rulemaking Board (“MSRB”).

(2) In a timely manner, notice of any failure by the Borrower to Make Public or cause to be Made Public Annual Financial Information pursuant to the terms of part (1) of this subsection.

(c) For purposes of this Section, information and notices shall be deemed to have been Made Public if transmitted to the Authority and to the MSRB for publication on its Electronic Municipal Market Access system (“EMMA”). All documents provided to the MSRB shall be accompanied by identifying information prescribed by the Authority and the MSRB.

(d) The Borrower shall also notify the Authority within five (5) business days of becoming aware of any of the following events that may from time to time occur with respect to the Local Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancement reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations with respect to the tax status of the Local Bonds, or other events affecting the tax status of the Local Bonds;

(7) modifications to rights of the holders of the Local Bonds;

(8) bond calls and tender offers;

(9) defeasances of all or any portion of the Local Bonds;

(10) release, substitution, or sale of property securing repayment of the Local Bonds;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Borrower\* ;

(13) the consummation of a merger, consolidation or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(14) appointment of a successor or additional trustee or the change in the name of a trustee.

(e) Notwithstanding anything in this Agreement to the contrary, the Borrower need not comply with the provisions of subsections (a) through (d) above unless and until the Authority has notified the Borrower that it satisfied the objective criteria for a Material Local Government as of the end of the Authority's immediately preceding fiscal year.

(f) The obligations of the Borrower under this Section will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all of the Leveraging Bonds.

(g) The Borrower may modify its continuing disclosure obligations in this Section without the consent of holders of the Leveraging Bonds provided that this Section as so modified complies with the Rule as it exists at the time of modification. The Borrower shall

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\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower.

within a reasonable time thereafter send to the Authority and the MSRB through EMMA a description of such modification(s).

(h) (1) If the Borrower fails to comply with any covenant or obligation set forth in this Section, any holder (within the meaning of the Rule) of Leveraging Bonds then Outstanding may, by notice to the Borrower, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Borrower's covenants or obligations set forth in this Section.

(2) Notwithstanding anything herein to the contrary, any failure of the Borrower to comply with any obligation regarding Annual Financial Information specified in this Section (i) shall not be deemed to constitute an Event of Default under this Agreement and (ii) shall not give rise to any right or remedy other than that described in part (h)(1) of this Section.

(i) The Borrower may from time to time disclose certain information and data in addition to that required under this Section. Notwithstanding anything in this Agreement to the contrary, the Borrower shall not incur any obligation to continue to provide, or to update, such additional information or data.

(j) The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation to Make Public the Annual Financial Information, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

**Section 10.11. Amendments to Senior Trust Agreement or Parity Trust Agreement; Incorporation by Reference.** (a) The Borrower covenants that it will not enter into any amendment of or issue any supplement to either the Senior Trust Agreement with respect to the Senior Bonds or the Parity Trust Agreement with respect to the Parity Bonds without the consent of the Authority, except pursuant to the terms of Section 1101 thereof. For the avoidance of doubt, the Authority shall be deemed to have parallel consent rights to any "Holder" of obligations under either the Senior Trust Agreement with respect to the Senior Bonds or the Parity Trust Agreement with respect to the Parity Bonds for any modification, alteration, amendment, addition to or rescission of the terms and provisions of either the Senior Trust Agreement with respect to the Senior Bonds or the Parity Trust Agreement with respect to the Parity Bonds as may be required under Section 1102 thereof.

(b) In the event that either the Senior Trust Agreement with respect to the Senior Bonds or the Parity Trust Agreement with respect to the Parity Bonds is discharged or defeased, the various provisions and sections that are referred to in this Agreement are incorporated herein by reference, as if set forth herein in their entirety, together with any definitions necessary to give such provisions and sections their full meaning. The Borrower acknowledges that such covenants run to the benefit of, and are enforceable by, the Authority regardless of any subsequent amendment, modification or termination of either the Senior Trust Agreement with respect to the Senior Bonds or the Parity Trust Agreement with respect to the Parity Bonds or any consent or waiver relating thereto. Notwithstanding the foregoing, no reference to the Senior

Trust Agreement shall continue in effect under this Agreement upon the discharge or defeasance of the Senior Bonds.

**Section 10.12. Migrating Senior Bonds.** The Migrating Senior Bonds shall from time to time migrate to the position of Parity Bonds subject to the following conditions:

(a) There are no existing defaults or events of default under the terms of any debt of the Borrower;

(b) The Senior Trust Agreement is legally closed to the issuance of additional debt;

(c) The Borrower maintains at least a AA- or equivalent rating by two nationally recognized statistical ratings organization on its debt outstanding under the Parity Trust Agreement;

(d) The Borrower has not issued any Senior Obligations (as such term is defined in the Senior Trust Agreement) after the date hereof;

(e) Beginning with its Fiscal Year ending June 30, 2017, the Borrower shall demonstrate that it has complied with the budgetary principles of its financial policy in effect as of the dated date of this Agreement to budget for minimum total debt service coverage of 1.4 times, i.e., such budgetary principles providing in pertinent part that the Borrower will adopt operating and capital budgets that it projects will enable the Borrower to maintain net revenues at a minimum of 1.4 times total debt service requirements, and in calculating compliance with the foregoing, the Borrower may make reasonable adjustments to net revenues as presented on a GAAP basis;

(f) Receipt by the Authority of the following, all in form and substance satisfactory to the Authority:

(1) Allonges to the Migrating Senior Bonds;

(2) A certificate of appropriate officials of the Borrower as to the matters set forth in Section 2.1, this Section and such other matters as the Authority may reasonably require;

(3) Evidence satisfactory to the Authority that the Borrower has performed and satisfied all of the terms and conditions contained in this Agreement to be performed and satisfied by it as of such date;

(4) An Opinion of Bond Counsel in form and substance reasonably satisfactory to the Authority;

(5) A written opinion of counsel to the Borrower in form and substance reasonably satisfactory to the Authority;

(6) Copies of any and all documents, certificates or instruments required to be delivered to the Local Parity Trustee pursuant to the Parity Trust Agreement and to the Local Senior Trustee pursuant to the Senior Trust Agreement as a condition precedent to the migration of the Migrating Senior Bonds; and

(7) Such other documentation, certificates and opinions as the Authority, the Board or the Department may reasonably require; and

(g) The Borrower has amortized or defeased its Senior Bonds such that the total par amount of debt outstanding under the Senior Trust Agreement is 15% or less of the par amount of the Borrower's total debt outstanding (taking into account the Migrating Senior Bonds).

If only conditions (a) through (f) above are met (and condition (g) is not), the Migrating Senior Bonds shall migrate from time to time to the position of Parity Bonds on a pro rata basis such that the current ratio of Authority to total Borrower debt with a pledge of Net Revenues senior to the Parity Bonds is maintained at approximately 16.5% per Fiscal Year. Unless the Authority and the Borrower agree otherwise in writing, the Migrating Senior Bonds shall migrate to the position of Parity Bonds in reverse order of maturity.

Once a Migrating Senior Bond has migrated to the position of a Parity Bond, such migration shall not be reversed at a later date due to the Borrower no longer meeting conditions (a), (c), (e) or (g) set forth above.

## ARTICLE XI

### DEFAULTS AND REMEDIES

**Section 11.1. Events of Default.** Each of the following events shall be an "Event of Default":

(a) The failure to pay when due any payment of principal or Cost of Funds due hereunder or to make any other payment required to be made under the Local Bonds or this Agreement;

(b) The Borrower's failure to perform or observe any of the other covenants, agreements or conditions of the Local Bonds or this Agreement and the continuation of such failure for a period of thirty (30) days after the Authority gives the Borrower written notice specifying such failure and requesting that it be cured, unless the Authority shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Default is corrected;

(c) Any warranty, representation or other statement by or on behalf of Borrower contained in this Agreement or in any instrument furnished in compliance with or in

reference to this Agreement or in connection with the issuance and sale of the Local Bonds is false or misleading in any material respect;

(d) An order or decree shall be entered, with the Borrower's consent or acquiescence, appointing a receiver or receivers of the System or any part thereof or of the Net Revenues or Net Revenues Available for Debt Service thereof, or if such order or decree, having been entered without the Borrower's consent or acquiescence, shall not be vacated, discharged or stayed on appeal within sixty (60) days after the entry thereof;

(e) Any proceeding shall be instituted, with the Borrower's consent or acquiescence, for the purpose of effecting a composition between the Borrower and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances secured by or payable from Net Revenues or Net Revenues Available for Debt Service;

(f) Any bankruptcy, insolvency or other similar proceeding shall be instituted by or against the Borrower under any federal or state bankruptcy or insolvency law now or hereinafter in effect and, if instituted against the Borrower, is not dismissed within ninety (90) days after filing; or

(g) The occurrence of a default by the Borrower under the terms of any debt secured by or payable from a pledge of Net Revenues or Net Revenues Available for Debt Service and the failure to cure such default or obtain a waiver thereof within any period of time permitted thereunder.

**Section 11.2. Notice of Default.** The Borrower agrees to give the Authority prompt written notice if any order, decree or proceeding referred to in Section 11.1(d), (e) or (f) is entered or instituted against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default immediately upon becoming aware of the existence thereof.

**Section 11.3. Remedies on Default.** Whenever any Event of Default referred to in Section 11.1 shall have happened and be continuing, the Authority shall, in addition to any other remedies provided herein or by law, including rights specified in Section 62.1-228 of the VWFRF Act, have the right, at its option without any further demand or notice, to take one or both of the following remedial steps:

(a) Declare immediately due and payable all payments of principal and accrued Cost of Funds due on the Local Bonds and under this Agreement, and upon notice to the Borrower, the same shall become immediately due and payable by the Borrower without further notice or demand; and

(b) Take whatever other action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due on the Local Bonds and under this Agreement or to enforce any other of the Fund's, the Authority's, the Department's or the Board's rights under this Agreement or to enforce performance by the Borrower of its covenants, agreements or undertakings contained herein or in the Local Bonds.

**Section 11.4. Delay and Waiver.** No delay or omission to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Default or Event of Default under this Agreement shall extend to or shall affect any subsequent Default or Event of Default or shall impair any rights or remedies consequent thereto.

**Section 11.5. State Aid Intercept.** The Borrower acknowledges that the Authority may take any and all actions available to it under the laws of the Commonwealth of Virginia, including Section 62.1-216.1 of the Code of Virginia of 1950, as amended, to secure payment of the principal of and the Cost of Funds on the Local Bonds, if payment of such principal or Cost of Funds shall not be paid when the same shall become due and payable.

## ARTICLE XII

### MISCELLANEOUS

**Section 12.1. Successors and Assigns.** This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

**Section 12.2. Amendments.** The Authority and the Borrower shall have the right to amend from time to time any of the terms and conditions of this Agreement, provided that all amendments shall be in a writing and shall be signed by or on behalf of the Authority and the Borrower. Furthermore, (i) a closing certificate from the Department concurring to the closing of an additional loan with the Borrower shall be required prior to the Authority and the Borrower entering into a Supplemental Financing Agreement for such additional loan, and (ii) the written consent of the Department shall be required for any amendments to this Agreement that modify loan conditions and terms that pursuant to the VWFRF Act are to be designated by the Board.

**Section 12.3. Limitation of Borrower's Liability.** Notwithstanding anything in the Local Bonds or this Agreement to the contrary, the Borrower's obligations are not its general obligations, but are limited obligations payable solely from the Net Revenues or Net Revenues Available for Debt Service which are specifically pledged for such purpose. Neither the Local Bonds nor this Agreement shall be deemed to create or constitute a debt or a pledge of the faith and credit of the Borrower and the Borrower shall not be obligated to pay the principal of or Cost of Funds on the Local Bonds or other costs incident thereto except from the Net Revenues or Net Revenues Available for Debt Service and other funds pledged therefor. In the absence of fraud, no present or future director, official, officer, employee or agent of the Borrower shall be liable personally in respect of this Agreement or the Local Bonds or for any other action taken by such individual pursuant to or in connection with the financing provided for in this Agreement or the Local Bonds.

**Section 12.4. Applicable Law.** This Agreement shall be governed by the applicable laws of the Commonwealth of Virginia.

**Section 12.5. Severability.** If any clause, provision or section of this Agreement shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or

Section shall not affect the remainder of this Agreement which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Agreement. If any agreement or obligation contained in this Agreement is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Authority and the Borrower, as the case may be, only to the extent permitted by law.

**Section 12.6. Notices.** Unless otherwise provided for herein, all demands, notices, approvals, consents, requests, opinions and other communications under the Local Bonds or this Agreement shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class, registered or certified mail, postage prepaid, addressed as follows:

**Fund:** Virginia Water Facilities Revolving Fund  
c/o Virginia Resources Authority  
1111 East Main Street, Suite 1920  
Richmond, VA 23219  
Attention: Executive Director

**Authority:** Virginia Resources Authority  
1111 East Main Street, Suite 1920  
Richmond, VA 23219  
Attention: Executive Director

**Board and Department:** State Water Control Board  
Department of Environmental Quality  
P.O. Box 1105  
Richmond, VA 23218  
Attention: Director

**Trustee:** U.S. Bank National Association, as Trustee  
Two James Center  
1021 East Cary St., 18th Floor  
Richmond, VA 23219  
Attn: Corporate Trust Division

**Borrower:** Hampton Roads Sanitation District  
P. O. Box 5911  
Virginia Beach, VA 23471-0911  
Attention: General Manager

A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given by any party named in this Section shall also be given to each of the other parties named. The Authority, the Trustee, the Board, the Department and the Borrower may designate, by notice given hereunder, any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

**Section 12.7. Right to Cure Default.** If the Borrower shall fail to make any payment or to perform any act required by it under the Local Bonds or this Agreement, the Authority without

prior notice to or demand upon the Borrower and without waiving or releasing any obligation or default, may (but shall be under no obligation to) make such payment or perform such act. All amounts so paid by the Authority and all costs, fees and expenses so incurred by the Authority shall be payable by the Borrower as an additional obligation under this Agreement, together with interest thereon at the rate of interest of five percent (5.0%) per annum until paid. The Borrower's obligation under this Section shall survive the payment of the Local Bonds.

**Section 12.8. Headings.** The headings of the several articles and sections of this Agreement are inserted for convenience only and do not comprise a part of this Agreement.

**Section 12.9. Term of Agreement.** This Agreement shall be effective upon its execution and delivery, provided that the Local Bonds shall have been previously or simultaneously executed and delivered. Except as otherwise specified, the Borrower's obligations under the Local Bonds and this Agreement shall expire upon payment in full of the Local Bonds and all other amounts payable by the Borrower under this Agreement.

**Section 12.10. Commitment Letters.** The Commitment Letters are an integral part of this Agreement and shall survive closing hereunder.

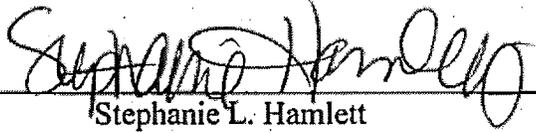
**Section 12.11. Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

*[SIGNATURE PAGE FOLLOWS]*

WITNESS the following signatures, all duly authorized.

**VIRGINIA RESOURCES AUTHORITY, as  
Administrator of the Virginia Water Facilities  
Revolving Fund**

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



Stephanie L. Hamlett  
Executive Director

**HAMPTON ROADS SANITATION DISTRICT**

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

Its: \_\_\_\_\_

The Trustee, by the execution hereof, accepts the duties imposed on it by this Agreement.

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

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

Its: \_\_\_\_\_

[Signature Page to Master Financing Agreement]

WITNESS the following signatures, all duly authorized.

**VIRGINIA RESOURCES AUTHORITY, as  
Administrator of the Virginia Water Facilities  
Revolving Fund**

By: \_\_\_\_\_  
Stephanie L. Hamlett  
Executive Director

**HAMPTON ROADS SANITATION DISTRICT**

By:  \_\_\_\_\_  
Its: DIRECTOR OF FINANCE

The Trustee, by the execution hereof, accepts the duties imposed on it by this Agreement.

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

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

[Signature Page to Master Financing Agreement]

WITNESS the following signatures, all duly authorized.

**VIRGINIA RESOURCES AUTHORITY, as  
Administrator of the Virginia Water Facilities  
Revolving Fund**

By: \_\_\_\_\_  
Stephanie L. Hamlett  
Executive Director

**HAMPTON ROADS SANITATION DISTRICT**

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

The Trustee, by the execution hereof, accepts the duties imposed on it by this Agreement.

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

By: Nancy H Taylor  
Its: Vice President

[Signature Page to Master Financing Agreement]

**EXHIBIT A-1**  
**Direct Local Bonds**  
**Hampton Roads Sanitation District**

\$1,759,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated January 31, 2002 (Army Base Aeration and James River Thickener Projects), as amended on January 9, 2013

\$2,476,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated April 3, 2002 (York River STP-Wastewater Reuse Project), as amended on January 9, 2013

\$40,338,298 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated February 26, 2004 (Chesapeake-Elizabeth Treatment Plant Project), as amended on January 9, 2013

\$1,235,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated July 29, 2005 (Army Base Treatment Plant Project), as amended on January 9, 2013

\$7,339,600 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated June 22, 2006 (Atlantic Wastewater Treatment Plant Project), as amended on January 9, 2013

\$1,605,200 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated June 22, 2006 (Colonial Williamsburg Pump Station Project), as amended on January 9, 2013

\$6,318,000 Hampton Roads Sanitation District Wastewater Revenue Bond, Series 2012, dated March 13, 2012 (Atlantic Treatment Plant: Digester Gas to Energy Project)

**EXHIBIT A-2**  
**Tax-Exempt Leveraged Local Bonds and Taxable Leveraged Local Bonds**  
**Hampton Roads Sanitation District**

**Tax-Exempt Leveraged Local Bonds.**

\$6,490,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated July 19, 2000 (Disinfection Projects)

\$2,380,185 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated September 28, 2000 (Odor Control Projects)

\$1,070,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated May 31, 2002 (Chesapeake-Elizabeth Incinerator Project)

**Taxable Leveraged Local Bonds.**

\$30,000,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated December 17, 2008 (York River Wastewater Treatment Plant Project), as amended on January 15, 2015

\$19,410,226 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2009, dated May 28, 2009 (Nansemond Treatment Plant Project), as amended on September 11, 2015

\$13,718,671 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2009, dated November 20, 2009 (James River Treatment Plant Project), as amended on September 11, 2015

\$11,418,372 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2009, dated December 18, 2009 (Interceptor System Metering Project), as amended on September 11, 2015

\$50,000,000 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2010, dated June 29, 2010 (Army Base Wastewater Treatment Plant Project)

\$5,924,715 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2010, dated June 29, 2010 (Williamsburg Oxidation Towers Project)

\$7,583,771 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2010, dated June 29, 2010 (Boat Harbor Treatment Project)

**EXHIBIT B**  
**Project Descriptions**  
**Hampton Roads Sanitation District**

C-515211-02 (York River STP-Wastewater Reuse Project): The Project includes the design and construction of a treated effluent polishing system with break point chlorination for ammonia reduction at the Borrower's York River plant site, together with related expenses.

C-515232-02 (Disinfection Projects): The Project includes the financing of the conversion of the disinfection systems at seven sewage treatment plants, and related expenses.

C-515236-02 (Odor Control Project): The Project includes the financing of improved odor control procedures at the District's Boat Harbor Plant, and related expenses.

C-515266-02 (Chesapeake-Elizabeth Incinerator Project): The Project includes rehabilitating and upgrading the incinerator at the Chesapeake-Elizabeth River treatment plant, together with related expenses.

C-515268-02 (Army Base Aeration and James River Thickener Projects): The Project includes the financing for two (2) separate projects, summarized as follows:

(1) Army Base Aeration Project – The Army Base Aeration Project includes the replacement of the mechanical aeration system and certain inadequate mixers at the Army Base Treatment Plant, together with related expenses.

(2) James River Thickener Project – The James River Thickener Project includes the acquisition and installation of two 3-meter gravity belt thickeners at the old belt filter press located at the James River Treatment Plant, together with related expenses.

C-515303-02 (Chesapeake-Elizabeth Treatment Plant Project): The Project involves various improvements to the Borrower's Chesapeake-Elizabeth treatment plant, including the replacement of the existing power and distribution system, and the construction and installation, as applicable, of new influent piping, preliminary and primary treatment and flow distribution improvements, alternative disinfection facilities and six secondary clarifier replacements, together with related expenses.

C-515341-02 (Army Base Treatment Plant Project): The Project involves the replacement of the existing turbine generator at the Borrower's Army Base Treatment Plant with diesel generated power, together with related expenses.

C-515363-01 (Atlantic Wastewater Treatment Plant Project): The Project involves the Phase I expansion of the Atlantic Wastewater Treatment Plant, together with related expenses

C-515364-02 (Colonial Williamsburg Pump Station Project): The Project involves the replacement of the existing Colonial Williamsburg Pump Station, together with related expenses.

C-515393-02 (York River Wastewater Treatment Plant Project): The Project involves upgrades to the Borrower's York River Wastewater Treatment Plant, together with related expenses.

C-515409-02 (James River Treatment Plant Project): The Project involves upgrades to the Borrower's James River Treatment Plant, together with related expenses.

C-515410-02 (Nansemond Treatment Plant Project): The Project involves upgrades to the Borrower's Nansemond Treatment Plant, together with related expenses.

C-515418-02 (Interceptor System Metering Project): The Project involves design and installation of flow meters and pressure sensors in the HRSB interceptor sewer system, together with related expenses.

C-515428-01 (Army Base Wastewater Treatment Plant Project): The Project involves upgrades to the Borrower's Army Base Wastewater Treatment Plant, together with related expenses.

C-515438-02 (Williamsburg Oxidation Towers Project): The Project involves the financing of a number of treatment process upgrades, together with related expenses.

C-515439-01 (Boat Harbor Treatment Project): The Project involves the replacement of existing aerators, treatment upgrades and the construction of a building for aerator equipment, together with related expenses.

C-515449G-02 (Atlantic Treatment Plant: Digester Gas to Energy Project): The Project involves the installation of cogeneration facilities to capture and clean digester biogas and use it to generate heat and electricity at the Atlantic Treatment Plant, together with related expenses.

**EXHIBIT C**  
**Project Budgets**  
**Hampton Roads Sanitation District**

C-515211-02 (York River STP-Wastewater Reuse Project)

<u>Cost Category</u>	<u>Total</u>
Bond Counsel	\$ 10,000
Architectural/Engineering Basic Fees	317,000
Equipment	196,000
Land Construction & Installation	958,000
Directional Drill	195,000
SBR	800,000
TOTALS:	<u>\$ 2,476,000</u>

C-515232-02 (Disinfection Projects)

<u>Cost Category</u>	<u>Total</u>
Legal	\$ 15,000.00
Engineering	979,236.92
Construction	4,143,434.34
Equipment	1,344,734.58
Other	7,594.16
TOTALS:	<u>\$ 6,490,000.00</u>

C-515236-02 (Odor Control Project)

<b>Cost Category</b>	<b>Total</b>
Legal	\$ 10,000
Engineering	278,818
Construction	1,991,777
Contingency	99,590
<b>TOTALS:</b>	<b>\$ 2,380,185</b>

C-515266-02 (Chesapeake-Elizabeth Incinerator Project)

<b>Cost Category</b>	<b>Total</b>
Bond Counsel	\$ 10,000
Fans, Scrubbers, Venturis	470,000
Installation	540,000
Contingency	50,000
<b>TOTALS:</b>	<b>\$ 1,070,000</b>

C-515268-02 (Army Base Aeration and James River Thickener Projects)

<b>Cost Category</b>	<b>Total</b>
Bond Counsel	\$ 15,000
Army Base Aerators/Installation	459,000
James River Engineering	206,000
James River Construction	801,000
James River Equipment	278,000
<b>TOTALS:</b>	<b>\$ 1,759,000</b>

C-515303-02 (Chesapeake-Elizabeth Treatment Plant Project)

<b>Cost Category</b>	<b>Total</b>
Architectural/Engineering Basic Fees	\$ 3,809,664
Treatment Plant Construction	34,763,600
Contingencies	1,393,300
Pre-purchased Equipment	363,734
<b>TOTALS:</b>	<b>\$ 40,330,298</b>

C-515341-02 (Army Base Treatment Plant Project)

<b>Cost Category</b>	<b>Total</b>
Design	\$ 71,720
Contract Administration	21,920
Additional Services	15,000
Construction	1,089,700
Contingency	36,660
<b>TOTALS:</b>	<b>\$ 1,235,000</b>

C-515363-01 (Atlantic Wastewater Treatment Plant Project)

<b>Cost Category</b>	<b>Total</b>
Bond Counsel	\$ 15,000
Engineering	1,073,500
Construction	6,069,000
Contingencies	182,100
<b>TOTALS:</b>	<b>\$ 7,339,600</b>

C-515364-02 (Colonial Williamsburg Pump Station Project)

<b>Cost Category</b>		<b>Total</b>
Construction	\$	1,398,500
Engineering		164,700
Contingency		42,000
<b>TOTALS:</b>	\$	<b>1,605,200</b>

C-515393-02 (York River Wastewater Treatment Plant Project)

<b>Cost Category</b>		<b>Total</b>
Bond Counsel	\$	20,000
Engineering		
PER/Geotechnical		157,350
Environmental Assessment		15,205
Design		1,706,830
Value Engineering		4,216
Construction Management/Inspection		2,231,867
Construction		25,247,597
Contingency		616,935
<b>TOTALS:</b>	\$	<b>30,000,000</b>

C-515409-02 (James River Treatment Plant Project)

<u>Cost Category</u>	<u>Total Project Cost</u>	<u>WQIF</u>	<u>VCWRLF</u>
Bond Counsel	\$ 20,000	\$ -	\$ 20,000
PER Phase I	395,800	216,582	179,218
PER IFAS Demo	331,620	198,972	132,648
PER VE Study	67,189	36,766	30,423
Design/Bidding	2,593,426	1,419,123	1,174,303
Construction Engineering	1,688,216	923,792	764,424
Testing	312,952	171,247	141,705
IFAS Demo Construction	1,710,156	1,026,093	-
Construction	23,717,000	12,978,000	10,739,000
Contingency	1,185,850	648,900	536,950
<b>TOTALS:</b>		\$ 17,619,475	\$ 13,718,671

C-515410-02 (Nansemond Treatment Plant Project)

<u>Cost Category</u>	<u>Total</u>
Bond Counsel	\$ 20,000
Preliminary Engineering	193,509
Design Engineering	899,261
Value Engineering	14,485
Soil Borings/Testing	99,717
Construction Management	743,928
Construction	16,608,882
Contingency	830,444
<b>TOTALS:</b>	\$ 19,410,226

C-515418-02 (Interceptor System Metering Project)

Cost Category	Total
<b>Engineering</b>	
HDR	\$ 1,057,317
JMT	889,844
O'Brien & Gere	1,413,964
PB Americas, Inc.	2,173,752
Rummel Klepper & Kahl	979,920
<b>Construction</b>	
Contract A - REW Corporation	181,633
Contract B - T A Sheets Mechanical	604,025
Contract D - W R Hall	234,462
Contract F - T A Sheets Mechanical	295,500
Contract G - Mid Eastern Builders	778,700
Contract H - Mid Eastern Builders	235,500
Contract J - Mid Eastern Builders	616,225
Contract M - REW Corporation	1,184,602
Contract N - REW Corporation	539,424
<b>Contingency</b>	<b>233,504</b>
<b>TOTALS:</b>	<b>\$ 11,418,372</b>

C-515428-01 (Army Base Wastewater Treatment Plant Project)

<b>Cost Category</b>	<b>Total</b>
Bond Counsel	\$ 20,000
Engineering	
PER/Value Engineering	999,060
Design	4,876,360
Soil Boring/Project Testing	1,229,058
Construction Management	5,134,685
Temp Access Road	119,041
Construction	
WWTP	37,106,658
Temp Access Road	515,138
<b>TOTALS:</b>	<b>\$ 50,000,000</b>

C-515438-02 (Williamsburg Oxidation Towers Project)

<b>Cost Category</b>	<b>Total</b>
Bond Counsel	\$ 20,000
Basic Engineering	498,849
Construction Engineering	483,466
Construction	4,688,000
Contingency	234,400
<b>TOTALS:</b>	<b>\$ 5,924,715</b>

C-515439-01 (Boat Harbor Treatment Project)

<b>Cost Category</b>	<b>Total</b>
Bond Counsel	\$ 20,000
Basic Engineering	740,279
Construction Engineering	628,492
Construction	5,900,000
Contingency	295,000
<b>TOTALS:</b>	<b>\$ 7,583,771</b>

C-515449G-02 (Atlantic Treatment Plant: Digester Gas to Energy Project)

<b>Cost Category</b>	<b>Principal Repayment Loan</b>	<b>Principal Forgiveness Loan</b>	<b>Other Sources (HRSD Equity)</b>	<b>Total</b>
Bond Counsel	\$ 8,404	\$ 1,596	\$ -	\$ 10,000
Construction	6,309,596	1,198,404	82,000	7,590,000
Design	-	-	1,295,163	1,295,163
Miscellaneous	-	-	171,586	171,586
<b>TOTALS:</b>	<b>\$ 6,318,000</b>	<b>\$ 1,200,000</b>	<b>\$ 1,548,749</b>	<b>\$ 9,066,749</b>

**EXHIBIT D**  
**Opinion of Bond Counsel**  
**Hampton Roads Sanitation District**

[To Come from Borrower's Bond Counsel]

**EXHIBIT E**  
**Financing Agreements**  
**Hampton Roads Sanitation District**

C-515232-02 (Disinfection Projects): Financing Agreement dated as of July 1, 2000

C-515236-02 (Odor Control Project): Financing Agreement dated as of September 1, 2000

C-515268-02 (Army Base Aeration and James River Thickener Projects): Financing Agreement dated as of January 1, 2002, as amended by a Financing Agreement Amendment dated as of January 1, 2013

C-515211-02 (York River STP-Wastewater Reuse Project): Financing Agreement dated as of March 1, 2002, as amended by a Financing Agreement Amendment dated as of January 1, 2013

C-515266-02 (Chesapeake-Elizabeth Incinerator Project): Financing Agreement dated as of May 1, 2002

C-515303-02 (Chesapeake-Elizabeth Treatment Plant Project): Financing Agreement dated as of February 1, 2004, as amended by a Financing Agreement Amendment dated as of January 1, 2013

C-515341-02 (Army Base Treatment Plant Project): Financing Agreement dated as of July 1, 2005, as amended by a Financing Agreement Amendment dated as of January 1, 2013

C-515363-01 (Atlantic Wastewater Treatment Plant Project): Financing Agreement dated as of June 1, 2006, as amended by a Financing Agreement Amendment dated as of January 1, 2013

C-515364-02 (Colonial Williamsburg Pump Station Project): Financing Agreement dated as of June 1, 2006, as amended by a Financing Agreement Amendment dated as of January 1, 2013

C-515393-02 (York River Wastewater Treatment Plant Project): Financing Agreement dated as of December 1, 2008, as amended by a Financing Agreement Amendment dated as of January 1, 2015

C-515409-02 (James River Treatment Plant Project): Financing Agreement dated as of November 1, 2009, as amended by a Financing Agreement Amendment dated as of September 1, 2015

C-515410-02 (Nansemond Treatment Plant Project): Financing Agreement dated as of May 1, 2009, as amended by a Financing Agreement Amendment dated as of September 1, 2015

C-515418-02 (Interceptor System Metering Project): Financing Agreement dated as of December 1, 2009, as amended by a Financing Agreement Amendment dated as of September 1, 2015

C-515428-01 (Army Base Wastewater Treatment Plant Project): Financing Agreement dated as of June 1, 2010

C-515438-02 (Williamsburg Oxidation Towers Project): Financing Agreement dated as of June 1, 2010

C-515439-01 (Boat Harbor Treatment Project): Financing Agreement dated as of June 1, 2010

C-515449G-02 (Atlantic Treatment Plant: Digester Gas to Energy Project): Financing Agreement dated as of March 1, 2012

**EXHIBIT F**  
**Senior Bonds, Migrating Senior Bonds and Parity Bonds**  
**Hampton Roads Sanitation District**

**Senior Bonds.**

\$223,170,000 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2008, dated March 31, 2008

\$152,640,000 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2009, dated November 12, 2009

\$45,705,000 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2011, dated October 20, 2011

\$130,480,000 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2012, dated December 27, 2012

\$111,345,000 Hampton Roads Sanitation District Wastewater Revenue Bonds, Refunding Series 2014A, dated November 12, 2014

**Migrating Senior Bonds.**

\$19,410,226 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2009, dated May 28, 2009 (Nansemond Treatment Plant Project), as amended on September 11, 2015

\$13,718,671 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2009, dated November 20, 2009 (James River Treatment Plant Project), as amended on September 11, 2015

\$11,418,372 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2009, dated December 18, 2009 (Interceptor System Metering Project), as amended on September 11, 2015

\$50,000,000 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2010, dated June 29, 2010 (Army Base Wastewater Treatment Plant Project)

\$5,924,715 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2010, dated June 29, 2010 (Williamsburg Oxidation Towers Project)

\$7,583,771 Hampton Roads Sanitation District Wastewater Revenue Bonds, Series 2010, dated June 29, 2010 (Boat Harbor Treatment Project)

\$6,318,000 Hampton Roads Sanitation District Wastewater Revenue Bond, Series 2012, dated March 13, 2012 (Atlantic Treatment Plant: Digester Gas to Energy Project)

**Parity Bonds.**

\$6,490,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated July 19, 2000 (Disinfection Projects)

\$2,380,185 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated September 28, 2000 (Odor Control Projects)

\$1,759,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated January 31, 2002 (Army Base Aeration and James River Thickener Projects), as amended on January 9, 2013

\$2,476,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated April 3, 2002 (York River STP-Wastewater Reuse Project), as amended on January 9, 2013

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\$1,235,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated July 29, 2005 (Army Base Treatment Plant Project), as amended on January 9, 2013

\$7,339,600 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated June 22, 2006 (Atlantic Wastewater Treatment Plant Project), as amended on January 9, 2013

\$1,605,200 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated June 22, 2006 (Colonial Williamsburg Pump Station Project), as amended on January 9, 2013

\$30,000,000 Hampton Roads Sanitation District Subordinate Pledge Sewer Revenue Bond, dated December 17, 2008 (York River Wastewater Treatment Plant Project), as amended on January 15, 2015

\$25,000,000 Hampton Roads Sanitation District Subordinate Wastewater Revenue Bonds, Series 2011, dated October 20, 2011

\$22,680,000 Hampton Roads Sanitation District Subordinate Wastewater Revenue Bonds, Refunding Series 2012, dated December 27, 2012

**EXHIBIT G**  
**Debt Service Schedules**  
**Hampton Roads Sanitation District**

<b>Project Number:</b>	<b>C-515211-02</b>	<b>Original Interest Rate</b>
<b>Financing Agreement dated as of:</b>	<b>March 1, 2002</b>	Interest: 2.50%
<b>Amendment dated as of:</b>	<b>January 1, 2013</b>	Late Fee: 5.00%
<b>Final Principal Disbursed:</b>	<b>\$ 2,476,000</b>	<b>Reduced Interest Rate</b>
<b>Original Interest Rate:</b>	<b>2.50%</b>	Interest: 1.70%
<b>Reduced Interest Rate:</b>	<b>1.70%</b>	Late Fee: 5.00%
<b>Principal Payments:</b>	<b>39</b>	

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	INTEREST PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	3/1/2003	\$ 2,476,000.00	\$30,217.21	\$ 30,217.21	\$ -	\$ 2,476,000.00
2	9/1/2003	2,476,000.00	80,600.00	29,952.73	50,647.27	2,425,352.73
3	3/1/2004	2,425,352.73	80,600.00	30,316.91	50,283.09	2,375,069.64
4	9/1/2004	2,375,069.64	80,600.00	29,688.37	50,911.63	2,324,158.01
5	3/1/2005	2,324,158.01	80,600.00	29,051.98	51,548.02	2,272,609.99
6	9/1/2005	2,272,609.99	80,600.00	28,407.62	52,192.38	2,220,417.61
7	3/1/2006	2,220,417.61	80,600.00	27,755.22	52,844.78	2,167,572.83
8	9/1/2006	2,167,572.83	80,600.00	27,094.66	53,505.34	2,114,067.49
9	3/1/2007	2,114,067.49	80,600.00	26,425.84	54,174.16	2,059,893.33
10	9/1/2007	2,059,893.33	80,600.00	25,748.67	54,851.33	2,005,042.00
11	3/1/2008	2,005,042.00	80,600.00	25,063.03	55,536.97	1,949,505.03
12	9/1/2008	1,949,505.03	80,600.00	24,368.81	56,231.19	1,893,273.84
13	3/1/2009	1,893,273.84	80,600.00	23,665.92	56,934.08	1,836,339.76
14	9/1/2009	1,836,339.76	80,600.00	22,954.25	57,645.75	1,778,694.01
15	3/1/2010	1,778,694.01	80,600.00	22,233.68	58,366.32	1,720,327.69
16	9/1/2010	1,720,327.69	80,600.00	21,504.10	59,095.90	1,661,231.79
17	3/1/2011	1,661,231.79	80,600.00	20,765.40	59,834.60	1,601,397.19
18	9/1/2011	1,601,397.19	80,600.00	20,017.46	60,582.54	1,540,814.65
19	3/1/2012	1,540,814.65	80,600.00	19,260.18	61,339.82	1,479,474.83
20	9/1/2012	1,479,474.83	80,600.00	18,493.44	62,106.56	1,417,368.27
21	3/1/2013	1,417,368.27	77,600.00	16,079.26	61,520.74	1,355,847.53
22	9/1/2013	1,355,847.53	77,600.00	11,524.70	66,075.30	1,289,772.23
23	3/1/2014	1,289,772.23	77,600.00	10,963.06	66,636.94	1,223,135.29
24	9/1/2014	1,223,135.29	77,600.00	10,396.65	67,203.35	1,155,931.94
25	3/1/2015	1,155,931.94	77,600.00	9,825.42	67,774.58	1,088,157.36
26	9/1/2015	1,088,157.36	77,600.00	9,249.34	68,350.66	1,019,806.70
27	3/1/2016	1,019,806.70	77,600.00	8,668.36	68,931.64	950,875.06
28	9/1/2016	950,875.06	77,600.00	8,082.44	69,517.56	881,357.50
29	3/1/2017	881,357.50	77,600.00	7,491.54	70,108.46	811,249.04
30	9/1/2017	811,249.04	77,600.00	6,895.62	70,704.38	740,544.66
31	3/1/2018	740,544.66	77,600.00	6,294.63	71,305.37	669,239.29
32	9/1/2018	669,239.29	77,600.00	5,688.53	71,911.47	597,327.82
33	3/1/2019	597,327.82	77,600.00	5,077.29	72,522.71	524,805.11
34	9/1/2019	524,805.11	77,600.00	4,460.84	73,139.16	451,665.95
35	3/1/2020	451,665.95	77,600.00	3,839.16	73,760.84	377,905.11
36	9/1/2020	377,905.11	77,600.00	3,212.19	74,387.81	303,517.30
37	3/1/2021	303,517.30	77,600.00	2,579.90	75,020.10	228,497.20
38	9/1/2021	228,497.20	77,600.00	1,942.23	75,657.77	152,839.43
39	3/1/2022	152,839.43	77,600.00	1,299.14	76,300.86	76,538.57
40	9/1/2022	76,538.57	77,189.15	650.58	76,538.57	-
			<b>\$ 3,113,206.36</b>	<b>\$ 637,206.36</b>	<b>\$ 2,476,000.00</b>	

**Project Number:** C-515232-02  
**Financing Agreement Dated as of:** July 1, 2000  
**Final Principal Disbursed:** \$ 6,490,000  
**Interest Rate:** 3.50%  
**Principal Payments:** 39

**Interest Rate**  
 Interest: 3.50%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	INTEREST PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	9/1/2000	\$ 6,490,000.00	\$26,500.84	\$ 26,500.84	\$ -	\$ 6,490,000.00
2	3/1/2001	6,490,000.00	231,005.01	113,575.00	117,430.01	6,372,569.99
3	9/1/2001	6,372,569.99	231,000.00	111,519.97	119,480.03	6,253,089.96
4	3/1/2002	6,253,089.96	231,000.00	109,429.07	121,570.93	6,131,519.03
5	9/1/2002	6,131,519.03	231,000.00	107,301.58	123,698.42	6,007,820.61
6	3/1/2003	6,007,820.61	231,000.00	105,136.86	125,863.14	5,881,957.47
7	9/1/2003	5,881,957.47	231,000.00	102,934.26	128,065.74	5,753,891.73
8	3/1/2004	5,753,891.73	231,000.00	100,693.11	130,306.89	5,623,584.84
9	9/1/2004	5,623,584.84	231,000.00	98,412.73	132,587.27	5,490,997.57
10	3/1/2005	5,490,997.57	231,000.00	96,092.46	134,907.54	5,356,090.03
11	9/1/2005	5,356,090.03	231,000.00	93,731.58	137,268.42	5,218,821.61
12	3/1/2006	5,218,821.61	231,000.00	91,329.38	139,670.62	5,079,150.99
13	9/1/2006	5,079,150.99	231,000.00	88,885.14	142,114.86	4,937,036.13
14	3/1/2007	4,937,036.13	231,000.00	86,398.13	144,601.87	4,792,434.26
15	9/1/2007	4,792,434.26	231,000.00	83,867.60	147,132.40	4,645,301.86
16	3/1/2008	4,645,301.86	231,000.00	81,292.78	149,707.22	4,495,594.64
17	9/1/2008	4,495,594.64	231,000.00	78,672.91	152,327.09	4,343,267.55
18	3/1/2009	4,343,267.55	231,000.00	76,007.18	154,992.82	4,188,274.73
19	9/1/2009	4,188,274.73	231,000.00	73,294.81	157,705.19	4,030,569.54
20	3/1/2010	4,030,569.54	231,000.00	70,534.97	160,465.03	3,870,104.51
21	9/1/2010	3,870,104.51	231,000.00	67,726.83	163,273.17	3,706,831.34
22	3/1/2011	3,706,831.34	231,000.00	64,869.55	166,130.45	3,540,700.89
23	9/1/2011	3,540,700.89	231,000.00	61,962.27	169,037.73	3,371,663.16
24	3/1/2012	3,371,663.16	231,000.00	59,004.11	171,995.89	3,199,667.27
25	9/1/2012	3,199,667.27	231,000.00	55,994.18	175,005.82	3,024,661.45
26	3/1/2013	3,024,661.45	231,000.00	52,931.58	178,068.42	2,846,593.03
27	9/1/2013	2,846,593.03	231,000.00	49,815.38	181,184.62	2,665,408.41
28	3/1/2014	2,665,408.41	231,000.00	46,644.65	184,355.35	2,481,053.06
29	9/1/2014	2,481,053.06	231,000.00	43,418.43	187,581.57	2,293,471.49
30	3/1/2015	2,293,471.49	231,000.00	40,135.75	190,864.25	2,102,607.24
31	9/1/2015	2,102,607.24	231,000.00	36,795.63	194,204.37	1,908,402.87
32	3/1/2016	1,908,402.87	231,000.00	33,397.05	197,602.95	1,710,799.92
33	9/1/2016	1,710,799.92	231,000.00	29,939.00	201,061.00	1,509,738.92
34	3/1/2017	1,509,738.92	231,000.00	26,420.43	204,579.57	1,305,159.35
35	9/1/2017	1,305,159.35	231,000.00	22,840.29	208,159.71	1,096,999.64
36	3/1/2018	1,096,999.64	231,000.00	19,197.49	211,802.51	885,197.13
37	9/1/2018	885,197.13	231,000.00	15,490.95	215,509.05	669,688.08
38	3/1/2019	669,688.08	231,000.00	11,719.54	219,280.46	450,407.62
39	9/1/2019	450,407.62	231,000.00	7,882.13	223,117.87	227,289.75
40	3/1/2020	227,289.75	231,267.32	3,977.57	227,289.75	-
			\$ 9,035,773.17	\$ 2,545,773.17	\$ 6,490,000.00	

Project Number:

C-515236-02

Interest Rate

Financing Agreement Dated as of:

September 1, 2000

Interest: 3.50%

Final Principal Disbursed:

\$ 2,348,686

Late Fee: 5.00%

Interest Rate:

3.50%

Principal Payments:

39

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	INTEREST PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	3/1/2002	\$ 2,348,685.78	\$63,920.56	\$ 63,920.56	\$ -	\$ 2,348,685.78
2	9/1/2002	2,348,685.78	80,115.66	37,068.90	43,046.76	2,305,639.02
3	3/1/2003	2,305,639.02	81,159.33	37,928.83	43,230.50	2,262,408.52
4	9/1/2003	2,262,408.52	83,600.00	39,592.15	44,007.85	2,218,400.67
5	3/1/2004	2,218,400.67	83,600.00	38,822.01	44,777.99	2,173,622.68
6	9/1/2004	2,173,622.68	83,600.00	38,038.40	45,561.60	2,128,061.08
7	3/1/2005	2,128,061.08	83,600.00	37,241.07	46,358.93	2,081,702.15
8	9/1/2005	2,081,702.15	83,600.00	36,429.79	47,170.21	2,034,531.94
9	3/1/2006	2,034,531.94	83,600.00	35,604.31	47,995.69	1,986,536.25
10	9/1/2006	1,986,536.25	83,600.00	34,764.38	48,835.62	1,937,700.63
11	3/1/2007	1,937,700.63	83,600.00	33,909.76	49,690.24	1,888,010.39
12	9/1/2007	1,888,010.39	83,600.00	33,040.18	50,559.82	1,837,450.57
13	3/1/2008	1,837,450.57	83,600.00	32,155.38	51,444.62	1,786,005.95
14	9/1/2008	1,786,005.95	83,600.00	31,255.10	52,344.90	1,733,661.05
15	3/1/2009	1,733,661.05	83,600.00	30,339.07	53,260.93	1,680,400.12
16	9/1/2009	1,680,400.12	83,600.00	29,407.00	54,193.00	1,626,207.12
17	3/1/2010	1,626,207.12	83,600.00	28,458.62	55,141.38	1,571,065.74
18	9/1/2010	1,571,065.74	83,600.00	27,493.65	56,106.35	1,514,959.39
19	3/1/2011	1,514,959.39	83,600.00	26,511.79	57,088.21	1,457,871.18
20	9/1/2011	1,457,871.18	83,600.00	25,512.75	58,087.25	1,399,783.93
21	3/1/2012	1,399,783.93	83,600.00	24,496.22	59,103.78	1,340,680.15
22	9/1/2012	1,340,680.15	83,600.00	23,461.90	60,138.10	1,280,542.05
23	3/1/2013	1,280,542.05	83,600.00	22,409.49	61,190.51	1,219,351.54
24	9/1/2013	1,219,351.54	83,600.00	21,338.65	62,261.35	1,157,090.19
25	3/1/2014	1,157,090.19	83,600.00	20,249.08	63,350.92	1,093,739.27
26	9/1/2014	1,093,739.27	83,600.00	19,140.44	64,459.56	1,029,279.71
27	3/1/2015	1,029,279.71	83,600.00	18,012.39	65,587.61	963,692.10
28	9/1/2015	963,692.10	83,600.00	16,864.61	66,735.39	896,956.71
29	3/1/2016	896,956.71	83,600.00	15,696.74	67,903.26	829,053.45
30	9/1/2016	829,053.45	83,600.00	14,508.44	69,091.56	759,961.89
31	3/1/2017	759,961.89	83,600.00	13,299.33	70,300.67	689,661.22
32	9/1/2017	689,661.22	83,600.00	12,069.07	71,530.93	618,130.29
33	3/1/2018	618,130.29	83,600.00	10,817.28	72,782.72	545,347.57
34	9/1/2018	545,347.57	83,600.00	9,543.58	74,056.42	471,291.15
35	3/1/2019	471,291.15	83,600.00	8,247.60	75,352.40	395,938.75
36	9/1/2019	395,938.75	83,600.00	6,928.93	76,671.07	319,267.68
37	3/1/2020	319,267.68	83,600.00	5,587.18	78,012.82	241,254.86
38	9/1/2020	241,254.86	83,600.00	4,221.96	79,378.04	161,876.82
39	3/1/2021	161,876.82	83,600.00	2,832.84	80,767.16	81,109.66
40	9/1/2021	81,109.66	82,529.08	1,419.42	81,109.66	-
			\$ 3,317,324.63	\$ 968,638.85	\$ 2,348,685.78	

**Project Number:** C-515266-02  
**Financing Agreement Dated as of:** May 1, 2002  
**Final Principal Disbursed:** \$ 1,016,740  
**Interest Rate:** 3.75%  
**Principal Payments:** 39

**Interest Rate**  
 Interest: 3.75%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	INTEREST PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	9/1/2003	\$ 1,016,740.00	\$34,477.78	\$ 34,477.78	\$ -	\$ 1,016,740.00
2	3/1/2004	1,016,740.00	37,000.00	18,910.31	18,089.69	998,650.31
3	9/1/2004	998,650.31	37,000.00	18,724.69	18,275.31	980,375.00
4	3/1/2005	980,375.00	37,000.00	18,382.03	18,617.97	961,757.03
5	9/1/2005	961,757.03	37,000.00	18,032.94	18,967.06	942,789.97
6	3/1/2006	942,789.97	37,000.00	17,677.31	19,322.69	923,467.28
7	9/1/2006	923,467.28	37,000.00	17,315.01	19,684.99	903,782.29
8	3/1/2007	903,782.29	37,000.00	16,945.92	20,054.08	883,728.21
9	9/1/2007	883,728.21	37,000.00	16,569.90	20,430.10	863,298.11
10	3/1/2008	863,298.11	37,000.00	16,186.84	20,813.16	842,484.95
11	9/1/2008	842,484.95	37,000.00	15,796.59	21,203.41	821,281.54
12	3/1/2009	821,281.54	37,000.00	15,399.03	21,600.97	799,680.57
13	9/1/2009	799,680.57	37,000.00	14,994.01	22,005.99	777,674.58
14	3/1/2010	777,674.58	37,000.00	14,581.40	22,418.60	755,255.98
15	9/1/2010	755,255.98	37,000.00	14,161.05	22,838.95	732,417.03
16	3/1/2011	732,417.03	37,000.00	13,732.82	23,267.18	709,149.85
17	9/1/2011	709,149.85	37,000.00	13,296.56	23,703.44	685,446.41
18	3/1/2012	685,446.41	37,000.00	12,852.12	24,147.88	661,298.53
19	9/1/2012	661,298.53	37,000.00	12,399.35	24,600.65	636,697.88
20	3/1/2013	636,697.88	37,000.00	11,938.09	25,061.91	611,635.97
21	9/1/2013	611,635.97	37,000.00	11,468.17	25,531.83	586,104.14
22	3/1/2014	586,104.14	37,000.00	10,989.45	26,010.55	560,093.59
23	9/1/2014	560,093.59	37,000.00	10,501.75	26,498.25	533,595.34
24	3/1/2015	533,595.34	37,000.00	10,004.91	26,995.09	506,600.25
25	9/1/2015	506,600.25	37,000.00	9,498.75	27,501.25	479,099.00
26	3/1/2016	479,099.00	37,000.00	8,983.11	28,016.89	451,082.11
27	9/1/2016	451,082.11	37,000.00	8,457.79	28,542.21	422,539.90
28	3/1/2017	422,539.90	37,000.00	7,922.62	29,077.38	393,462.52
29	9/1/2017	393,462.52	37,000.00	7,377.42	29,622.58	363,839.94
30	3/1/2018	363,839.94	37,000.00	6,822.00	30,178.00	333,661.94
31	9/1/2018	333,661.94	37,000.00	6,256.16	30,743.84	302,918.10
32	3/1/2019	302,918.10	37,000.00	5,679.71	31,320.29	271,597.81
33	9/1/2019	271,597.81	37,000.00	5,092.46	31,907.54	239,690.27
34	3/1/2020	239,690.27	37,000.00	4,494.19	32,505.81	207,184.46
35	9/1/2020	207,184.46	37,000.00	3,884.71	33,115.29	174,069.17
36	3/1/2021	174,069.17	37,000.00	3,263.80	33,736.20	140,332.97
37	9/1/2021	140,332.97	37,000.00	2,631.24	34,368.76	105,964.21
38	3/1/2022	105,964.21	37,000.00	1,986.83	35,013.17	70,951.04
39	9/1/2022	70,951.04	37,000.00	1,330.33	35,669.67	35,281.37
40	3/1/2023	35,281.37	35,942.90	661.53	35,281.37	-
			\$ 1,476,420.68	\$ 459,680.68	\$ 1,016,740.00	

**Project Number:** C-515268-02  
**Financing Agreement dated as of:** January 1, 2002  
**Amendment dated as of:** January 1, 2013  
**Final Principal Disbursed:** \$ 1,759,000  
**Original Interest Rate:** 3.75%  
**Reduced Interest Rate:** 1.70%  
**Principal Payments:** 39

**Original Interest Rate**  
 Interest: 3.75%  
 Late Fee: 5.00%  
  
**Reduced Interest Rate**  
 Interest: 1.70%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	INTEREST PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	4/1/2003	\$ 1,759,000.00	\$52,822.11	\$ 52,822.11	\$ -	\$ 1,759,000.00
2	10/1/2003	1,759,000.00	64,071.93	33,064.48	31,007.45	1,727,992.55
3	4/1/2004	1,727,992.55	64,000.00	32,399.88	31,600.12	1,696,392.43
4	10/1/2004	1,696,392.43	64,000.00	31,807.36	32,192.64	1,664,199.79
5	4/1/2005	1,664,199.79	64,000.00	31,203.75	32,796.25	1,631,403.54
6	10/1/2005	1,631,403.54	64,000.00	30,588.82	33,411.18	1,597,992.36
7	4/1/2006	1,597,992.36	64,000.00	29,962.36	34,037.64	1,563,954.72
8	10/1/2006	1,563,954.72	64,000.00	29,324.15	34,675.85	1,529,278.87
9	4/1/2007	1,529,278.87	64,000.00	28,673.98	35,326.02	1,493,952.85
10	10/1/2007	1,493,952.85	64,000.00	28,011.62	35,988.38	1,457,964.47
11	4/1/2008	1,457,964.47	64,000.00	27,336.83	36,663.17	1,421,301.30
12	10/1/2008	1,421,301.30	64,000.00	26,649.40	37,350.60	1,383,950.70
13	4/1/2009	1,383,950.70	64,000.00	25,949.08	38,050.92	1,345,899.78
14	10/1/2009	1,345,899.78	64,000.00	25,235.62	38,764.38	1,307,135.40
15	4/1/2010	1,307,135.40	64,000.00	24,508.79	39,491.21	1,267,644.19
16	10/1/2010	1,267,644.19	64,000.00	23,768.33	40,231.67	1,227,412.52
17	4/1/2011	1,227,412.52	64,000.00	23,013.98	40,986.02	1,186,426.50
18	10/1/2011	1,186,426.50	64,000.00	22,245.50	41,754.50	1,144,672.00
19	4/1/2012	1,144,672.00	64,000.00	21,462.60	42,537.40	1,102,134.60
20	10/1/2012	1,102,134.60	64,000.00	20,665.02	43,334.98	1,058,799.62
21	4/1/2013	1,058,799.62	58,100.00	14,908.49	43,191.51	1,015,608.11
22	10/1/2013	1,015,608.11	58,100.00	8,632.67	49,467.33	966,140.78
23	4/1/2014	966,140.78	58,100.00	8,212.20	49,887.80	916,252.98
24	10/1/2014	916,252.98	58,100.00	7,788.15	50,311.85	865,941.13
25	4/1/2015	865,941.13	58,100.00	7,360.50	50,739.50	815,201.63
26	10/1/2015	815,201.63	58,100.00	6,929.21	51,170.79	764,030.84
27	4/1/2016	764,030.84	58,100.00	6,494.26	51,605.74	712,425.10
28	10/1/2016	712,425.10	58,100.00	6,055.61	52,044.39	660,380.71
29	4/1/2017	660,380.71	58,100.00	5,613.24	52,486.76	607,893.95
30	10/1/2017	607,893.95	58,100.00	5,167.10	52,932.90	554,961.05
31	4/1/2018	554,961.05	58,100.00	4,717.17	53,382.83	501,578.22
32	10/1/2018	501,578.22	58,100.00	4,263.41	53,836.59	447,741.63
33	4/1/2019	447,741.63	58,100.00	3,805.80	54,294.20	393,447.43
34	10/1/2019	393,447.43	58,100.00	3,344.30	54,755.70	338,691.73
35	4/1/2020	338,691.73	58,100.00	2,878.88	55,221.12	283,470.61
36	10/1/2020	283,470.61	58,100.00	2,409.50	55,690.50	227,780.11
37	4/1/2021	227,780.11	58,100.00	1,936.13	56,163.87	171,616.24
38	10/1/2021	171,616.24	58,100.00	1,458.74	56,641.26	114,974.98
39	4/1/2022	114,974.98	58,100.00	977.29	57,122.71	57,852.27
40	10/1/2022	57,852.27	58,344.01	491.74	57,852.27	
			\$ 2,431,138.05	\$ 672,138.05	\$ 1,759,000.00	

**Project Number:** C-515303-02  
**Financing Agreement dated as of:** February 1, 2004  
**Amendment dated as of:** January 1, 2013  
**Final Principal Disbursed:** \$ 40,330,298  
**Original Interest Rate:** 3.00%  
**Reduced Interest Rate:** 2.10%  
**Principal Payments:** 39

**Original Interest Rate**  
 Interest: 3.00%  
 Late Fee: 5.00%

**Reduced Interest Rate**  
 Interest: 2.10%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	INTEREST PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	12/1/2007	\$ 40,330,298.00	\$2,790,966.40	\$ 2,790,966.40	\$ -	\$ 40,330,298.00
2	6/1/2008	40,330,298.00	1,372,654.41	604,175.51	768,478.90	39,561,819.10
3	12/1/2008	39,561,819.10	1,373,433.38	593,427.30	780,006.08	38,781,813.02
4	6/1/2009	38,781,813.02	1,373,433.35	581,727.18	791,706.17	37,990,106.85
5	12/1/2009	37,990,106.85	1,373,433.39	569,851.62	803,581.77	37,186,525.08
6	6/1/2010	37,186,525.08	1,373,433.35	557,797.86	815,635.49	36,370,889.59
7	12/1/2010	36,370,889.59	1,373,433.35	545,563.32	827,870.03	35,543,019.56
8	6/1/2011	35,543,019.56	1,373,433.38	533,145.30	840,288.08	34,702,731.48
9	12/1/2011	34,702,731.48	1,373,433.38	520,540.98	852,892.40	33,849,839.08
10	6/1/2012	33,849,839.08	1,373,433.38	507,747.60	865,685.78	32,984,153.30
11	12/1/2012	32,984,153.30	1,373,433.35	494,762.28	878,671.07	32,105,482.23
12	6/1/2013	32,105,482.23	1,291,100.00	367,607.77	923,492.23	31,181,990.00
13	12/1/2013	31,181,990.00	1,291,100.00	327,410.90	963,689.10	30,218,300.90
14	6/1/2014	30,218,300.90	1,291,100.00	317,292.16	973,807.84	29,244,493.06
15	12/1/2014	29,244,493.06	1,291,100.00	307,067.18	984,032.82	28,260,460.24
16	6/1/2015	28,260,460.24	1,291,100.00	296,734.83	994,365.17	27,266,095.07
17	12/1/2015	27,266,095.07	1,291,100.00	286,294.00	1,004,806.00	26,261,289.07
18	6/1/2016	26,261,289.07	1,291,100.00	275,743.54	1,015,356.46	25,245,932.61
19	12/1/2016	25,245,932.61	1,291,100.00	265,082.29	1,026,017.71	24,219,914.90
20	6/1/2017	24,219,914.90	1,291,100.00	254,309.11	1,036,790.89	23,183,124.01
21	12/1/2017	23,183,124.01	1,291,100.00	243,422.80	1,047,677.20	22,135,446.81
22	6/1/2018	22,135,446.81	1,291,100.00	232,422.19	1,058,677.81	21,076,769.00
23	12/1/2018	21,076,769.00	1,291,100.00	221,306.07	1,069,793.93	20,006,975.07
24	6/1/2019	20,006,975.07	1,291,100.00	210,073.24	1,081,026.76	18,925,948.31
25	12/1/2019	18,925,948.31	1,291,100.00	198,722.46	1,092,377.54	17,833,570.77
26	6/1/2020	17,833,570.77	1,291,100.00	187,252.49	1,103,847.51	16,729,723.26
27	12/1/2020	16,729,723.26	1,291,100.00	175,662.09	1,115,437.91	15,614,285.35
28	6/1/2021	15,614,285.35	1,291,100.00	163,950.00	1,127,150.00	14,487,135.35
29	12/1/2021	14,487,135.35	1,291,100.00	152,114.92	1,138,985.08	13,348,150.27
30	6/1/2022	13,348,150.27	1,291,100.00	140,155.58	1,150,944.42	12,197,205.85
31	12/1/2022	12,197,205.85	1,291,100.00	128,070.66	1,163,029.34	11,034,176.51
32	6/1/2023	11,034,176.51	1,291,100.00	115,858.85	1,175,241.15	9,858,935.36
33	12/1/2023	9,858,935.36	1,291,100.00	103,518.82	1,187,581.18	8,671,354.18
34	6/1/2024	8,671,354.18	1,291,100.00	91,049.22	1,200,050.78	7,471,303.40
35	12/1/2024	7,471,303.40	1,291,100.00	78,448.69	1,212,651.31	6,258,652.09
36	6/1/2025	6,258,652.09	1,291,100.00	65,715.85	1,225,384.15	5,033,267.94
37	12/1/2025	5,033,267.94	1,291,100.00	52,849.31	1,238,250.69	3,795,017.25
38	6/1/2026	3,795,017.25	1,291,100.00	39,847.68	1,251,252.32	2,543,764.93
39	12/1/2026	2,543,764.93	1,291,100.00	26,709.53	1,264,390.47	1,279,374.46
40	6/1/2027	1,279,374.46	1,292,807.89	13,433.43	1,279,374.46	-
			\$ 53,968,129.01	\$ 13,637,831.01	\$ 40,330,298.00	

**Project Number:** C-515341-02  
**Financing Agreement dated as of:** July 1, 2005  
**Amendment dated as of:** January 1, 2013  
**Final Principal Disbursed:** \$ 1,235,000  
**Original Cost of Funds:** 3.00%  
**Reduced Cost of Funds:** 2.00%  
**Principal Payments:** 39

**Original Cost of Funds**  
 Interest: 2.90%  
 Admin. Fee: 0.10%  
 Late Fee: 5.00%

**Reduced Cost of Funds**  
 Interest: 1.90%  
 Admin. Fee: 0.10%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	10/1/2006	\$ 1,235,000.00	\$16,603.80	\$ 16,603.80	\$ -	\$ 1,235,000.00
2	4/1/2007	1,235,000.00	42,101.62	18,569.15	23,532.47	1,211,467.53
3	10/1/2007	1,211,467.53	42,057.47	18,172.02	23,885.45	1,187,582.08
4	4/1/2008	1,187,582.08	42,057.50	17,813.76	24,243.74	1,163,338.34
5	10/1/2008	1,163,338.34	42,057.49	17,450.10	24,607.39	1,138,730.95
6	4/1/2009	1,138,730.95	42,057.48	17,080.98	24,976.50	1,113,754.45
7	10/1/2009	1,113,754.45	42,057.49	16,706.34	25,351.15	1,088,403.30
8	4/1/2010	1,088,403.30	42,057.48	16,326.06	25,731.42	1,062,671.88
9	10/1/2010	1,062,671.88	42,057.47	15,940.08	26,117.39	1,036,554.49
10	4/1/2011	1,036,554.49	42,057.49	15,548.34	26,509.15	1,010,045.34
11	10/1/2011	1,010,045.34	42,057.45	15,150.66	26,906.79	983,138.55
12	4/1/2012	983,138.55	42,057.49	14,747.10	27,310.39	955,828.16
13	10/1/2012	955,828.16	42,057.47	14,337.42	27,720.05	928,108.11
14	4/1/2013	928,108.11	39,500.00	11,807.60	27,692.40	900,415.71
15	10/1/2013	900,415.71	39,500.00	9,004.16	30,495.84	869,919.87
16	4/1/2014	869,919.87	39,500.00	8,699.20	30,800.80	839,119.07
17	10/1/2014	839,119.07	39,500.00	8,391.19	31,108.81	808,010.26
18	4/1/2015	808,010.26	39,500.00	8,080.10	31,419.90	776,590.36
19	10/1/2015	776,590.36	39,500.00	7,765.90	31,734.10	744,856.26
20	4/1/2016	744,856.26	39,500.00	7,448.56	32,051.44	712,804.82
21	10/1/2016	712,804.82	39,500.00	7,128.05	32,371.95	680,432.87
22	4/1/2017	680,432.87	39,500.00	6,804.33	32,695.67	647,737.20
23	10/1/2017	647,737.20	39,500.00	6,477.37	33,022.63	614,714.57
24	4/1/2018	614,714.57	39,500.00	6,147.15	33,352.85	581,361.72
25	10/1/2018	581,361.72	39,500.00	5,813.62	33,686.38	547,675.34
26	4/1/2019	547,675.34	39,500.00	5,476.75	34,023.25	513,652.09
27	10/1/2019	513,652.09	39,500.00	5,136.52	34,363.48	479,288.61
28	4/1/2020	479,288.61	39,500.00	4,792.89	34,707.11	444,581.50
29	10/1/2020	444,581.50	39,500.00	4,445.82	35,054.18	409,527.32
30	4/1/2021	409,527.32	39,500.00	4,095.27	35,404.73	374,122.59
31	10/1/2021	374,122.59	39,500.00	3,741.23	35,758.77	338,363.82
32	4/1/2022	338,363.82	39,500.00	3,383.64	36,116.36	302,247.46
33	10/1/2022	302,247.46	39,500.00	3,022.47	36,477.53	265,769.93
34	4/1/2023	265,769.93	39,500.00	2,657.70	36,842.30	228,927.63
35	10/1/2023	228,927.63	39,500.00	2,289.28	37,210.72	191,716.91
36	4/1/2024	191,716.91	39,500.00	1,917.17	37,582.83	154,134.08
37	10/1/2024	154,134.08	39,500.00	1,541.34	37,958.66	116,175.42
38	4/1/2025	116,175.42	39,500.00	1,161.75	38,338.25	77,837.17
39	10/1/2025	77,837.17	39,500.00	778.37	38,721.63	39,115.54
40	4/1/2026	39,115.54	39,506.70	391.16	39,115.54	-
			\$ 1,587,844.40	\$ 352,844.40	\$ 1,235,000.00	

**Project Number:** C-515363-01  
**Financing Agreement dated as of:** June 1, 2006  
**Amendment dated as of:** January 1, 2013  
**Final Principal Disbursed:** \$ 7,339,600  
**Original Cost of Funds:** 3.10%  
**Reduced Cost of Funds:** 2.10%  
**Principal Payments:** 39

**Original Cost of Funds**  
 Interest: 3.00%  
 Admin. Fee: 0.10%  
 Late Fee: 2.50%  
  
**Reduced Cost of Funds**  
 Interest: 2.00%  
 Admin. Fee: 0.10%  
 Late Fee: 2.50%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	8/1/2007	\$ 7,339,600.00	\$201,813.24	\$ 201,813.24	\$ -	\$ 7,339,600.00
2	2/1/2008	7,339,600.00	252,184.60	113,763.78	138,420.82	7,201,179.18
3	8/1/2008	7,201,179.18	252,184.64	111,618.30	140,566.34	7,060,612.84
4	2/1/2009	7,060,612.84	252,184.64	109,439.52	142,745.12	6,917,867.72
5	8/1/2009	6,917,867.72	252,184.63	107,226.96	144,957.67	6,772,910.05
6	2/1/2010	6,772,910.05	252,184.59	104,980.08	147,204.51	6,625,705.54
7	8/1/2010	6,625,705.54	252,184.64	102,698.46	149,486.18	6,476,219.36
8	2/1/2011	6,476,219.36	252,184.60	100,381.38	151,803.22	6,324,416.14
9	8/1/2011	6,324,416.14	252,184.65	98,028.48	154,156.17	6,170,259.97
10	2/1/2012	6,170,259.97	252,184.63	95,639.04	156,545.59	6,013,714.38
11	8/1/2012	6,013,714.38	252,184.62	93,212.58	158,972.04	5,854,742.34
12	2/1/2013	5,854,742.34	236,300.00	87,170.61	149,129.39	5,705,612.95
13	8/1/2013	5,705,612.95	236,300.00	59,908.94	176,391.06	5,529,221.89
14	2/1/2014	5,529,221.89	236,300.00	58,056.83	178,243.17	5,350,978.72
15	8/1/2014	5,350,978.72	236,300.00	56,185.28	180,114.72	5,170,864.00
16	2/1/2015	5,170,864.00	236,300.00	54,294.07	182,005.93	4,988,858.07
17	8/1/2015	4,988,858.07	236,300.00	52,383.01	183,916.99	4,804,941.08
18	2/1/2016	4,804,941.08	236,300.00	50,451.88	185,848.12	4,619,092.96
19	8/1/2016	4,619,092.96	236,300.00	48,500.48	187,799.52	4,431,293.44
20	2/1/2017	4,431,293.44	236,300.00	46,528.58	189,771.42	4,241,522.02
21	8/1/2017	4,241,522.02	236,300.00	44,535.98	191,764.02	4,049,758.00
22	2/1/2018	4,049,758.00	236,300.00	42,522.46	193,777.54	3,855,980.46
23	8/1/2018	3,855,980.46	236,300.00	40,487.79	195,812.21	3,660,168.25
24	2/1/2019	3,660,168.25	236,300.00	38,431.77	197,868.23	3,462,300.02
25	8/1/2019	3,462,300.02	236,300.00	36,354.15	199,945.85	3,262,354.17
26	2/1/2020	3,262,354.17	236,300.00	34,254.72	202,045.28	3,060,308.89
27	8/1/2020	3,060,308.89	236,300.00	32,133.24	204,166.76	2,856,142.13
28	2/1/2021	2,856,142.13	236,300.00	29,989.49	206,310.51	2,649,831.62
29	8/1/2021	2,649,831.62	236,300.00	27,823.23	208,476.77	2,441,354.85
30	2/1/2022	2,441,354.85	236,300.00	25,634.23	210,665.77	2,230,689.08
31	8/1/2022	2,230,689.08	236,300.00	23,422.24	212,877.76	2,017,811.32
32	2/1/2023	2,017,811.32	236,300.00	21,187.02	215,112.98	1,802,698.34
33	8/1/2023	1,802,698.34	236,300.00	18,928.33	217,371.67	1,585,326.67
34	2/1/2024	1,585,326.67	236,300.00	16,645.93	219,654.07	1,365,672.60
35	8/1/2024	1,365,672.60	236,300.00	14,339.56	221,960.44	1,143,712.16
36	2/1/2025	1,143,712.16	236,300.00	12,008.98	224,291.02	919,421.14
37	8/1/2025	919,421.14	236,300.00	9,653.92	226,646.08	692,775.06
38	2/1/2026	692,775.06	236,300.00	7,274.14	229,025.86	463,749.20
39	8/1/2026	463,749.20	236,300.00	4,869.37	231,430.63	232,318.57
40	2/1/2027	232,318.57	234,757.91	2,439.34	232,318.57	-
			\$ 9,574,817.39	\$ 2,235,217.39	\$ 7,339,600.00	

**Project Number:** C-515364-02  
**Financing Agreement dated as of:** June 1, 2006  
**Amendment dated as of:** January 1, 2013  
**Final Principal Disbursed:** \$ 1,605,199  
**Original Cost of Funds:** 3.10%  
**Reduced Cost of Funds:** 2.10%  
**Principal Payments:** 39

**Original Cost of Funds**  
 Interest: 3.00%  
 Admin. Fee: 0.10%  
 Late Fee: 2.50%

**Reduced Cost of Funds**  
 Interest: 2.00%  
 Admin. Fee: 0.10%  
 Late Fee: 2.50%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	1/1/2008	\$ 1,605,199.20	\$40,785.83	\$ 40,785.83	\$ -	\$ 1,605,199.20
2	7/1/2008	1,605,199.20	53,071.45	22,798.26	30,273.19	1,574,926.01
3	1/1/2009	1,574,926.01	55,285.78	24,543.36	30,742.42	1,544,183.59
4	7/1/2009	1,544,183.59	55,153.77	23,934.84	31,218.93	1,512,964.66
5	1/1/2010	1,512,964.66	55,153.79	23,450.94	31,702.85	1,481,261.81
6	7/1/2010	1,481,261.81	55,153.76	22,959.54	32,194.22	1,449,067.59
7	1/1/2011	1,449,067.59	55,153.73	22,460.52	32,693.21	1,416,374.38
8	7/1/2011	1,416,374.38	55,153.77	21,953.82	33,199.95	1,383,174.43
9	1/1/2012	1,383,174.43	55,153.75	21,439.20	33,714.55	1,349,459.88
10	7/1/2012	1,349,459.88	55,153.73	20,916.60	34,237.13	1,315,222.75
11	1/1/2013	1,315,222.75	55,153.77	20,385.96	34,767.81	1,280,454.94
12	7/1/2013	1,280,454.94	51,500.00	13,729.33	37,770.67	1,242,684.27
13	1/1/2014	1,242,684.27	51,500.00	13,048.18	38,451.82	1,204,232.45
14	7/1/2014	1,204,232.45	51,500.00	12,644.44	38,855.56	1,165,376.89
15	1/1/2015	1,165,376.89	51,500.00	12,236.46	39,263.54	1,126,113.35
16	7/1/2015	1,126,113.35	51,500.00	11,824.19	39,675.81	1,086,437.54
17	1/1/2016	1,086,437.54	51,500.00	11,407.59	40,092.41	1,046,345.13
18	7/1/2016	1,046,345.13	51,500.00	10,986.62	40,513.38	1,005,831.75
19	1/1/2017	1,005,831.75	51,500.00	10,561.23	40,938.77	964,892.98
20	7/1/2017	964,892.98	51,500.00	10,131.38	41,368.62	923,524.36
21	1/1/2018	923,524.36	51,500.00	9,697.01	41,802.99	881,721.37
22	7/1/2018	881,721.37	51,500.00	9,258.07	42,241.93	839,479.44
23	1/1/2019	839,479.44	51,500.00	8,814.53	42,685.47	796,793.97
24	7/1/2019	796,793.97	51,500.00	8,366.34	43,133.66	753,660.31
25	1/1/2020	753,660.31	51,500.00	7,913.43	43,586.57	710,073.74
26	7/1/2020	710,073.74	51,500.00	7,455.77	44,044.23	666,029.51
27	1/1/2021	666,029.51	51,500.00	6,993.31	44,506.69	621,522.82
28	7/1/2021	621,522.82	51,500.00	6,525.99	44,974.01	576,548.81
29	1/1/2022	576,548.81	51,500.00	6,053.76	45,446.24	531,102.57
30	7/1/2022	531,102.57	51,500.00	5,576.58	45,923.42	485,179.15
31	1/1/2023	485,179.15	51,500.00	5,094.38	46,405.62	438,773.53
32	7/1/2023	438,773.53	51,500.00	4,607.12	46,892.88	391,880.65
33	1/1/2024	391,880.65	51,500.00	4,114.75	47,385.25	344,495.40
34	7/1/2024	344,495.40	51,500.00	3,617.20	47,882.80	296,612.60
35	1/1/2025	296,612.60	51,500.00	3,114.43	48,385.57	248,227.03
36	7/1/2025	248,227.03	51,500.00	2,606.38	48,893.62	199,333.41
37	1/1/2026	199,333.41	51,500.00	2,093.00	49,407.00	149,926.41
38	7/1/2026	149,926.41	51,500.00	1,574.23	49,925.77	100,000.64
39	1/1/2027	100,000.64	51,500.00	1,050.01	50,449.99	49,550.65
40	7/1/2027	49,550.65	50,070.93	520.28	49,550.65	-
			\$ 2,082,444.06	\$ 477,244.86	\$ 1,605,199.20	

**Project Number:** C-515393-02  
**Financing Agreement dated as of:** December 1, 2008  
**Amendment dated as of:** January 1, 2015  
**Final Principal Disbursed:** \$ 29,683,463  
**Original Cost of Funds:** 3.55%  
**Reduced Cost of Funds:** 2.72%  
**Principal Payments:** 39

**Original Cost of Funds**  
 Interest: 3.35%  
 Admin. Fee: 0.20%  
 Late Fee: 5.00%

**Reduced Cost of Funds**  
 Interest: 2.52%  
 Admin. Fee: 0.20%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	9/1/2011	\$ 29,683,463.17	\$1,906,488.02	\$ 1,906,488.02	\$ -	\$ 29,683,463.17
2	3/1/2012	29,683,463.17	1,072,500.00	514,012.26	558,487.74	29,124,975.43
3	9/1/2012	29,124,975.43	1,072,500.00	511,463.17	561,036.83	28,563,938.60
4	3/1/2013	28,563,938.60	1,072,500.00	507,009.91	565,490.09	27,998,448.51
5	9/1/2013	27,998,448.51	1,072,500.00	496,972.46	575,527.54	27,422,920.97
6	3/1/2014	27,422,920.97	1,072,500.00	486,756.85	585,743.15	26,837,177.82
7	9/1/2014	26,837,177.82	1,072,500.00	476,359.91	596,140.09	26,241,037.73
8	3/1/2015	26,241,037.73	992,200.00	356,878.14	635,321.86	25,605,715.87
9	9/1/2015	25,605,715.87	992,200.00	348,237.72	643,962.28	24,961,753.59
10	3/1/2016	24,961,753.59	992,200.00	339,479.82	652,720.18	24,309,033.41
11	9/1/2016	24,309,033.41	992,200.00	330,602.88	661,597.12	23,647,436.29
12	3/1/2017	23,647,436.29	992,200.00	321,605.16	670,594.84	22,976,841.45
13	9/1/2017	22,976,841.45	992,200.00	312,485.04	679,714.96	22,297,126.49
14	3/1/2018	22,297,126.49	992,200.00	303,240.90	688,959.10	21,608,167.39
15	9/1/2018	21,608,167.39	992,200.00	293,871.06	698,328.94	20,909,838.45
16	3/1/2019	20,909,838.45	992,200.00	284,373.78	707,826.22	20,202,012.23
17	9/1/2019	20,202,012.23	992,200.00	274,747.38	717,452.62	19,484,559.61
18	3/1/2020	19,484,559.61	992,200.00	264,990.00	727,210.00	18,757,349.61
19	9/1/2020	18,757,349.61	992,200.00	255,099.96	737,100.04	18,020,249.57
20	3/1/2021	18,020,249.57	992,200.00	245,075.40	747,124.60	17,273,124.97
21	9/1/2021	17,273,124.97	992,200.00	234,914.52	757,285.48	16,515,839.49
22	3/1/2022	16,515,839.49	992,200.00	224,615.40	767,584.60	15,748,254.89
23	9/1/2022	15,748,254.89	992,200.00	214,176.24	778,023.76	14,970,231.13
24	3/1/2023	14,970,231.13	992,200.00	203,595.12	788,604.88	14,181,626.25
25	9/1/2023	14,181,626.25	992,200.00	192,870.12	799,329.88	13,382,296.37
26	3/1/2024	13,382,296.37	992,200.00	181,999.26	810,200.74	12,572,095.63
27	9/1/2024	12,572,095.63	992,200.00	170,980.50	821,219.50	11,750,876.13
28	3/1/2025	11,750,876.13	992,200.00	159,811.92	832,388.08	10,918,488.05
29	9/1/2025	10,918,488.05	992,200.00	148,491.42	843,708.58	10,074,779.47
30	3/1/2026	10,074,779.47	992,200.00	137,017.02	855,182.98	9,219,596.49
31	9/1/2026	9,219,596.49	992,200.00	125,386.50	866,813.50	8,352,782.99
32	3/1/2027	8,352,782.99	992,200.00	113,597.82	878,602.18	7,474,180.81
33	9/1/2027	7,474,180.81	992,200.00	101,648.88	890,551.12	6,583,629.69
34	3/1/2028	6,583,629.69	992,200.00	89,537.34	902,662.66	5,680,967.03
35	9/1/2028	5,680,967.03	992,200.00	77,261.16	914,938.84	4,766,028.19
36	3/1/2029	4,766,028.19	992,200.00	64,818.00	927,382.00	3,838,646.19
37	9/1/2029	3,838,646.19	992,200.00	52,205.58	939,994.42	2,898,651.77
38	3/1/2030	2,898,651.77	992,200.00	39,421.68	952,778.32	1,945,873.45
39	9/1/2030	1,945,873.45	992,200.00	26,463.90	965,736.10	980,137.35
40	3/1/2031	980,137.35	993,467.19	13,329.84	980,137.35	-
			\$ 41,085,355.21	\$ 11,401,892.04	\$ 29,683,463.17	

**Project Number:** C-515409-02  
**Financing Agreement dated as of:** November 1, 2009  
**Amendment dated as of:** September 1, 2015  
**Final Principal Disbursed:** \$ 13,431,198  
**Original Cost of Funds:** 3.35%  
**Reduced Cost of Funds:** 2.65%  
**Principal Payments:** 38

**Original Cost of Funds**  
 Interest: 3.15%  
 Admin. Fee: 0.20%  
 Late Fee: 5.00%

**Reduced Cost of Funds**  
 Interest: 2.45%  
 Admin. Fee: 0.20%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	9/1/2011	\$ 13,431,198.17	\$443,337.27	\$ 443,337.27	\$ -	\$ 13,431,198.17
2	3/1/2012	13,431,198.17	481,900.00	199,791.86	282,108.14	13,149,090.03
3	9/1/2012	13,149,090.03	481,900.00	209,221.15	272,678.85	12,876,411.18
4	3/1/2013	12,876,411.18	481,900.00	206,830.68	275,069.32	12,601,341.86
5	9/1/2013	12,601,341.86	481,900.00	208,712.71	273,187.29	12,328,154.57
6	3/1/2014	12,328,154.57	481,900.00	206,496.58	275,403.42	12,052,751.15
7	9/1/2014	12,052,751.15	481,900.00	201,883.58	280,016.42	11,772,734.73
8	3/1/2015	11,772,734.73	481,900.00	197,193.30	284,706.70	11,488,028.03
9	9/1/2015	11,488,028.03	481,900.00	192,424.47	289,475.53	11,198,552.50
10	3/1/2016	11,198,552.50	454,800.00	148,380.82	306,419.18	10,892,133.32
11	9/1/2016	10,892,133.32	454,800.00	144,320.77	310,479.23	10,581,654.09
12	3/1/2017	10,581,654.09	454,800.00	140,206.92	314,593.08	10,267,061.01
13	9/1/2017	10,267,061.01	454,800.00	136,038.56	318,761.44	9,948,299.57
14	3/1/2018	9,948,299.57	454,800.00	131,814.97	322,985.03	9,625,314.54
15	9/1/2018	9,625,314.54	454,800.00	127,535.42	327,264.58	9,298,049.96
16	3/1/2019	9,298,049.96	454,800.00	123,199.16	331,600.84	8,966,449.12
17	9/1/2019	8,966,449.12	454,800.00	118,805.45	335,994.55	8,630,454.57
18	3/1/2020	8,630,454.57	454,800.00	114,353.52	340,446.48	8,290,008.09
19	9/1/2020	8,290,008.09	454,800.00	109,842.61	344,957.39	7,945,050.70
20	3/1/2021	7,945,050.70	454,800.00	105,271.92	349,528.08	7,595,522.62
21	9/1/2021	7,595,522.62	454,800.00	100,640.67	354,159.33	7,241,363.29
22	3/1/2022	7,241,363.29	454,800.00	95,948.06	358,851.94	6,882,511.35
23	9/1/2022	6,882,511.35	454,800.00	91,193.28	363,606.72	6,518,904.63
24	3/1/2023	6,518,904.63	454,800.00	86,375.49	368,424.51	6,150,480.12
25	9/1/2023	6,150,480.12	454,800.00	81,493.86	373,306.14	5,777,173.98
26	3/1/2024	5,777,173.98	454,800.00	76,547.56	378,252.44	5,398,921.54
27	9/1/2024	5,398,921.54	454,800.00	71,535.71	383,264.29	5,015,657.25
28	3/1/2025	5,015,657.25	454,800.00	66,457.46	388,342.54	4,627,314.71
29	9/1/2025	4,627,314.71	454,800.00	61,311.92	393,488.08	4,233,826.63
30	3/1/2026	4,233,826.63	454,800.00	56,098.20	398,701.80	3,835,124.83
31	9/1/2026	3,835,124.83	454,800.00	50,815.40	403,984.60	3,431,140.23
32	3/1/2027	3,431,140.23	454,800.00	45,462.61	409,337.39	3,021,802.84
33	9/1/2027	3,021,802.84	454,800.00	40,038.89	414,761.11	2,607,041.73
34	3/1/2028	2,607,041.73	454,800.00	34,543.30	420,256.70	2,186,785.03
35	9/1/2028	2,186,785.03	454,800.00	28,974.90	425,825.10	1,760,959.93
36	3/1/2029	1,760,959.93	454,800.00	23,332.72	431,467.28	1,329,492.65
37	9/1/2029	1,329,492.65	454,800.00	17,615.78	437,184.22	892,308.43
38	3/1/2030	892,308.43	454,800.00	11,823.09	442,976.91	449,331.52
39	9/1/2030	449,331.52	455,285.16	5,953.64	449,331.52	0.00
			\$ 17,943,022.43	\$ 4,511,824.26	\$ 13,431,198.17	

**Project Number:** C-515410-02  
**Financing Agreement dated as of:** May 1, 2009  
**Amendment dated as of:** September 1, 2015  
**Final Principal Disbursed:** \$ 19,394,535  
**Original Cost of Funds:** 3.35%  
**Reduced Cost of Funds:** 2.65%  
**Principal Payments:** 39

**Original Cost of Funds**  
 Interest: 3.15%  
 Admin. Fee: 0.20%  
 Late Fee: 5.00%  
  
**Reduced Cost of Funds**  
 Interest: 2.45%  
 Admin. Fee: 0.20%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	9/1/2011	\$ 19,394,535.17	\$991,102.50	\$ 991,102.50	\$ -	\$ 19,394,535.17
2	3/1/2012	19,394,535.17	681,800.00	314,723.46	367,076.54	19,027,458.63
3	9/1/2012	19,027,458.63	681,800.00	308,574.96	373,225.04	18,654,233.59
4	3/1/2013	18,654,233.59	681,800.00	302,323.44	379,476.56	18,274,757.03
5	9/1/2013	18,274,757.03	681,800.00	303,399.52	378,400.48	17,896,356.55
6	3/1/2014	17,896,356.55	681,800.00	299,763.98	382,036.02	17,514,320.53
7	9/1/2014	17,514,320.53	681,800.00	293,364.87	388,435.13	17,125,885.40
8	3/1/2015	17,125,885.40	681,800.00	286,858.58	394,941.42	16,730,943.98
9	9/1/2015	16,730,943.98	681,800.00	280,243.31	401,556.69	16,329,387.29
10	3/1/2016	16,329,387.29	645,800.00	216,364.38	429,435.62	15,899,951.67
11	9/1/2016	15,899,951.67	645,800.00	210,674.36	435,125.64	15,464,826.03
12	3/1/2017	15,464,826.03	645,800.00	204,908.94	440,891.06	15,023,934.97
13	9/1/2017	15,023,934.97	645,800.00	199,067.14	446,732.86	14,577,202.11
14	3/1/2018	14,577,202.11	645,800.00	193,147.93	452,652.07	14,124,550.04
15	9/1/2018	14,124,550.04	645,800.00	187,150.29	458,649.71	13,665,900.33
16	3/1/2019	13,665,900.33	645,800.00	181,073.18	464,726.82	13,201,173.51
17	9/1/2019	13,201,173.51	645,800.00	174,915.55	470,884.45	12,730,289.06
18	3/1/2020	12,730,289.06	645,800.00	168,676.33	477,123.67	12,253,165.39
19	9/1/2020	12,253,165.39	645,800.00	162,354.44	483,445.56	11,769,719.83
20	3/1/2021	11,769,719.83	645,800.00	155,948.79	489,851.21	11,279,868.62
21	9/1/2021	11,279,868.62	645,800.00	149,458.26	496,341.74	10,783,526.88
22	3/1/2022	10,783,526.88	645,800.00	142,881.73	502,918.27	10,280,608.61
23	9/1/2022	10,280,608.61	645,800.00	136,218.06	509,581.94	9,771,026.67
24	3/1/2023	9,771,026.67	645,800.00	129,466.10	516,333.90	9,254,692.77
25	9/1/2023	9,254,692.77	645,800.00	122,624.68	523,175.32	8,731,517.45
26	3/1/2024	8,731,517.45	645,800.00	115,692.61	530,107.39	8,201,410.06
27	9/1/2024	8,201,410.06	645,800.00	108,668.68	537,131.32	7,664,278.74
28	3/1/2025	7,664,278.74	645,800.00	101,551.69	544,248.31	7,120,030.43
29	9/1/2025	7,120,030.43	645,800.00	94,340.40	551,459.60	6,568,570.83
30	3/1/2026	6,568,570.83	645,800.00	87,033.56	558,766.44	6,009,804.39
31	9/1/2026	6,009,804.39	645,800.00	79,629.91	566,170.09	5,443,634.30
32	3/1/2027	5,443,634.30	645,800.00	72,128.15	573,671.85	4,869,962.45
33	9/1/2027	4,869,962.45	645,800.00	64,527.00	581,273.00	4,288,689.45
34	3/1/2028	4,288,689.45	645,800.00	56,825.14	588,974.86	3,699,714.59
35	9/1/2028	3,699,714.59	645,800.00	49,021.22	596,778.78	3,102,935.81
36	3/1/2029	3,102,935.81	645,800.00	41,113.90	604,686.10	2,498,249.71
37	9/1/2029	2,498,249.71	645,800.00	33,101.81	612,698.19	1,885,551.52
38	3/1/2030	1,885,551.52	645,800.00	24,983.56	620,816.44	1,264,735.08
39	9/1/2030	1,264,735.08	645,800.00	16,757.74	629,042.26	635,692.82
40	3/1/2031	635,692.82	644,115.75	8,422.93	635,692.82	-
			\$ 26,463,618.25	\$ 7,069,083.08	\$ 19,394,535.17	

**Project Number:** C-515418-02  
**Financing Agreement dated as of:** December 1, 2009  
**Amendment dated as of:** September 1, 2015  
**Final Principal Disbursed:** \$ 9,989,337  
**Original Cost of Funds:** 3.35%  
**Reduced Cost of Funds:** 2.65%  
**Principal Payments:** 39

**Original Cost of Funds**  
 Interest: 3.15%  
 Admin. Fee: 0.20%  
 Late Fee: 5.00%  
  
**Reduced Cost of Funds**  
 Interest: 2.45%  
 Admin. Fee: 0.20%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	9/1/2011	\$ 9,989,336.98	\$464,111.19	\$ 464,111.19	\$ -	\$ 9,989,336.98
2	3/1/2012	9,989,336.98	350,900.00	167,751.57	183,148.43	9,806,188.55
3	9/1/2012	9,806,188.55	350,900.00	164,253.66	186,646.34	9,619,542.21
4	3/1/2013	9,619,542.21	350,900.00	161,127.33	189,772.67	9,429,769.54
5	9/1/2013	9,429,769.54	350,900.00	157,948.64	192,951.36	9,236,818.18
6	3/1/2014	9,236,818.18	350,900.00	154,716.71	196,183.29	9,040,634.89
7	9/1/2014	9,040,634.89	350,900.00	151,430.63	199,469.37	8,841,165.52
8	3/1/2015	8,841,165.52	350,900.00	148,089.53	202,810.47	8,638,355.05
9	9/1/2015	8,638,355.05	350,900.00	144,692.45	206,207.55	8,432,147.50
10	3/1/2016	8,432,147.50	333,500.00	111,725.95	221,774.05	8,210,373.45
11	9/1/2016	8,210,373.45	333,500.00	108,787.45	224,712.55	7,985,660.90
12	3/1/2017	7,985,660.90	333,500.00	105,810.01	227,689.99	7,757,970.91
13	9/1/2017	7,757,970.91	333,500.00	102,793.11	230,706.89	7,527,264.02
14	3/1/2018	7,527,264.02	333,500.00	99,736.25	233,763.75	7,293,500.27
15	9/1/2018	7,293,500.27	333,500.00	96,638.88	236,861.12	7,056,639.15
16	3/1/2019	7,056,639.15	333,500.00	93,500.47	239,999.53	6,816,639.62
17	9/1/2019	6,816,639.62	333,500.00	90,320.48	243,179.52	6,573,460.10
18	3/1/2020	6,573,460.10	333,500.00	87,098.35	246,401.65	6,327,058.45
19	9/1/2020	6,327,058.45	333,500.00	83,833.52	249,666.48	6,077,391.97
20	3/1/2021	6,077,391.97	333,500.00	80,525.44	252,974.56	5,824,417.41
21	9/1/2021	5,824,417.41	333,500.00	77,173.53	256,326.47	5,568,090.94
22	3/1/2022	5,568,090.94	333,500.00	73,777.21	259,722.79	5,308,368.15
23	9/1/2022	5,308,368.15	333,500.00	70,335.88	263,164.12	5,045,204.03
24	3/1/2023	5,045,204.03	333,500.00	66,848.95	266,651.05	4,778,552.98
25	9/1/2023	4,778,552.98	333,500.00	63,315.83	270,184.17	4,508,368.81
26	3/1/2024	4,508,368.81	333,500.00	59,735.89	273,764.11	4,234,604.70
27	9/1/2024	4,234,604.70	333,500.00	56,108.51	277,391.49	3,957,213.21
28	3/1/2025	3,957,213.21	333,500.00	52,433.07	281,066.93	3,676,146.28
29	9/1/2025	3,676,146.28	333,500.00	48,708.94	284,791.06	3,391,355.22
30	3/1/2026	3,391,355.22	333,500.00	44,935.46	288,564.54	3,102,790.68
31	9/1/2026	3,102,790.68	333,500.00	41,111.98	292,388.02	2,810,402.66
32	3/1/2027	2,810,402.66	333,500.00	37,237.84	296,262.16	2,514,140.50
33	9/1/2027	2,514,140.50	333,500.00	33,312.36	300,187.64	2,213,952.86
34	3/1/2028	2,213,952.86	333,500.00	29,334.88	304,165.12	1,909,787.74
35	9/1/2028	1,909,787.74	333,500.00	25,304.69	308,195.31	1,601,592.43
36	3/1/2029	1,601,592.43	333,500.00	21,221.10	312,278.90	1,289,313.53
37	9/1/2029	1,289,313.53	333,500.00	17,083.40	316,416.60	972,896.93
38	3/1/2030	972,896.93	333,500.00	12,890.88	320,609.12	652,287.81
39	9/1/2030	652,287.81	333,500.00	8,642.81	324,857.19	327,430.62
40	3/1/2031	327,430.62	331,769.08	4,338.46	327,430.62	-
			\$ 13,608,080.27	\$ 3,618,743.29	\$ 9,989,336.98	

**Project Number:** C-515428-01  
**Financing Agreement Dated as of:** June 1, 2010  
**Final Principal Disbursed:** \$ 50,000,000  
**Cost of Funds:** 2.93%  
**Principal Payments:** 39

**Cost of Funds**  
**Interest:** 2.73%  
**Admin. Fee:** 0.20%  
**Late Fee:** 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	3/1/2013	\$ 50,000,000.00	\$1,714,887.95	\$ 1,714,887.95	\$ -	\$ 50,000,000.00
2	9/1/2013	50,000,000.00	1,692,100.00	669,314.89	1,022,785.11	48,977,214.89
3	3/1/2014	48,977,214.89	1,692,100.00	709,336.80	982,763.20	47,994,451.69
4	9/1/2014	47,994,451.69	1,692,100.00	703,118.70	988,981.30	47,005,470.39
5	3/1/2015	47,005,470.39	1,692,100.00	688,630.14	1,003,469.86	46,002,000.53
6	9/1/2015	46,002,000.53	1,692,100.00	673,929.30	1,018,170.70	44,983,829.83
7	3/1/2016	44,983,829.83	1,692,100.00	659,013.12	1,033,086.88	43,950,742.95
8	9/1/2016	43,950,742.95	1,692,100.00	643,878.36	1,048,221.64	42,902,521.31
9	3/1/2017	42,902,521.31	1,692,100.00	628,521.96	1,063,578.04	41,838,943.27
10	9/1/2017	41,838,943.27	1,692,100.00	612,940.50	1,079,159.50	40,759,783.77
11	3/1/2018	40,759,783.77	1,692,100.00	597,130.86	1,094,969.14	39,664,814.63
12	9/1/2018	39,664,814.63	1,692,100.00	581,089.56	1,111,010.44	38,553,804.19
13	3/1/2019	38,553,804.19	1,692,100.00	564,813.24	1,127,286.76	37,426,517.43
14	9/1/2019	37,426,517.43	1,692,100.00	548,298.48	1,143,801.52	36,282,715.91
15	3/1/2020	36,282,715.91	1,692,100.00	531,541.80	1,160,558.20	35,122,157.71
16	9/1/2020	35,122,157.71	1,692,100.00	514,539.60	1,177,560.40	33,944,597.31
17	3/1/2021	33,944,597.31	1,692,100.00	497,288.34	1,194,811.66	32,749,785.65
18	9/1/2021	32,749,785.65	1,692,100.00	479,784.36	1,212,315.64	31,537,470.01
19	3/1/2022	31,537,470.01	1,692,100.00	462,023.94	1,230,076.06	30,307,393.95
20	9/1/2022	30,307,393.95	1,692,100.00	444,003.30	1,248,096.70	29,059,297.25
21	3/1/2023	29,059,297.25	1,692,100.00	425,718.72	1,266,381.28	27,792,915.97
22	9/1/2023	27,792,915.97	1,692,100.00	407,166.24	1,284,933.76	26,507,982.21
23	3/1/2024	26,507,982.21	1,692,100.00	388,341.96	1,303,758.04	25,204,224.17
24	9/1/2024	25,204,224.17	1,692,100.00	369,241.86	1,322,858.14	23,881,366.03
25	3/1/2025	23,881,366.03	1,692,100.00	349,862.04	1,342,237.96	22,539,128.07
26	9/1/2025	22,539,128.07	1,692,100.00	330,198.24	1,361,901.76	21,177,226.31
27	3/1/2026	21,177,226.31	1,692,100.00	310,246.38	1,381,853.62	19,795,372.69
28	9/1/2026	19,795,372.69	1,692,100.00	290,002.20	1,402,097.80	18,393,274.89
29	3/1/2027	18,393,274.89	1,692,100.00	269,461.50	1,422,638.50	16,970,636.39
30	9/1/2027	16,970,636.39	1,692,100.00	248,619.84	1,443,480.16	15,527,156.23
31	3/1/2028	15,527,156.23	1,692,100.00	227,472.84	1,464,627.16	14,062,529.07
32	9/1/2028	14,062,529.07	1,692,100.00	206,016.06	1,486,083.94	12,576,445.13
33	3/1/2029	12,576,445.13	1,692,100.00	184,244.94	1,507,855.06	11,068,590.07
34	9/1/2029	11,068,590.07	1,692,100.00	162,154.86	1,529,945.14	9,538,644.93
35	3/1/2030	9,538,644.93	1,692,100.00	139,741.14	1,552,358.86	7,986,286.07
36	9/1/2030	7,986,286.07	1,692,100.00	116,999.10	1,575,100.90	6,411,185.17
37	3/1/2031	6,411,185.17	1,692,100.00	93,923.88	1,598,176.12	4,813,009.05
38	9/1/2031	4,813,009.05	1,692,100.00	70,510.56	1,621,589.44	3,191,419.61
39	3/1/2032	3,191,419.61	1,692,100.00	46,754.28	1,645,345.72	1,546,073.89
40	9/1/2032	1,546,073.89	1,568,723.89	22,650.00	1,546,073.89	-
			\$ 67,583,411.84	\$ 17,583,411.84	\$ 50,000,000.00	

**Project Number:** C-515438-02  
**Financing Agreement Dated as of:** June 1, 2010  
**Final Principal Disbursed:** \$ 5,727,074  
**Cost of Funds:** 2.93%  
**Principal Payments:** 38

**Cost of Funds**  
 Interest: 2.73%  
 Admin. Fee: 0.20%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	3/1/2012	\$ 5,727,074.37	\$172,520.00	\$ 172,520.00	\$ -	\$ 5,727,074.37
2	9/1/2012	5,727,074.37	200,500.00	83,615.95	116,884.05	5,610,190.32
3	3/1/2013	5,610,190.32	200,500.00	82,189.29	118,310.71	5,491,879.61
4	9/1/2013	5,491,879.61	200,500.00	80,456.04	120,043.96	5,371,835.65
5	3/1/2014	5,371,835.65	200,500.00	78,697.40	121,802.60	5,250,033.05
6	9/1/2014	5,250,033.05	200,500.00	76,912.98	123,587.02	5,126,446.03
7	3/1/2015	5,126,446.03	200,500.00	75,102.44	125,397.56	5,001,048.47
8	9/1/2015	5,001,048.47	200,500.00	73,265.36	127,234.64	4,873,813.83
9	3/1/2016	4,873,813.83	200,500.00	71,401.37	129,098.63	4,744,715.20
10	9/1/2016	4,744,715.20	200,500.00	69,510.08	130,989.92	4,613,725.28
11	3/1/2017	4,613,725.28	200,500.00	67,591.08	132,908.92	4,480,816.36
12	9/1/2017	4,480,816.36	200,500.00	65,643.96	134,856.04	4,345,960.32
13	3/1/2018	4,345,960.32	200,500.00	63,668.32	136,831.68	4,209,128.64
14	9/1/2018	4,209,128.64	200,500.00	61,663.74	138,836.26	4,070,292.38
15	3/1/2019	4,070,292.38	200,500.00	59,629.78	140,870.22	3,929,422.16
16	9/1/2019	3,929,422.16	200,500.00	57,566.03	142,933.97	3,786,488.19
17	3/1/2020	3,786,488.19	200,500.00	55,472.05	145,027.95	3,641,460.24
18	9/1/2020	3,641,460.24	200,500.00	53,347.39	147,152.61	3,494,307.63
19	3/1/2021	3,494,307.63	200,500.00	51,191.61	149,308.39	3,344,999.24
20	9/1/2021	3,344,999.24	200,500.00	49,004.24	151,495.76	3,193,503.48
21	3/1/2022	3,193,503.48	200,500.00	46,784.82	153,715.18	3,039,788.30
22	9/1/2022	3,039,788.30	200,500.00	44,532.90	155,967.10	2,883,821.20
23	3/1/2023	2,883,821.20	200,500.00	42,247.98	158,252.02	2,725,569.18
24	9/1/2023	2,725,569.18	200,500.00	39,929.59	160,570.41	2,564,998.77
25	3/1/2024	2,564,998.77	200,500.00	37,577.23	162,922.77	2,402,076.00
26	9/1/2024	2,402,076.00	200,500.00	35,190.42	165,309.58	2,236,766.42
27	3/1/2025	2,236,766.42	200,500.00	32,768.63	167,731.37	2,069,035.05
28	9/1/2025	2,069,035.05	200,500.00	30,311.37	170,188.63	1,898,846.42
29	3/1/2026	1,898,846.42	200,500.00	27,818.10	172,681.90	1,726,164.52
30	9/1/2026	1,726,164.52	200,500.00	25,288.31	175,211.69	1,550,952.83
31	3/1/2027	1,550,952.83	200,500.00	22,721.46	177,778.54	1,373,174.29
32	9/1/2027	1,373,174.29	200,500.00	20,117.00	180,383.00	1,192,791.29
33	3/1/2028	1,192,791.29	200,500.00	17,474.39	183,025.61	1,009,765.68
34	9/1/2028	1,009,765.68	200,500.00	14,793.07	185,706.93	824,058.75
35	3/1/2029	824,058.75	200,500.00	12,072.46	188,427.54	635,631.21
36	9/1/2029	635,631.21	200,500.00	9,312.00	191,188.00	444,443.21
37	3/1/2030	444,443.21	200,500.00	6,511.09	193,988.91	250,454.30
38	9/1/2030	250,454.30	200,500.00	3,669.15	196,830.85	53,623.45
39	3/1/2031	53,623.45	54,409.03	785.58	53,623.45	0.00
			\$ 7,645,429.03	\$ 1,918,354.66	\$ 5,727,074.37	

Project Number:

C-515439-01

Cost of Funds

Financing Agreement Dated as of:

June 1, 2010

Interest: 2.73%

Final Principal Disbursed:

\$ 7,583,771

Admin. Fee: 0.20%

Cost of Funds:

2.93%

Late Fee: 5.00%

Principal Payments:

39

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	3/1/2012	\$ 7,583,771.00	\$165,580.60	\$ 165,580.60	\$ -	\$ 7,583,771.00
2	9/1/2012	7,583,771.00	256,700.00	85,626.82	171,073.18	7,412,697.82
3	3/1/2013	7,412,697.82	256,700.00	94,507.42	162,192.58	7,250,505.24
4	9/1/2013	7,250,505.24	256,700.00	99,862.92	156,837.08	7,093,668.16
5	3/1/2014	7,093,668.16	256,700.00	103,922.22	152,777.78	6,940,890.38
6	9/1/2014	6,940,890.38	256,700.00	101,684.04	155,015.96	6,785,874.42
7	3/1/2015	6,785,874.42	256,700.00	99,413.04	157,286.96	6,628,587.46
8	9/1/2015	6,628,587.46	256,700.00	97,108.80	159,591.20	6,468,996.26
9	3/1/2016	6,468,996.26	256,700.00	94,770.78	161,929.22	6,307,067.04
10	9/1/2016	6,307,067.04	256,700.00	92,398.56	164,301.44	6,142,765.60
11	3/1/2017	6,142,765.60	256,700.00	89,991.54	166,708.46	5,976,057.14
12	9/1/2017	5,976,057.14	256,700.00	87,549.24	169,150.76	5,806,906.38
13	3/1/2018	5,806,906.38	256,700.00	85,071.18	171,628.82	5,635,277.56
14	9/1/2018	5,635,277.56	256,700.00	82,556.82	174,143.18	5,461,134.38
15	3/1/2019	5,461,134.38	256,700.00	80,005.62	176,694.38	5,284,440.00
16	9/1/2019	5,284,440.00	256,700.00	77,417.04	179,282.96	5,105,157.04
17	3/1/2020	5,105,157.04	256,700.00	74,790.54	181,909.46	4,923,247.58
18	9/1/2020	4,923,247.58	256,700.00	72,125.58	184,574.42	4,738,673.16
19	3/1/2021	4,738,673.16	256,700.00	69,421.56	187,278.44	4,551,394.72
20	9/1/2021	4,551,394.72	256,700.00	66,677.94	190,022.06	4,361,372.66
21	3/1/2022	4,361,372.66	256,700.00	63,894.12	192,805.88	4,168,566.78
22	9/1/2022	4,168,566.78	256,700.00	61,069.50	195,630.50	3,972,936.28
23	3/1/2023	3,972,936.28	256,700.00	58,203.54	198,496.46	3,774,439.82
24	9/1/2023	3,774,439.82	256,700.00	55,295.52	201,404.48	3,573,035.34
25	3/1/2024	3,573,035.34	256,700.00	52,344.96	204,355.04	3,368,680.30
26	9/1/2024	3,368,680.30	256,700.00	49,351.14	207,348.86	3,161,331.44
27	3/1/2025	3,161,331.44	256,700.00	46,313.52	210,386.48	2,950,944.96
28	9/1/2025	2,950,944.96	256,700.00	43,231.32	213,468.68	2,737,476.28
29	3/1/2026	2,737,476.28	256,700.00	40,104.00	216,596.00	2,520,880.28
30	9/1/2026	2,520,880.28	256,700.00	36,930.90	219,769.10	2,301,111.18
31	3/1/2027	2,301,111.18	256,700.00	33,711.30	222,988.70	2,078,122.48
32	9/1/2027	2,078,122.48	256,700.00	30,444.48	226,255.52	1,851,866.96
33	3/1/2028	1,851,866.96	256,700.00	27,129.84	229,570.16	1,622,296.80
34	9/1/2028	1,622,296.80	256,700.00	23,766.66	232,933.34	1,389,363.46
35	3/1/2029	1,389,363.46	256,700.00	20,354.16	236,345.84	1,153,017.62
36	9/1/2029	1,153,017.62	256,700.00	16,891.68	239,808.32	913,209.30
37	3/1/2030	913,209.30	256,700.00	13,378.50	243,321.50	669,887.80
38	9/1/2030	669,887.80	256,700.00	9,813.84	246,886.16	423,001.64
39	3/1/2031	423,001.64	256,700.00	6,196.98	250,503.02	172,498.62
40	9/1/2031	172,498.62	175,025.70	2,527.08	172,498.62	-
			\$ 10,095,206.30	\$ 2,511,435.30	\$ 7,583,771.00	

**Project Number:** C-515449G-02  
**Financing Agreement Dated as of:** March 1, 2012  
**Final Principal Disbursed:** \$ 6,318,000  
**Cost of Funds:** 2.51%  
**Principal Payments:** 39

**Cost of Funds**  
 Interest: 2.31%  
 Admin. Fee: 0.20%  
 Late Fee: 5.00%

PAYMENT NUMBER	DATE DUE	LOAN BALANCE AT START OF PERIOD	PAYMENT DUE	COST OF FUNDS PORTION	PRINCIPAL PORTION	LOAN BALANCE AT END OF PERIOD
1	8/1/2013	\$ 6,318,000.00	\$99,183.28	\$ 99,183.28	\$ -	\$ 6,318,000.00
2	2/1/2014	6,318,000.00	205,900.00	76,996.06	128,903.94	6,189,096.06
3	8/1/2014	6,189,096.06	205,900.00	77,673.18	128,226.82	6,060,869.24
4	2/1/2015	6,060,869.24	205,900.00	76,063.92	129,836.08	5,931,033.16
5	8/1/2015	5,931,033.16	205,900.00	74,434.44	131,465.56	5,799,567.60
6	2/1/2016	5,799,567.60	205,900.00	72,784.56	133,115.44	5,666,452.16
7	8/1/2016	5,666,452.16	205,900.00	71,113.98	134,786.02	5,531,666.14
8	2/1/2017	5,531,666.14	205,900.00	69,422.40	136,477.60	5,395,188.54
9	8/1/2017	5,395,188.54	205,900.00	67,709.64	138,190.36	5,256,998.18
10	2/1/2018	5,256,998.18	205,900.00	65,975.34	139,924.66	5,117,073.52
11	8/1/2018	5,117,073.52	205,900.00	64,219.26	141,680.74	4,975,392.78
12	2/1/2019	4,975,392.78	205,900.00	62,441.16	143,458.84	4,831,933.94
13	8/1/2019	4,831,933.94	205,900.00	60,640.80	145,259.20	4,686,674.74
14	2/1/2020	4,686,674.74	205,900.00	58,817.76	147,082.24	4,539,592.50
15	8/1/2020	4,539,592.50	205,900.00	56,971.86	148,928.14	4,390,664.36
16	2/1/2021	4,390,664.36	205,900.00	55,102.86	150,797.14	4,239,867.22
17	8/1/2021	4,239,867.22	205,900.00	53,210.34	152,689.66	4,087,177.56
18	2/1/2022	4,087,177.56	205,900.00	51,294.06	154,605.94	3,932,571.62
19	8/1/2022	3,932,571.62	205,900.00	49,353.78	156,546.22	3,776,025.40
20	2/1/2023	3,776,025.40	205,900.00	47,389.14	158,510.86	3,617,514.54
21	8/1/2023	3,617,514.54	205,900.00	45,399.78	160,500.22	3,457,014.32
22	2/1/2024	3,457,014.32	205,900.00	43,385.52	162,514.48	3,294,499.84
23	8/1/2024	3,294,499.84	205,900.00	41,346.00	164,554.00	3,129,945.84
24	2/1/2025	3,129,945.84	205,900.00	39,280.80	166,619.20	2,963,326.64
25	8/1/2025	2,963,326.64	205,900.00	37,189.74	168,710.26	2,794,616.38
26	2/1/2026	2,794,616.38	205,900.00	35,072.46	170,827.54	2,623,788.84
27	8/1/2026	2,623,788.84	205,900.00	32,928.54	172,971.46	2,450,817.38
28	2/1/2027	2,450,817.38	205,900.00	30,757.74	175,142.26	2,275,675.12
29	8/1/2027	2,275,675.12	205,900.00	28,559.70	177,340.30	2,098,334.82
30	2/1/2028	2,098,334.82	205,900.00	26,334.12	179,565.88	1,918,768.94
31	8/1/2028	1,918,768.94	205,900.00	24,080.52	181,819.48	1,736,949.46
32	2/1/2029	1,736,949.46	205,900.00	21,798.72	184,101.28	1,552,848.18
33	8/1/2029	1,552,848.18	205,900.00	19,488.24	186,411.76	1,366,436.42
34	2/1/2030	1,366,436.42	205,900.00	17,148.78	188,751.22	1,177,685.20
35	8/1/2030	1,177,685.20	205,900.00	14,779.92	191,120.08	986,565.12
36	2/1/2031	986,565.12	205,900.00	12,381.42	193,518.58	793,046.54
37	8/1/2031	793,046.54	205,900.00	9,952.74	195,947.26	597,099.28
38	2/1/2032	597,099.28	205,900.00	7,493.58	198,406.42	398,692.86
39	8/1/2032	398,692.86	205,900.00	5,003.58	200,896.42	197,796.44
40	2/1/2033	197,796.44	200,278.76	2,482.32	197,796.44	-
			\$ 8,123,662.04	\$ 1,805,662.04	\$ 6,318,000.00	

**EXHIBIT H**  
**Operating Data**  
**Hampton Roads Sanitation District**

*Description of the Borrower's System.* A description of the Borrower, including a summary description of the System, and its management and officers.

*Debt Payable from or Secured by the System.* A description of the terms of the Borrower's outstanding debt, including a historical summary of outstanding debt and a summary of annual debt service on outstanding debt as of the end of the preceding Fiscal Year. The Annual Financial Information should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Borrower and any unfunded pension liabilities.

*Financial Information and Operating Data.* Financial information for the System as of the end of the preceding Fiscal Year, including a description of revenues and expenditures, largest users, a summary of rates, fees and other charges of the System, and a historical summary of debt service coverage.

**EXHIBIT I**  
**EPA Consent Order**  
**Hampton Roads Sanitation District**

In September 2007, the Commonwealth entered into a regional consent agreement (the “2007 Consent Agreement”) with the Borrower and 13 of the localities that it serves. The 2007 Consent Agreement required flow monitoring, sewer investigations, rehabilitation planning and preparation of a Regional Wet Weather Management Plan. The Borrower and the localities fully complied with the requirements of the 2007 Consent Agreement until it was terminated in 2014 and replaced with a new agreement.

On December 19, 2014, the Commonwealth entered into a new, long-term Consent Agreement (the “2014 Consent Agreement”) with 14 of the localities that the Borrower serves. The 2014 Consent Agreement requires the localities to perform long-term management, operations and maintenance of their sewer systems in support of the Borrower’s efforts to provide long-term regional wet weather wastewater capacity. The Borrower is not a party to the 2014 Consent Agreement. Instead, the Borrower’s obligations are now solely imposed through its federal consent decree.

Separately, the Borrower continues to implement a federally enforceable consent decree (the “Consent Decree”) that it entered into with the United States Environmental Protection Agency (“EPA”) and the Commonwealth. The Consent Decree was entered by the federal district court for the Eastern District of Virginia (the “District Court”) on February 23, 2010. The Consent Decree has been amended three times, most recently on August 24, 2014 (the “Amended Consent Decree”).

The Amended Consent Decree has two major operative requirements. First, it carries forward the requirement of the 2007 Consent Agreement to develop a Regional Wet Weather Management Plan (“RWWMP”) to control capacity related sewer overflows. However, through the third amendment, the Borrower has now assumed responsibility for planning (in consultation with the 14 affected localities), designing, funding, and implementing the controls in both the Localities’ systems and the Borrower system that will be contained in the approved RWWMP. Through this approach, the Borrower estimates the regional ratepayers will achieve significantly reduced program costs than if each locality sought to address peak wet weather wastewater flows on its own. To facilitate these regional cost savings, the Amended Consent Decree extends the RWWMP submittal deadline one year to October 1, 2017. To further facilitate this approach, the 14 affected localities entered into a Memorandum of Agreement with the Borrower in 2014 in which they agree to (1) cooperate with the Borrower, (2) facilitate the construction of and accept ownership of any improvements which the Borrower may need to construct in the localities’ systems, and (3) maintain the integrity of their systems to industry standards.

The Amended Consent Decree also revised the requirement for the Borrower to implement a portion of its current ten-year Capital Improvement Plan. The initial requirement covered 33 projects totaling approximately \$140 million to be completed by February 23, 2018. The Third Amended Consent Decree made two categories of changes to this requirement. First, it authorized the removal of six projects in return for the addition of approximately 18 projects.

These 18 projects added approximately \$23 million to the original cost estimate. Second, the Borrower also added to the required projects its ongoing commitment to upgrade its Virginia Initiative Plant ("VIP") to add nutrient removal technology required under the Chesapeake Bay Program. The VIP plant upgrade adds approximately \$143 million to the total cost of the projects which are now subject to the Amended Consent Decree. In adding the VIP plant, the Amended Consent Decree specified December 31, 2018 as the substantial completion deadline, consistent with the Borrower's existing legal obligation to complete the VIP plant nutrient upgrade. In total, the revised Interim System Improvements required in the Amended Consent Decree specify a total of \$306 million in projects to be completed by February 23, 2018 (except for the VIP plant upgrade which must be completed by December 31, 2018). The Borrower is on track to timely implement all of the Interim System Improvements identified in the Amended Consent Decree, which are a subset of the Borrower's ten-year Capital Improvement Plan.

As noted, the Amended Consent Decree requires the Borrower to evaluate the wet weather capacity of the regional sewer system, including those collection systems owned by 14 of the localities that the Borrower serves in the Hampton Roads area. Based upon that evaluation, the Borrower, in consultation with the localities, is required to develop the RWWMP for submittal by October 1, 2017, to the federal and Commonwealth environmental agencies for their approval. The recommended plan will include an implementation schedule. The RWWMP will identify the attainable level of wet weather capacity in the Regional Sanitary Sewer System. The RWWMP will also summarize the major projects and programs that must be implemented in order to achieve the specified level of regional wet weather capacity. It is likely that the RWWMP will call for approximately \$2 billion in infrastructure investments across the Hampton Roads region over several decades.

*Hampton Roads Sanitation District*  
*Resolution of*  
*January 26, 2016*

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HAMPTON ROADS SANITATION DISTRICT COMMISSION

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RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER FINANCING AGREEMENT WITH VIRGINIA RESOURCES AUTHORITY FOR THE PURPOSE OF AMENDING AND RESTATING FINANCING AGREEMENTS PREVIOUSLY ENTERED INTO FOR PURPOSES OF FINANCING VARIOUS CAPITAL PROJECTS OF THE DISTRICT; AND GRANTING THE AUTHORITY TO EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND AGREEMENTS RELATING TO SUCH TRANSACTION AS MAY BE NECESSARY OR APPROPRIATE.

Adopted January 26, 2016

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**RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER FINANCING AGREEMENT WITH VIRGINIA RESOURCES AUTHORITY FOR THE PURPOSE OF AMENDING AND RESTATING FINANCING AGREEMENTS PREVIOUSLY ENTERED INTO FOR PURPOSES OF FINANCING VARIOUS CAPITAL PROJECTS OF THE DISTRICT; AND GRANTING THE AUTHORITY TO EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND AGREEMENTS RELATING TO SUCH TRANSACTION AS MAY BE NECESSARY OR APPROPRIATE.**

**WHEREAS**, Hampton Roads Sanitation District (the “District”) has issued to the Virginia Resources Authority (“VRA”) various local bonds (the “Local Bonds”) as evidence of its obligation to repay loans (the “VRA Loans”) provided by VRA from its Virginia Water Facilities Revolving Fund for purposes of financing various District capital projects; and

**WHEREAS**, the District has entered into a financing agreement for each Local Bond each of which set forth details relating to the payment of the applicable Local Bond and other details of each VRA Loan (the “Financing Agreements”); and

**WHEREAS**, the District requested VRA to amend and restate the Financing Agreements into one consolidated master financing agreement to detail and unify the terms thereof (the “Financing Agreements Consolidation”); and

**WHEREAS**, the Hampton Roads Sanitation District Commission (the “Commission”) is the District’s governing body; and

**WHEREAS**, there has been presented to the Commission a proposed Master Financing Agreement (the “Master Financing Agreement”) by and between the District and VRA for purposes of providing for the Financing Agreements Consolidation; and

**WHEREAS**, the Commission has duly reviewed and considered the form of the Master Financing Agreement and has determined that it is in acceptable form; now therefore,

**BE IT RESOLVED** by the Hampton Roads Sanitation District Commission as follows:

**SECTION 1. Authorization of Master Financing Agreement.** The form of the Master Financing Agreement, providing for the Financing Agreements Consolidation, presented to this meeting is approved, and the Chairman of the Commission, the Vice Chairman of the Commission, the Secretary of the Commission, the General Manager of the District or the Chief Financial Officer of the District (each, a “Delegate”) are hereby authorized, directed and empowered to execute and deliver, under seal, in the name and on behalf of the District, the Master Financing Agreement in such form and containing substantially the same terms and provisions, with such additions and modifications as shall be approved by the officers executing the Master Financing Agreement, the execution thereof by such officers being conclusive evidence of such approval

**SECTION 2. Execution of Documents.** The execution and delivery by officers of the District of the Master Financing Agreement, and any other agreements, documents, closing papers and certificates executed and delivered pursuant to this Resolution shall be conclusive evidence of their approval of the changes, if any, in the forms thereof.

**SECTION 3. Ratification.** All actions taken by the District, the members of the Commission, and officers and employees of the District in connection with the authorization, execution and delivery of the Master Financing Agreement and the authorization, execution and delivery of the agreements, certificates and other documents to be executed by the District and delivered in connection with such authorization, execution and delivery are hereby ratified and confirmed.

**SECTION 4. Further Actions.** The members, officers and employees of the District are hereby authorized and directed to do all acts and things, including without limitation the, execution and delivery of such allonges or modifications of the Local Bonds to evidence the execution of the Master Financing Agreement and agreements, documents, certificates and closing papers on behalf of the District required of them by the provisions of the Master Financing Agreement for the full, punctual and complete performance of all the terms, covenants, provisions and agreements of the Master Financing Agreement and, also, to do all acts and things required of them by the provisions of this Resolution.

**SECTION 5. Delegates' Certificate.** Each Delegate may execute a Certificate or Certificates evidencing the determinations made or other actions carried out pursuant to the authority granted in this Resolution, and any such Certificate shall be conclusive evidence of the actions or determinations as stated therein.

**SECTION 6. Repeal of Conflicting Resolutions.** Any and all resolutions of the Commission or portions thereof in conflict with the provisions of this Resolution are hereby repealed to the extent of such conflict.

**SECTION 7. Effective Date.** This resolution shall take effect immediately upon its adoption.

[END OF RESOLUTION]

Adopted By the Hampton Roads Sanitation District Commission on January 26, 2016:

  
Frederick N. Elofson, CPA, Vice Chairman

HRSD COMMISSION MEETING MINUTES  
January 26, 2016

ATTACHMENT #5

AGENDA ITEM 10. – York River Treatment Plant Environmental Studies and Habitat Enhancement



**COMMONWEALTH of VIRGINIA**  
*Office of the Governor*

Terence R. McAuliffe  
Governor

June 2, 2015

Mr. David Cooley  
Hampton Roads Sanitation District  
2389 G Avenue  
Newport News, Virginia 23602

Dear Mr. Cooley:

This will acknowledge and respond to your application to the Virginia Marine Resources Commission requesting authorization to use certain submerged lands of the Commonwealth to install a new outfall and diffuser from your York River Treatment Plant into the York River, adjacent to the Dominion Power Yorktown Power Station, in York County.

The Virginia Marine Resources Commission has reviewed your request and has indicated that, as currently designed with a 15 million gallon per day (MGD) effluent, this work will result in the condemnation of shellfish growing areas in the project's vicinity. The agency advises, however, that the aforementioned projected closures could likely be mitigated with the creation of a one-acre oyster broodstock sanctuary reef and a collaborative study, recommended by HRSD, with the Virginia Department of Health (VDH) and the Virginia Institute of Marine Science (VIMS). The study is intended to examine alternative and/or additive methodologies which improve the Commonwealth's ability to accurately determine shellfish condemnation zones necessary to preserve public health in waters adjacent to wastewater treatment facilities.

In light of the urgent need expressed by HRSD for this project, this letter shall constitute the formal approval you seek to use State-owned submerged lands and initiate construction by July 1, 2015. To protect anadromous fishes, all instream work associated with the project is restricted from February 15 to June 30 of any year. This approval recognizes your agreement to independently fund and work with VMRC, VDH and VIMS on finalizing the design considerations for both the sanctuary reef and collaborative study. This approval grants up to 15 MGD. Further, this approval does not grant authority for HRSD to encroach upon the property rights of others. Additionally, this approval does not convey any interest or title to either the beds or the overlying waters within the York River.

Sincerely,

A handwritten signature in black ink, appearing to read "Terence R. McAuliffe".

Terence R. McAuliffe

cc: John M. R. Bull, Commissioner

HRSD COMMISSION MEETING MINUTES  
January 26, 2016

ATTACHMENT #6

AGENDA ITEM 11. – Capital Improvement Program (CIP) Quarterly Update  
Powerpoint presentation



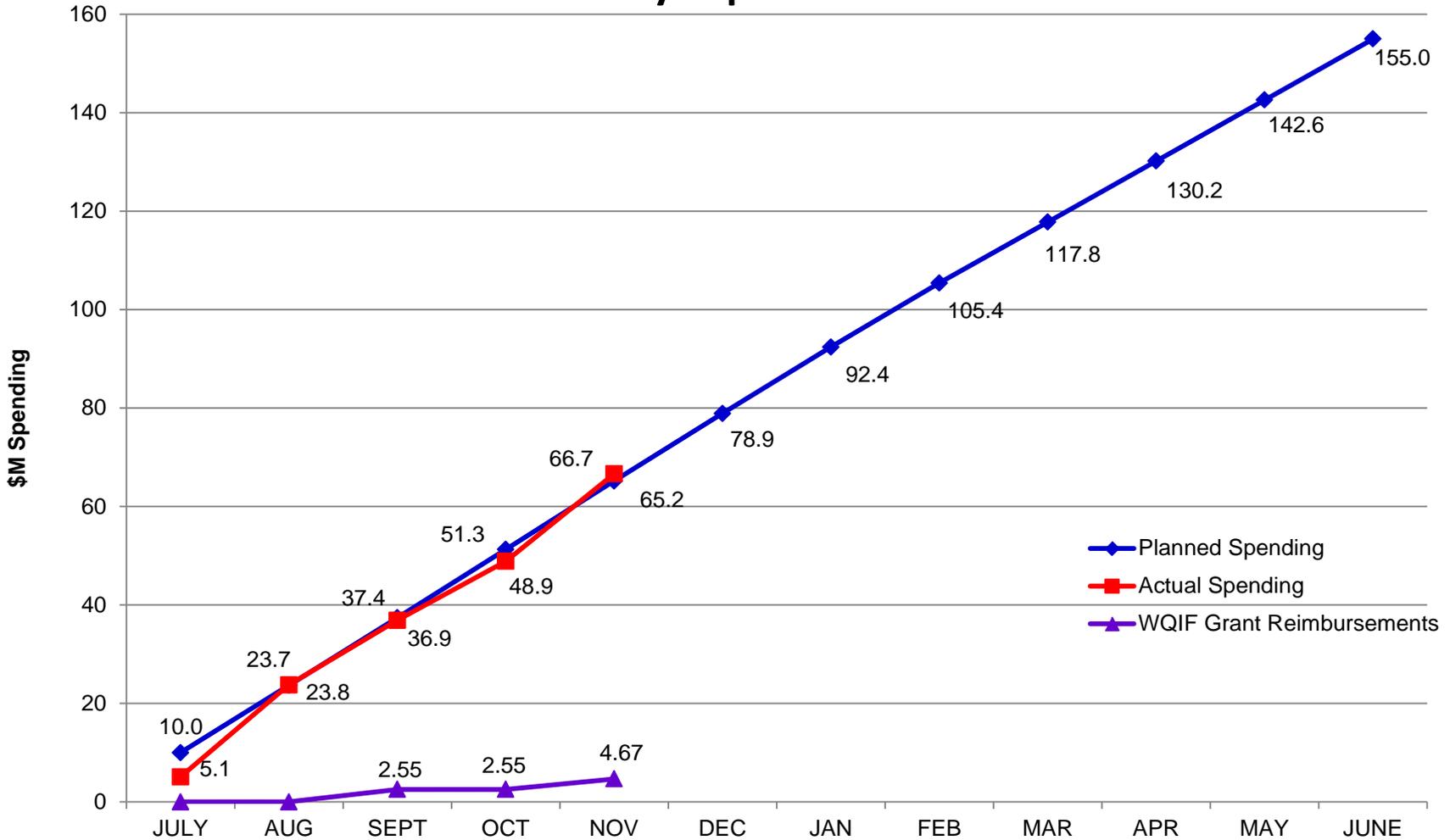
# Capital Improvement Program Commission Briefing

January 26, 2016

- CIP Expenditures for FY-2016
- Summary of Projects Requiring Additional Appropriation in CY-2015
- CIP Performance Metrics
- Significant Project Updates
- Consent Decree/SSO Reduction Project Updates
- Project Focus

# CIP Expenditures for FY-2016

## Cumulative Monthly Expenditures & Reimbursements



# Summary of Projects Requiring Additional Appropriation in CY-2015

## CIP Summary

Total Value of 10-Year CIP:	\$1.45B
CIP Spending in CY-2015:	\$161M
Total # of Projects in 10-Year CIP:	203
# of Active Projects in CY-2015:	114

# Summary of Projects Requiring Additional Appropriation in CY-2015 (cont.)

No.	Project Name	Original Appropriation	Additional Appropriation	% Increase
1	Lynnhaven Great Neck 18-Inch IFM Relocation	\$ 1,068,974.00	\$ 215,898.00	20
2	Woodland Road Pump Station Control Valves	\$ 404,000.00	\$ 235,889.00	58
3	YRTP Chemical Facility Improvements	\$ 1,416,000.00	\$ 830,071.00	59
4	YRTP Hypochlorite Tanks Replacement	\$ 2,495,000.00	\$ 969,000.00	39
5	Interceptor Systems Pump Station Control and SCADA Upgrades	\$ 23,347,000.00	\$ 1,502,471.00	6
6	Jefferson Avenue IFM Replacement - Phase I	\$ 4,091,000.00	\$ 205,465.00	5
7	KWTP Effluent Utilization	\$ 1,689,000.00	\$ 557,823.00	33
8	Enterprise Resource Planning System	\$ 10,491,992.00	\$ 186,000.00	2
9	YRTP Digester Cover Replacement	\$ 1,272,000.00	\$ 100,000.00	8
10	Enterprise Resource Planning System	\$ 10,677,992.00	\$ 172,920.00	2
11	Aquifer Replenishment System Feasibility Study	\$ 386,000.00	\$ 2,114,000.00	548
12	Great Neck Road IFM Section A	\$ 6,890,000.00	\$ 886,494.00	13
13	South Trunk Sewer Section G IFM Replacement	\$ 5,950,000.00	\$ 1,806,685.00	30
14	Williamsburg IFM Contract A Replacement	\$ 7,101,000.00	\$ 1,344,783.00	19
15	Norchester Street Pump Station Replacement	\$ 6,135,000.00	\$ 1,832,356.00	30
16	VIP Nutrient Reduction Improvements Contract B	\$ 129,999,000.00	\$ 5,285,000.00	4
17	WPTP Chemical Building Replacement	\$ 129,000.00	\$ 55,000.00	43
18	Locality Monitoring and Condition Assessment	\$ 13,924,000.00	\$ 222,000.00	2
19	West Point Pump Station No. 3/Gravity System Repairs	\$ 500,000.00	\$ 60,000.00	12
20	JRTP Hydraulic Improvements	\$ 895,000.00	\$ 994,169.00	111
21	JRTP Centrate Equalization Improvements	\$ 1,123,000.00	\$ 913,670.00	81
Totals =		\$ 229,984,958.00	\$ 20,489,694.00	9

- CIP Spending and Staffing
- Construction Contracts Awarded in CY-2015
- Construction Contracts Completed in CY-2015

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## CIP Spending and Staffing

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CIP Spending for Calendar Year 2015 = \$161M  
(\$34.5M Design, \$126.5M Construction)

### Internal Staffing:

Engineering Department Staff = 39 Full-Time, 2 Part-Time

### External Staffing:

Design Services Staff = 175 Full-Time Employees

Construction Services Staff = 695 Full-Time Employees

Total = 870 Full-Time Employees

# Construction Contracts Awarded in 2015

## 2015 Construction Bids

Project Name		Bid Date	CIP Estimate	Engineer's Estimate	Low Bid	Average of Bids	High Bid	# Bidders
SCADA	GN012800	02/03/15	\$20,372,074.00	\$17,595,193.00	\$17,200,380.00	\$17,200,380.00	\$17,200,380.00	1
Middle Peninsula SCADA	MP011700	02/03/15	\$5,135,510.00	\$3,338,237.00	\$3,942,990.00	\$3,942,990.00	\$3,942,990.00	1
YRTP Chemical Facility/Hypochlorite Facility	YR013200/YR013300	02/03/15	\$3,183,237.00	\$1,846,000.00	\$2,522,000.00	\$2,902,449.80	\$3,180,849.00	5
YRTP Effluent PS Imp	YR013120	02/05/15	\$1,891,300.00	\$823,692.00	\$969,000.00	\$1,373,920.50	\$1,784,682.00	4
King William Effluent Utilization	MP011920	05/08/15	\$1,019,000.00	\$1,282,170.00	\$1,516,630.00	\$1,870,230.66	\$2,372,695.00	5
Holland Road IFM, Ph II	NP011820	06/02/15	\$5,724,712.00	\$6,712,600.00	\$5,720,899.00	\$6,453,803.29	\$7,991,080.00	7
West Point Influent Gravity Line	MP012100	07/10/15	\$340,000.00	\$488,437.40	\$324,160.50	\$455,677.12	\$679,140.10	4
Jefferson Avenue IFM Repl PH II	JR011720	08/04/15	\$2,916,250.00	\$2,883,069.10	\$2,377,506.60	\$3,030,608.44	\$3,998,807.00	7
Williamsburg IFM Contract A	WB010700	09/01/15	\$6,093,625.00	\$8,968,040.96	\$6,429,192.00	\$7,853,411.47	\$11,345,215.12	7
South Trunk G	VP013200/VP016200	09/02/15	\$9,886,696.00	\$9,282,785.00	\$9,331,240.00	\$11,177,778.35	\$13,168,803.40	4
33rd St PS Replacement	BH010000	09/04/15	\$6,193,859.00	\$4,719,122.00	\$3,867,000.00	\$4,451,889.98	\$5,372,000.00	7
Locality System Monitoring & Condition Assessment	JR013300	09/04/15	\$1,906,271.00	\$1,792,326.25	\$1,227,296.58	\$1,416,905.11	\$1,579,767.00	3
Warwick Blvd to JR Influent	JR010820	10/22/15	\$14,606,045.00	\$12,386,265.00	\$7,983,444.60	\$9,157,554.99	\$9,875,254.00	7
Hampton Trunk Sewer Ext Div I & J Relocation	BH014210	11/03/15	\$840,500.00	\$707,985.00	\$589,469.00	\$806,945.72	\$1,099,012.34	10
Holland Road IFM, Ph I	NP011810	11/19/15	\$12,125,481.00	\$15,314,020.00	\$10,260,320.00	\$12,086,896.03	\$12,987,170.00	7
Effingham St IFM	VP017500	11/24/15	\$2,080,032.00	\$2,201,052.90	\$1,385,588.72	\$1,978,610.87	\$2,816,756.00	9
JRTP Hydraulic Imp & Centrate Equalization	JR012800/JR012900	12/29/15	\$1,202,922.00	\$3,557,495.00	\$2,800,929.00	\$2,827,539.00	\$2,854,149.00	2

Totals				\$93,898,490.61	\$78,448,046.00	\$88,987,591.33	\$102,248,749.96	
% Difference					-16%	-5%		9%

# Construction Contracts Completed in 2015

## Construction Contracts Completed in 2015

Project Name	Original Contract	Final Contract	# CO	CO Percentage
Atlantic TP Digester Gas Combined Heat and Power	\$7,600,000.00	\$7,968,420.62	4	4.8%
Lafayette River Crossing	\$3,494,223.00	\$3,194,774.74	3	-8.6%
Operations Center Ph VII	\$16,599,720.00	\$17,723,794.00	10	6.8%
Great Neck Road IFM	\$4,294,016.30	\$4,139,453.90	4	-3.6%
Normandy Lane IFM	\$1,767,165.00	\$1,589,591.00	1	-10.0%
Triton Ct PS	\$4,123,839.00	\$2,612,598.00	2	-36.6%
Woodland PS Control Valves	\$259,000.00	\$494,888.83	1	91.1%
Totals	\$38,137,963.30	\$37,723,521.09		-1.1%

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## Significant Project Updates

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- Army Base Treatment Plant Improvements Phase III
- Virginia Initiative Plant Nutrient Reduction Improvements

# Army Base Treatment Plant Improvements Phase III

## Engineer:

HDR Engineering, Inc.

## Contractor:

Archer Western  
Contractors

## Schedule Completion:

January 2016

## Project Value: \$122M

## Funding:

WQIF Grant (\$39.6M)  
VRLF Loan (\$50M)



# Virginia Initiative Plant Nutrient Reduction Improvements

## Engineer:

HDR Engineering, Inc.

## Contractor:

Contract A – PC Construction

Contract B – MEB General  
Contractors

Procurement – Emergency  
Generators

## Schedule Completion (Contract B):

Dec. 2016 – Nutrient Work

Dec. 2017 – Other Work

**Project Value:** \$155.9M

**Funding:** WQIF Grant (\$46.8M)



# Virginia Initiative Plant Nutrient Reduction Improvements (cont.)



# Virginia Initiative Plant Nutrient Reduction Improvements (cont.)



# Virginia Initiative Plant Nutrient Reduction Improvements (cont.)



# Virginia Initiative Plant Nutrient Reduction Improvements (cont.)



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## Consent Decree/SSO Reduction Project Updates

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- 33 CIP projects were included in the original Federal Consent Decree.
- 18 CIP projects were added to the Federal Consent Decree as part of the negotiation to consider regionalization of the sanitary sewer system.
- These projects involve improvements to the interceptor sewer system and numerous pump stations.
- HRSD has until **February 23, 2018** to complete these projects.
- 2 CIP projects were added to the Federal Consent Decree as part of the final negotiation to implement the Regional Wet Weather Program. HRSD has until **Dec. 31, 2018** to complete these projects.

Ref No.	Project Title	Consent Decree Estimate	Authorized/ Completed	Status
1	Claremont Avenue Pump Station Rehabilitation	\$1,500,000	\$2,202,900	Complete
2	Atlantic Pressure Reducing Station Emergency Generator Replacement	\$1,000,000	\$1,281,100	Complete
3	Lake Ridge Interceptor Force Main Section B - Contract 2 (Land)	\$3,000,000	\$2,676,700	Complete
4	Big Bethel Road to J Clyde Morris Boulevard Interceptor Force Main Replacement	\$2,500,000	\$2,718,400	Complete
5	Williamsburg-James River Connection Force Main Section II and Lucas Creek-Woodhaven Interceptor Force Main Replacements - Phase I	\$4,000,000	\$1,904,300	Complete
6	Route 171 Interceptor Force Main	\$8,000,000	\$6,275,200	Complete
7	Kiln Creek Interceptor Force Main	\$7,000,000	\$6,403,400	Complete
8	South Trunk Sewer Section F 20-Inch, Section H 8-Inch, and Section H 12-Inch Interceptor Force Main Replacement and Gravity Sewer Chesterfield Blvd. Replacement	\$11,000,000	\$6,366,600	Complete
9	Eastern Branch Sections A & B, Green Run Section C, and 24-Inch Kempsville Road Force Main Replacements	\$6,000,000	\$6,145,600	Complete
10	North Trunk Sewer Section W 8-Inch and 12-Inch Force Mains and Larchmont Force Mains (Formerly Siphon Lines) Replacements*	NA	NA	Project Deleted

Ref No.	Project Title	Consent Decree Estimate	Authorized/ Completed	Status
11	North Trunk Sewer Section R 6-Inch Interceptor Force Main and 10-Inch Gravity Replacement	\$1,000,000	\$2,653,502	Complete
12	North Trunk Sewer Section D 24-Inch Interceptor Force Main Replacement	\$6,000,000	\$5,796,148	Complete
13	Hilltop/Point O'Woods Interceptor Force Main Replacements; Section B	\$6,000,000	\$6,576,300	Complete
14	Hilltop/Point O'Woods Interceptor Force Main Replacements; Section A	\$5,000,000	\$6,576,300	Complete
15	Williamsburg Interceptor Force Main Contract A Replacement	\$6,000,000	\$8,324,459	Construction
16	33rd Street Pump Station Replacement/Rehabilitation	\$3,000,000	\$5,864,759	Construction
17	Sanitary Sewer System Portsmouth VA Contract A Clifford Street Force Main	\$1,000,000	\$1,162,862	Complete
18	James River Diversion 35th Street Phase III and Boat Harbor Outlet Sewer Relocation I-664 Rehabilitation	\$2,000,000	\$979,053	Complete
19	Hampton Trunk Sewer Division A Replacement	\$1,000,000	\$4,405,794	Construction
20	Lucas Creek Pump Station Upgrade*	NA	NA	Project Deleted

Ref No.	Project Title	Consent Decree Estimate	Authorized/ Completed	Status
21	South Trunk Sewer Section C-42 inch Force Main Replacement	\$4,000,000	\$13,850,753	Complete
22	Section W Force Main Replacement*	NA	NA	Project Deleted
23	Coliseum Drive Pressure Reducing Station	\$6,000,000	\$10,784,713	Construction
24	Center Avenue Pump Station Replacement	\$4,000,000	\$2,773,954	Construction
25	Norchester St Pump Station Replacement/Rehabilitation	\$2,000,000	\$6,910,338	Construction
26	Providence Road Pressure Reducing Station Modifications	\$2,000,000	\$3,993,200	Construction
27	58th Street Connecting Sewer Rehabilitation	\$1,000,000	\$2,085,603	Construction
28	Bridge St. Pump Station Replacement/Rehabilitation	\$2,000,000	\$1,673,236	Design
29	South Trunk Sewer Section G-36 inch Force Main Replacement	\$3,000,000	\$12,513,418	Construction
30	Interceptor Systems Pump Station Control and SCADA Upgrades and Enhancements	\$10,000,000	\$24,026,936	Construction
31	Wilroy Pressure Reducing Station, Pughsville PRS Upgrades, Suffolk PS Upgrades*	NA	NA	Project Deleted
32	Army Base 24-Inch and 20-Inch Transmission Main Replacements*	NA	NA	Project Deleted
33	Normandy Lane Interceptor Force Main Replacement*	NA	NA	Project Deleted
		<b>\$109,000,000</b>	<b>\$156,915,528</b>	

<b>Ref No.</b>	<b>Project Title</b>	<b>Consent Decree Estimate</b>	<b>Authorized/ Completed</b>	<b>Status</b>
34	Great Neck Road IFM Replacement – Section A	\$4,500,000	\$6,661,310	Complete
35	Military Highway Interim Pressure Reducing Station	\$750,000	\$219,023	Design
36	Hampton Trunk Sewer Extension Division E – Gravity Replacement	\$750,000	\$121,849	Design
37	Victoria Boulevard Pump Station	\$3,600,000	\$3,757,763	Construction
38	Ivy Home – Shell Road Sewer Extension Division I – Replacement*	NA	NA	Project Deleted
39	South Shore Interceptors Air Vent Rehabilitation	\$2,500,000	\$218,151	Construction
40	North Shore Air Vent Replacements	\$1,200,000	\$811,296	Construction
41	Center Avenue Pump Station Service Area I/I Remediation	\$4,000,000	\$4,371,694	Construction
42	Middle Ground Boulevard – City Center Interconnect Force Main	\$5,000,000	\$6,311,527	Complete
43	Center Avenue I&I Remediation – Phase II	\$3,000,000	\$224,464	Design
44	Jefferson Avenue IFM Replacement – Phase I	\$4,500,000	\$4,091,062	Complete

<b>Ref No.</b>	<b>Project Title</b>	<b>Consent Decree Estimate</b>	<b>Authorized/ Completed</b>	<b>Status</b>
45	Warwick Boulevard to James River Influent Force Main - Section 3*	NA	NA	Project Deleted
46	Holland Road 24-inch IFM – Section A	\$14,000,000	\$19,828,706	Construction
47	Pughsville Pressure Reducing Station Upgrades	\$5,000,000	\$222,879	Design
48	Sewerage System Improvements Division C	\$750,000	\$1,544,509	Construction
49	Lafayette River Crossing/Norview – Estabrook Force Main Replacement	\$3,000,000	\$4,135,704	Complete
50	Courthouse Interim Pressure Reducing Station	\$1,500,000	\$2,703,802	Construction
51	Hampton Pump Station 023 Upgrades and Discharge Force Main	\$750,000	\$800,097	Construction
		<b>\$54,800,000</b>	<b>\$56,023,836</b>	

<b>Ref No.</b>	<b>Project Title</b>	<b>Consent Decree Estimate</b>	<b>Authorized/ Completed</b>	<b>Status</b>
52	Virginia Initiative Plant Nutrient Reduction Improvements, Contract A	\$18,000,000	\$18,343,768	Complete
53	Virginia Initiative Plant Nutrient Reduction Improvements, Contract B	\$125,000,000	\$127,620,636	Construction
		<b>\$143,000,000</b>	<b>\$145,964,404</b>	
Total for all work:		<b>\$306,800,000</b>	<b>\$358,903,768</b>	

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## North Shore Pump Stations

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- Coliseum Drive Pressure Reducing Station and Off-Line Storage Facility
- Triton Court Pump Station
- Victoria Boulevard Pump Station

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## North Shore Pump Stations (cont.)

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### Coliseum Drive Pressure Reducing Station and Off-Line Storage Facility

#### Project Description:

Project required to reduce pressures in the City of Hampton and HRSD interceptor system during wet weather events. Project will also provide storage of peak flows to dampen the effects during storms and limit SSOs. This is an interim improvement project as part of the Federal Consent Decree to reduce SSOs.

**Design Engineer:** Rummel, Klepper & Kahl (RK&K) and CH2M Hill

**Contractor:** T.A. Sheets

**Project Budget:** \$14.8M (\$10.8M PS, \$4.0M Tank)

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## North Shore Pump Stations (cont.)

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### Coliseum Drive Pressure Reducing Station and Off-Line Storage Facility



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## North Shore Pump Stations (cont.)

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### Triton Court Pump Station

#### Project Description:

Project required to serve the developing area of the City Center in Newport News. City of Newport News provided partial funding for this project.

Design Engineer: EE&T, Inc.

Contractor: Mid-Eastern Builders (MEB)

Project Budget: \$3.4M

## North Shore Pump Stations (cont.)

### Triton Court Pump Station



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## North Shore Pump Stations (cont.)

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### Victoria Boulevard Pump Station

#### Project Description:

Project provided for the replacement of a City of Hampton pump station to address increased flows during wet weather events. This is an interim improvement project as part of the Federal Consent Decree to reduce SSOs.

Design Engineer: CH2M Hill

Contractor: Shaw Construction Corp.

Project Budget: \$4.0M

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## North Shore Pump Stations (cont.)

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### Victoria Boulevard Pump Station



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Questions?

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HRSD COMMISSION MEETING MINUTES  
January 26, 2016

ATTACHMENT #7

AGENDA ITEM 12. – U.S. EPA Consent Decree Annual Public Meeting PowerPoint  
Presentation



EPA Consent Decree  
Annual Information Meeting  
Regional Wet Weather  
Management Plan

January 26, 2016

### Requirements of the Consent Decree

- *“...after providing reasonable notice on its webpage and in a newspaper of general circulation”*
- *“...shall hold an annual informational meeting open to the Localities and the public”*
- *“HRSD shall convey information on the status of the Regional Wet Weather Management Plan, HRSD – Locality cooperation and steps citizens within the Localities can take to protect the receiving waters”*

## Objective of the Consent Decree

- “HRSD, working in consultation with the Localities, to fulfill the objectives of the Clean Water Act with a goal of eliminating Sanitary Sewer Overflows (SSOs)”
- The Regional Wet Weather Management Plan will establish the Level of Service for elimination of SSOs



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## Regionalized Approach

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- Localities and HRSD agreed in Memorandum of Agreement to Regionalized Approach
- HRSD will be responsible for capacity in the regional sanitary sewer system
- HRSD completed additional flow monitoring and SSES in Locality systems in 2015
- Capacity Evaluation to be conducted in early 2016

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## Major Change in Compliance Orders

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- Consent Decree Modification No. 3 in August 2014 puts sole responsibility on HRSD for:
  - Development of Regional Wet Weather Management Plan (RWWMP)
  - Implement RWWMP
  - Capacity in the entire regional sanitary sewer system
- Special Order by Consent (SOC) modified in December 2014 focuses on Management, Operations and Maintenance (MOM) issues
  - Eliminates HRSD from SOC
  - Adds Norfolk to SOC and terminates prior Order

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## Overall Regulatory Status

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- HRSD continues to implement requirements of Federal Consent Decree which was originally entered with the court on February 23, 2010, and modified August 2014
- All Consent Decree required submittals have been on time

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## Rehabilitation Action Plan

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- Addresses condition defects identified in Consent Decree Condition Assessment Program
- Addresses gravity mains, force mains, pump stations, and associated system components
- Plan updated in December 2014 outlines \$183 M in projects
- EPA/DEQ approved the plan in May 2015
- Project implementation is underway
- Out of the 61 projects, eight (8) are completed, four (4) are in construction and seventeen (17) are in planning/design.

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## Interim System Improvements

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- Consent Decree includes requirement to complete 45 CIP projects totaling more than \$300 M by February 23, 2018 (with exception of two projects due December 2018)
- Of the 45 projects, twenty-two (22) are completed, eighteen (18) are in construction, and the remaining five (5) are in planning/design
- On track for completion by 2018 deadline

# Management, Operations, and Maintenance (MOM) Program

- MOM Program approved by EPA/DEQ in 2011
- The MOM Program was updated in July 2015 and now reflects:
  - Organizational updates
  - Current programs and updated status of initiatives
- Performance measures are continuing to be tracked to evaluate the effectiveness of the programs
- Continuous improvements initiatives are being completed and new ones added accordingly

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## FY2015 MOM Program Performance

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- 56 metrics targeted for FY2015
- 54 met or exceeded specified goals
  - Includes 6 Consent Decree required metrics
- 2 additional measures are planned to begin tracking with the completion of the RWWMP.
- 1 metric fell short of targets
  - “Miss” Utility Responses – 7 missed out of 46,600

# Consent Decree Performance Measures Review

## Year over Year Performance Summary

Metric	Target	FY-12 Actual	FY-13 Actual	FY-14 Actual	FY-15 Actual
Pump Station Annual PM	82	84	83	83	84
Back-up Generator Annual PM	55	112	81	121	129
Force Main Air Vent PM	1,550	3,096	3,274	3,304	3,486
Non-Invasive Force Main Inspection	2,400 LF	15,098 LF	2,800 LF	2,562 LF	4,355 LF
Gravity Sewer Inspection	39,600 LF	72,730 LF	98,185 LF	81,841 LF	89,757 LF
Gravity Sewer Cleaning	29,400 LF	234,463 LF	207,724 LF	194,838 LF	208,059 LF

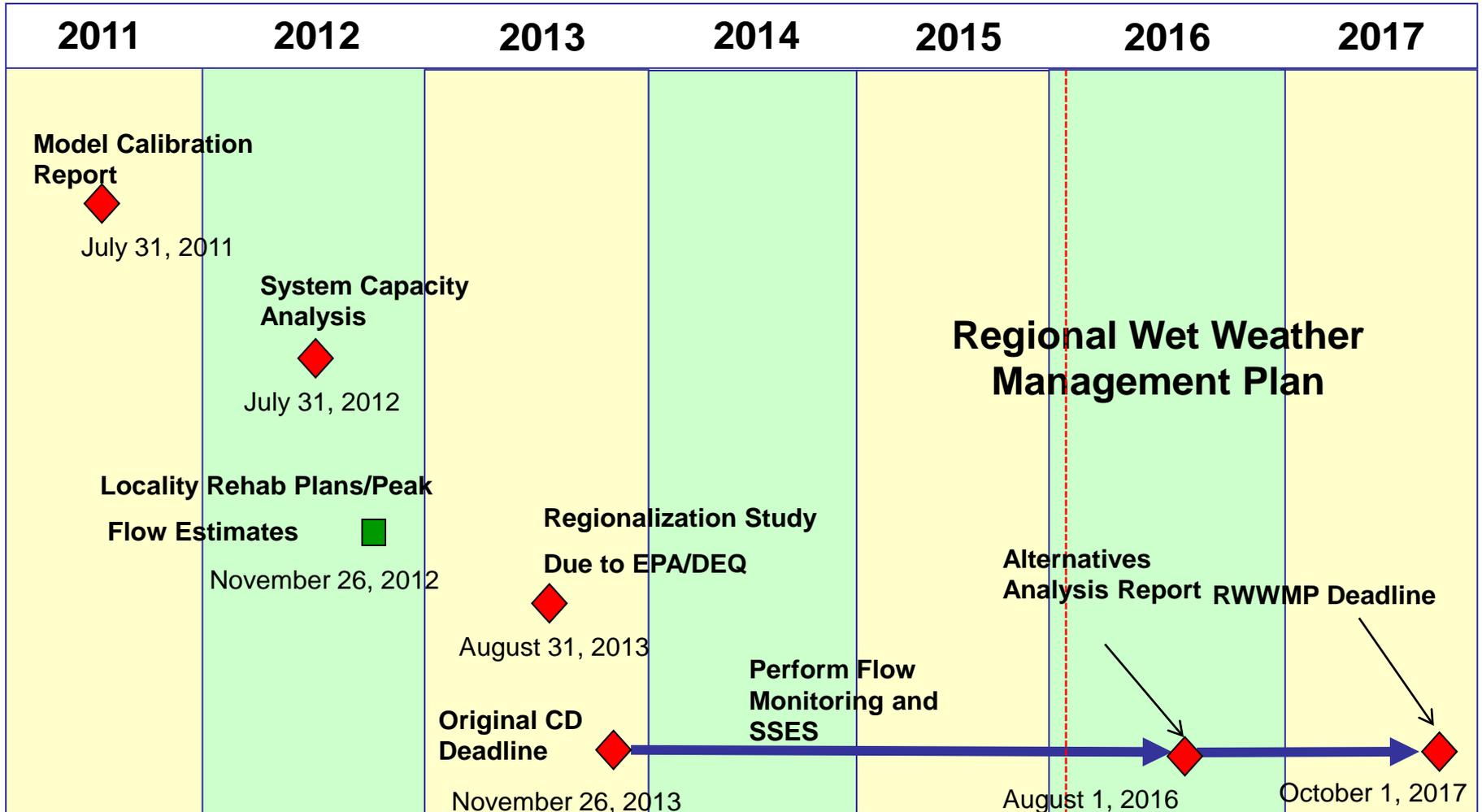
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## Regional Wet Weather Management Plan (RWWMP)

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- Alternative Analysis Report due in August 2016. Outlines selected level of service, approximate total cost, and range of schedule.
- RWWMP will finalize the projects, costs and schedule to address capacity challenges to a selected level of service
- Approved RWWMP will be incorporated into the Consent Decree by reference

# Consent Decree RWWMP Development Schedule



◆ Consent Decree Submittal

■ Original SOC Submittal



## Recent SSOs

Calendar Year	# of SSOs	Volume (gal)	# of Unknown SSO Volumes (during wet weather)	Total Inches of Rain near ORF
2011	35	1,879,591	13	55
2012	40	22,847,617*	6	52
2013	14	714,077	2	50
2014	29	2,187,515	10	45
2015	18	414,154	3	53

\*Included single SSO at Wilroy Road of 18,352,000 gallons. Remaining volume ~4,500,000 gallons for 2012

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## Coordination with Localities

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- Periodic meetings of Capacity Team
- Monthly Directors' of Utilities meetings
- HRSD providing GIS, flow, pressure and rainfall data to localities

- Annual newsletter (fifth due out before February 23, 2016)
- Annual public informational meeting with public notice (January 26, 2016)
- Public outreach regarding overflows
  - *“...a public outreach program to inform the public of any SSO Outfalls within the Regional SS System, the possible health and environmental effects of SSOs and that recreational activities, such as swimming, should be limited as a result of such SSOs.”*

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## Steps Citizens Can Take to Protect Receiving Waters

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- Report Sanitary Sewer Overflows – Call your local utility department
- Inspect home, yard and sewer service pipes to ensure separation between storm and sanitary systems
- Practice proper disposal of pharmaceuticals, food wastes and kitchen grease – minimize use or eliminate garbage disposal
- Reduce storm water runoff by using rain barrels, rain gardens and establishing a buffer

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## Steps Citizens Can Take to Protect Receiving Waters (Cont.)

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- Improve water quality by raising oysters
- Limit synthetic fertilizer and other lawn chemical applications – use natural products like compost
- Pick up animal waste
- Avoid feeding wildlife
- Support “No Dumping” and use boater pump out facilities

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Questions?

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HRSD COMMISSION MEETING MINUTES  
January 26, 2016

ATTACHMENT #8

AGENDA ITEM 17. – Informational Items

a. Management Reports

[General Manager](#)

[Engineering](#)

[Finance](#)

[Information Technology](#)

[Operations](#)

[Special Assistant for Compliance Assurance](#)

[Talent Management](#)

[Water Quality](#)

b. [Strategic Planning Metrics Summary](#)

c. [Effluent Summary \(Monthly and Annual\)](#)

d. [Air Summary \(Monthly and Annual\)](#)

January 20, 2016

Re: General Manager's Report

Dear Commissioners:

The last month of 2015 was filled with briefings and presentations regarding the HRSD Sustainable Water Recycling (SWR) Initiative. This effort required significant investment of my time and attention, which would not be possible without our incredible senior leadership team. As the attached monthly reports attest, we continue to accomplish our current mission in an outstanding fashion while focusing resources on how we will broaden our positive environmental impact in the future. Without the skilled leaders and talented staff this would not be possible.

The attached monthly reports review activities throughout the month, with a few items highlighted below:

1. **Treatment, Compliance and System Operations:** All plants met permit requirements.
2. **Internal Communications:** I participated in the following meetings/activities with HRSD personnel:
  - a. A meeting with the research interns to discuss HRSD's support of the Elizabeth River Project's Paradise Creek learning center
  - b. A meeting to review the United Way campaign and discuss future campaigns
  - c. Two new employee orientation sessions
  - d. Two employee length of service recognition breakfasts
  - e. A meeting to review the Supervisory Control and Data Acquisition tower lease agreements
  - f. A meeting to review design and cost issues with the Bridge Street Pump Station project
  - g. A meeting to discuss prioritization criteria for projects in the Wet Weather Management Plan

- h. A preparation meeting for the rating agencies' surveillance sessions
- i. A meeting to discuss the SWR Initiative and review legislative priorities with Delegate Barry Knight
- j. A debriefing from the Operations staff visit to Surry facilities
- k. A project strategy meeting with the SWR project team

3. **External Communications:** I participated in the following meetings/ activities:

- a. The Virginia Association of Municipal Wastewater Agencies board and membership quarterly meetings
- b. A conference call to review biosolids legislative strategy for the 2016 General Assembly session
- c. An interview with *Inside Business* regarding HRSD's 75<sup>th</sup> Anniversary
- d. An interview with *The Virginian-Pilot* regarding the SWR Initiative
- e. A tour of the Nansemond Treatment Plant with a reporter and photographer from *The Virginian-Pilot*
- f. The quarterly board meeting of VIRGINIAforever
- g. Multiple calls regarding potential nutrient legislation
- h. A meeting of the Virginia Resources Authority's Risk Management Committee to discuss HRSD's closure of the Senior Trust and modifications to the Subordinate Trust Agreement
- i. A meeting of the Eastern Virginia Groundwater Management Area Committee's (EVGMAC) Alternative Supply subcommittee
- j. A conference call with a joint committee (Water Environment Federation, Water Environment Research Foundation, National Association of Clean Water Agencies, WaterREUSE and US Environmental Protection Agency representatives) to discuss a proposed new utility recognition program
- k. A meeting with senior Virginia Department of Environmental Quality staff to discuss integrating the SWR with our Regional Wet Weather Management Plan obligations under the Consent Decree
- l. Presented the SWR Initiative to the following:
  - (1) Rappahannock River Basin Commission
  - (2) Hampton Roads Planning District Commission Stormwater/Environmental Joint Committee
  - (3) The State Water Commission
  - (4) The Technical Committee of the Elizabeth River Project Board of Directors

- (5) The Virginia Water Environment Association breakfast learning program "Wake Up Recharged"
- (6) The EVGMAC (full committee)
- (7) Senior Virginia staff of the Chesapeake Bay Foundation

As evident in the activities listed above, the SWR Initiative continues to attract attention and has developed significant momentum. Our plan is to continue to capitalize on the momentum as we further develop and implement our communication plan for this initiative over the coming months. Work is progressing on development of the treatment train pilots, and other required study and analysis is underway.

Discussions continue with Surry. We have offered to provide support for the town's application for reissuance of their Virginia Pollutant Discharge Elimination System permit. I will continue to update you as this issue develops over the next few months.

Thanks for your continued dedicated service to HRSD, the Hampton Roads region, the Commonwealth and the environment. **I look forward to seeing you next week in Newport News.**

Respectfully submitted,

*Ted Henifin*

Ted Henifin, P.E.  
General Manager

TO: General Manager

FROM: Director of Engineering

SUBJECT: Engineering Monthly Report for December 2015

DATE: January 12, 2016

A. General

1. Capital Improvement Program (CIP) spending for the fifth month of Fiscal Year-2016 was \$17.8 million, while the planned expenditure for the month was estimated at \$13.9 million. A Water Quality Improvement Fund grant reimbursement of \$2.12 million was received for the Virginia Initiative Treatment Plant Nutrient Reduction Improvement project.
2. We have begun the CIP review process with members of the Internal Audit Team lead by SC&H Group. An initial kick-off meeting was held on December 14 to discuss the role of the audit, team members, objectives and areas for review. The prime goal of the audit is to look for areas of potential risk to HRSD as we manage the CIP. The risks could be financial, schedule, personnel, regulatory, safety or political. The audit will take about three months to complete and will require active involvement by HRSD staff in addition to the audit team. A final report will be prepared and shared with the Commission at the end of the audit.

B. Asset Management Division

1. Staff has begun an effort to conduct an Asset Roll-Up and Simplification Study. Concerns have been raised by the Operations Department that the assets defined in the Computerized Maintenance Management System are overly detailed, which affects how work is categorized and documented. A thorough evaluation of the asset hierarchy and frequency of preventative maintenance activities will be performed to address the staff time entry issue and enhance when assets are ultimately maintained.
2. Staff has begun to prepare a risk evaluation for interceptor system flow meters and valves. It appears a number of buried magnetic flow meters are failing so the risk evaluation and mitigation strategy will prioritize the repair or replacement of the most at-risk meter and valve assets.

## C. Design & Construction Division

1. Construction efforts are nearing completion for the Army Base Treatment Plant Improvements Phase III project. Most of the unit processes installed as part of this project are substantially complete. Work still underway includes efforts at the Methanol Building and final site work. Final grading, restoration, paving and the resolution of punch-list items continue. A number of out-of-scope work items will be handled as separate work tasks. This work will be bid separately to allow the General Contractor to focus on the existing project scope and address punch-list items in a timely fashion.
2. A significant milestone was met in December with the substantial completion of three pump station projects. Work was completed at the Coliseum Drive Pressure Reducing Station (PRS), Triton Court Pump Station and Victoria Boulevard Pump Station. The Coliseum Drive PRS will help reduce pressures in the York River System and includes an off-line storage tank to hold peak flows during wet weather events. We have learned a number of lessons from the installation of this off-line storage tank that can be applied to future projects. The Triton Court Pump Station will help convey flows from the rapidly developing City Center section of Newport News. The Victoria Boulevard Pump Station replaces an existing City of Hampton pump station with a larger facility capable of conveying more flow to the Boat Harbor System. Each of these projects will improve HRSD's capability to convey wet weather flows in the North Shore interceptor system.

## D. Planning & Analysis Division

1. Preparation of the Fiscal Year-2017 CIP is underway. Internal coordination meetings with the Operations Department have been held to discuss new projects and update existing efforts. The CIP process now includes the use of the Hyperion budgeting program within our Enterprise Resource Planning (ERP) suite. This will allow for a more seamless process from initial approval to management of all financial aspects of projects within the ERP. All CIP project updates are due February 1 and the first CIP Review Meeting has been scheduled for March 7.

Work continues by the internal team created to consider plant flow meter accuracy and reliability. The group, known as the Flow Meter Accuracy Assurance Team, has studied past problems with flow meters and has

recommended methods to improve precision and more quickly find inaccuracies. The team is nearing completion with their efforts and will be providing guidance in the following areas:

- Calibration methods
- Meter accuracy
- Preferable meter location
- Meter type preferences
- Instrumentation issues
- Suggestions for future meter installations
- Methods to improve meter calculations

E. Strategic Planning Metrics Summary

1. Educational and Outreach Events: 2

- a. Staff made a presentation entitled, “A Trip in Time – Delivering a Consent Decree Project,” at the Virginia Water Environment Association Eastern Virginia Regional Activities Committee luncheon on December 2.
- b. Staff co-presented on the topic of “Pipeline Infrastructure Databases (PIPEID)” at the 2015 Water Asset Management Conference sponsored by the Virginia Tech Sustainable Water Infrastructure Management Center on December 2.

2. Number of Community Partners: 2

- a. VWEA
- b. Virginia Tech Sustainable Water Infrastructure Management Center

<b>Item #</b>	<b>Strategic Planning Measure</b>	<b>Unit</b>	<b>December 2015</b>
M-1.4a	Total Training Hours per Full Time Employee (39) - Current Month	Hours / #FTE	1.06
M-1.4b	Total Training Hours per Full Time Employee (39) - Cumulative Fiscal Year-to-Date	Hours / #FTE	18.61
M-5.2	Educational and Outreach Events	Number	2
M-5.3	Number of Community Partners	Number	2

*Bruce W. Husselbee, P.E.*

Bruce W. Husselbee, P.E.

TO: General Manager  
FROM: Director of Finance  
SUBJECT: Monthly Report for December 2015  
DATE: January 13, 2016

A. General

1. Revenues continue to track higher than budgeted at the mid-point of the fiscal year, primarily due to slightly higher water consumption. Expenses continue to track lower than budgeted. As a result, the fiscal year mid-point income is approximately \$10.6 million higher than budgeted.
2. In previous monthly reports, funds received for Norfolk billing revenue and energy credits were shown within Operating Revenues – Miscellaneous, but they have been reclassified starting this month to Non-Operating Revenues – Other to be consistent with the appropriate budget categories. The energy credits are provided by the power company when they ask us to use our treatment plants' generators during peak loading periods to provide more grid capacity.
3. As part of our strategy to amend the Subordinate Lien Trust Agreement in the next bond sale, issue all new debt at the subordinate level, and close our senior lien in the future, staff has been coordinating closely with the Virginia Resources Authority, which holds a significant portion of our senior lien debt. On December 8, 2015, the Virginia Resources Authority Board approved a resolution to move the VRA senior lien debt to the amended and restated subordinate lien trust once the senior lien is legally closed. Staff anticipates all outstanding senior lien debt, aside from the Series 2009 Build America Bonds, will be defeased or refunded and, therefore, transferred to the subordinate lien by Fiscal Year-2025.
4. Based on the Dec 31, 2015, market conditions, staff is planning to refund a significant portion of HRSD's existing bonds in conjunction with the February 2016 bond sale, which may save more than \$18 million on a net present value basis. Staff will determine the final sizing based on market conditions at that time.
5. Quarterly investment reports for [HRSD's Operating Funds](#) and the [Retiree Health Plan Trust](#) are attached.

## B. Interim Financial Report

### 1. Operating Budget for the Period Ended December 31, 2015

	Amended Budget	Current YTD	Current YTD as % of Budget (50% Budget to Date)	Prior YTD as % of Prior Year Budget
<b>Operating Revenues</b>				
Wastewater	\$ 221,000,000	\$ 115,309,786	52%	51%
Surcharge	2,000,000	1,100,489	55%	60%
Indirect Discharge	2,400,000	1,268,081	53%	57%
Norfolk Sludge	300,000	148,774	50%	35%
Fees	3,000,000	1,386,228	46%	53%
Municipal Assistance	1,300,000	628,314	48%	24%
Miscellaneous	750,000	371,942	50%	73%
<b>Total Operating Revenue</b>	<b>230,750,000</b>	<b>120,213,613</b>	<b>52%</b>	<b>51%</b>
<b>Non Operating Revenues</b>				
Facility Charge	6,000,000	2,748,390	46%	72%
Interest Income	1,400,000	177,274	13%	38%
Build America Bond Subsidy	2,400,000	1,212,434	51%	50%
Other	1,090,000	614,657	56%	31%
<b>Total Non Operating Revenue</b>	<b>10,890,000</b>	<b>4,752,755</b>	<b>44%</b>	<b>58%</b>
<b>Total Revenues</b>	<b>241,640,000</b>	<b>124,966,369</b>	<b>52%</b>	<b>52%</b>
Transfers from Reserves	5,063,984	2,531,992	50%	42%
<b>Total Revenues and Transfers</b>	<b>\$ 246,703,984</b>	<b>\$ 127,498,360</b>	<b>52%</b>	<b>51%</b>
<b>Operating Expenses</b>				
Personal Services	\$ 53,040,035	\$ 24,003,369	45%	47%
Fringe Benefits	24,395,846	11,299,834	46%	47%
Materials & Supplies	5,924,877	3,754,459	63%	45%
Transportation	1,385,278	591,871	43%	49%
Utilities	12,492,365	4,786,889	38%	38%
Chemical Purchases	9,078,868	3,588,593	40%	39%
Contractual Services	24,530,628	10,750,898	44%	44%
Major Repairs	9,135,316	2,251,577	25%	30%
Capital Assets	3,450,181	586,886	17%	18%
Miscellaneous Expense	2,505,084	946,825	38%	25%
<b>Total Operating Expenses</b>	<b>145,938,478</b>	<b>62,561,201</b>	<b>43%</b>	<b>43%</b>
<b>Debt Service and Transfers</b>				
Debt Service	59,622,000	34,040,592	57%	57%
Cost of Issuance Bonds	900,000	138,671	15%	53%
Transfer to CIP	39,983,506	19,991,753	50%	50%
Transfer to Risk management	260,000	130,000	50%	0%
<b>Total Debt Service and Transfers</b>	<b>100,765,506</b>	<b>54,301,016</b>	<b>54%</b>	<b>55%</b>
<b>Total Expenses and Transfers</b>	<b>\$ 246,703,984</b>	<b>\$ 116,862,217</b>	<b>47%</b>	<b>47%</b>

## 2. Notes to Interim Financial Report

The Interim Financial Report summarizes the results of HRSD's operations on a basis of accounting that differs from generally accepted accounting principles. Revenues are recorded on an accrual basis whereby they are recognized when billed. Expenses are generally recorded on a cash basis. No provision is made for non-cash items such as depreciation and bad debt expense.

This interim report does not reflect financial activity for capital projects contained in HRSD's Capital Improvement Program.

Transfers represent certain budgetary policy designations as follows:

- a. Transfer to CIP: represents current period's cash and investments that are designated to partially fund HRSD's capital improvement program.
- b. Transfers to Reserves: represents the current period's cash and investments that have been set aside to meet HRSD's cash and investments policy objectives.

## 3. Reserves and Capital Resources (Cash and Investments Activity) for the Period Ended December 31, 2015

	General	Risk Management	Debt Service Reserve	Capital
<b>Beginning of Period - July 1, 2015</b>	\$ 146,889,275	\$ 2,480,500	\$ 44,117,890	\$ 22,550,555
<b>Add: Current Year Sources of Funds</b>				
Cash Receipts	140,020,902			
Capital Grants				11,640,661
Line of Credit				37,204,061
Bond Proceeds (includes interest)				3,221
Transfers In	33,150,819	130,000		53,142,572
<b>Sources of Funds</b>	<u>173,171,721</u>	<u>130,000</u>	<u>-</u>	<u>101,990,515</u>
<b>Total Funds Available</b>	<u>\$ 320,060,996</u>	<u>\$ 2,610,500</u>	<u>\$ 44,117,890</u>	<u>\$ 124,541,070</u>
<b>Deduct: Current Year Uses of Funds</b>				
Cash Disbursements	122,910,844			85,868,648
Transfers Out	53,272,572			33,150,819
<b>Uses of Funds</b>	<u>176,183,416</u>	<u>-</u>	<u>-</u>	<u>119,019,467</u>
<b>End of Period - December 31, 2015</b>	<u>\$ 143,877,580</u>	<u>\$ 2,610,500</u>	<u>\$ 44,117,890</u>	<u>\$ 5,521,603</u>

#### 4. Capital Improvements Budget and Activity Summary for Active Projects the Period Ended December 31, 2015

Classification/ Treatment Service Area	Expenditures		Year to Date		Total Expenditures	Outstanding Encumbrances	Available Balance
	Amended Budget	prior to June 30, 2015	FY2016 Expenditures				
Administration	\$ 40,961,073	\$ 32,680,220	\$ 2,058,159	\$ 34,738,379	\$ 659,722	\$ 5,562,972	
Army Base	156,834,000	108,608,104	3,769,622	\$ 112,377,726	3,167,444	41,288,830	
Atlantic	94,616,147	27,303,169	3,916,396	\$ 31,219,565	11,824,929	51,571,653	
Boat Harbor	61,138,858	21,912,992	4,463,713	\$ 26,376,705	7,408,619	27,353,534	
Ches-Eliz	5,679,274	2,814,828	433,966	\$ 3,248,794	1,591,977	838,503	
James River	73,521,504	22,744,827	5,985,171	\$ 28,729,998	14,420,730	30,370,776	
Middle Peninsula	34,129,823	1,365,967	1,232,681	\$ 2,598,648	6,356,740	25,174,435	
Nansemond	65,979,970	11,117,562	5,842,569	\$ 16,960,131	4,543,309	44,476,530	
VIP	251,441,502	140,443,785	21,693,273	\$ 162,137,058	75,732,853	13,571,591	
Williamsburg	10,512,783	1,990,543	79,737	\$ 2,070,280	7,701,179	741,324	
York River	41,516,967	20,361,478	5,973,143	\$ 26,334,621	12,690,048	2,492,298	
General	197,977,972	119,099,544	8,270,769	\$ 127,370,313	40,891,595	29,716,064	
	<u>\$ 1,034,309,873</u>	<u>\$ 510,443,019</u>	<u>\$ 63,719,199</u>	<u>\$ 574,162,218</u>	<u>\$ 186,989,145</u>	<u>\$ 273,158,510</u>	

#### 5. Debt Management Overview

	Debt Outstanding (\$000's)				
	Principal 11/30/15	Principal Payments	Line of Credit Draws	Principal 12/31/15	Dec Interest Payments
<b>Fixed Rate</b>					
Senior	\$ 597,201	\$ -	\$ -	\$ 597,201	\$ -
Subordinate	67,962	1,005	-	66,957	286
<b>Variable Rate</b>					
Subordinate	25,000	-	-	25,000	-
<b>Line of Credit</b>	21,259	-	15,945	37,204	-
<b>Total</b>	<u>\$ 711,422</u>	<u>\$ 1,005</u>	<u>\$ 15,945</u>	<u>\$ 726,362</u>	<u>\$ 286</u>

#### Series 2011 Variable Rate Interest Summary - Key Statistics of Comparable Bonds (Since October 2011) Pricing Analysis as of 12/24/2015

	Spread to		
	SIFMA Index	HRSD	SIFMA
Maximum	0.26%	0.23%	0.04%
Average	0.09%	0.08%	0.01%
Minimum	0.01%	0.01%	0.00%
As of 12/24/2015	0.01%	0.01%	0.00%

#### 6. Financial Performance Metrics for the Period Ended December 31, 2015

	Current YTD	Policy Minimum
Capital % Cash Funded	26%	15%
General Reserve as % of Operations	99%	75-100%
Risk Management Reserve as % of Projected Claims Costs	25%	25%

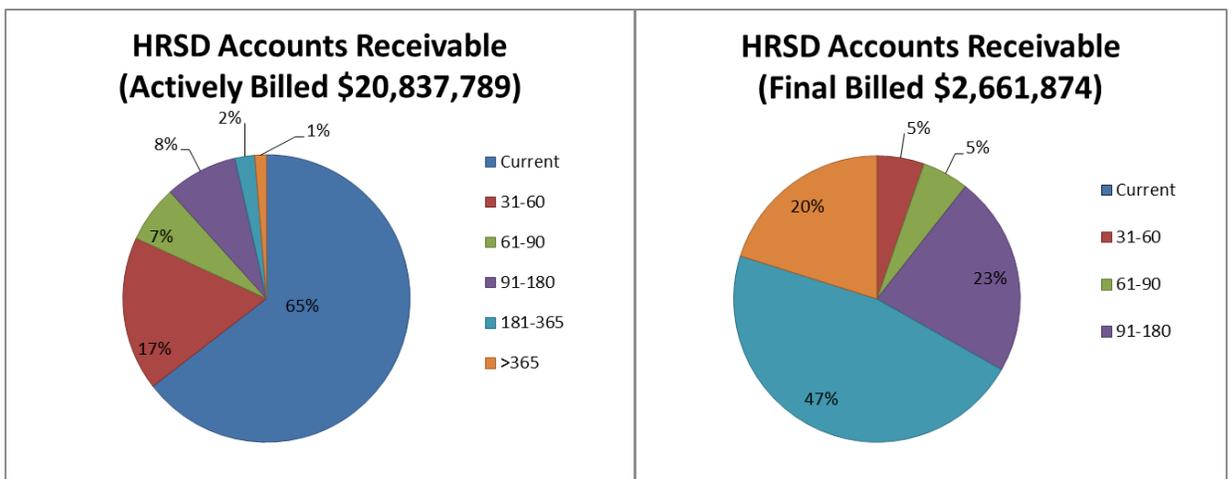
## 7. Summary of Billed Consumption

Summary of Billed Consumption (ccf)							
Month	Cumulative 3 Year Average	Cumulative 2015 Actual	2016 Cumulative Budget Estimate	2016 Cumulative Actual	% Difference		
					From Budget	From 2015	From 3 Year Average
July	4,871	4,798	4,452	4,819	8.2%	0.4%	-1.1%
Aug	10,201	9,517	8,904	9,783	9.9%	2.8%	-4.1%
Sept	14,879	14,128	13,356	14,290	7.0%	1.1%	-4.0%
Oct	19,759	19,005	17,808	18,976	6.6%	-0.2%	-4.0%
Nov	24,086	22,900	22,260	23,486	5.5%	2.6%	-2.5%
Dec	28,291	27,361	26,712	27,626	3.4%	1.0%	-2.4%
Jan	32,951	31,997	31,164	-	N/A	N/A	N/A
Feb	37,417	35,413	35,616	-	N/A	N/A	N/A
March	41,660	40,813	40,068	-	N/A	N/A	N/A
Apr	45,900	45,287	44,520	-	N/A	N/A	N/A
May	50,273	49,601	48,972	-	N/A	N/A	N/A
June	54,952	54,058	53,424	-	N/A	N/A	N/A

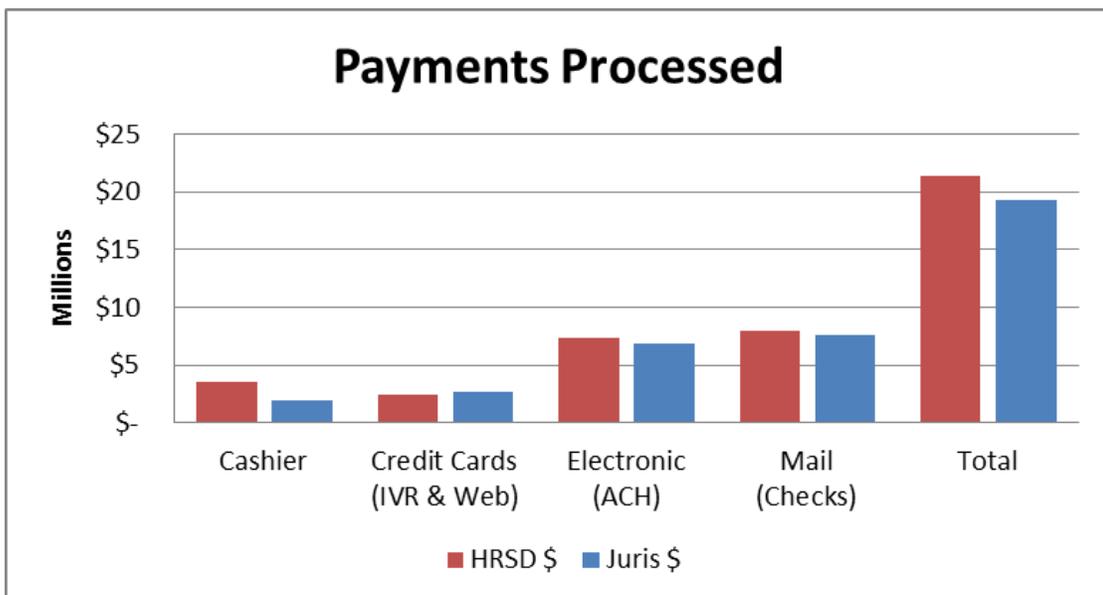
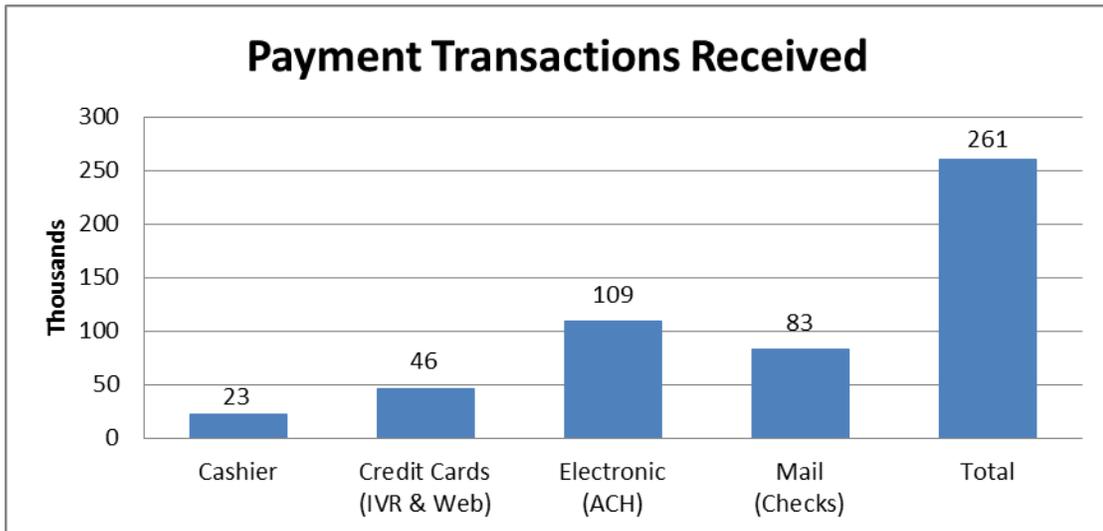
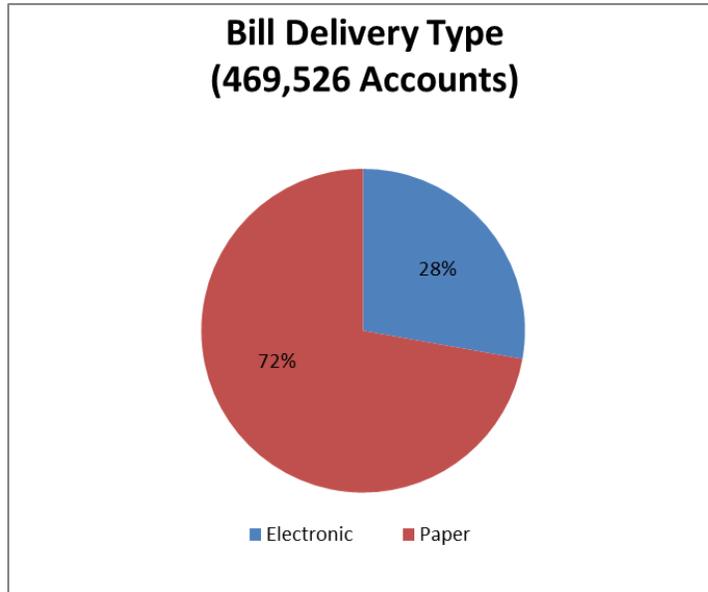
## C. Customer Care Center

### 1. Accounts Receivable Overview

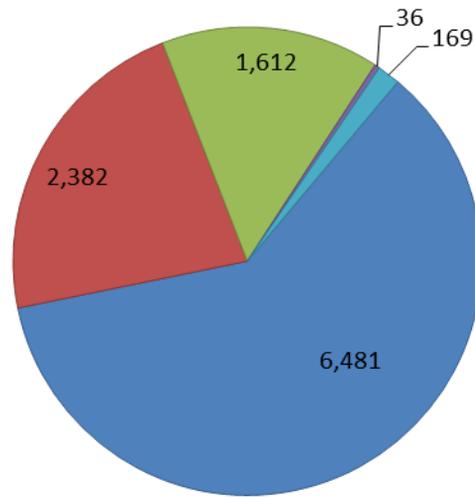
	HRSD	Juris	Total
<b>Roll Forward</b>			
<b>November A/R Balance</b>	\$ 22,184,009	\$ 24,043,274	\$ 46,227,283
Billings	18,546,163	26,294,817	44,840,980
Payments	(21,771,924)	(19,381,302)	(41,153,226)
Delinquency Activity Fees	134,020	-	134,020
Late Payment Charges	99,076	28,044	127,120
Adjustments	4,528,319	(4,734,478)	(206,159)
Balances Written Off	(220,000)	(247,643)	(467,643)
<b>December A/R Balance</b>	<b>\$ 23,499,663</b>	<b>\$ 26,002,712</b>	<b>\$ 49,502,375</b>



2. Customer Care Center Statistics for the Period Ended December 31, 2016

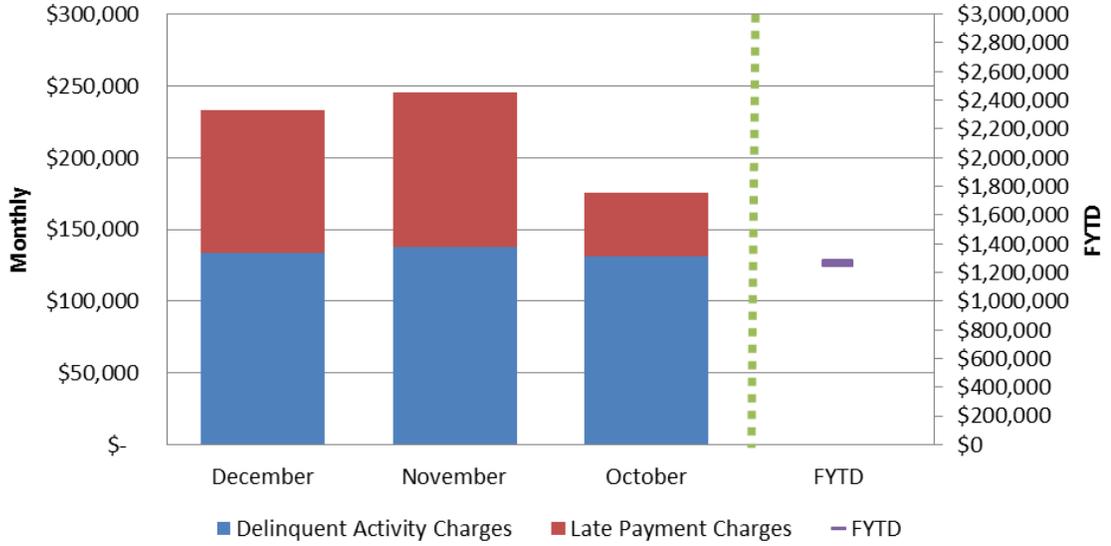


## Delinquent Field Activity

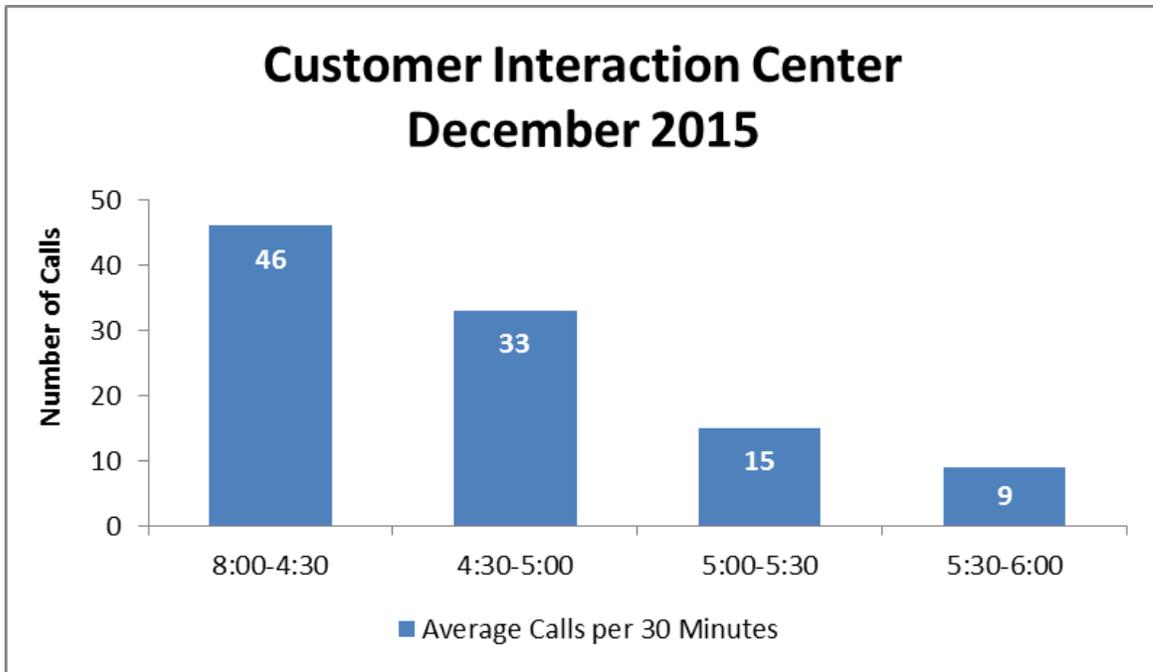
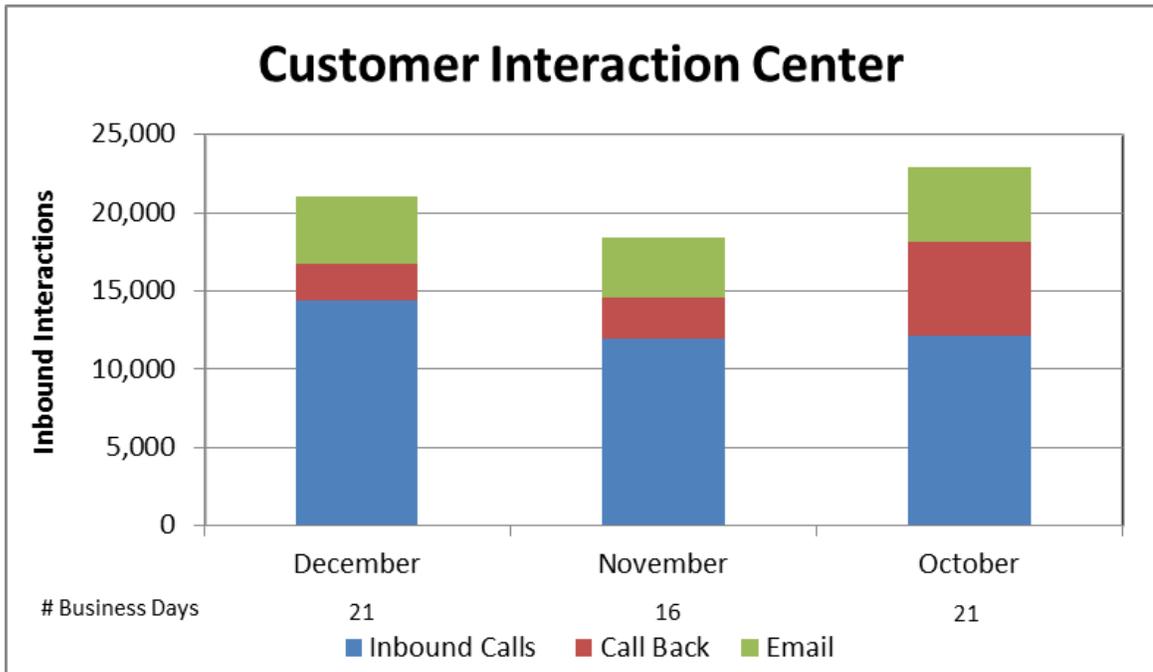


■ Leave Tag   
 ■ Cut off   
 ■ Turn On   
 ■ Lock Meter   
 ■ Back Check

## Delinquent Fees



■ Delinquent Activity Charges   
 ■ Late Payment Charges   
 ■ FYTD



Customer Interaction Statistics	December	November	October
Calls Answered within 3 minutes*	73%	57%	39%
Average Wait Time	3:10	4:24	8:37
Calls Abandoned	2,048	2,417	5,028

\* Calls Answered within 2 minutes for October

## D. Procurement

### 1. Procurement Statistics

	Current Period	FYTD
Bid Cost Savings	\$ 845,568	\$ 1,866,068
Negotiated Cost Savings	\$ 15,036	\$ 158,345
Salvage Revenues	\$ 1,147	\$ 25,895
Corporate VISA Card - Estimated Rebate	\$ 16,536	\$ 105,003

### Average Lead Time (Receipt of Requisition to Award)

Solicitation Types	Requisition Amounts	Nov-15		Dec-15	
		No. Days	Count	No. Days	Count
RFQs	<\$5,000	6.43	12	11.40	10
	\$5,000 - \$10,000	73.00	2	21.67	3
	\$10,000 - \$50,000	44.56	9	50.21	14
IFBs	\$50,000 - \$100,000	25.00	3	129.00	1
IFBs/RFPs	>\$100,000	57.00	6	119.50	2

### Requisition Volume Comparison

Requisition Amounts	7/1/2014 - 6/30/2015 Requisitions	7/1/2015 - 12/31/2015 Requisitions	Percent Comparison of Past Year
<\$5,000	198	94	47%
\$5,000 – \$10,000	69	28	41%
\$10,000 – \$50,000	252	125	50%
\$50,000 – \$100,000	64	26	41%
>\$100,000	99	39	39%
<b>Total</b>	<b>682</b>	<b>312</b>	<b>46%</b>

2. Some of the more formal technical competitive bid solicitations for the month included:

- a. Vault Removal for the Engineering Department
- b. Thermographic Inspections Contract for North Shore Electrical Centrifuge Number Four Inspection and Overhaul P5400 for the Boat Harbor Treatment Plant
- c. Rehabilitation and Coating of Tank Numbers One and Two for the Urbanna Treatment Plant

E. Strategic Planning Metrics Summary

1. Educational and Outreach Events: 0
2. Community Partners: 0

Item #	Strategic Planning Measure	Unit	December 2015
M-1.4a	Training During Work Hours Per Full Time Employee (99) – Current Month	Hours / #FTE	1.88
M-1.4b	Total Training During Work Hours Per Full Time Employee (99) – Cumulative Fiscal Year-to-Date	Hours / #FTE	21.81
M-5.2	Educational and Outreach Events	Number	0
M-5.3	Number of Community Partners	Number	0
	Wastewater Revenue	Percentage of budgeted	104%
	General Reserves	Percentage of Operating Budget less Depreciation	99%
	Accounts Receivable (HRSD)	Dollars	\$23,499,663
	Aging Accounts Receivable	Percentage of receivables greater than 90 days	21%

Respectfully,

*Jay Bernas*

Jay Bernas, P.E.  
Director of Finance

Attachments:

[HRSD Operating Funds Quarterly Investment Report](#)

[Retiree Health Plan Trust Quarterly Investment Report](#)

## Hampton Roads Sanitation District – Operating Funds

Investment Report – Quarter Ended December 31, 2015

### Portfolio Summary

	Yield as of	Market Value	
	December 31, 2015	December 31, 2015	September 30, 2015
Operating Liquidity Strategy	0.25%	\$ 24,395,225	\$ (2,736,095)
Total Return Strategy	0.98%	\$ 122,092,855	\$ 89,311,040
Capital Investment Strategy	0.25%	\$ 5,521,603	\$ 62,254,858
Debt Service Reserve Funds	0.25%	\$ 44,117,890	\$ 44,117,890
<b>Total Portfolio</b>		<b>\$ 196,127,573</b>	<b>\$ 192,947,693</b>

### Investment Recap and Strategies

- The **Operating Liquidity Strategy** is managed to provide liquidity for day-to-day cash needs and unforeseen events. Currently, the Operating Liquidity Strategy funds are held in an account meeting the requirements of the Security for Public Deposits Act. The negative balance in the Operating Liquidity Strategy on September 30, 2015 reflects a transfer of funds between the Operating Liquidity Strategy and the Capital Investment Strategy and will be reconciled during early October. The actual bank balances were not overdrawn at month end.
- The **Total Return Strategy** consists of operating funds that will not be a major source of day-to-day disbursement requirements and operational needs. The portfolio is invested in longer-term securities in order to generate a higher investment rate of return. During the quarter, \$34 million of funds that will not be required to fund upcoming capital projects were transferred from the Capital Investment Strategy to the Total Return Strategy.
- The **Capital Investment Strategy** is managed to provide liquidity for capital projects. Currently, the Capital Investment Strategy funds are held in an account meeting the requirements of the Security for Public Deposits Act.
- The **Debt Service Reserve Funds (DSRF)** consist of restricted funds set aside in order to ensure the timely payment of debt service. The DSRF is currently invested in a Bank of America deposit account.

### Portfolio Performance Summary

- Performance for the Operating Liquidity Strategy, Capital Investment Strategy, and Debt Service Reserve Funds is measured by comparing the average current yield of the portfolios to the average yield of a short term index. During the quarter, the Operating Liquidity Strategy and Debt Service Reserve Funds had an average yield of 0.25% and the Capital Investment Strategy had an average yield of 0.26%, compared to the Merrill Lynch 3-month Treasury Bill's average yield of 0.11%. The one-year trailing return for the Operating Liquidity Strategy, Capital Investment Strategy, and Debt Service Reserve Funds were 0.25%, 0.21%, and 0.25%, respectively, compared to the benchmark's return of 0.04%.
- Performance for the Total Return Strategy is measured on a total return basis, which captures interest income, realized gains/losses, and unrealized gains/losses. This performance calculation methodology is most appropriate for investment portfolios that have longer-term investment horizons. During the quarter, the Total Return Strategy Portfolio generated a total return of -0.25% (-0.98% annualized), outperforming the Merrill Lynch 1 - 3 Year U.S. Treasury Index's return of -0.44% (-1.72% annualized). The one-year trailing return for the Total Return Strategy was 0.78% compared to the benchmark's return of 0.54%.

### Portfolio Summary *(continued)*

#### Total Return Strategy

- The Total Return Strategy Portfolio (the “Portfolio”) is well diversified among U.S. Treasury securities, federal agency securities, supra sovereign agencies, certificates of deposit, corporate notes, and high quality money market mutual funds. The Portfolio’s average credit quality is AA+.
- In the fourth quarter of 2015, the Total Return Strategy Portfolio generated a total return of -0.25% (-0.98% annualized), outperforming the Merrill Lynch 1 - 3 Year U.S. Treasury Index’s return of -0.44 % (-1.72% annualized).
- Yields on U.S. Treasuries with under three years to maturity rose steadily throughout the quarter as expectations for a December federal funds target rate hike increased with an inflow of modestly strong economic data. Shorter-term yields increased more than yields in longer-term maturities, producing a flatter yield curve. At the end of the quarter, \$5.8 million of 10 to 11-month U.S. Treasuries were sold from the Portfolio and the proceeds were used to purchase 2½-year U.S. Treasuries at an average yield of 1.21%. These trades generated an average additional yield of 0.46%.
- The duration of the portfolio was maintained modestly short for much of the quarter as rates trended higher. As rates approached the upper end of recent ranges ahead of the Federal Open Market Committee (“FOMC”) meeting, the duration was extended to be more closely aligned with the benchmark in the uncertain rate environment. As of December 31, 2015, the Portfolio’s duration was 1.80 years, in line with the benchmark.
- As the new issue market for corporate notes slowed considerably towards year end – a normal occurrence that was compounded by the impending FOMC rate decision – opportunities were sought in the secondary market and negotiable CD markets. The reduction in new issuance supply, combined with economic growth which favors corporate sector fundamentals, created strong demand for the sector and caused yield spreads to narrow for much of the quarter, resulting in the sector’s strong performance. Some additional exposure was added to corporate notes. During the quarter, \$4.0 million of 1- to 3-year U.S. Treasuries were sold, and the proceeds were used to purchase 2- to 3-year corporate notes. These trades generated an average additional yield of 0.63%. Corporate note issuers included Microsoft, Chevron, and Coca-Cola.

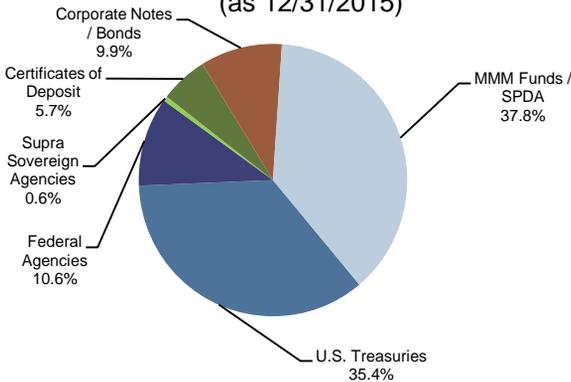
# Hampton Roads Sanitation District – Operating Funds

Investment Report – Quarter Ended December 31, 2015

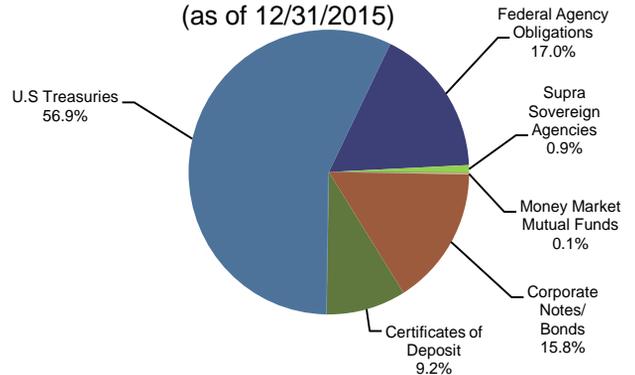
## Portfolio Composition

Security Type	December 31, 2015	% of Portfolio	September 30, 2015	% of Portfolio	Permitted by Policy
U.S. Treasuries	\$69,525,576	35.4%	\$41,938,995	21.7%	100%
Federal Agencies	20,733,633	10.6%	21,407,133	11.1%	100%
Supra Sovereign Agencies	1,121,098	0.6%	1,133,691	0.6%	15%
Commercial Paper	0	0.0%	28,943,879	15.0%	25%
Certificates of Deposit	11,233,110	5.7%	8,555,470	4.4%	10%
Municipal Obligations	0	0.0%	161,478	0.1%	15%
Corporate Notes / Bonds	19,320,018	9.9%	15,976,661	8.3%	25%
Money Market Mutual Funds / Cash	74,194,138	37.8%	74,830,385	38.8%	100%
<b>Totals</b>	<b>\$196,127,573</b>	<b>100.0%</b>	<b>\$192,947,693</b>	<b>100.0%</b>	

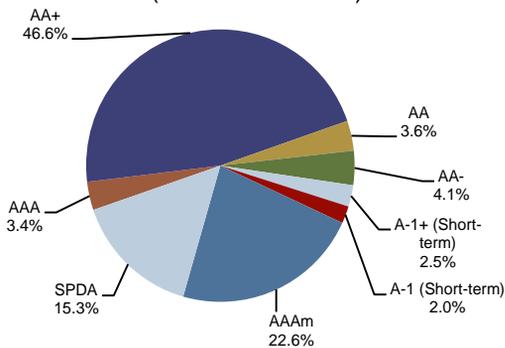
**All Portfolios Composition**  
(as 12/31/2015)



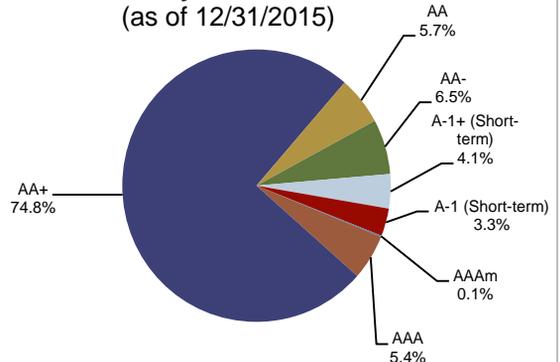
**Total Return Strategy Portfolio Composition**  
(as of 12/31/2015)



**All Portfolios Credit Quality Distribution**  
(as of 12/31/2015)

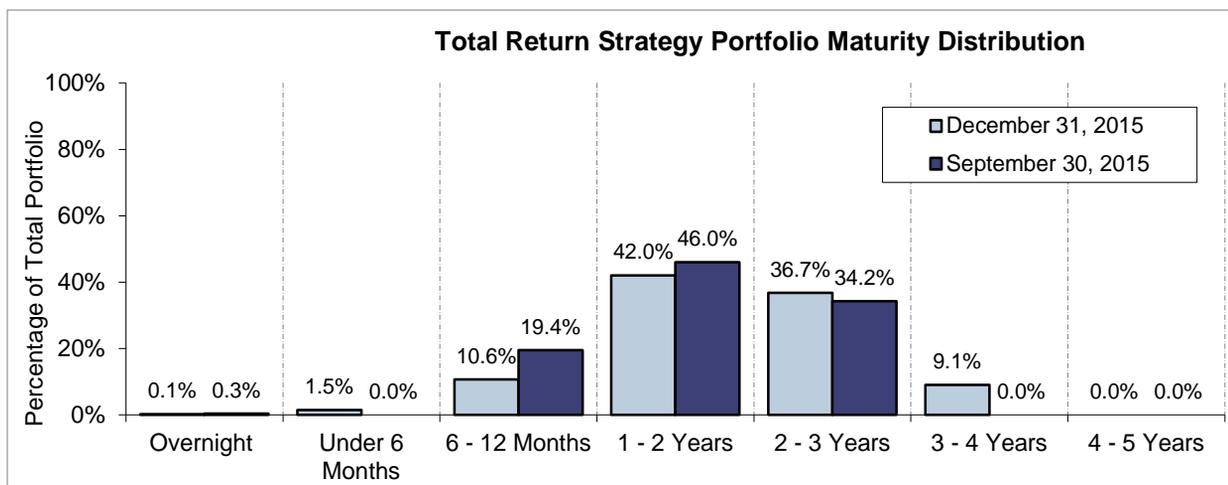
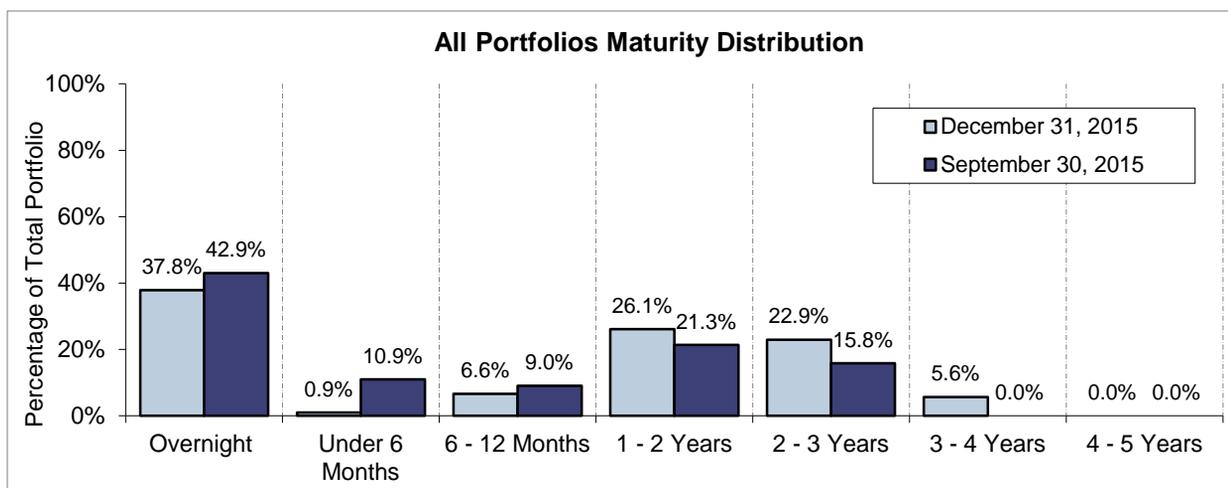


**Total Return Strategy Portfolio Credit Quality Distribution**  
(as of 12/31/2015)



## Portfolio Maturity Distribution

Maturity Distribution	December 31, 2015	September 30, 2015
Overnight	74,194,138	82,830,356
Under 6 Months	1,804,130	21,105,386
6 - 12 Months	12,988,453	17,367,434
1 - 2 Years	51,251,436	41,107,783
2 - 3 Years	44,839,122	30,536,734
3 - 4 Years	11,050,294	0
4 - 5 Years	0	0
5 Years and Over	0	0
<b>Totals</b>	<b>\$196,127,573</b>	<b>\$192,947,693</b>

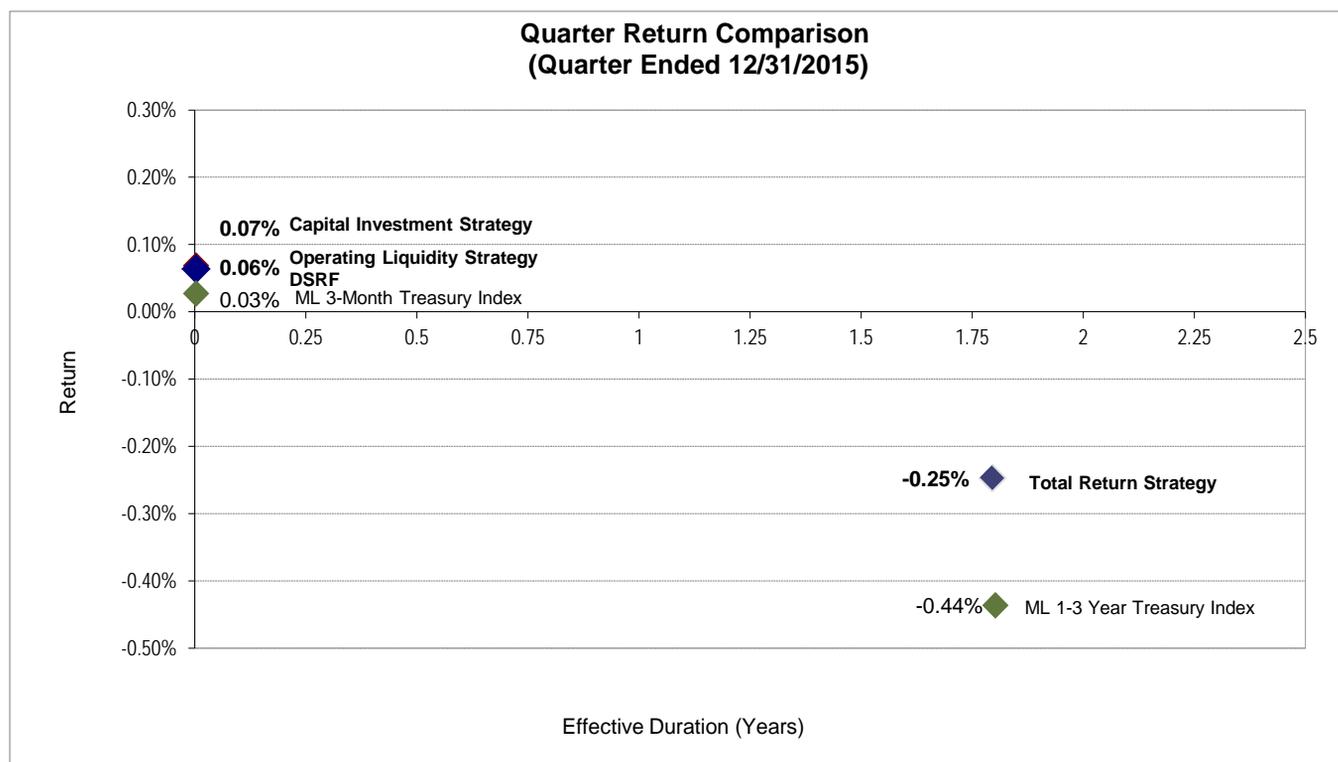


# Hampton Roads Sanitation District – Operating Funds

## Investment Report

### Portfolio Performance

	Quarter Ended December 31, 2015	Annualized Quarterly Return	Last 24 Months	Last 36 Months	Annualized Since Inception*
<b>Total Return Performance</b>					
<b>Total Return Strategy</b>	<b>-0.25%</b>	<b>-0.98%</b>	<b>0.74%</b>	<b>0.63%</b>	<b>1.09%</b>
Total Return Pool (net of fees)	-0.27%	-1.06%	0.66%	0.54%	0.99%
Merrill Lynch 1-3 Year Treasury Index	-0.44%	-1.72%	0.58%	0.51%	0.94%
<b>Book Value Performance</b>					
<b>Operating Liquidity Strategy</b>	<b>0.06%</b>	<b>0.25%</b>	<b>0.24%</b>	<b>0.25%</b>	<b>0.27%</b>
<b>Capital Investment Strategy</b>	<b>0.07%</b>	<b>0.27%</b>	<b>0.19%</b>	<b>0.20%</b>	<b>0.23%</b>
<b>Debt Service Reserve Funds</b>	<b>0.06%</b>	<b>0.25%</b>	<b>N/A</b>	<b>N/A</b>	<b>0.23%</b>
Merrill Lynch 3 Month Treasury Bill Index	0.03%	0.11%	0.03%	0.04%	0.06%



\* Since inception returns for all funds, with the exception of the Debt Service Reserve Funds, are calculated since September 30, 2009 to present. Since inception returns for the Debt Service Reserve Funds are calculated since October 31, 2014 to present. Historical returns for Operating Liquidity Strategy and Debt Service Reserve Funds are calculated using the monthly net earnings credit rate and interest rate. Historical returns for the Capital Investment Strategy are calculated using the monthly net earnings credit rate and interest rate, SNAP monthly distribution yield, and monthly book value performance of managed account.

## Portfolio Summary

### Total Portfolio Value

	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Investment Assets	<u>\$ 35,802,764</u>	<u>\$ 34,551,345</u>
Combined Assets	<u>\$ 35,813,430</u>	<u>\$ 34,561,318</u>

### Portfolio Recap & Strategy

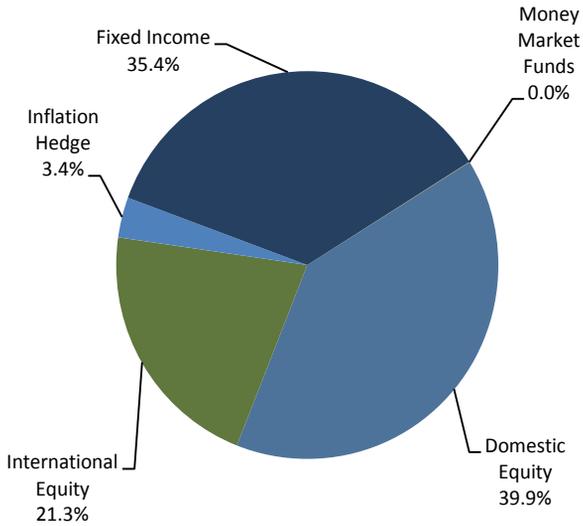
- The Retiree Health Plan Trust portfolio returned 3.16% (combined assets) for the quarter ended December 31, 2015, above the 2.44% return of the blended benchmark of 33% Russell 3000, 21% MSCI ACWI ex US (net), 3% NAREIT Equity REITs, 3% Bloomberg Commodity TR and 40% Barclays Aggregate.\* The one-year trailing return for the Retiree Health Plan Trust portfolio was 0.81% compared to the benchmark return of -1.27%.\*
- U.S. equity markets, as measured by the S&P 500 Index, rebounded during the 4th quarter, posting a 7.0% return. During calendar year 2015, U.S. stocks generated positive performance, returning 1.4% in aggregate. Overall, the year was one of the most volatile since 2008 and subsequently had the lowest return since that period. Market sentiment swayed back and forth regarding economic growth in emerging markets, the price of crude oil, and the Federal Reserve's interest rate policy. Large cap stocks in the U.S., although returning 6.5% in aggregate for the quarter and 0.9% for the year, were nonetheless split between growth and value. Growth stocks fared best, with a return 7.3% for the quarter, whereas value stocks, characterized as being safer, more mature, and with relatively lower valuations, underperformed the aggregate market, returning 5.6% for the quarter. On the other end of the market capitalization spectrum, small cap stocks returned slightly less than large cap stocks, up 3.6% for the quarter and down 4.41% for the year.
- Across the MSCI All Country World Index (ACWI) ex-US, which includes both developed and EM, the Information Technology sector (8.3%) performed best as growth stocks continued to be in favor. In contrast, Energy (-0.6%) and Materials (0.3%) were the biggest laggards. Belgium (+13.6%) and New Zealand (+18.2%) delivered the best returns from within developed markets. In contrast, returns in Spain (-2.6%) and Canada (-5.1%) were the biggest laggards.
- Emerging-markets (EM) equity, as measured by the MSCI EM Index, gained 0.7% during the quarter. Greece (-19.0%) was the biggest laggard in EM, capping off a year where the nation's equities lost more than 60% of their value. China (+4.0%) was relatively resilient and managed to outperform the broader EM universe. Hungary (+11.4%) performed best for the quarter.
- Rates rose across the U.S. Treasury yield curve throughout the quarter in anticipation of the Fed's rate hike that occurred in mid-December. Most movement was prior to the meeting. The short end of the curve saw the largest movement, and the 10-year U.S. Treasury ended the quarter at 2.3%, up from 2.1% at the start of the quarter. Long-term Treasuries (as measured by the Barclays Capital Long U.S. Treasury Index) fell 1.4% on the rate shift.

*\*Performance is unreconciled*

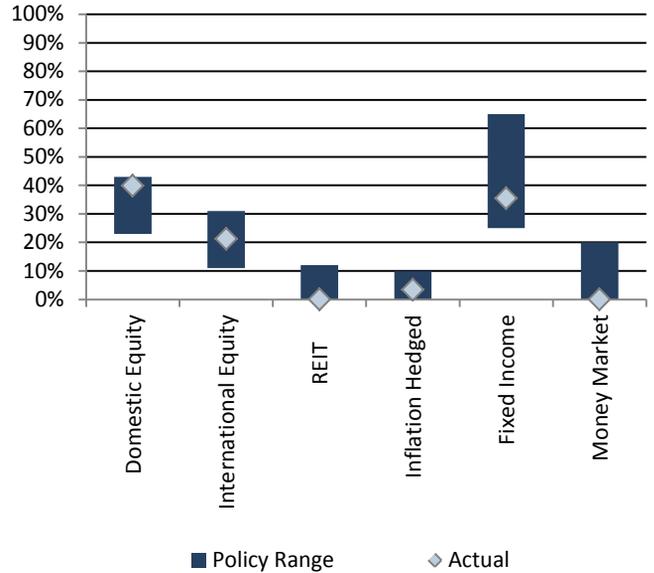
## Portfolio Composition

Security Type	December 31, 2015	% of Portfolio	September 30, 2015	% of Portfolio	Permitted by Policy
Domestic Equity	\$ 14,285,271	39.9%	\$ 13,431,512	38.9%	23% - 43%
International Equity	\$ 7,624,795	21.3%	\$ 7,321,551	21.2%	11% - 31%
Real Estate Investment Trusts	\$ -	0.0%	\$ -	0.0%	0% - 12%
Inflation Hedge	\$ 1,201,470	3.4%	\$ 1,211,166	3.5%	0% - 10%
Fixed Income	\$ 12,691,228	35.4%	\$ 12,587,116	36.4%	25% - 65%
Money Market Funds	\$ 10,665.97	0.0%	\$ 9,974	0.0%	0% - 20%
<b>Totals</b>	<b>\$ 35,813,430</b>	<b>100.0%</b>	<b>\$ 34,561,318</b>	<b>100.0%</b>	

**Portfolio Composition**  
(as of 12/31/2015)



**Asset Allocation**  
(as of 12/31/2015)



## Portfolio Performance – Investment Assets

Quarter Ended September 30, 2015

Index	Market Values	%	1 Quarter	Year to Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Apr 2013 to Sep 2015*	Since Inception
<b>Domestic Equity</b>									
Vanguard Total Stock Market Index	\$ 11,404,277	33.0%	-7.27%	-5.53%	-0.58%	12.46%	13.28%	10.34%	13.51%
<i>Dow Jones U.S. Total Stock Market Index</i>			-7.27%	-5.49%	-0.55%	12.44%	13.26%	10.29%	13.50%
Vanguard Dividend Growth	\$ 2,027,235	5.9%	-3.26%	-3.94%	1.34%	12.07%	13.02%	10.14%	10.14%
<i>S&amp;P 500</i>			-6.44%	-5.29%	-0.61%	12.40%	13.34%	10.68%	10.68%
<b>International Equity</b>									
Vanguard Developed Markets Index	\$ 5,871,321	17.0%	-9.94%	-3.97%	-7.91%	5.96%	4.14%	2.30%	1.58%
<i>MSCI EAFE (net)</i>			-10.23%	-5.28%	-8.66%	5.63%	3.98%	2.05%	1.05%
Oppenheimer International Small Company	\$ 1,450,230	4.2%	-2.46%	9.44%	10.24%	19.21%	13.79%	16.28%	2.74%
<i>MSCI AC World ex USA Small Cap (Net)</i>			-10.02%	-2.54%	-6.42%	5.51%	3.85%	2.01%	-6.23%
<b>Fixed Income</b>									
Metropolitan West Total Return	\$ 3,870,792	11.2%	0.65%	0.69%	2.27%	2.86%	4.74%	2.42%	2.42%
<i>Barclays Aggregate</i>			1.23%	1.13%	2.94%	1.71%	3.10%	2.02%	2.02%
Baird Core Plus	\$ 3,862,862	11.2%	0.76%	0.98%	2.57%	2.33%	4.15%	2.31%	2.98%
<i>Barclays Aggregate</i>			1.23%	1.13%	2.94%	1.71%	3.10%	2.02%	3.04%
Vanguard Intermediate-Term Investment Grade	\$ 3,596,248	10.4%	1.12%	1.82%	3.14%	2.43%	4.25%	2.39%	2.39%
<i>Barclays Capital U.S. Credit: 5 - 10 Yr</i>			0.68%	1.21%	2.71%	2.58%	4.67%	2.38%	2.38%
Alliance Bernstein High Income	\$ 7,114	0.0%	-3.88%	-2.54%	-3.62%	3.67%	5.87%	1.54%	1.54%
<i>BofA Merrill Lynch Global HY Constrained (USD)</i>			-4.64%	-2.96%	-5.26%	3.05%	5.52%	1.06%	1.06%
Federated Ultra Short Bond Fund	\$ 1,250,100	3.6%	-0.07%	0.35%	0.33%	0.76%	1.26%	0.60%	N/A
<i>Barclays Short-Term Government/Corporate</i>			0.10%	0.27%	0.27%	0.26%	0.30%	0.25%	N/A
<b>Inflation Hedge</b>									
Vanguard Inflation Protected Securities	\$ 1,211,166	3.5%	-0.89%	-0.90%	-0.73%	-1.87%	2.46%	-2.37%	N/A
<i>Barclays U.S. Treasury: U.S. TIPS</i>			-1.15%	-0.80%	-0.83%	-1.83%	2.55%	-2.32%	N/A
<b>Aggregate</b>									
Retiree Health Plan Trust	\$ 34,551,345		-4.63%	-2.28%	-0.68%	6.43%	6.93%	5.03%	7.79%
<i>33% Russell 3000 / 21% MSCI ACWI ex USA (net) / 3% FTSE NAREIT Equity REITs / 3% Bloomberg Commodity TR / 40% Barclays Aggregate</i>									
			-4.89%	-3.62%	-2.04%	5.34%	6.52%	3.86%	7.68%

Performance Comparison



\*Active Strategy implemented April 1, 2013.

TO: General Manager

FROM: Acting Director of Information Technology (IT)

SUBJECT: Information Technology Department Report for December 2015

DATE: January 13, 2016

A. General

1. The System Engineering group has visited every treatment plant to evaluate the network configurations and plan for hardware upgrades over the next few months.
2. Stackvision servers at the treatment plants have been upgraded to facilitate device upgrades for the incinerators.
3. Virtualization of older hardware continued.
4. OsiSoft Pi Historian has been upgraded to add functionality to support the Data Analysis group in the Engineering Department.
5. Microsoft Exchange was upgraded to include encrypted emails between HRSD's insurance provider and the Talent Management Department.
6. An internal audit of EMC Data Domain and Avamar equipment was completed; this included analyzing data growth and performing system clean up.
7. IT successfully upgraded Microsoft SharePoint from version 2007 to 2013. Work also began to integrate the Consent Order Management, Operation and Maintenance (MOM) SharePoint.
8. Toughbooks were configured and rolled out to the Instrumentation Division to replace old Windows XP laptops.
9. Laptops and printers were setup, configured, tested and delivered for the P3 division within Water Quality to support mobility in the field.

10. Year End Software Patching to Oracle E-Business Suite for compliance with the Affordable Care Act was completed.

B. Strategic Planning Metrics Summary

1. Educational and Outreach Events: 0
2. Number of Community Partners: 0

<b>Item #</b>	<b>Strategic Planning Measure</b>	<b>Unit</b>	<b>December 2015</b>
M-1.4a	Training During Work Hours Per Full Time Employee (46) – Current Month	Total Training Hours / # FTE	3.17
M-1.4b	Total Training During Work Hours Per Full Time Employee (46) – Cumulative Fiscal Year-to-Date	Total Training Hours / # FTE	18.76
M-5.2	Educational and Outreach Events	Number	0
M-5.3	Number of Community Partners	Number	0

Respectfully,  
*Mary Corby*

TO: General Manager  
FROM: Director of Operations  
SUBJECT: Operations Report for December 2015  
DATE: January 5, 2016

A. Summary

1. All treatment plants met all Virginia Pollutant Discharge Elimination System (VPDES) permit requirements.
2. The Small Communities Division experienced two Sanitary Sewer Overflows (SSOs) in December. The first event resulted in a spill of approximately 200 gallons. The second spill of approximately 10,000 gallons occurred when a property owner struck a manhole. DEQ was notified.

B. Interceptor Systems

1. North Shore Interceptor Systems (NS) did not experience any major operational issues during December. There were no overflows or odor complaints.

Significant effort continued on the finalization of two new Capital Improvement Program (CIP) projects and the preparation and planning for bringing two new pump stations online. NS successfully placed both Victoria Boulevard and Triton Court Pump Stations into operation this month.

2. South Shore Interceptor Systems (SS) did not have any SSOs or odor complaints this month. Staff repaired a force main located near the North Shore Road Pump Station and recovered all wastewater from the break. Support for CIP projects continued on the Pump Station Wet Well Rehabilitation Phase I project. SS congratulates Mr. Jerome White on 30 years of dedicated service to HRSD.

C. Major Treatment Plant Operations

1. The nitrification and denitrification processes at the Army Base Treatment Plant continued to perform well. Staff performed Maximum Achievable Control Technology (MACT) 129 testing for Incinerator #1. The contractor, Archer Western, completed and released the disinfection facilities to

HRSD. Substantial completion of Phase III Improvements is expected this March. The plant experienced one odor exception of four ppm hydrogen sulfide.

2. The Atlantic Treatment Plant will be the first Thermal Hydrolysis Process installation to use a linear mixer in a digester to mix solids. To test its effectiveness, staff will conduct a lithium tracer study.

After a successful pilot study that included a new air header in the primary influent channel, the contractor initiated the design of additional air headers for primary influent channels one through six. Once the air headers are installed, the amount of man hours invested in dealing with the scum buildup should be significantly reduced.

Rich Roberts, Atlantic Treatment Plant Operations Superintendent, retired from HRSD with 30 years of service.

3. Boat Harbor Treatment Plant continues to nitrify using the Ammonia vs. Nitrate (AVN) program, with results averaging 10.10 mg/L Total Nitrogen.

Staff tested furnace #2 for compliance with the new MACT 129 regulations. The furnace passed all parameters analyzed the day of the testing; staff expects to receive results for the remaining parameters by the end of January. Staff is working closely with the Technical Services Division (TSD) and the Information Technology Department (IT) to develop new reporting methods to comply with the new air permit regulations as well.

4. The emergency generator at the Chesapeake-Elizabeth Treatment Plant experienced a switchgear failure, which caused a temporary 4½-hour loss of emergency power generation capability while staff conducted repairs. Utility power was available during that time.

Initial results from the MACT 129 Incinerator Emissions Testing on the #1 Incinerator were positive. Staff made significant progress in preparation for MACT 129 data collection, recording and reporting requirements. This includes installation of four new flow meters, Enterprise Data Server and additional instrumentation projects.

5. James River Treatment Plant's staff completed replacement of grit solution pipelines from the grit tanks to the cyclone degritters. The pipes were eroding internally due to years of grit flowing through the pipes. Plant staff also completed installation of a new ferric chloride feed pipeline to the ANITA-Mox effluent. The pipeline will provide for ferric chloride addition directly to the high phosphorous concentration in the ANITA-Mox effluent.

6. The Nansemond Treatment Plant met all VPDES permit limits for the month and will receive a Platinum Award from NACWA for 14 continuous years of perfect permit compliance. The plant did not experience any odor exceptions. The plant's biological phosphorus process recovered from last month's upset.

Staff initiated two studies to evaluate process performance issues. The first study will evaluate existing hydraulic flow splits in the aeration tanks that are affecting the biological nutrient removal performance and resulting in unequal nutrient loading to the process trains. The second study will assess the impacts of higher than anticipated loadings to the Struvite Recovery Facility and ability of the facility to achieve a higher phosphorous recovery in the future.

7. The Virginia Initiative Plant (VIP) is only partially nitrifying, resulting in higher than average final effluent Total Nitrogen. Staff increased mixed liquor suspended solids (MLSS) inventory in an effort to remedy this issue. Staff also reduced the solids waste rate to a minimal level with no noticeable increase in plant solids.

Initial results from the MACT 129 testing were positive.

8. Williamsburg Treatment Plant continued with excellent nutrient removal; final effluent total nitrogen and phosphorus averaged 6.59 mg/L and 0.47 mg/L, respectively. Electrical materials and parts arrived for the new gravity unloading station for fats, oils and grease. Plant staff worked to complete the electrical portion of this project.
9. York River Treatment Plant's staff completed alternative methanol testing. Test results warrant moving forward with a performance trial. Contractors continued concrete work on containment walls and tank foundation pads for the Chemical Facility Improvement Project. Weather related issues slowed concrete coating of containment walls. Plant staff systematically inspected equipment in preparation for Final Effluent Pump #4 startup of the Final Effluent Pumping Improvement Project.

## D. Small Communities

The Small Communities Division (SCD) experienced two SSO incidents.

1. A spill of approximately 200 gallons at Pump Station 3 (PS3) occurred on December 1 in West Point. The contractor in charge of a gravity line bypass secured the two pumps in the bypass system to allow HRSD to perform emergency maintenance on the wet well at PS3, but was unaware that their secondary bypass pump was on a separate float control system. HRSD personnel had the discharge hose from the contractor bypass pumps removed from the well to allow for access. When the flow level increased in the bypassed manhole, the floats activated and caused the secondary bypass pump to turn on and release sanitary sewer water onto the ground / asphalt. HRSD personnel secured the secondary bypass pump to stop the discharge and applied lime to the affected areas. Staff notified the Department of Environmental Quality (DEQ).
2. A spill occurred on the Nestle-Purina Right of Way in King William County on December 28. A property owner struck manhole KW-MH-0136 with a piece of heavy equipment, damaging the cone and barrel and causing a collapse. This blocked the gravity line completely, causing a surcharge in the up-stream section and overflow of approximately 10,000 gallons from the damaged manhole. HRSD staff removed debris from the area, repaired the manhole and cleaned upstream and downstream gravity lines to re-establish flow. Staff applied lime to the affected areas and notified DEQ.
3. Work continues on the Urbanna Treatment Plant rehabilitation project and throughout SCD Systems to improve reliability.

## E. Support Systems

Staff outfitted Combined Heat and Power engines at Atlantic Treatment Plant with test equipment to measure exhaust emissions due to high values recorded in November. The Automotive Superintendent continues to gather data from the Computerized Maintenance Management System and Finance Division to project recommended vehicle replacements for Fiscal Year-2017. Guernsey Tingle Associates provided three samples of sun shading material to Facilities Maintenance (FM). FM will install the final approved product on Information Technology Department windows in the South Shore Operations Center. Echo Real Estate Services Company, owners of the property opposite HRSD's Arctic Avenue Pump Station, agreed upon the terms in a "Right of Entry" agreement with HRSD. This will permit FM to move forward with the fence replacement project at Arctic Avenue Pump Station. The Machine Shop completed 13 projects, including rebuilding two pumps, during December. The Concrete-

Coatings, Structural and Roofing Inspector oversaw 22 Coating and Concrete projects this month.

F. Electrical and Energy Management

The diesel generator control system failed to automatically shut down the diesel generator after completing a maintenance test run of the system at the Chesapeake-Elizabeth Treatment Plant. When plant staff engaged the automatic controls to transfer the plant's electrical load from the diesel generator back to normal utility power, the generator controls closed the utility breaker but failed to shut down the engine as programmed. Both the utility and diesel generator sources remained in parallel for an extended period until the diesel generator main breaker was manually opened, which shut down the diesel generator. There was no loss of plant power during the incident. Staff investigated the problem and discovered the wire that carries the signal to the breaker trip coil was severed. The faulty components were replaced, tested and the breaker returned to service. The diesel generator was immediately retested to make sure it was available for emergency operation. It operated satisfactorily and was subsequently returned to service. There is an ongoing investigation by staff to determine the cause of the failure and subsequent damage caused by abnormal heat.

G. Water Technology and Research

Charles Bott, Director of Water Technology and Research, participated in a two-day kickoff workshop in Alexandria for a project entitled "Nutrient Regulations: A Global Perspective with Implications for the United States." The project is jointly funded by Water Environment Federation, Water Environment Research Foundation, National Association of Clean Water Agencies, US Environmental Protection Agency, Natural Sciences and Engineering Research Council of Canada (NSERC), Environmental Defense Fund (EDF), DCWater and HRSD. The project is being performed by a broad team led by Professor Peter Vanrolleghem of the Université Laval in Québec, Canada. A broad diversity of wastewater regulatory approaches have been put in place throughout the world that all pursue protection of the environment and human health. This diversity reflects the variety of water bodies and the intended uses thereof, but it also reflects the diversity regulation development in different jurisdictions. At one time, the US led the world in terms of environmental regulation. This development has stagnated over the last 20-30 years, and there is now much to be learned from what is happening in other parts of the world.

As part of an attempt to create the space for technology innovation, this project considers the role that regulations and permitting structures play in innovation.

Modernized regulations could present a path forward to support innovation and provide incentives for innovation, versus the common case in the US that is often a direct disincentive for innovation and a completely punitive and deterministic approach (as defined by the Clean Water Act and the NPDES regulatory approach). The objectives of this project include:

1. Preparing a critical review on the diversity in schools of thought, clearly presenting the goals underlying the different regulations in wastewater treatment found worldwide. This kickoff workshop brought representatives to Virginia from all over the world to explain and interpret approaches from their respective countries/localities.
2. Comparing regulatory performance through model simulations to evaluate the impact of various regulatory approaches on how treatment plants would be designed and operated differently with different regulatory frameworks and the subsequent impacts on receiving water quality.
3. Based on a detailed analysis of current permit structures conducted as part of the WERF Nutrient Challenge, as well as input from NACWA and EPA regarding the current flexibility of the Clean Water Act and NPDES permitting authority, modifications to the US regulatory framework will be suggested that are expected to stimulate more rapid adoption of innovative technologies.

In addition, the flexibility to modify traditional permitting approaches under the existing NPDES regulatory structure is to be addressed. The first task provides representative regulatory approaches that will be tested against the current scope of the US Clean Water Act and NPDES regulations, and the simulation study will provide the illustrations of the usefulness of adopting these changes.

#### H. Strategic Measurement Data

1. Education and Outreach Events: 10
  - a. Atlantic Treatment Plant tour for 16 students from Virginia Beach Technical Education School
  - b. Chesapeake-Elizabeth Treatment Plant tour for Norfolk Collegiate science class
  - c. Chesapeake-Elizabeth Treatment Plant Tour for Deep Creek High School science class (2)
  - d. York River Treatment Plant tour for Bobby McMannen, Winston Salem
  - e. Sam McAdoo taught an Emergency Response class for Hampton Roads Public Works Academy students

- f. The Chief of Electrical and Energy Management attended a New Horizons Technical Center Advisory Board meeting
- g. Boat Harbor Treatment Plant tour for Hampton University students
- h. Williamsburg Treatment Plant Tour for Bobby McMannen, Winston-Salem
- i. Nansemond Treatment Plant Tour for Virginian-Pilot reporter interested in the Sustainable Water Recycling Initiative

2. Community Partners: 11

- a. Virginia Institute of Marine Science
- b. Old Dominion University
- c. Virginia Polytechnic Institute and State University
- d. Norfolk Collegiate
- e. Deep Creek High School
- f. Hampton Roads Public Works Academy
- g. Virginia Beach Technical Education School
- h. New Horizons Technical Center (Electrical Program)
- i. Chesapeake Bay Foundation – Oyster Restoration
- j. Hampton University
- k. The Virginian-Pilot

Item #	Strategic Planning Measure	Unit	December 2015
M-1.4a	Training During Work Hours per Full Time Employee (FTE) (503) – Current Month-	Hours / FTE	1.72
M-1.4b	Total Training During Work Hours per FTE (503) – Cumulative Year-to-Date	Hours / FTE	20.93
M-2.3a	Planned Maintenance Total Maintenance Hours	Total Recorded Maintenance Labor Hours	32,845
M-2.3b	Planned Maintenance – Preventive and Condition Based	% of Total Maintenance Hours	41.94
M-2.3c	Planned Maintenance-Corrective Maintenance	% of Total Maintenance Hours	24.46
M-2.3d	Planned Maintenance-Projects	% of Total Maintenance Hours	33.60
M- 4.1a	Energy Use: Treatment <b>*reported for November 2015</b>	kWh/MG	2,054

<b>Item #</b>	<b>Strategic Planning Measure</b>	<b>Unit</b>	<b>December 2015</b>
M-4.1b	Energy Use: Pump Stations <b>*reported for November 2015</b>	kWh/MG	155
M-4.1c	Energy Use: Office Building <b>*reported for November 2015</b>	kWh/MG	98
M-5.2	Educational and Outreach Events	Number	10
M-5.3	Number of Community Partners	Number	11

Respectfully submitted,

**Steve de Mik**  
Director of Operations

TO: General Manager  
FROM: Special Assistant for Compliance Assurance  
SUBJECT: Monthly Report for December 2015  
DATE: January 8, 2016

A. General

HRSD continues to implement the hybrid regionalized approach to the Regional Wet Weather Management Plan (RWWMP) with the next major Consent Decree milestone, the submittal of the Alternatives Analysis Report, scheduled for August 1, 2016.

A meeting with the United States Environmental Protection Agency (EPA) is scheduled for January 19 to brief the agency on the overall program progress and discuss the approach for the RWWMP.

B. Submittals Completed in December 2015 – No submittals required this period.

C. Activities

1. **Phase 6 – Rehabilitation Plan.** A limited amount of Prompt Repair construction activities occurred in December. Bypass pumping and material procurement occurred for the gravity sewer repair work at 13<sup>th</sup> Street (SR-052) in West Point.
2. **Phase 7 – Regional Wet Weather Management Plan (RWWMP).** HRSD has initiated an Integrated Planning effort that will evaluate the Sustainable Water Recycling proposal as a component of the RWWMP. HRSD staff are meeting with EPA in January 2016 to have preliminary discussions on the Integrated Planning approach.

Preparation continued in December with updating the Regional Hydraulic Model (RHM) for use in the RWWMP. Technical coordination meetings were held on **December 3 and 17**.

The final submittal of the Sewer System Evaluation Survey (SSES) data collected in locality systems underwent quality control and the data was delivered to the respective localities on **December 7**.

The Infiltration and Inflow (I/I) Reduction Program was updated to reflect changes in the baseline RHM following the model verification. The I/I Reduction Program currently includes 287 locality catchments for a total 10-year peak flow reduction of 168 MGD (or roughly 45 percent of the I/I flow in those catchments). The estimated cost for this work is \$1.05 billion. The I/I reduction and costs for the I/I Reduction Program are in line with the commitments made in the Comparative Analysis, which formed the basis for the regionalized approach. The updated I/I Reduction Program results were issued to localities on **December 18**.

Work also continued on three rehabilitation pilot projects to be used to validate the assumptions and criteria used in I/I reduction planning. The design/build pilot project should be substantially complete in early January 2016. Construction should be completed in February 2016 for the design/bid/build pilot in Newport News. Public and private sewer rehabilitation work for the unit price pilot in Virginia Beach was substantially completed in December.

3. **Phase 8 – EPA Consent Decree Services.** HRSD continues to share information with the localities through the regional SharePoint site and flow, pressure and rainfall data portal. A Capacity Team Meeting was held with the localities on **December 7**.
4. **Phase 9 – Supplemental Services.** A monthly compliance program meeting was held on **December 2** to review the RWWMP program with HRSD staff. In addition, a quarterly review of the Interim System Improvement projects and the Rehab Action Plan projects was held on **December 14**.

Components of the Management, Operations and Maintenance (MOM) Program are underway including the Hydrogen Sulfide (H<sub>2</sub>S) Monitoring Program and implementation of MOM programs for the Small Communities Division (SCD). Work has started on a MOM update manual for use on the next major MOM update expected in 2018. The H<sub>2</sub>S monitoring program air entrainment assessment continued with sampling after temporary operational changes at HRSD pump stations. A meeting will be scheduled to review the results.

The Flow, Pressure and Rainfall (FPR) monitoring program continued in December with data collection and analysis being performed as part of the MOM Program.

Field work for Phase II of the Force Main Condition Assessment (FMCA) Program was on hold in December.

The field work for Phase II of the Gravity Sewer Inspection Program was on hold in December.

Condition assessment and report generation was ongoing in December for data collected in FY2015.

D. Next Submittals

1. Quarterly Briefing with the EPA/DEQ – January 2016
2. Annual Public Meeting – January 2016
3. Annual Newsletter – February 2016

E. Program Budget Status

The overall program budget is **\$128,093,142**, excluding the Master Metering Program. A [summary](#) of appropriations and expenses is attached.

F. Strategic Planning Metrics Summary

1. Educational and Outreach Events: 0
2. Number of Community Partners: 0

Item #	Strategic Planning Measure	Unit	December 2015
M-1.4a	Total Training Hours Per Full Time Employee (1) – Current Month	Total Training Hours / # FTE	0
M-1.4b	Total Training Hours Per Full Time Employee (1) – Cumulative Fiscal Year to Date	Total Training Hours / # FTE	59
M-5.2	Educational and Outreach Events	Number	0
M-5.3	Number of Community Partners	Number	0

Respectfully submitted,

*Phil Hubbard, P.E.*

Attachments: [Consent Order State & EPA Expenditures](#)

**Consent Order State & EPA Expenditures**

	<b>Total Appropriation</b>	<b>December 2015 Expenditures</b>	<b>Available Balance</b>
<b>Regional Consent Order and Other Consent Order Requirements</b>			
Regional Hydraulic Model	\$101,254,812	\$90,101,413	\$11,153,399
Manhole Rehab/Replacement Phase I & North Shore Siphon Chamber	\$2,834,000	\$203,063	\$2,630,937
Pump Station Wet Well Rehabilitation Phase I	\$2,890,000	\$284,520	\$2,605,480
Locality System Monitoring and Condition Assessment	\$14,146,000	\$9,293,683	\$4,852,317
Locality Monitoring Unit Price	\$2,300,000	\$116,046	\$2,183,954
Locality Monitoring Design Build Pilot	\$1,626,330	\$249,778	\$1,376,552
Locality Monitoring Design Bid Build Pilot	\$2,482,000	\$205,349	\$2,276,651
West Point Pump Station 3 - Gravity System Repairs	\$560,000	\$35,507	\$524,493
Subtotal - In progress	\$128,093,142	\$100,489,360	\$27,603,782
<b>Completed Work</b>			
Regional Consent Order and Other Consent Order Requirements		(Included in subtotal above)	
Master Metering Program III		\$2,005,140	
Master Metering Program IV		\$13,628,635	
<b>Total</b>		<b>\$116,123,135</b>	

TO: General Manager  
FROM: Director of Talent Management  
SUBJECT: Monthly Report for December 2015  
DATE: January 13, 2016

A. Human Resources

1. Recruitment Summary

New Recruitment Campaigns	14
Job Offers Accepted	
Internal Selections	10
External Selections	15
Internal Applications	33
External Applications	142
Average Days to Fill Position	51

2. Enterprise Resource Planning (ERP)

- a. Phase II and III Post Implementation activities continued, including completing final punch list items and working with consultants to review, test and modify Business Intelligence (BI) reports.
- b. The ERP team, HR and Finance staff continued to meet and work with AST and HRSD's benefits consultant to ensure Affordable Care Act (ACA) reporting requirements are met and completed by the IRS deadline, recently extended until March 31.

2. Benefits and Compensation

- a. The HRSD Benefits Survey team met to develop an employee survey regarding new and existing benefits.
- b. Preparations to replace the administrative services provider for employee Health Savings Accounts on January 1, 2016 continued. Several conference calls were held with Accounting and Information Technology staff, HRSD's benefits consultant, and the current and new vendors to implement plans and resolve issues through the transition process.

- c. Phase II of a multi-phase compensation study progressed. All required information was finalized and submitted to the consultant.
- d. Staff continued to work with Procurement to initiate the Request for Proposal process for Employee Assistance Program services.
- e. Several medical coverage issues were evaluated with HRSD's benefits consultant and the medical plan provider.

3. Wellness

a. Participation Activities

<b>Year 3 Participation Activities</b>	<b>Unit</b>	<b>December 2015</b>	<b>Year to Date (March - December 2015)</b>
Biometric Screenings	Number	28	146
Preventive Health Exams	Number	34	192
Preventive Health Assessments	Number	44	402
Coaching Calls	Number	13	59
On-Line Health Improvement Programs	Number	465	2878
Web-MD Online Health Tracking	Number	165	1733
Challenges Completed	Number	0	88
Fit-Bit Promotion	Number	4	108

- b. The Wellness Specialist distributed information on the January health education class, "How to Stay Fit in Any Setting."
- c. Statistical data evaluation for the year-long Treadmill Desk Study was completed.
- d. The Wellness Specialist visited work centers to assist North Shore and South Shore Interceptor Systems employees with online wellness activities.

4. Workers Compensation

Three new cases were opened with 16 cases remaining active.

## 5. Employee Relations

- a. HR staff continued to partner and meet with work center supervisors to review complex issues, provide guidance and clarify policies. Holiday and standby pay issues continued to be addressed and bonus pay policies were clarified.
- b. Recommendations for changes to part-time employee benefits in relation to ACA requirements were made to the Quality Steering Team. Changes will be implemented once employment categories are re-established in ERP.

## 6. General

- a. The SharePoint 2013 upgrade was completed and implemented. A new Talent Management site was established to include Human Resources, Safety and Organization Development and Training Information.
- b. Staff attended ERP Performance Appraisal training

## B. Organization Development and Training

### 1. Training

- a. Preparations continued for the 2016 Training Year. Several new engagements will be added to include Advanced Coaching, Conflict Management and Emotional Intelligence. These new offerings are a result of a year-end employee survey.

### 2. Apprenticeship Program

- a. Staff prepared for the second quarter review and apprenticeship representative meetings with the goal to understand and respond to the needs of the apprentices and improve the program.
- b. Staff continued to enhance classes and evaluate new methods to deploy learning.

### 3. Quality

2015 was a successful year based on feedback and successful implementation of new programs and improvements. In 2016, anchor classes will continue to be offered and the focus will shift towards development of facilitators, including expanding certifications for Myers Brigg Type Indicators, RGB, Covey and Situational Leadership.

### C. Safety

#### 1. Mishaps and Work Related Injuries

##### a. HRSD-wide Injury Mishap Status to Date (OSHA Recordable)

	<u>2014</u>	<u>2015</u>
<b>Mishaps</b>	40	49
<b>Lost Time Mishaps</b>	8	5
<i>Numbers subject to change pending HR review of each case.</i>		

##### b. MOM Program Year Performance Measure Work Related Injuries

<b>December 2015 Injuries For Operations</b>	<b>December 2015 Injuries for Other HRSD Departments</b>	<b>Total Lost Time Injuries Since July 2015</b>	<b>Total HRSD Injuries Since July 2015</b>
2	1	3	29

c. Follow-up investigations were performed for three initial reports of work related injuries and three auto accidents.

#### 2. HRSD Safety Training

<b>Strategic Planning Measure</b>	<b>Unit</b>	<b>December 2015</b>
Total Safety Training Hours per Full Time Employee (769) All HRSD – December 2015	203 Hours / 769 FTE	0.26

Strategic Planning Measure	Unit	December 2015
Total Safety Training Hours Per Full Time Employee (769) – Cumulative July 2015	1939.24 Hours / 769 FTE	2.52

3. In addition to regularly scheduled safety training and medical monitoring, the following sessions were conducted:
  - a. Two external briefings for contractors working at HRSD treatment plants and pump stations
  - b. Forklift training for the following work centers:
    - (1) Nansemond Treatment Plant
    - (2) Technical Services
    - (3) York River Treatment Plant
    - (4) James River Treatment Plant (2 sessions)
  - c. Chain Saw Safety for Middle Peninsula employees
  - d. Multiple Hot Work Permit training sessions for State Street Pump Station contractor employees
  - e. Confined Space training for North Shore P3 employees
4. Safety Inspections, Testing and Monitoring
  - a. Weekly onsite inspections of the following construction sites:
    - (1) Army Base Treatment Plant
    - (2) Virginia Initiative Plant (VIP)
    - (3) Norchester Pump Station
    - (4) Victoria Pump Station
    - (5) York River Treatment Plant
    - (6) State Street Pump Station
  - b. Quarterly safety inspections of the following work centers:
    - (1) South Shore Operations
    - (2) Machine Shop
    - (3) South Shore Automotive and Electrical Shops

- (4) Chesapeake-Elizabeth Treatment Plant
- (5) Middle Peninsula Plants and Pump Stations
- (6) James River Treatment Plant
- (7) Atlantic Treatment Plant
- (9) Williamsburg Treatment Plant

- c. Monthly hood velocity tests on Central Environmental and Technical Services lab hoods.
- d. An Industrial Hygienist conducted a property assessment and posted additional signage on HRSD property adjacent to Nansemond Treatment Plant.

5. The Safety Manager supported the following activities:

- a. Attended a Restoration Advisory Board Meeting for the former Nansemond Ordinance Depot site along with the Facility Maintenance Superintendent.
- b. Met with the North Shore Electrical Supervisor to evaluate and coordinate 2016 Safety training for Electrical and Instrumentation staff.
- c. Developed a training presentation on Lock out/Tag Out Procedures and Safety Practices for Fans and Blowers for Mandatory Safety Stand Down training to be held at all Operations work centers as part of corrective action taken due to recent preventable fingertip amputation injuries.
- d. Met with Water Quality staff to identify safety requirements for obtaining Center for Disease Control approval for storage and handling of specific viruses.

6. Safety Programs

- a. Staff met with North Shore Pump Station supervisor to discuss safety requirements for the new Victoria Boulevard Pump Station.
- b. Staff continued to work with the Electrical Safety team to discuss Personal Protective Equipment (PPE) requirements for the Electrical Safety Program.
- c. The Safety Coordinator continued to maintain the Operations Safety Accident Tracking report.

- d. The Safety Division 2016 Training, Inspections and Medical Monitoring Calendar was finalized and posted on SharePoint.
- e. The Safety Coordinator began updating and distributing 2016 inspection tags for work centers.
- f. An Industrial Hygienist evaluated and developed a specific confined space permit for the Atlantic Treatment Plant.

5. General

- a. Staff attended the following training:
  - (1) Annual Asbestos Supervisor training at Applied Labs
  - (2) On-site training for new pulmonary function and audiometric testing equipment
  - (3) 2015 American Heart Association Instructor update
  - (4) ERP Performance Appraisal training

D. Monthly Strategic Planning Metrics Summary

Item #	Strategic Planning Measure	Unit	December 2015
M-1.1a	Employee Turnover Rate (Total)	Percentage	1.84%
M-1.1b	Employee Turnover due to Service Retirements	Percentage	0.66%
M-1.4a	Total Training Hours Per Full Time Employee (14) – Current Month	Total Training Hours/ FTE	6.25
M-1.4b	Total Training Hours Per FTE (14) Cumulative Fiscal Year-to-Date	Total Training Hours/ FTE	41.22
M-5.2	Educational and Outreach Events	Number	0
M-5.3	Community Partners	Number	0

Respectfully submitted,  
**Paula A. Hogg**  
 Director of Talent Management

TO: General Manager  
FROM: Director of Water Quality (WQ)  
SUBJECT: Monthly Report for December 2015  
DATE: January 13, 2016

A. General

No facilities were assessed a Civil Penalty this month.

B. Quality Improvement and Strategic Team Activities

1. The Sustainability Advocacy Group (SAG) reported no activities for December.
2. The Standard Operating Procedures (SOPs) Development Team reported no activity for December.
3. The P3 Technology Team reported that the Information Technology Department (ITD) continued with the installation of the required software for the Mobile Workforce laptops.
4. The Pretreatment Information Management System (PIMS) Team reported that work on the new internet based Publicly Owned Treatment Works Administration and Compliance System (iPACS) and the Field Assistant Service Tracking (FAST) application continued with emphasis on system testing of all modules and custom report generation. Reports are currently being fine tuned for Surcharge, Compliance, Inspection and Permit modules.
5. The Technical Services Division (TSD) Technology Team and HRSD's ITD are continuing to evaluate a digital transformation forms program. This new technology allows users to digitally capture data in the field with immediate validation. The digital forms program could be run on various platforms including iPads and tablets. We expect to start testing the application in February to see if it meets our needs.
6. The WQ Communication Team continues to monitor and measure inter-divisional communication issues within the WQ department. Quarterly reports will be distributed to the WQ Quality Steering Team (QST).

## C. Municipal Assistance

1. HRSD provided Prince William County sampling and analytical services to support the Virginia Pollution Discharge Elimination System (VPDES) permit application process. HRSD also provided assistance to Spotsylvania County and the City of Fredericksburg by collecting samples for PolyChlorinated Biphenyl (PCB) monitoring.
2. The [Municipal Assistance Billed Reimbursements](#) per service between October 1 and December 31, 2015 are attached.
3. The [Municipal Assistance Invoice Summary](#) for the fourth quarter of the 2015 calendar year is attached.

## D. Strategic Planning Metrics Summary

1. Educational and Outreach Events: 4
  - a. Staff provided a tour of the Lab for Deep Creek High School students
  - b. Staff provided a tour of the Lab for Norfolk Collegiate High School students
  - c. Staff provided a presentation on the expanding Boater Education Program to the "Clean Boater Task Force for the Lafayette River". This event was facilitated by the Elizabeth River Project and was held at the Old Dominion University (ODU) Women's Rowing Center.
  - d. Staff provided a tour of TSD and the Lab for Norfolk Academy High School students.
2. Community Partners: 5
  - a. TSD and the Laboratory Division assisted the City of Newport News with a microbial source tracking project at Hilton Beach.
  - b. TSD and the Laboratory Division assisted the City of Virginia Beach in its bacteria/nutrient resuspension study in Mill Dam Creek/Broad Bay watershed.
  - c. TSD and the Laboratory Division assisted the City of Suffolk in a nutrient/bacteria study for Shingle Creek.
  - d. TSD and the Laboratory Division provided Chlorophyll Monitoring and Assessment Program support to the Department of Environmental Quality (DEQ) and ODU in monitoring the James and Elizabeth Rivers.

- e. TSD staff assisted the City of Newport News to identify the sources of bacterial contamination in high priority watersheds as identified through citizen monitoring.

3. North Shore/ South Shore Capacity Related Overflows: 0

4. Odor Complaints: 0

Item #	Strategic Planning Measure	Unit	December 2015
M-1.4a	Training During Work Hours Per Full Time Employee (102) (Current Month)	Total Hours / # FTE	12.11
M-1.4b	Total Training During Work Hours Per Full Time Employee (102) (Cumulative Fiscal Year-to-Date)	Total Hours / # FTE	44
M-2.5	North Shore/South Shore Capacity Related Overflows	# within Level of Service	0
M-3.1	Permit Compliance	# of Exceedances: # of Permitted Parameters	0:26246
M-3.2	Odor Complaints	#	0
M-3.4	Pollutant Removal	Total Pounds Removed	96,335,689
M-3.5	Pollutant Discharge	% Pounds Discharged/Pounds Permitted	19%
M-5.2	Educational and Outreach Events	#	4
M-5.3	Community Partners	#	5
	Average Daily Flow	Total MGD for all Treatment Plants	149.25
	Industrial Waste Related System Issues	#	0

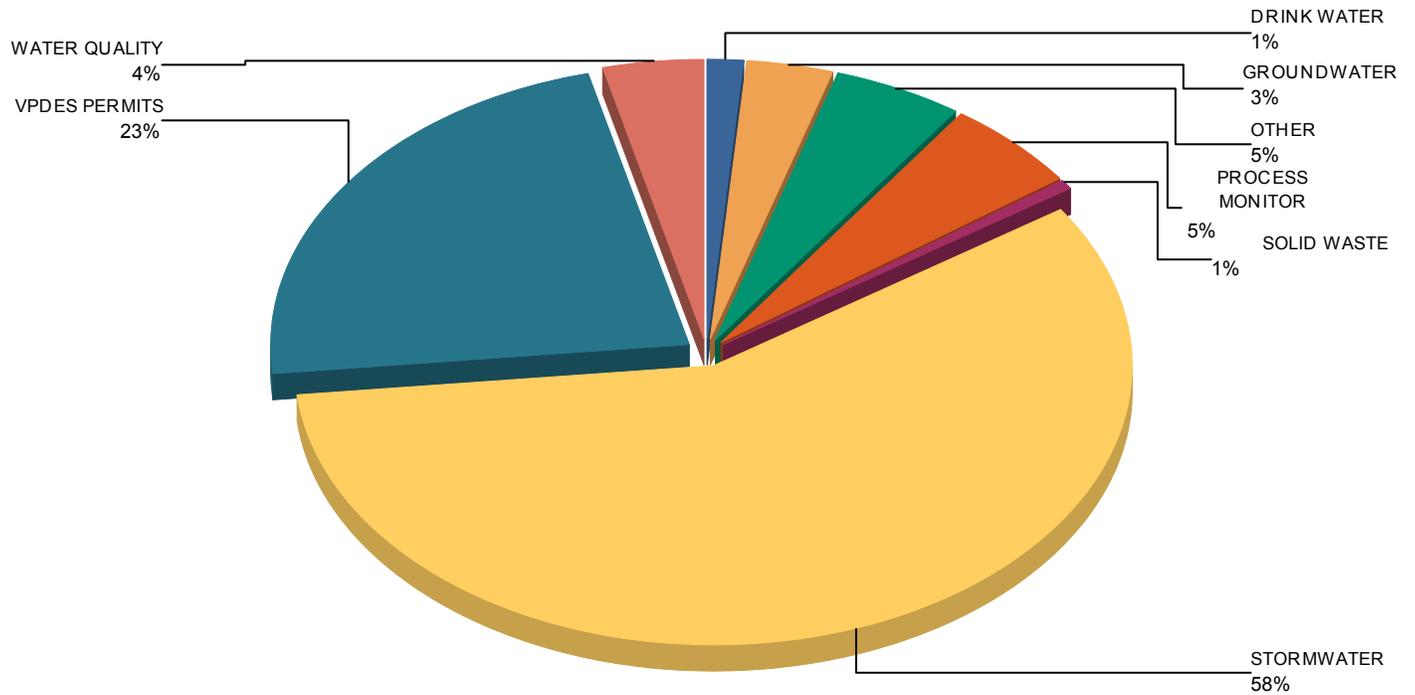
Respectfully submitted,

*James Pletch, Ph.D*

Director of Water Quality

**Municipal Assistance Billed Reimbursements per Service  
From 10/01/2015 to 12/31/2015**

**Attachment 1**



Notes: Other = Equipment purchase, consultation, validation studies, boater pump-out program, etc.

# **Municipal Assistance Invoice Summary**

## **From 10/01/2015 - 12/31/2015**

<b>Municipality</b>	<b>Reimbursements</b>
Accomack County	\$7,659.78
Bedford County PSA	\$7,172.73
Buckingham County	\$561.87
City of Chesapeake	\$2,321.04
City of Emporia	\$205.47
City of Fredericksburg	\$4,060.52
City of Hampton	\$1,553.65
City of Norfolk	\$2,600.73
City of Portsmouth	\$2,501.38
City of Suffolk	\$5,395.59
City of Suffolk Hoffer Map	\$1,375.56
City of Virginia Beach	\$3,553.78
HRPDC	\$136,754.76
Hanover County	\$646.70
Hopewell RWTF	\$4,109.52
James City County Service Authority	\$1,000.95
Metro Wastewater Reclamation District	\$138.69
New Kent County	\$11,581.91
Northampton County	\$366.88
Rivanna Water and Sewer Authority	\$15,458.43
South Central Wastewater Authority	\$7,711.36
Spotsylvania County	\$4,060.52
Stafford County	\$123.15
Town of Cape Charles	\$5,665.79
Town of Lawrenceville	\$359.04
Town of Round Hill	\$179.68
Upper Occoquan Service Authority	\$364.37
Virginia Department of Health	\$6,748.12
Virginia Port Authority	\$1,521.30
Warsaw WWTP	\$439.00
Westmoreland County	\$4,145.34
<b>Total Reimbursements 4th Quarter 2015:</b>	<b>\$240,337.61</b>

**Annual Metrics**

Item	Strategic Planning Measure	Unit	Target	FY-10	FY-11	FY-12	FY-13	FY-14	FY-15
M-1.1a	Employee Turnover Rate (Total)	Percentage	< 8%	5.63%	4.09%	6.64%	7.62%	8.22%	9.97%
M-1.1b	Employee Turnover Rate within Probationary Period		0%		2.22%	8.16%	14.58%	9.68%	0.66%
M-1.2	Internal Employee Promotion Eligible	Percentage	100%		59%	80%	69.57%	71.43%	64.00%
M-1.3	Average Time to Fill a Position	Calendar Days	< 30		70	60	52	43.76	51
M-1.4	Training Hours per Employee - cumulative fiscal year-to-date	Hours	> 40		30.0	43.8	37.5	35.9	42.8
M-1.5a	Safety OSHA 300 Incidence Rate Total Cases	# per 100 Employees	< 3.5	6.57	6.15	5.8	11.2	5.07	3.87
M-1.5b	Safety OSHA 300 Incidence Rate Cases with Days Away	# per 100 Employees	< 1.1	0.74	1.13	1.33	0.96	1.4	0.82
M-1.5c	Safety OSHA 300 Incidence Rate Cases with Restriction, etc.	# per 100 Employees	< 0.8	3.72	4.27	2.55	4.5	2	1.76
M-2.1	CIP Delivery - Budget	Percentage			113%	96%	124%	149%	160%
M-2.2	CIP Delivery - Schedule	Percentage			169%	169%	161%	150%	190%
M-2.3a	Total Maintenance Hours	Total Available Mtc Labor Hours Monthly Avg			16,495	22,347	27,615	30,863	35,431
M-2.3b	Planned Maintenance	Percentage of Total Mtc Hours Monthly Avg			20%	27%	70%	73%	48%
M-2.3c	Corrective Maintenance	Percentage of Total Mtc Hours Monthly Avg			63%	51%	12%	10%	18%
M-2.3d	Projects	Percentage of Total Mtc Hours Monthly Avg			18%	22%	20%	18%	32%
M-2.4	Infrastructure Investment	Percentage of Total Cost of Infrastructure	2%		8.18%	6%	6%	4%	7%
M-3.3	Carbon Footprint	Tons per MG Annual Total			1.61	1.57	1.47	1.46	1.44
M-3.6	Alternate Energy	Total KWH			0	0	0	5,911,289	6,123,399
M-4.1a	Energy Use: Treatment	kWh/MG Monthly Avg			2,473	2,571	2,229	2,189	2,176
M-4.1b	Energy Use: Pump Stations	kWh/MG Monthly Avg			197	173	152	159	168
M-4.1c	Energy Use: Office Buildings	kWh/MG Monthly Avg			84	77	102	96	104
M-4.2	R&D Budget	Percentage of Total Revenue	> 0.5%		1.0%	1.4%	1.0%	1.3%	1.0%
M-4.3	Total Labor Cost/MGD	Personal Services + Fringe Benefits/365/5-Year Average Daily Flow		\$1,028	\$1,095	\$1,174	\$1,232	\$1,249	\$1,279
M-4.4	Affordability	8 CCF Monthly Charge/ Median Household Income	< 0.5%		0.48%	0.48%	0.41%	0.43%	0.53%
M-4.5	Total Operating Cost/MGD	Total Operating Expense/ 365/5-Year Average Daily Flow		\$2,741	\$2,970	\$3,262	\$3,316	\$3,305	\$3,526
M-5.1	Name Recognition	Percentage (Survey Result)	100%	67%	71%	N/A	62%	N/A	60%
M-5.4	Value of Research	Percentage - Total Value/HRSD Investment			129%	235%	177%	149%	181%
M-5.5	Number of Research Partners	Annual Total Number			42	36	31	33	28
	Rolling 5 Year Average Daily Flow	MGD		157.8	155.3	152	154.36	155.2	151.51
	Rainfall	Annual Total Inches		66.9	44.21	56.21	46.65	46.52	51.95
	Billed Flow	Annual Percentage of Total Treated		71.9%	82.6%	78%	71%	73%	74%
	Senior Debt Coverage	Net Revenue/Senior Annual Debt Service	> 1.5	2.51%	2.30%	2.07%	1.88%	1.72%	1.90%
	Total Debt Coverage	Net Revenue/Total Annual Debt	>1.4	1.67%	1.67%	1.46%	1.45%	1.32%	1.46%

\*These metrics will be reported upon closeout of fiscal year financials.

**Monthly Updated Metrics**

Item	Strategic Planning Measure	Unit	Target	FY-10	FY-11	FY-12	FY-13	FY-14	FY-15	Nov-15	Dec-15
	Average Daily Flow	MGD at the Plants	< 249		136	146.5	158.7	156.3	153.5	147.4	149.3
	Industrial Waste Related System Issues	Number	0		3	6	6	6	2	0	0
	Wastewater Revenue	Percentage of budgeted	100%		97%	96%	98%	107%	102%	105%	104%
	General Reserves	Percentage of Operating and Improvement Budget	75% - 100%		72%	82%	84%	92%	94%	94%	99%
	Accounts Receivable (HRSD)	Dollars (Monthly Avg)			\$ 17,013,784	\$ 17,359,488	\$ 18,795,475	\$ 20,524,316	\$ 20,758,439	\$24,216,120	\$23,499,663
	Aging Accounts Receivable	Percentage of receivables greater than 90 days			21%	20%	18%	19%	21%	18%	21%
M-2.5	Capacity Related Overflows	Number within Level of Service	0		25	1	30	5	11	0	0
M-3.1	Permit Compliance	# of Exceedances to # of Permitted Parameters	0		12:55,045	1:51995	2:52491	1:52491	2:52491	0:21871	0:26246
M-3.2	Odor Complaints	Number	0		6	2	7	11	5	0	0
M-3.4	Pollutant Removal (total)	Total Pounds Removed			178,163,629	171,247,526	176,102,248	185,677,185	180,168,546	80,725,706	96,335,689
M-3.5	Pollutant Discharge (% of permitted)	Pounds Discharged/Pounds Removed	< 40%		25%	22%	25%	22%	22%	18%	19%
M-5.2	Educational and Outreach Events	Number			302	184	238	322	334	19	34
M-5.3	Number of Community Partners	Number			280	289	286	297	321	27	27

## 2015 EFFLUENT SUMMARY

PLANT	FLOW MGD	BOD MG/L	TSS MG/L	FC #/100 ML	ENTERO #/100 ML	TP MG/L	TN MG/L	CONTACT TANK EX	NH3 MG/L
ARMY BASE	9.65	7	6.9	5	2	0.89	17	3	NA
ATLANTIC	27.68	11	8.7	3	1	NA	NA	7	NA
BOAT HARBOR	14.82	6	5.4	4	2	0.61	17	4	NA
C. MIDDLESEX	0.016	<2	0.48	1	1	NA	NA	NA	<0.2
CHES-ELIZ	18.01	15	13	31	5	0.93	28	8	NA
JAMES RIVER	12.47	3	4.3	2	1	0.64	6.5	3	NA
KING WILLIAM	0.036	<2	<1	NA	<1	0.07	0.96	NA	NA
NANSEMOND	17.31	5	5.4	4	2	1.1	7.3	8	NA
URBANNA	0.057	4	14	3	5	4.2	29	NA	<0.2
VA INITIATIVE	30.78	7	6.4	3	1	0.96	9.4	4	NA
WEST POINT	0.471	23	22	3	4	2.6	15	2	8.7
WILLIAMSBURG	8.65	4	4.3	4	3	0.98	6.6	1	NA
YORK RIVER	12.79	3	1.5	2	2	0.51	5.9	10	NA
	<u>153.50</u>	<u>8</u>	<u>8</u>			<u>1.2</u>			

June

Urbanna - Weekly TSS concentration 46 mg/l reported. Permit limit is 45 mg/l.

**EFFLUENT SUMMARY FOR DECEMBER 2015**

PLANT	FLOW mgd	% of Design	BOD mg/l	TSS mg/l	FC #/UBI	ENTERO #/UBI	TP mg/l	TP Yr Avg	TN mg/l	TN Yr Avg	TKN mg/l	NH3 mg/l	CONTACT TANK EX
ARMY BASE	8.87	49%	4	5.3	9	2	1.1	0.89	8.1	17	NA	NA	4
ATLANTIC	26.69	49%	16	14	5	2	NA	NA	NA	NA	NA	NA	5
BOAT HARBOR	15.29	61%	7	4.4	2	1	0.28	0.61	10	17	NA	NA	1
CENT. MIDDLESEX	0.015	61%	<2	1.5	1	1	NA	NA	NA	NA	0.72	<.20	NA
CHES-ELIZ	17.16	72%	16	7.3	54	11	0.78	0.93	29	28	NA	NA	6
JAMES RIVER	11.76	59%	4	4.7	3	1	0.60	0.64	6.3	6.5	NA	NA	3
KING WILLIAM	0.036	36%	<2	<1.0	NA	<1	0.03	0.07	0.48	1.0	0.30	NA	NA
NANSEMOND	18.46	62%	4	5.9	2	2	1.6	1.1	6.6	7.3	NA	NA	0
URBANNA	0.039	39%	5	12	4	3	3.5	4.3	24	29	NA	<.20	NA
VIP	29.50	74%	11	8.9	2	1	1.2	0.96	12	9.4	NA	NA	1
WEST POINT	0.499	83%	20	21	1	2	3.1	2.6	17	15	NA	11	0
WILLIAMSBURG	8.06	36%	4	4.0	5	3	0.47	0.98	6.6	6.6	NA	NA	1
YORK RIVER	12.86	86%	1	0.64	1	1	0.13	0.51	7.3	5.9	NA	NA	2
	<u>149.25</u>		<u>8</u>	<u>7</u>									

	% of <u>Capacity</u>
North Shore	58%
South Shore	61%
Mid Peninsula	70%

**Tributaries**  
James River  
York River  
Rappahannock

<b>Reported 2015 TN Pounds</b>
4,492,891
251,080
4,685

<b>Actual TN WLA</b>
75%
87%
385%

**Tributary Summary**

<b>Reported 2015 TP Pounds</b>
304,135
22,432
719

<b>Actual TP WLA</b>
81%
67%
790%

**Rainfall**

	<u>North Shore</u>	<u>South Shore</u>
Month	4.28"	3.37"
Normal for Month	3.86"	3.60"
Year to Date Total	56.34"	50.19"
Normal for YTD	51.03"	48.78"

Permit Exceedances: Total Possible Exceedances FY16 to Date: 0:26246  
Pounds of Pollutants Removed in FY16 to Date: 96,335,689  
Pollutant Lbs Discharged/Permitted Discharge FY16 to Date: 19%

**2015 AIR SUMMARY**

**Incineration**

Plant	Part 503			Title V			
	Hearth Temp	THC	THC	Precooler	Venturi	Tray	VE Major
	Daily Avg Days > Max	100 ppm Monthly Avg	Data Capture %	3 Hr Avg Incidents	3 Hr Avg Incidents	3 Hr Avg Incidents	> 1 Hr Incidents
Army Base	0	42	99	0	0	0	<b>3</b>
Boat Harbor	0	38	98	0	0	0	0
Ches-Eliz	0	40	87	0	0	0	<b>1</b>
VIP	0	62	98	0	0	0	<b>7</b>
Williamsburg	0	25	99	<b>1</b>	0	0	0

**Odor**

Plant	ST	SH	Complaints Received
	Days with Exceptions > 2 ppm	Days with Exceptions > 5 ppm	
Army Base	<b>40, 7</b>	n/a	0
Atlantic	<b>2, 1</b>	0, 0	0
Boat Harbor	<b>3</b>	n/a	0
Ches-Eliz	<b>3, 0</b>	1	0
James River	<b>1, 0</b>	0	0
Nansemond	<b>1</b>	0	0
VIP	<b>0, 3</b>	n/a	0
Williamsburg	<b>1, 1</b>	0	0
York River	0	n/a	0

**Pump Stations**  
(with Odor Control)

	Exceptions > 1 ppm	Complaints Received
(4) North Shore	0	<b>1</b>
(4) South Shore	0	<b>5</b>

**System**

	n/a	<b>1</b>
--	-----	----------

**AIR SUMMARY FOR DECEMBER 2015**

<b>Incineration</b>							
	Part 503			Title V			
	Hearth Temp Daily Avg Days > Max	THC 100 ppm Monthly Avg	THC Data Capture %	Precooler 3 Hr Avg Incidents	Venturi 3 Hr Avg Incidents	Tray 3 Hr Avg Incidents	VE Major > 1 Hr Incidents
<b>Plant</b>							
Army Base	0	35	99	0	0	0	0
Boat Harbor	0	21	100	0	0	0	0
Ches-Eliz	0	32	92	0	0	0	0
VIP	0	61	99	0	0	0	1
Williamsburg	0	17	99	0	0	0	0

<b>Odor</b>			
	ST Days with Exceptions > 2 ppm	SH Days with Exceptions > 5 ppm	Complaints Received
<b>Plant</b>			
Army Base	0,2	n/a	0
Atlantic	0, 0	0, 0	0
Boat Harbor	0	n/a	0
Ches-Eliz	0, 0	0	0
James River	0, 0	0	0
Nansemond	0	0	0
VIP	0, 0	n/a	0
Williamsburg	0, 0	0	0
York River	0	n/a	0
<b>Pump Stations (with Odor Control)</b>		Exceptions > 1 ppm	Complaints Received
North Shore		0	0
South Shore		0	0
<b>System</b>		n/a	0

HRSD COMMISSION MEETING MINUTES  
January 26, 2016

ATTACHMENT #9

AGENDA ITEM 19. – Fiscal Year-2017 Annual Budget Preparation  
PowerPoint Presentation



# Finance Workshop FY2017 Budget

January 26, 2016

- Credit Assessment
- FY17 Budget Proposal

# PFM Credit Summary – Dec 2015

## Senior Credit Ratings

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	<b>AA+ (stable outlook)</b>	<b>AA+ (stable outlook)</b>
<b>Aa2 (stable outlook)</b>	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-

## Subordinate Credit Ratings *Notch lower*

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	<b>AA (stable outlook)</b>	<b>AA (stable outlook)</b>
<b>Aa3 (stable outlook)</b>	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-

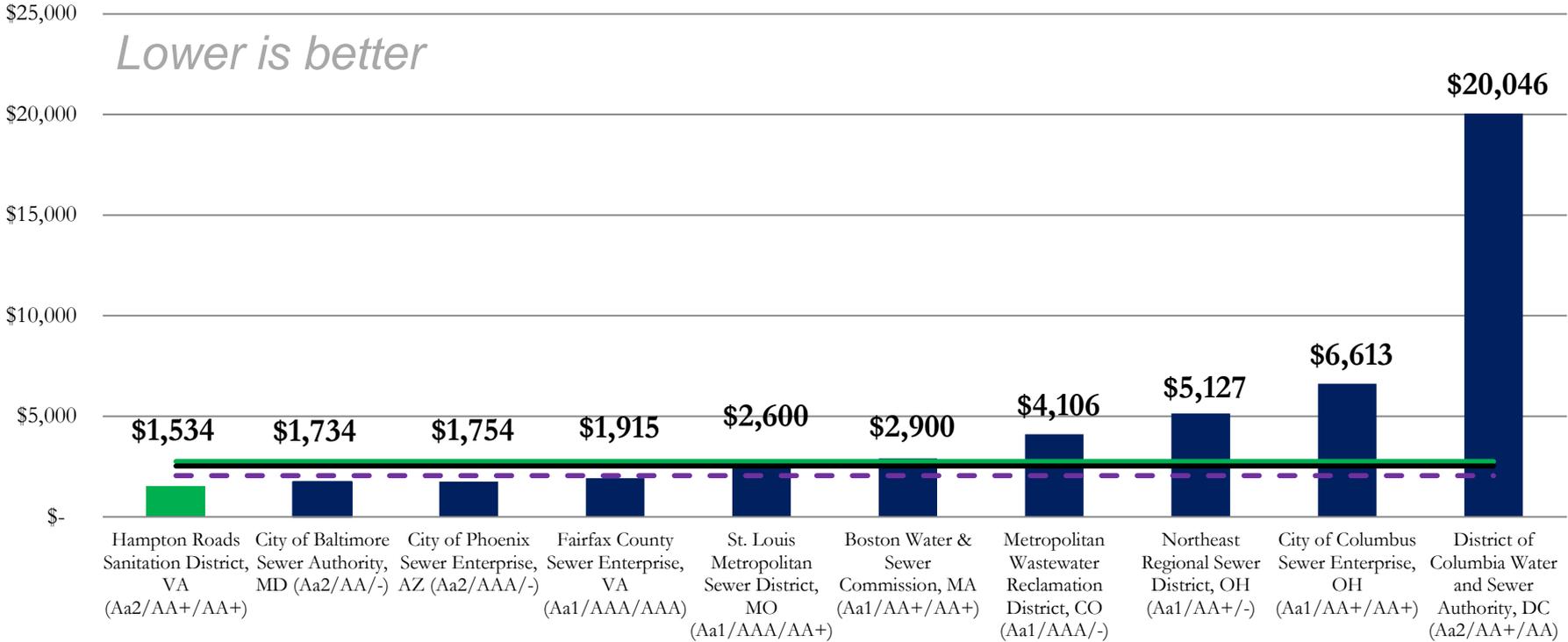
- Strong financial management policies
- History of raising rates as needed
- Autonomous rate-setting authority

- Recent debt service coverage declines
- Increasing leverage and *potentially* lower net revenue available for debt service
- Financial modeling points towards a decline in the debt service coverage, but remains above policy

## Summary of Peer Group and Credit Medians

	<b>HRSD Trend</b>	<b>Fitch Median for AA Credits</b>	<b>Fitch Median for Large Credits</b>	<b>Peer Group Median</b>
<b>Debt Per Customer</b>	Relatively consistent, slight decrease in 2014	Lower	Lower	Lower
<b>Senior Lien Debt Service Coverage</b>	Steady decline	Lower	Lower	Lower
<b>Total Debt Service Coverage</b>	Steady decline	Lower	Lower	Lower
<b>Debt Ratio</b>	Relatively consistent, slight decline in 2014	Higher	Higher	Higher
<b>Days Cash on Hand</b>	Relatively the same, decrease in 2015	Comparable	Higher	Comparable
<b>Fitch's Days of Working Capital Ratio</b>	Relatively consistent, sharp increase in 2013	N/A	N/A	Comparable
<b>Operating Margin</b>	Relatively consistent, increase in 2014	Lower	Lower	Lower
<b>Free Cash as % of Depreciation</b>	Increase in 2015	Lower	Lower	Lower
<b>Debt to Plant Asset Ratio</b>	Relatively consistent, decline in 2015	Higher	Higher	Higher

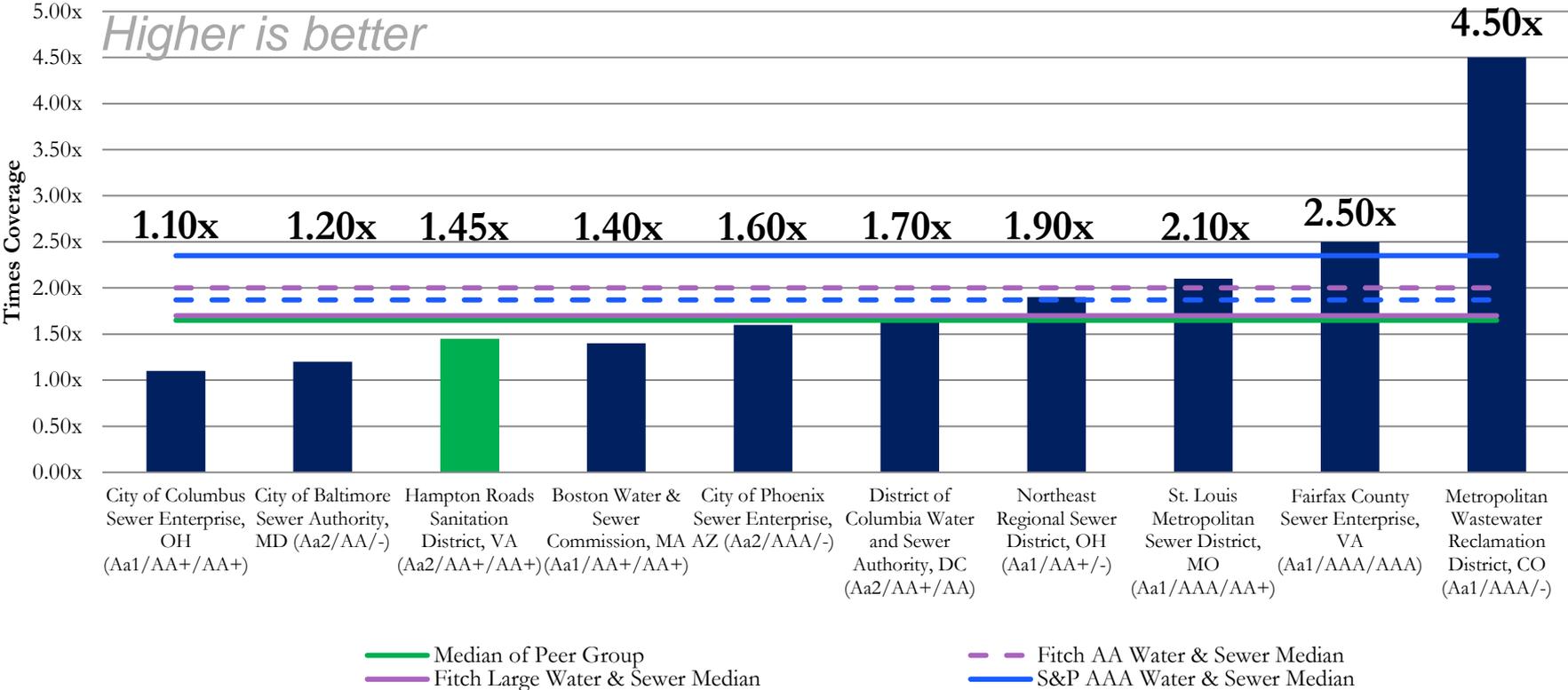
# Debt per Customer



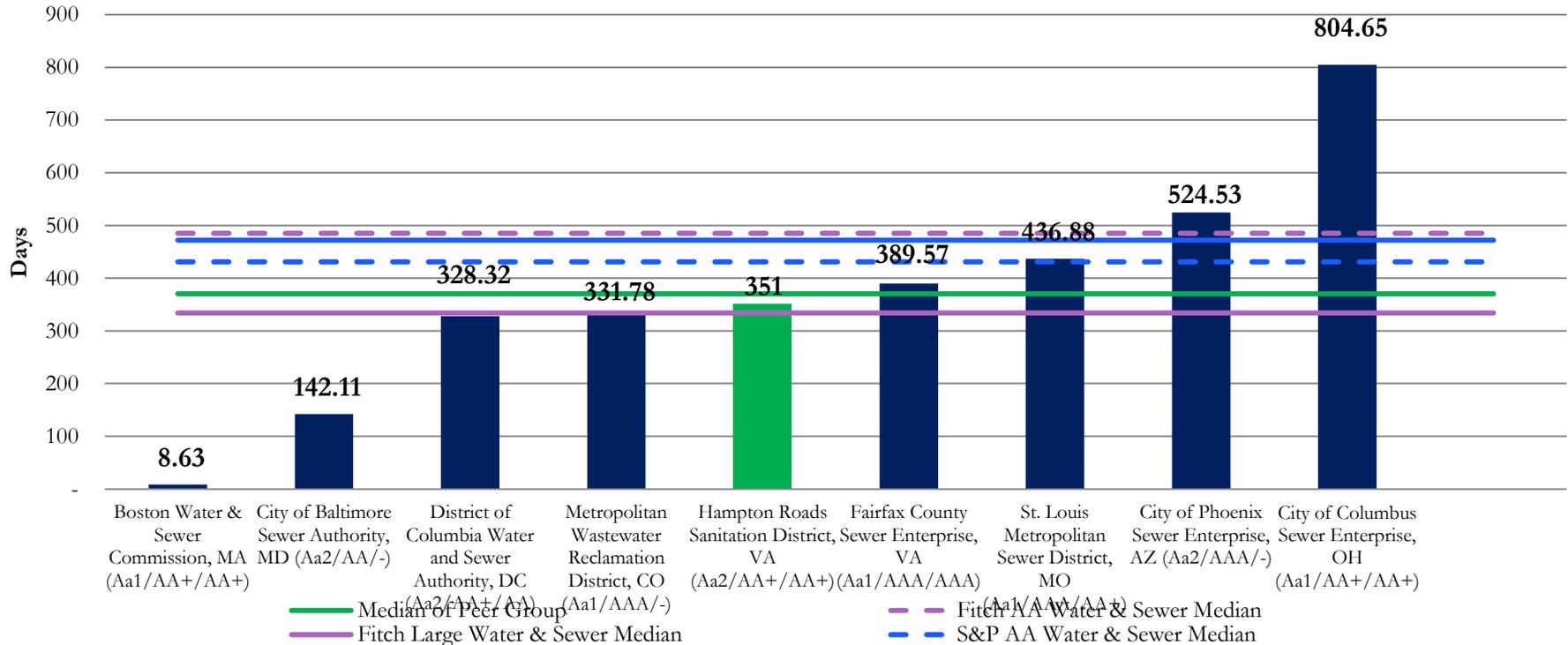
— Median of Peer Group    
 - - - Fitch AA Water & Sewer Median    
 — Fitch Large Water & Sewer Median



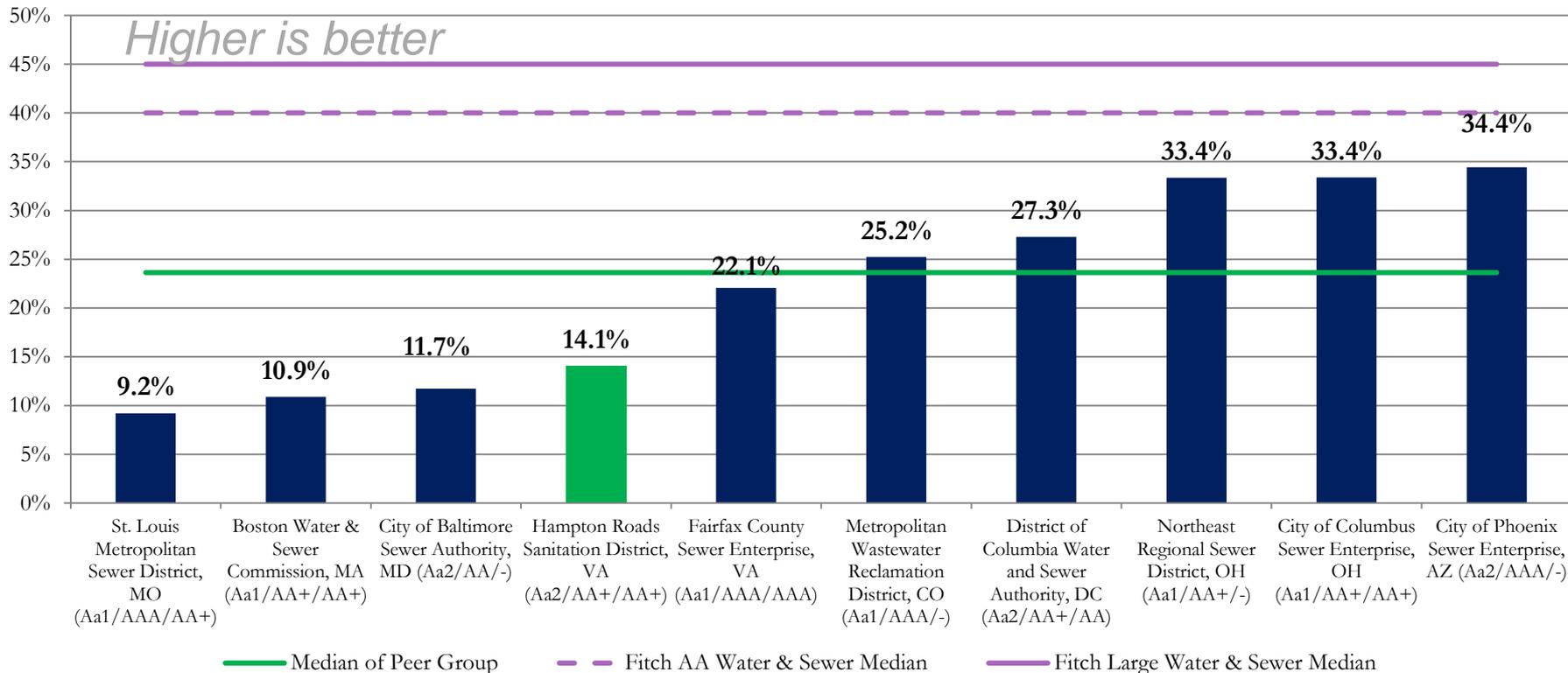
# Total Debt Service Coverage



# Days Cash on Hand



# Operating Margin = Operating Income/Revenues



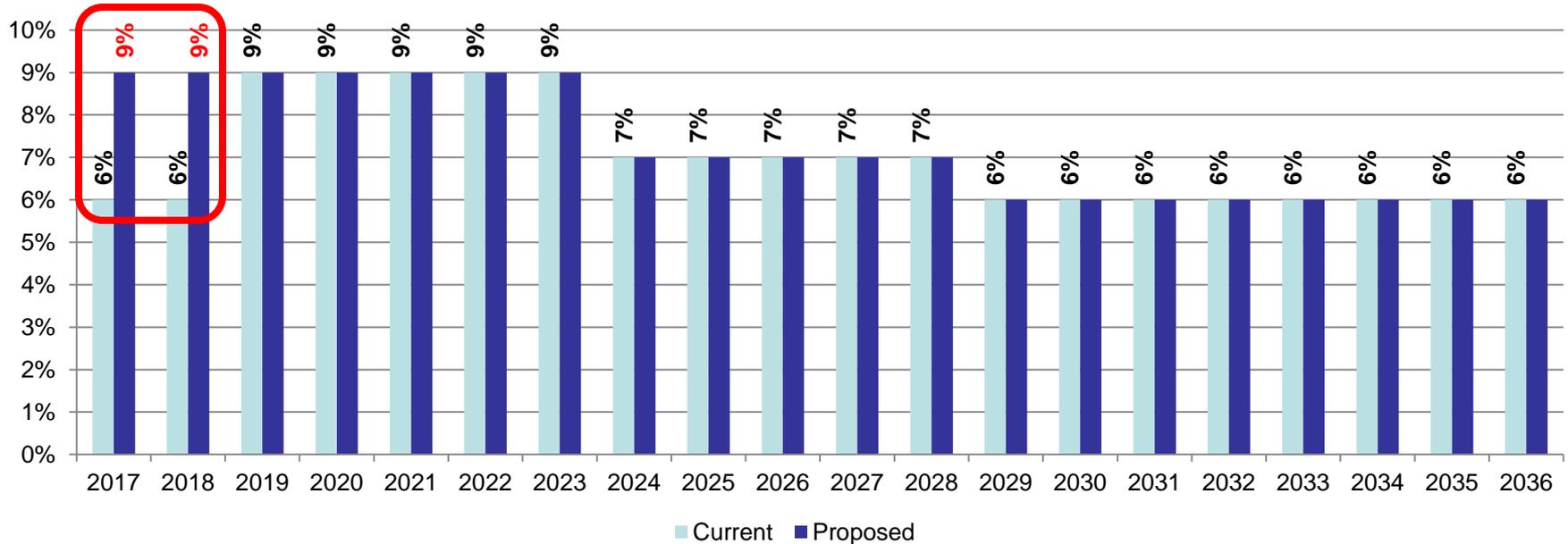
# Development of the Financial Forecast



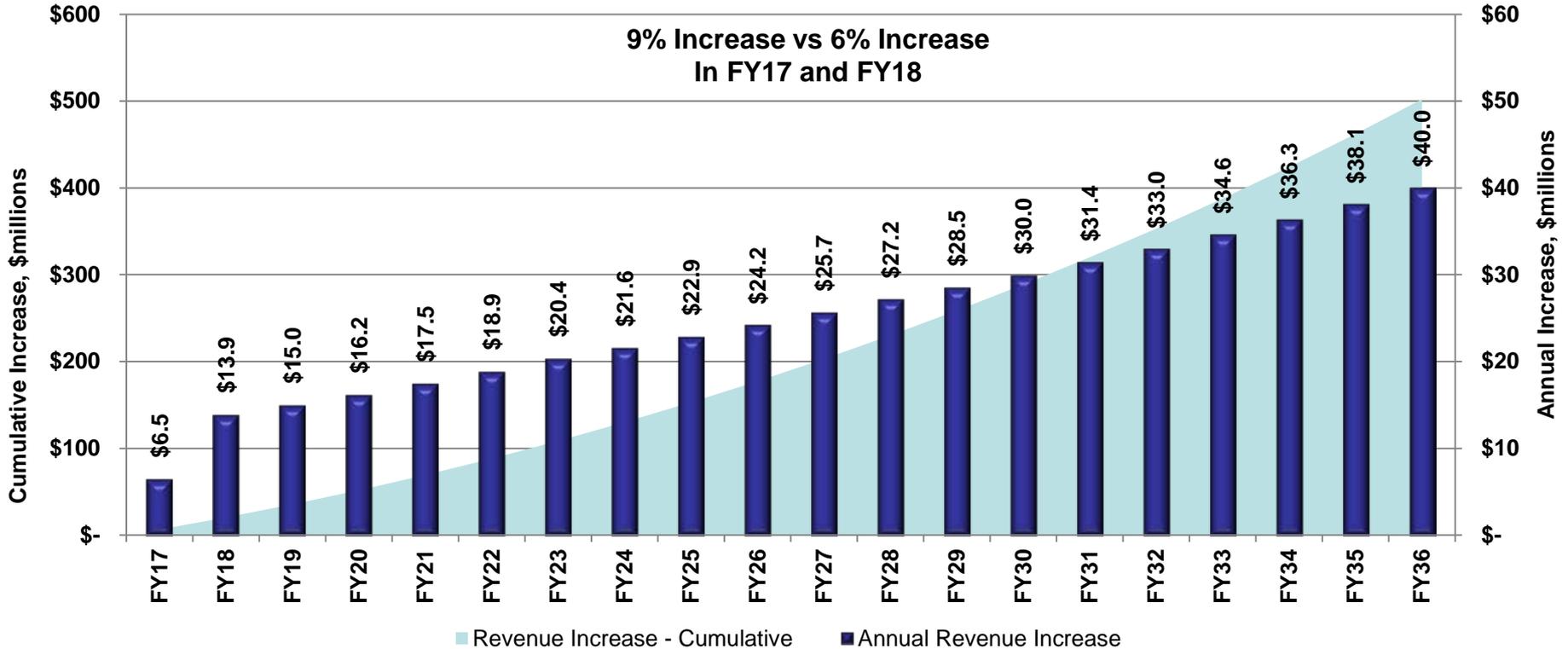
- 20 year projection
- Attempts to focus impacts of decisions today on the long-term
- Inflation based model with sophisticated debt modeling
- Encourages transparency and is good public policy

# FY17 Budget Proposal

- Increase the FY17 and FY18 proposed rate increases from 6% to 9%



# Impact of Rate Increases, \$500M Cumulative by FY36

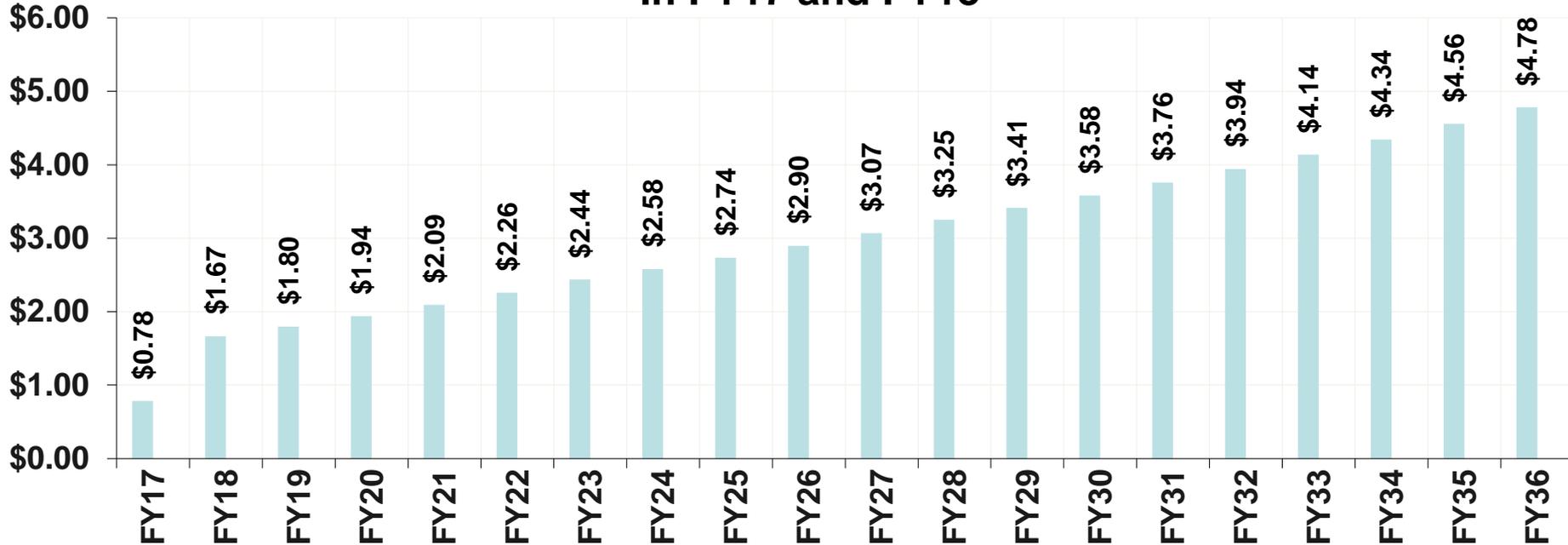


# Impact of Rate Increase on Monthly Residential Bill

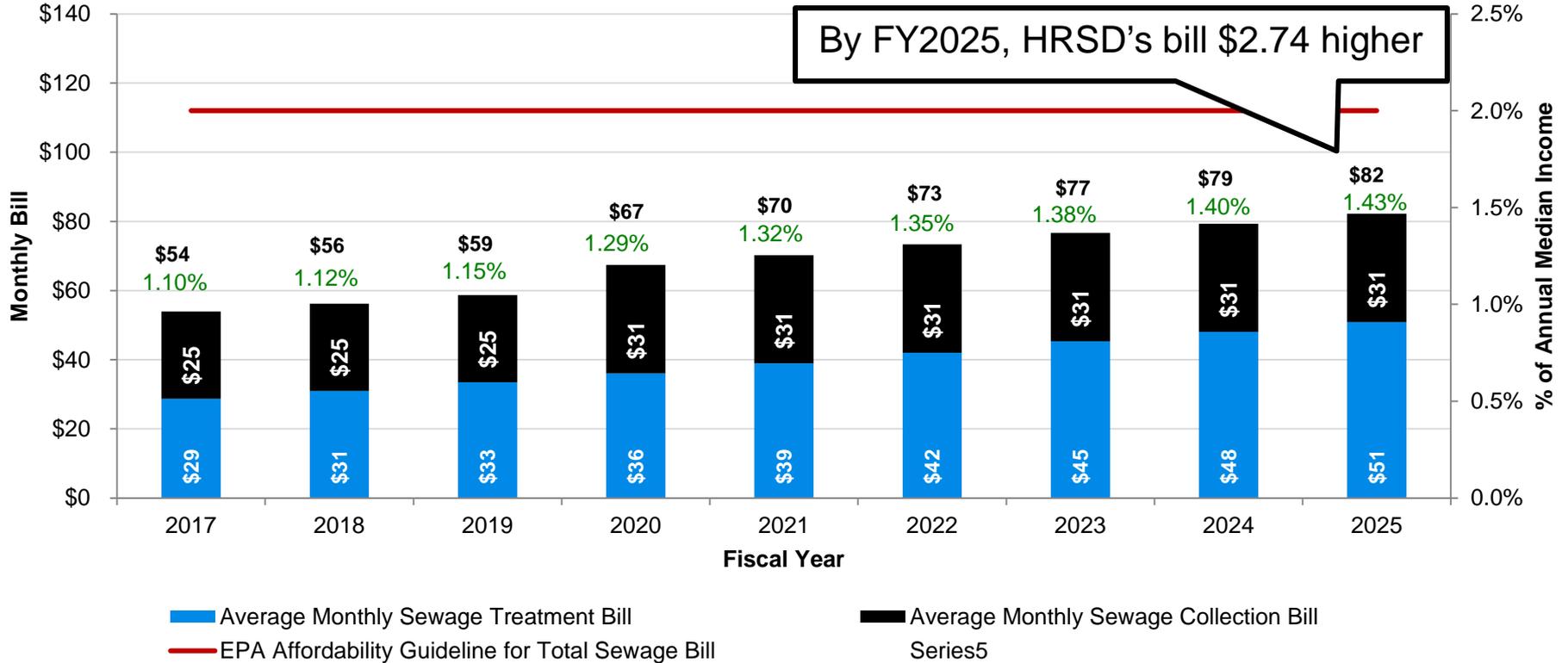
FY2017 – Avg Bill  
\$28.44 vs \$27.65

9% Increase vs 6% Increase  
In FY17 and FY18

FY2036 – Avg Bill  
\$88.08 vs \$83.30



# EPA 2% Affordability Guideline – Function of Median Household Income



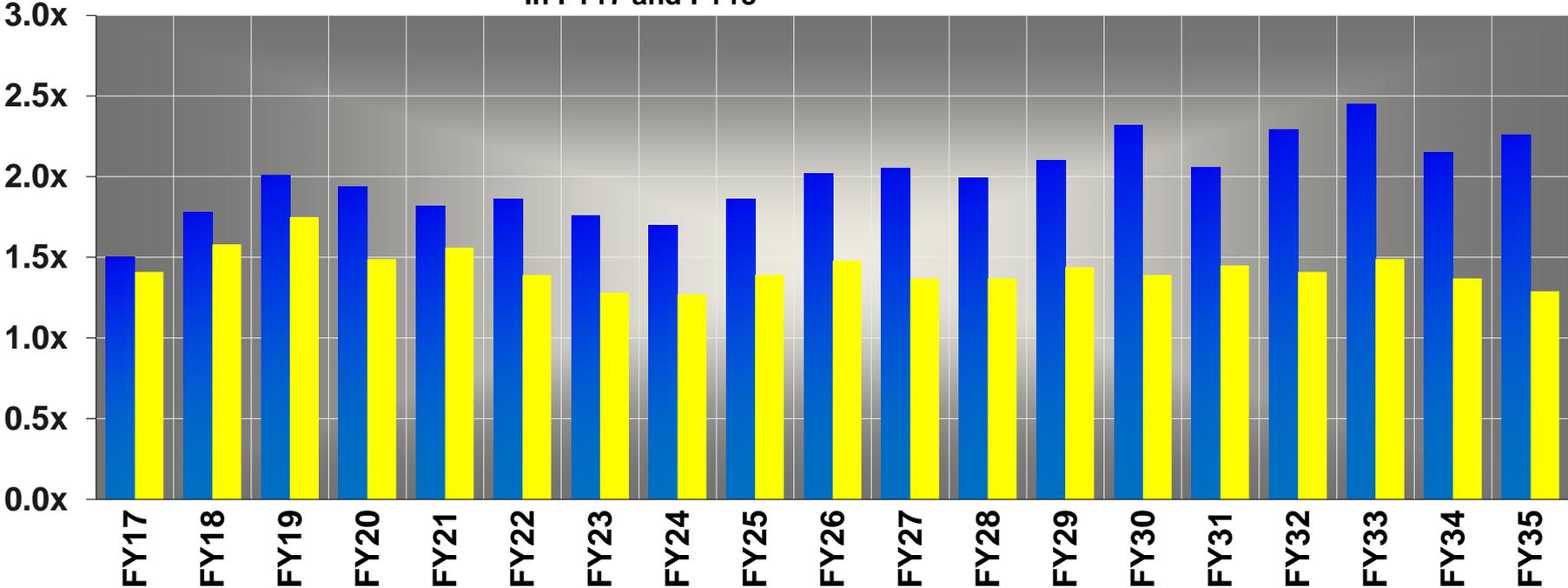
# Total Debt Service Coverage – GAAP Basis

Coverage ratio (GAAP Basis)

9% Increase vs 6% Increase  
In FY17 and FY18

Proposed

Current

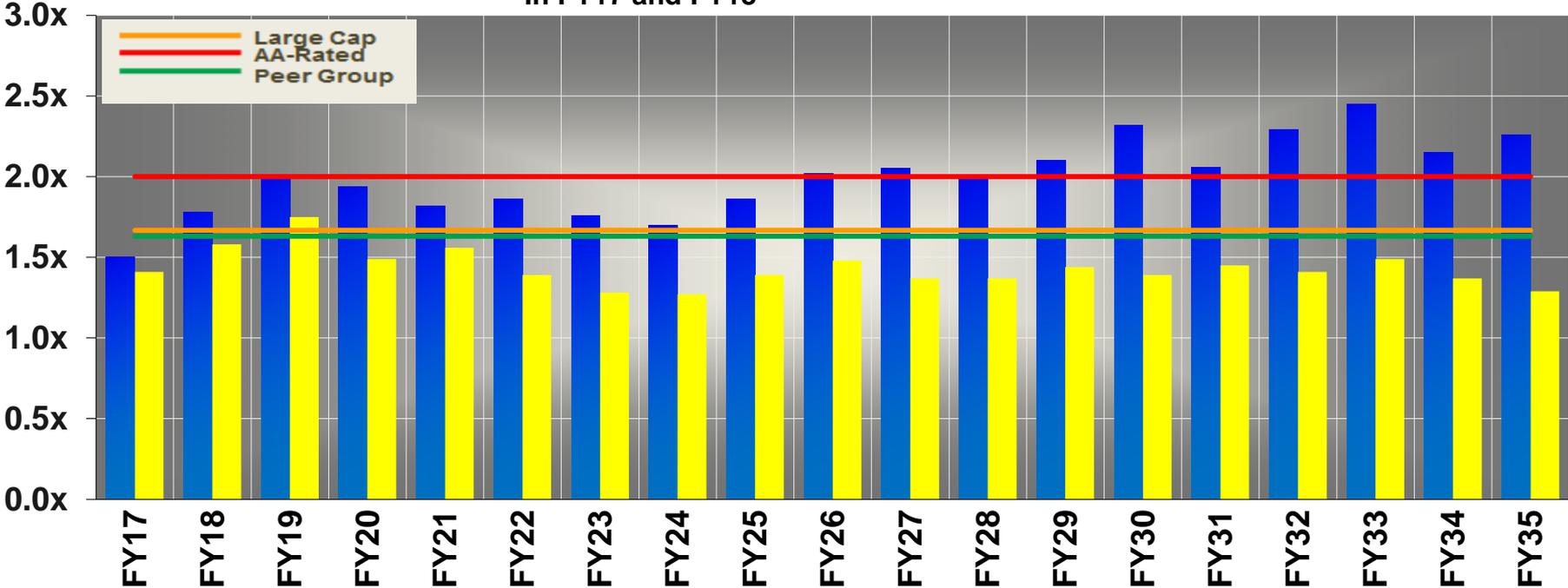


# Total Debt Service Coverage – GAAP Basis

Coverage ratio (GAAP Basis)

9% Increase vs 6% Increase  
In FY17 and FY18

■ Proposed      ■ Current

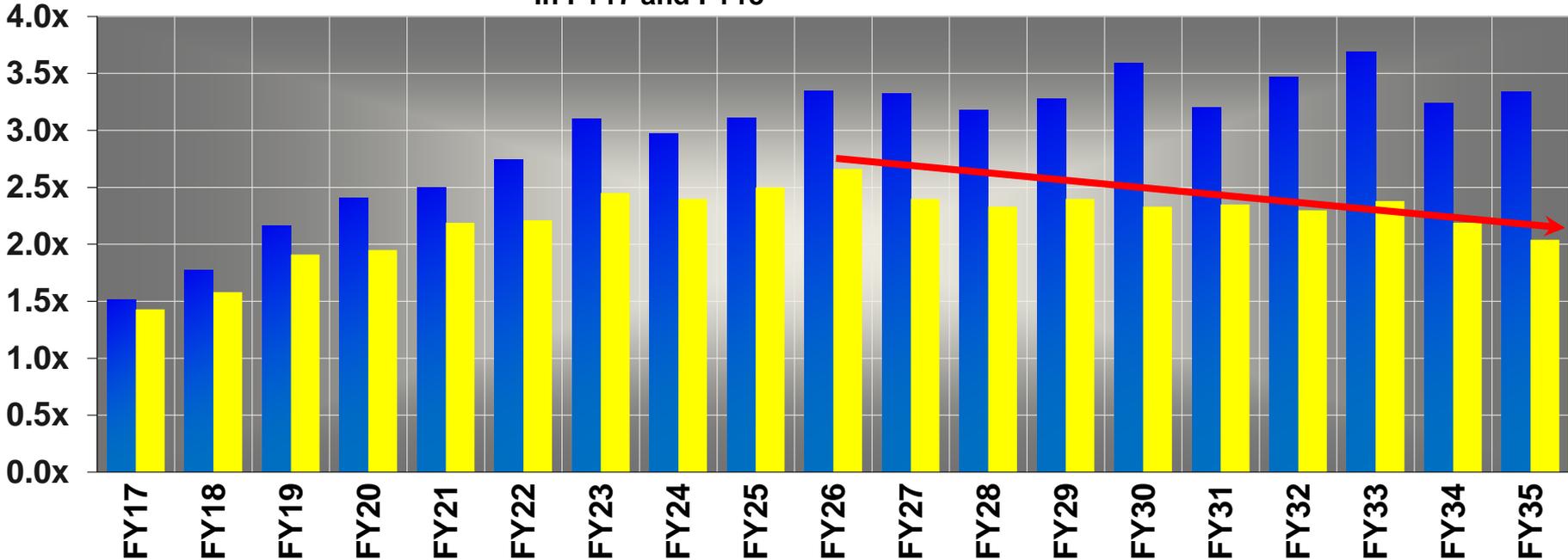


# Total Debt Service Coverage – Adjusted Basis

Coverage ratio (Adjusted Basis)

9% Increase vs 6% Increase  
In FY17 and FY18

■ Proposed    ■ Current



- Interest in modifying rate increases in FY17 and FY18
- Other considerations for FY17 budget

- March 7 – CIP Review Meeting #1
- March 16 – Detailed Budget to Commissioners
- March 22 – Finance Committee Detailed Budget Review
- March 31 – CIP Review Meeting #2
- April 26 – Budget Proposal – Commission
- May 24 – Commission adopts Final Budget



Questions