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TRUST AGREEMENT

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by and between

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HAMPTON ROADS SANITATION DISTRICT

9

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and

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THE BANK OF NEW YORK,

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as Trustee

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Dated as of March 1, 2008

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Securing

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Senior Obligations

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1 **THIS TRUST AGREEMENT**, dated for convenience of reference as of March 1, 2008,
2 by and between

3 **HAMPTON ROADS SANITATION DISTRICT,**

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

6 **THE BANK OF NEW YORK,**

7 a banking corporation duly incorporated and validly existing under the laws of the State of New
8 York and having a corporate trust office in West Paterson, New Jersey, which is authorized
9 under such laws to exercise trust powers and is subject to examination by state authority (said
10 banking corporation and any bank or trust company becoming successor Trustee under this Trust
11 Agreement being hereinafter sometimes called the "Trustee"),

12 **WITNESSETH:**

13 **WHEREAS**, the Hampton Roads Sanitation District (the "District") was duly created
14 under and pursuant to Chapter 407 of the Acts of Assembly of Virginia of 1940, and the
15 Hampton Roads Sanitation District Commission (the "Commission"), created by said Chapter
16 407, is the Commission of the District; and

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

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

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

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



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

4 **WHEREAS**, the District has previously issued its Wastewater Refunding Revenue
5 Bonds, Series 2003 in the aggregate principal amount of \$55,890,000, of which \$32,465,000
6 principal amount is currently outstanding (the "2003 Prior Bonds") and its \$74,000,000
7 Wastewater Revenue Bonds, Series 2007 of which \$74,000,000 principal amount is currently
8 outstanding (the "2007 Prior Bonds" and collectively with the Prior 2003 Bonds, the "Prior
9 Bonds"), pursuant to that certain Master Trust Indenture, dated as of December 1, 1993, as
10 supplemented and amended (the "Master Indenture"), between the District and The Bank of New
11 York, as successor Trustee (the "Prior Trustee"); and

12 **WHEREAS**, the Commission has determined to refund the 2007 Prior Bonds from the
13 proceeds of revenue bonds to be issued by the District pursuant to the Enabling Act; and

14 **WHEREAS**, the Commission has determined to provide for the issuance under the
15 Master Indenture at this time of revenue bonds of the District in the aggregate principal amount
16 of Two Hundred Twenty-Three Million One Hundred Seventy Thousand Dollars (\$223,170,000)
17 (the "2008 Bonds") for the purpose of providing funds, together with other available funds, to (i)
18 refund the 2007 Prior Bonds, (ii) provide funds required to finance a portion of the costs of its
19 2008-2012 Capital Improvement Program and (iii) pay certain expenses incurred in connection
20 with the issuance of the 2008 Bonds by the District; and

21 **WHEREAS**, the Commission has determined, with the consent of all of the holders of
22 the District's 2008 Bonds, to amend and restate the Master Indenture coincidentally with its
23 refunding of the 2007 Prior Bonds and the issuance of the 2008 Bonds, such that immediately
24 following the issuance of its 2008 Bonds, the 2008 Bonds, the outstanding 2003 Prior Bonds and
25 any future Senior Obligations (hereinafter defined) issued or incurred will be secured solely in
26 accordance with the provisions of this Trust Agreement; and

27 **WHEREAS**, the Commission has determined that the Bonds (hereinafter defined) and
28 the certificate of authentication to be endorsed by the Bond Registrar on all Bonds as provided
29 herein shall be, respectively, substantially in the following forms, with such variations, omissions
30 and insertions as are required or permitted by this Trust Agreement:

1
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No. _____

\$ _____

[Form of Bond]

HAMPTON ROADS SANITATION DISTRICT
(Virginia)
WASTEWATER REVENUE BOND
SERIES _____

INTEREST RATE MATURITY DATE DATED DATE CUSIP
_____ % _____, _____ _____, _____

8 Registered Owner: _____

9 Principal Amount: _____

10 Hampton Roads Sanitation District (the "District"), a political subdivision of the
11 Commonwealth of Virginia, by the Hampton Roads Sanitation District Commission (the
12 "Commission"), the Commission of the District, for value received, promises to pay, but solely
13 from the sources and in the manner hereinafter provided, to the registered owner named above,
14 or registered assigns, the principal amount set forth above on the Maturity Date set forth above,
15 upon the presentation and surrender hereof, at the corporate trust office of The Bank of New
16 York (the "Bond Registrar") located on the date hereof at 385 Rifle Camp Road, 3rd Floor, West
17 Paterson, New Jersey 07424, Attention: Corporate Trust Department 23219. The District also
18 promises to pay, solely from such sources, interest on this Bond (calculated based upon a 360-
19 day year consisting of twelve 30-day months) from the interest payment date next preceding the
20 date on which it is authenticated, unless it is authenticated on an interest payment date, in which
21 event it shall bear interest from such date, or unless it is authenticated prior to its dated date in
22 which event it shall bear interest from its date, payable on _____, _____ and semi-annually
23 thereafter on _____ and _____ of each year, at the rate per annum set forth above until
24 the principal sum hereof is paid. The interest so payable and punctually paid or duly provided
25 for, on any interest payment date, will, as provided in the Trust Agreement hereinafter referred
26 to, be paid to the person in whose name this Bond is registered at the close of business on the
27 Regular Record Date for such interest, which shall be the fifteenth (15th) day (whether or not a
28 business day) of the calendar month next preceding such interest payment date. Any such
29 interest not so punctually paid or duly provided for shall forthwith cease to be payable to the
30 registered owner on such Regular Record Date, and may be paid to the person in whose name
31 this Bond is registered at the close of business on a Special Record Date for the payment of such
32 defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof being given to
33 the registered owners not less than ten (10) days prior to such Special Record Date, or may be
34 paid at any time in any other lawful manner not inconsistent with the requirements of any
35 securities exchange on which the Bonds of this series may be listed and upon such notice as may
36 be required by such exchange, or as more fully provided in said Trust Agreement. All such

1 payments shall be made in such coin or currency of the United States of America as at the time
2 of payment is legal tender for payment of public and private debts.

3 [Printed Bonds shall contain the following statement: THE TERMS AND PROVISIONS
4 OF THIS BOND ARE CONTINUED ON THE REVERSE HEREOF AND SHALL FOR ALL
5 PURPOSES HAVE THE SAME EFFECT AS THOUGH SET FORTH AT THIS PLACE.]

6 [This Bond is one of a duly authorized series of revenue [refunding] bonds of the District,
7 designated "Hampton Roads Sanitation District (Virginia) Wastewater [Refunding] Revenue
8 Bonds, Series ____" (the "Bonds"), issued under a trust agreement, dated as of March 1, 2008
9 (said trust agreement together with all supplements and amendments thereto being hereinafter
10 referred to as the "Trust Agreement"), between the District and The Bank of New York, West
11 Paterson, New Jersey, Trustee (said banking corporation and any bank or successor trustee under
12 the Trust Agreement being hereinafter referred to as the "Trustee"). The Bonds are being issued
13 for the purpose of providing funds, together with other available funds, to (i) [refund the
14 District's outstanding _____, (ii) provide [a portion of the
15 funds required to finance the District's Capital Program for the years ___ to _____, and (iii)]
16 pay certain expenses incurred in connection with the issuance of the Bonds.]

17 [[*Series 2008 Bond form only*] This Bond is one of a duly authorized series of revenue
18 and revenue refunding bonds of the District, designated "Hampton Roads Sanitation District
19 (Virginia) Wastewater Revenue Bonds, Series 2008" (the "Bonds"), issued under a master trust
20 indenture dated as of December 1, 1993 as heretofore amended and supplemented and as further
21 amended, supplemented and restated by a trust agreement, dated as of March 1, 2008 (such
22 master trust indenture as so amended and supplemented, the "Master Indenture," and such trust
23 agreement together with all supplements and amendments thereto being hereinafter referred to as
24 the "Trust Agreement"), each between the District and The Bank of New York, West Paterson,
25 New Jersey, Trustee (said banking corporation and any bank or successor trustee under the Trust
26 Agreement being hereinafter referred to as the "Trustee"). The Bonds are being issued for the
27 purpose of providing funds, together with other available funds, to (i) refund the District's
28 outstanding \$74,000,000 Revenue Bonds, Series 2007, (ii) provide a portion of the funds
29 required to finance the District's Capital Improvement Program, and (iii) pay certain expenses
30 incurred in connection with the issuance of the Bonds. By its acceptance of this Bond, the holder
31 hereof agrees to the amendment of the Master Indenture and the restatement thereof as so
32 amended in the form of the Trust Agreement such that, from and after the date hereof, the Bonds
33 shall be secured by and outstanding under the Trust Agreement.]

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

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

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

10 Reference is made to the Trust Agreement for a more complete statement of the
11 provisions thereof and of the rights of the District, the Trustee and the owners of the Bonds.
12 Copies of the Bonds and the Trust Agreement are on file and may be inspected at the corporate
13 trust office of the Trustee in 385 Rifle Camp Road, 3rd Floor, West Paterson, New Jersey 07424,
14 Attention: Corporate Trust Department. By the purchase and acceptance of this Bond, the
15 registered owner hereof signifies assent to all of the provisions of the aforementioned documents.

16 The Bonds are issuable as fully registered Bonds in denominations of \$5,000 or any
17 whole multiple thereof. Bonds may be exchanged at the corporate trust office of the Bond
18 Registrar for the delivery of Bonds, in the manner and subject to the limitations and conditions
19 provided in the Trust Agreement, for an equal aggregate principal amount of Bonds of the same
20 series and maturity, of other authorized denominations and bearing interest at the same rate.

21 The transfer of this Bond is registrable by the registered owner hereof in person or by his
22 attorney or legal representative at the corporate trust office of the Bond Registrar for the delivery
23 of Bonds, but only in the manner and subject to the limitations and conditions provided in the
24 Trust Agreement and upon surrender and cancellation of this Bond. Upon any such registration
25 of transfer, the District shall execute and the Bond Registrar shall authenticate and deliver in
26 exchange for this Bond a new Bond or Bonds, registered in the name of the transferee, of
27 authorized denominations, in an aggregate principal amount equal to the principal amount of this
28 Bond, of the same series and maturity and bearing interest at the same rate.

29 The Bonds of the series of which this Bond is one are [not] subject to redemption by the
30 District in whole or in part prior to the Maturity Date set forth above as provided below:

31 [redemption provisions].

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

38 Upon the occurrence of certain events, and on the conditions, in the manner and with the
39 effect set forth in the Trust Agreement, the principal of all Bonds then Outstanding under the

1 Trust Agreement may become or may be declared due and payable before the stated maturities
2 thereof, together with the interest accrued thereon.

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

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

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

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

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

17 **IN WITNESS WHEREOF**, the Hampton Roads Sanitation District has caused this
18 Bond to be executed in its name and on its behalf with the signatures of the Chairman and the
19 Secretary of the Hampton Roads Sanitation District Commission and the official seal of said
20 Commission to be impressed hereon and this Bond to be dated the ____ day of _____, ____.

21 **HAMPTON ROADS SANITATION DISTRICT**

22 By _____
23 Chairman
24 Hampton Roads Sanitation District Commission

25 By _____
26 Secretary
27 Hampton Roads Sanitation District Commission

28 [SEAL]

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[FORM OF ASSIGNMENT]

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

[Please Print or Typewrite Name and Address of Transferee]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

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.

[To be endorsed on all Bonds]

[FORM OF CERTIFICATE OF AUTHENTICATION]

Date of authentication:

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

THE BANK OF NEW YORK,
Bond Registrar

By _____
Authorized Signatory

1
2 **WHEREAS**, under the Constitution and laws of the Commonwealth of Virginia,
3 including the Enabling Act, the District is authorized to enter into this Trust Agreement, to issue
4 the Bonds as hereinafter provided for the purposes hereinbefore stated, and to do or cause to be
5 done all the acts and things herein provided or required to be done as hereinafter covenanted; and

6 **WHEREAS**, all acts, conditions and things required by the Constitution and laws of the
7 Commonwealth of Virginia, including the Enabling Act, to happen, exist and be performed
8 precedent to and in the execution and delivery of this Trust Agreement have happened, exist and
9 have been performed as so required to make this Trust Agreement a valid and binding trust
10 agreement securing the Bonds in accordance with its terms; and

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

13 **NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH:** that in
14 consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and
15 of the purchase and acceptance of Senior Obligations by the Holders (as hereinafter defined)
16 thereof, and also for and in consideration of the sum of One Dollar in hand paid by the Trustee at
17 or before the execution and delivery of this Trust Agreement, and for other good and valuable
18 consideration, the receipt whereof is hereby acknowledged, and for the purpose of fixing and
19 declaring the terms and conditions upon which are to be issued, authenticated, delivered, secured
20 and accepted by all persons who shall from time to time be or become Holders thereof, and to
21 secure the payment of all Senior Obligations at any time issued and Outstanding under this Trust
22 Agreement and the interest thereon according to their tenor, purport and effect, and to secure the
23 performance and observance of all the covenants, agreements and conditions, express or implied,
24 therein and herein contained, the Commission has executed and delivered this Trust Agreement
25 in the name of and on behalf of the District, and by this Trust Agreement has given, granted,
26 bargained, aliened, remised, released, conveyed, transferred, assigned, confirmed, set over and
27 pledged, and does hereby give, grant, bargain, alien, remise, release, convey, transfer, assign,
28 confirm, set over and pledge unto the Trustee, and its successor or successors in trust, all money
29 and securities held by the Trustee in the Bond Fund and in the Debt Service Reserve Fund (both
30 as hereinafter defined) and, until applied in payment of any item of the Issuance Costs (as
31 hereinafter defined) or Capital Improvement Program Costs (as hereinafter defined) in
32 accordance with Section 403 hereof, all moneys and securities in the Issuance Fund (as
33 hereinafter defined) and Construction Fund (as hereinafter defined).

34 **TO HAVE AND TO HOLD** all the same with all privileges and appurtenances hereby
35 conveyed and assigned, or agreed or intended so to be, to the Trustee and its successor or
36 successors in trust and to them and their assigns forever, subject to the exceptions, reservations
37 and matters herein recited.

38 **IN TRUST, NEVERTHELESS**, upon the terms and trusts herein set forth, for the
39 benefit, security and protection of all and singular the present and future Holders of the Senior
40 Obligations issued or to be issued under and secured by this Trust Agreement, without
41 preference, priority or distinction as to lien or otherwise, except as may otherwise be provided

1 herein, of any one Bond over any other Bond by reason of priority in their issue, sale or
2 otherwise, all as herein provided;

3 Provided, however, that if the District, its successors or assigns, shall well and truly pay,
4 or cause to be paid, or provide for the payment, pursuant to the provisions of this Trust
5 Agreement, of the principal of Senior Obligations and the interest due or to become due thereon,
6 at the times and in the manner mentioned in the Senior Obligations and this Trust Agreement,
7 according to the true intent and meaning thereof and hereof, and shall cause the payments to be
8 made into the Bond Fund as required under this Trust Agreement, and shall pay or cause to be
9 paid to the Trustee all sums of money due or to become due to it in accordance with the terms
10 and provisions hereof, then upon such performance and payments this Trust Agreement and the
11 rights hereby granted shall cease, determine and be void, as provided in Article XII hereof;
12 otherwise this Trust Agreement to be and remain in full force and effect.

13 **THIS TRUST AGREEMENT FURTHER WITNESSETH** and it is expressly declared
14 that all Senior Obligations issued and secured hereunder are to be issued, authenticated,
15 delivered and dealt with, and all said property hereby given, granted, bargained, aliened,
16 remised, released, conveyed, transferred, assigned, confirmed, set over and pledged is to be dealt
17 with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants,
18 agreements, trusts, uses and purposes as hereinafter expressed, and the District has agreed and
19 covenanted, and does hereby agree and covenant, with the Trustee and with the respective
20 Holders, from time to time, of Senior Obligations, or any part thereof, as follows:

21
22 (End of preamble, bond form and granting, habendum and witnessing clauses)

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ARTICLE I.

DEFINITIONS

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

8 **“Accreted Amount”** means with respect to Capital Appreciation Bonds, the
9 amount set forth in the Series Agreement authorizing the issuance of such Capital
10 Appreciation Bonds as the amount representing the initial public offering price, plus the
11 accumulated and compounded interest on such Capital Appreciation Bonds.

12 **“Additional Bonds”** means Bonds, if any, issued by the District, subsequent to
13 the issuance of the 2008 Bonds, under Section 209 of this Trust Agreement, including
14 Additional Bonds issued in exchange for other such Additional Bonds pursuant to Section
15 205 of this Trust Agreement or in replacement for mutilated, destroyed, stolen or lost
16 Additional Bonds pursuant to Section 211 of this Trust Agreement.

17 **“Audited Financial Statements”** means the annual financial statements of the
18 District as audited and reported on by a firm of independent public accountants, such
19 financial statements to include at a minimum balance sheets, statements of revenues,
20 expenses and changes in fund equity and statement of cash flows for the Fiscal Year then
21 ended and the prior Fiscal Year.

22 **“Average Annual Debt Service”** means, at any given time of determination,
23 average annual Principal and Interest Requirements for the Senior Obligations until their
24 final maturity.

25 **“Balloon Long-Term Indebtedness”** means Long-Term Indebtedness 25% or
26 more of the principal payments of which is due in a single year, which portion of the
27 principal is not required by the documents pursuant to which such Indebtedness is issued
28 to be amortized by redemption prior to such date.

29 **“Bond Fund”** means the Hampton Roads Sanitation District (Virginia)
30 Wastewater Revenue Bonds Bond Fund created and so designated by Section 501 of this
31 Trust Agreement.

32 **“Bond Registrar”** means the Bond Registrar at the time serving as such under
33 this Trust Agreement whether the original or a successor bond registrar.

34 **“Bonds”** means the 2003 Prior Bonds, the 2008 Bonds so designated by and
35 issued under Section 208, and any Additional Bonds issued under Section 209, of this
36 Trust Agreement including Bonds issued in exchange for other such Bonds pursuant to
37 Section 205 of this Trust Agreement or in replacement for mutilated, destroyed, stolen or
38 lost Bonds pursuant to Section 211 of this Trust Agreement.

1 **“Business Day”** means any day on which banks in the city in which the principal
2 corporate trust office of the Trustee is located and in New York, New York are open for
3 commercial banking purposes.

4 **“Capital Appreciation Bonds”** means Bonds the interest on which is
5 compounded at the rates and on the dates set forth in the Series Agreement authorizing
6 the issuance of such Bonds and is payable upon redemption or on the maturity date of
7 such Bonds. Nothing in this Trust Agreement shall prohibit the District from designating
8 in such Series Agreement any such Bonds by a name other than Capital Appreciation
9 Bonds.

10 **“Capital Improvement Program Costs”** means and includes all items of cost
11 that may be paid from the proceeds of Indebtedness of the District and includes the items
12 referred to in Section 402 of this Trust Agreement.

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

14 **“Commission”** means the Hampton Roads Sanitation District Commission, which
15 is the Commission of the District.

16 **“Construction Fund”** means the fund created and so designated by Section 402
17 of this Trust Agreement.

18 **“Contracted Services”** means services rendered or facilities provided to the
19 District for the performance for or on behalf of the District of functions similar to those
20 performed by the District from a specific project, projects or systems, pursuant to a
21 contract, whether a financing lease, a service agreement or another arrangement.

22 **“Corporate Trust Office”** means the office of the Trustee at which its principal
23 corporate trust business is conducted, which at the date hereof is located in 385 Rifle
24 Camp Road, 3rd Floor, West Paterson, New Jersey 07424, Attention: Corporate Trust
25 Department.

26 **“Credit Facility”** means a line of credit, letter of credit, standby bond purchase
27 agreement or similar credit enhancement or liquidity facility established to provide credit
28 or liquidity support for Indebtedness.

29 **“Cross-over Date”** means, with respect to Cross-over Refunding Indebtedness,
30 the date on which the principal portion of the related Cross-over Refunded Indebtedness
31 is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

32 **“Cross-over Refunded Indebtedness”** means Indebtedness refunded by
33 Cross-over Refunding Indebtedness.

34 **“Cross-over Refunding Indebtedness”** means Indebtedness issued for the
35 purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness
36 are irrevocably deposited in escrow to secure the payment on the applicable redemption
37 date or maturity date of the refunded Indebtedness, and the earnings on such escrow

1 deposit (i) are required to be applied to pay interest on such Refunding Indebtedness until
2 the Cross-over Date and (ii) shall not be used directly or indirectly to pay interest on the
3 Refunded Indebtedness.

4 “**Current Interest Bonds**” means Bonds the interest on which is payable on the
5 Interest Payment Dates provided therefor in the Series Agreement authorizing the
6 issuance of such Bonds.

7 “**Debt Service Component of Contracted Services**” means that part of the
8 payment for Contracted Services for which the District is obligated to pay that the chief
9 financial officer of the District shall have determined in writing in an Officer’s Certificate
10 at the time the District commits to receive such Contracted Services to be for the purpose
11 of paying a fixed charge or the principal of and interest on obligations, directly or
12 indirectly associated with rendering the Contracted Services, of the person providing the
13 Contracted Services.

14 “**Debt Service Reserve Fund**” means the Hampton Roads Sanitation District
15 (Virginia) Wastewater Revenue Bonds Debt Service Reserve Fund created and so
16 designated by Section 501 of this Trust Agreement.

17 “**Debt Service Reserve Fund Requirement**” means (i) on the date of issuance of
18 the 2008 Bonds (as defined in Section 208), zero (0) and (ii) during any Reserve Funding
19 Period or at such other time as the District may elect to fund the Debt Service Reserve
20 Fund, the least of (A) one hundred percent (100%) of Maximum Annual Debt Service on
21 the Senior Obligations, (B) one hundred twenty-five percent (125%) of Average Annual
22 Debt Service and (C) ten percent (10%) of the stated principal amount of the Senior
23 Obligations; provided, however, that if the Senior Obligations have original issue
24 discount or premium that exceeds two percent (2%) of the stated redemption price at
25 maturity, the initial offering prices to the public will be used in lieu of the stated principal
26 amount for purposes of the ten percent (10%) limitation.

27 “**Defaulted Interest**” means Defaulted Interest as defined in Section 203 of this
28 Trust Agreement.

29 “**Defeasance Obligations**” means noncallable (i) Government Obligations, (ii)
30 evidences of ownership of a proportionate interest in specified Government Obligations,
31 which Government Obligations are held by a bank or trust company organized and
32 existing under the laws of the United States of America or any state thereof in the
33 capacity of custodian, (iii) obligations issued pursuant to Section 21B(d)(3) of the Federal
34 Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions
35 Reform, Recovery and Enforcement Act of 1989, and commonly known as “interest
36 strips” of the Resolution Funding Corporation, (iv) Defeased Municipal Obligations, and
37 (v) evidences of ownership of a proportionate interest in specified Defeased Municipal
38 Obligations, which Defeased Municipal Obligations are held by a bank or trust company
39 organized and existing under the laws of the United States of America or any state
40 thereof in the capacity as custodian.

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

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

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

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

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

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

17 **“Derivative Agreement”** means, without limitation, (i) any contract known as or
18 referred to or which performs the function of an interest rate swap agreement, forward
19 payment conversion agreement or futures contract; (ii) any contract providing for
20 payments based on levels of, or changes or differences in, interest rates or other indices;
21 (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type
22 of contract called, or designed to perform the function of, interest rate floors or caps,
23 options, puts or calls, to hedge or minimize any type of financial risk, including, without
24 limitation, payment, rate or other financial risk; and (v) any other type of contract or
25 arrangement that the District determines is to be used, or is intended to be used, to
26 manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from
27 one form to another or to protect against any type of financial risk or uncertainty.

28 **“Derivative Agreement Counterparty”** means, with respect to a Derivative
29 Agreement, the Person that is identified in such agreement as the counterparty to, or
30 contracting party with, the District.

31 **“Derivative Indebtedness”** means all or any portion of Indebtedness of the
32 District which bears interest at

33 (a) a variable rate for any future period of time meeting the requirements set
34 forth in clauses (a)(i) and (a)(ii) below:

35 (i) the District shall have issued or entered into a Derivative
36 Agreement in respect of all or such portion of such Indebtedness, and

1 (ii) such Derivative Agreement provides that, during the entire period
2 that such Indebtedness bears interest at a variable rate, the District will pay a fixed
3 rate and the provider of the Derivative Agreement will pay (Y) the variable rate
4 borne by such Indebtedness or (Z) a rate determined with reference to an index
5 such as "LIBOR" or "SIFMA" and an Independent Consultant shall provide a
6 letter addressed to the District and the Trustee to the effect that, in the judgment
7 of the Independent Consultant, the rate determined with reference to such an
8 index is an appropriate proxy for the variable rate of interest borne by such
9 Indebtedness, then in either case such Indebtedness, taken together with the
10 Derivative Agreement, shall be deemed to result in a net fixed rate payable by the
11 District for such period of time (the "Hedged Fixed Rate"), for so long as the
12 District and the party(ies) with whom the District has entered into the Derivative
13 Agreement shall make all payments required to be made by the terms of the
14 Derivative Agreement, or

15 (b) a fixed rate for any future period of time meeting the requirements set
16 forth in clauses (b)(i) and (a)(ii) below:

17 (i) the District shall have issued or entered into a Derivative
18 Agreement in respect of all or such portion of such Indebtedness, and

19 (ii) such Derivative Agreement provides that during the entire period
20 that such Indebtedness bears interest at a fixed rate the District will pay a variable
21 rate and the provider of the Derivative Agreement will pay the fixed rate borne by
22 such Indebtedness, then such Indebtedness, taken together with the Derivative
23 Agreement, shall be deemed to result in a net variable rate payable by the District
24 for such period of time (the "Hedged Variable Rate"), assuming the District and
25 the party(ies) with whom the District has entered into the Derivative Agreement
26 make all payments required to be made by the terms of the Derivative Agreement.

27 "District" means the Hampton Roads Sanitation District, a political subdivision
28 of the Commonwealth of Virginia.

29 "District Representative" means each of the persons at the time designated to act
30 on behalf of the District in a written certificate furnished to the Trustee, which certificate
31 shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of
32 the Commission by its Chairman or Vice Chairman or the General Manager of the
33 District.

34 "Enabling Act" means Chapter 66 of the Acts of Assembly of Virginia of 1960,
35 as amended.

36 "Event of Default" means any one or more of those events set forth in Section
37 801 of this Trust Agreement.

38 "Financial Statements" means the unaudited financial statements of the District
39 for the Fiscal Year or other period indicated, pro forma or otherwise, and containing the
40 same financial information as the Audited Financial Statements.

1 **“Fiscal Year”** means the twelve month period beginning on July 1 of one
2 calendar year and ending on June 30 of the following calendar year or such other twelve
3 month period designated by the Commission.

4 **“Fitch”** means Fitch, Inc. (“Fitch Ratings”), a corporation organized and existing
5 under the laws of the State of Delaware, its successors and their assigns, and, if such
6 corporation shall be dissolved or liquidated or shall no longer perform the functions of a
7 securities rating agency, “Fitch” shall be deemed to refer to any other nationally
8 recognized statistical rating organization designated by the District by notice to the
9 Trustee.

10 **“Government Obligations”** means direct obligations of, or obligations the timely
11 payment of principal of and interest on which are fully and unconditionally guaranteed
12 by, the United States of America.

13 **“Hedged Fixed Rate”** means Hedged Fixed Rate as defined in the definition of
14 Derivative Indebtedness.

15 **“Hedged Variable Rate”** means Hedged Variable Rate as defined in the
16 definition of Derivative Indebtedness.

17 **“Holder”** means an owner of any Obligation issued in other than bearer form.

18 **“Income Available for Debt Service”** means, as to any period of twelve
19 consecutive calendar months, the excess of revenues over expenses before depreciation,
20 amortization and interest expense on Long-Term Indebtedness, as determined in
21 accordance with generally accepted accounting principles consistently applied; provided,
22 however, that (1) no determination thereof shall take into account any gain or loss
23 resulting from either the extinguishment of Indebtedness or the sale, exchange or other
24 disposition of capital assets not made in the ordinary course of business, (2) revenues
25 shall include all wastewater facility charges, and (3) revenues shall not include income
26 from the investment of Qualified Escrow Funds to the extent that such income is applied
27 to the payment of principal or interest on Long-Term Indebtedness which is excluded
28 from the determination of Long-Term Debt Service Requirement.

29 **“Indebtedness”** means (i) all indebtedness of the District for borrowed money,
30 (ii) all installment sales, conditional sales and capital lease obligations incurred or
31 assumed by the District, and (iii) the Debt Service Component of Contracted Services.

32 **“Independent Consultant”** means a firm or firms which are not, and no member,
33 stockholder, director, officer, trustee or employee of which is, an officer, director, trustee
34 or employee of the District, and which is a professional management or engineering
35 consultant of national repute for having the skill and experience necessary to render the
36 particular report required by the provision hereof in which such requirement appears.

37 **“Independent Insurance Consultant”** means a firm or Person selected by the
38 District, who is not an officer, director, trustee or employee of the District, and which or
39 who is qualified to survey risks and to recommend insurance coverage for wastewater

1 treatment systems and organizations engaged in such operations and is selected by the
2 District.

3 **“Interest Payment Date”** means each date described as such in a Series
4 Agreement.

5 **“Interest Requirements”** for any Fiscal Year means the amount that is required
6 to pay interest on all Outstanding Senior Obligations.

7 **“Investment Obligations”** means any and all investment obligations authorized
8 by (A) the Investment of Public Funds Act, being Section 2.2-4500 et seq., Code of
9 Virginia, 1950, as amended, (B) the Government Non-Arbitrage Investment Act, being
10 Section 2.2-4700 et seq., Code of Virginia, 1950, as amended, and (C) successor statutes
11 to those described in (A) and (B) above, as the same shall be from time to time amended.

12 **“Issuance Costs”** has the meaning given to such term in Section 401(c).

13 **“Issuance Fund”** means the fund created and so designated by Section 401 of this
14 Trust Agreement.

15 **“Lien”** means any mortgage, deed of trust or pledge of, security interest in or
16 encumbrance on any Property of the District which secures any Indebtedness or any other
17 obligation of the District.

18 **“Liquidity Ratio”** means the ratio determined by dividing (i) the sum of all cash,
19 cash equivalents and marketable securities that do not constitute Restricted Funds held by
20 the District for its various purposes, but not including cash, cash equivalents or securities
21 which constitute proceeds of Indebtedness issued to finance capital improvements or
22 funds held in the Bond Fund (or any similar sinking fund held by a trustee for the
23 payment of Indebtedness) or the Debt Service Reserve Fund by (ii) Maximum Annual
24 Debt Service. For the purposes of the preceding sentence, “Restricted Funds” means
25 funds or other assets of the District the use of which is restricted or limited in such a way
26 that such funds or other assets are not available for general purposes of the District, but
27 shall not include funds or assets designated, restricted or limited by the Commission for
28 specific purposes where such designation, restriction or limitation may be changed at the
29 discretion of the Commission.

30 **“Long-Term Debt Service Coverage Ratio”** means, for any period of time, the
31 ratio determined by dividing the Income Available for Debt Service by Maximum Annual
32 Debt Service.

33 **“Long-Term Debt Service Requirement”** means, for any period of twelve (12)
34 consecutive calendar months for which such determination is made, the aggregate of the
35 payments to be made in respect of principal and interest (whether or not separately stated)
36 on Outstanding Long-Term Indebtedness during such period, also taking into account:

37 (i) with respect to Balloon Long-Term Indebtedness which is not
38 amortized by the terms thereof (a) the amount of principal which would be

1 payable in such period if such principal were amortized from the date of
2 incurrence thereof over a period of the lesser of thirty (30) years or the remaining
3 weighted average useful life of the assets financed or refinanced by such
4 Indebtedness over such period on a level debt service basis at an interest rate
5 equal to the current market rate for a fixed rate obligation set forth in an opinion
6 of a banking institution or an investment banking institution knowledgeable in
7 wastewater treatment system finance delivered to the Trustee as the interest rate at
8 which the District could reasonably expect to borrow the same by issuing a Bond
9 with the same term as the period assumed above; provided, however, that if the
10 date of calculation is within twelve calendar months of the actual maturity of such
11 Indebtedness, the full amount of principal payable at maturity shall be included in
12 such calculation or (b) principal payments or deposits with respect to
13 Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable
14 line of credit with, a bank having a combined capital and surplus of at least
15 seventy-five million dollars (\$75,000,000), or insured by an insurance policy
16 issued by any insurance company rated at least "A" by A. M. Best Company or its
17 successors in Best's Insurance Reports or its successor publication, nominally due
18 in the last Fiscal Year in which such Indebtedness matures may, at the option of
19 the District, be treated as if such principal payments or deposits were due as
20 specified in any credit agreement issued in connection with such letter of credit,
21 line of credit or insurance policy or pursuant to the repayment provisions of such
22 letter of credit, line of credit or insurance policy, and interest on such
23 Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to
24 the terms of such credit agreement or repayment provisions;

25 (ii) with respect to Long-Term Indebtedness which is Variable Rate
26 (but not Hedged Fixed Rate) Indebtedness, the interest on such Indebtedness shall
27 be calculated at 120% of the rate which is equal to the average of the actual
28 interest rates which were in effect (weighted according to the length of the period
29 during which each such interest rate was in effect) for the most recent
30 twelve-month period immediately preceding the date of calculation for which
31 such information is available (or shorter period if such information is not
32 available for a twelve-month period), except that with respect to new Variable
33 Rate Indebtedness the interest rate for such Indebtedness for the initial interest
34 rate period shall be 120% of the average of the SIFMA Swap Index for last 12
35 whole months for which such Index is available and thereafter shall be calculated
36 as set forth above;

37 (iii) with respect to any Credit Facility, (a) to the extent that such
38 Credit Facility has not been used or drawn upon, the principal and interest relating
39 to such Credit Facility shall not be included in the Long-Term Debt Service
40 Requirement and (b) to the extent such Credit Facility has been drawn upon, the
41 payment provisions of such Credit Facility with respect to repayment of principal
42 and interest thereon shall be included in the Long-Term Debt Service
43 Requirement; and

1 (iv) with respect to Derivative Indebtedness, (i) for any historical
2 computation, the interest on such Indebtedness shall be calculated by adding (A)
3 the amount of interest payable by the District on such Derivative Indebtedness
4 pursuant to its terms and (B) the amount of regularly scheduled payments made
5 by the District pursuant to the Derivative Agreement and subtracting (C) the
6 amount of regularly scheduled payments made by the Derivative Agreement
7 Counterparty pursuant to the Derivative Agreement; (ii) for any historical pro
8 forma or forecasted computation, if the Derivative Agreement Counterparty has a
9 long-term credit rating of at least "A" (without regard to any rating refinement or
10 gradation by numerical modifier or otherwise) assigned to it by at least one Rating
11 Agency then rating the Indebtedness and does not have a long-term rating of less
12 than "A" (without regard to any rating refinement or gradation by numerical
13 modifier or otherwise) from any Rating Agency then rating the Indebtedness and
14 has not defaulted on its payment obligations thereunder as of the date of
15 computation, the interest on such Derivative Indebtedness shall be calculated at
16 the Hedged Fixed Rate or the Hedged Variable Rate, as the case may be; and (iii)
17 in all other instances, the amount of interest payable by the District on such
18 Derivative Indebtedness shall be calculated as if such Derivative Agreement had
19 not been executed; and

20 (v) in the case of Indebtedness having the benefit of a Credit Facility
21 that provides for a term loan facility that requires the payment of the principal in
22 one (1) year or more, the Indebtedness shall be considered Balloon Long-Term
23 Indebtedness and shall be assumed to have the maturity schedule provided in
24 clause (i)(a) of this definition;

25 provided, however, that interest shall be excluded from the determination of Long-Term
26 Debt Service Requirement to the extent the same is provided from the proceeds of the
27 Long-Term Indebtedness and provided further, however, notwithstanding the foregoing,
28 the aggregate of the payments to be made with respect to principal and interest on
29 Outstanding Long-Term Indebtedness shall not include principal and interest payable
30 from Qualified Escrow Funds.

31 **"Long-Term Indebtedness"** means all obligations having a maturity of a term
32 longer than one year for borrowed money incurred or assumed by the District, including
33 (a) Short-Term Indebtedness if a commitment by an institutional lender exists to provide
34 financing to retire such Short-Term Indebtedness and such commitment provides for the
35 repayment of principal on terms which would, if such commitment were implemented,
36 constitute Long-Term Indebtedness, and (b) the current portion of Long-Term
37 Indebtedness, for any of the following:

38 (1) money borrowed for an original term, or renewable at the option of the
39 borrower for a period from the date originally incurred, longer than one year;

40 (2) leases which are required to be capitalized in accordance with generally
41 accepted accounting principles having an original term, or renewable at the option of the
42 lessee for a period from the date originally incurred, longer than one year;

1 (3) installment sale or conditional sale contracts having an original term in
2 excess of one year; and

3 (4) the Debt Service Component of Contracted Services in connection with
4 Contracted Services rendered or provided pursuant to a contract having an original term
5 of more than one year.

6 “**Maximum Annual Debt Service**” means, at any given time of determination,
7 the greatest Long-Term Debt Service Requirement for the then current or any succeeding
8 Fiscal Year.

9 “**Maximum Annual Debt Service on the Bonds**” means, at any given time of
10 determination, the maximum Principal and Interest Requirements for the Bonds for the
11 then current or any succeeding Fiscal Year.

12 “**Moody’s**” means Moody’s Investors Service, Inc., a corporation organized and
13 existing under the laws of the State of Delaware, its successors and their assigns, and, if
14 such corporation shall be dissolved or liquidated or shall no longer perform the functions
15 of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally
16 recognized statistical rating organization designated by the District by notice to the
17 Trustee.

18 “**Net Book Value**” when used in connection with Property, Plant and Equipment
19 or other Property, means the value of such property, net of accumulated depreciation, as
20 it is carried on the books of the District in conformity with generally accepted accounting
21 principles.

22 “**Net Revenues**” means all revenues derived by the District from its Wastewater
23 System except such part thereof as may be required to pay the cost of maintaining,
24 repairing and operating such Wastewater System.

25 “**Officer’s Certificate**” means a certificate signed by a District Representative.

26 Each Officer’s Certificate presented pursuant to this Trust Agreement shall state
27 that it is being delivered pursuant to (and shall identify the section or subsection of), and
28 shall incorporate by reference and use in all appropriate instances all terms defined in,
29 this Trust Agreement. Each Officer’s Certificate shall state (i) that the terms thereof are
30 in compliance with the requirements of the section or subsection pursuant to which such
31 Officer’s Certificate is delivered or shall state in reasonable detail the nature of any
32 non-compliance and the steps being taken to remedy such non-compliance and (ii) that it
33 is being delivered together with any opinions, schedules, statements or other documents
34 required in connection therewith.

35 “**Operating Assets**” means any or all land, leasehold interests, buildings,
36 machinery, equipment, hardware, and inventory owned or operated by the District and
37 used in its trade or business, whether separately or together with other such assets, but not
38 including cash, investment securities and other Property held for investment purposes.

1 **“Opinion of Bond Counsel”** means an opinion in writing signed by an attorney
2 or firm of attorneys acceptable to the Trustee and experienced in the field of municipal
3 bonds whose opinions are generally accepted by purchasers of municipal bonds.

4 **“Opinion of Counsel”** means an opinion in writing signed by an attorney or firm
5 of attorneys who may be counsel for the District or other counsel selected by the District.

6 **“Outstanding”**, when used with reference to Bonds, means, as of a particular
7 date, all Bonds theretofore issued under this Trust Agreement, except:

8 (1) Bonds theretofore cancelled by the Bond Registrar or delivered to the
9 Bond Registrar for cancellation;

10 (2) Bonds for the payment of which money, Defeasance Obligations, or a
11 combination of both, sufficient to pay, on the date when such Bonds are to be paid, the
12 principal amount of, and the interest accruing to such date on, the Bonds to be paid, has
13 been deposited with the Trustee or the Bond Registrar in trust for the Holders of such
14 Bonds; Defeasance Obligations shall be deemed to be sufficient to pay Bonds on a
15 specified date if the principal of and the interest on such Defeasance Obligations, when
16 due, will be sufficient to pay on such date the principal of, and the interest accruing on,
17 such Bonds to such date;

18 (3) Bonds in exchange for or in lieu of which other Bonds have been issued;
19 and

20 (4) Bonds deemed to have been paid in accordance with Section 1201 of this
21 Trust Agreement;

22 provided, however, that Bonds owned or held by or for the account of the District or any
23 affiliate or any subsidiary or controlled affiliate of the District shall not be deemed
24 Outstanding Bonds for the purpose of any consent or other action or any calculation of
25 Outstanding Bonds provided for in Article VIII, Article XI and Article XII of this Trust
26 Agreement, and neither the District nor any affiliate, subsidiary or controlled affiliate of
27 the District as registered owners of such Bonds shall be entitled to consent or take any
28 other action provided for in Article VIII, Article XI and Article XII of this Trust
29 Agreement.

30 **“Permitted Liens”** shall have the meaning given in Section 711 hereof.

31 **“Predecessor Bonds”** of any particular Bond means every previous Bond
32 evidencing all or a portion of the same debt as that evidenced by such particular Bond,
33 and, for purposes of this definition, any Bond authenticated and delivered under Section
34 211 of this Trust Agreement in lieu of a lost, destroyed or stolen Bond shall be deemed to
35 evidence the same debt as the lost, destroyed or stolen Bond.

36 **“[P]rincipal”** means (a) with respect to any Capital Appreciation Bond, the
37 Accreted Amount thereof (the difference between the stated amount to be paid at
38 maturity and the Accreted Amount being deemed unearned interest), except as used in

1 connection with the authorization and issuance of Bonds and with the order of priority of
2 payments of Bonds after an Event of Default, in which case “principal” means the initial
3 public offering price of a Capital Appreciation Bond and the difference between the
4 Accreted Amount and the initial public offering price shall be deemed to be interest and
5 (b) with respect to any Current Interest Bond, the principal amount of such Bond payable
6 at maturity or in satisfaction of a sinking fund requirement, if applicable.

7 **“Principal and Interest Requirements”** for any Fiscal Year means the sum of
8 the Principal Requirements and Interest Requirements for such Fiscal Year.

9 **“Principal Payment Date”** means each date described as such in a Series
10 Agreement.

11 **“Principal Requirements”** for any Fiscal Year means the amount required to pay
12 the principal of all Outstanding Bonds coming due in such Fiscal Year.

13 **“Property”** means any and all rights, titles and interests in and to any and all
14 property whether real or personal, tangible or intangible and wherever situated.

15 **“Property, Plant and Equipment”** means all Property of the District which is
16 property, plant and equipment under generally accepted accounting principles.

17 **“Qualified Escrow Funds”** means amounts deposited in a segregated escrow
18 fund, or other similar fund or account, in connection with the issuance of Long-Term
19 Indebtedness which fund is required by the documents establishing such fund to be
20 applied toward the District’s payment obligations with respect to principal or interest on
21 (a) the Long-Term Indebtedness secured thereby which is issued under the documents
22 establishing such fund or (b) Long-Term Indebtedness secured thereby which was issued
23 prior to the establishment of such fund.

24 **“Qualified Reserve Fund Substitute”** means (i) an irrevocable letter of credit,
25 naming the Trustee as beneficiary, issued by any domestic or foreign bank, or any branch
26 or agency thereof, whose long-term debt obligations are rated in one of the two highest
27 rating categories by at least two of the Rating Agencies that shall rate such obligations, or
28 (ii) a policy of reserve fund insurance naming the Trustee as beneficiary, issued by an
29 insurance company or financial institution whose claims paying ability is rated in one of
30 the two highest rating categories by at least two of the Rating Agencies that shall rate
31 such obligations, in either case (A) in an amount not less than the Debt Service Reserve
32 Fund Requirement, (B) the terms of which allow the Trustee to make the draws required
33 by Section 504 of this Trust Agreement and (C) provides that the issuer of which shall
34 not have been given a lien on any portion of the property of the District unless such lien
35 also secures the Bonds on a parity basis.

36 **“Rating Agency”** or **“Rating Agencies”** means one or more of Fitch, Moody’s or
37 Standard & Poor’s for so long as it is a nationally recognized statistical rating
38 organization.

1 **“Regular Record Date”** means the fifteenth (15th) day (whether or not a
2 Business Day) of the month preceding any Interest Payment Date.

3 **“Reserve Funding Period”** means the period beginning at such time, if any,
4 when the District is required to fund the Debt Service Reserve Fund in accordance with
5 Section 706(a) of this Trust Agreement and ending at such time, if any, when the
6 Liquidity Ratio for each of the past two Fiscal Years, as computed based on the Financial
7 Statements as of the end of each Fiscal Year, is equal to or greater than 1.35 and the
8 Long-Term Debt Service Coverage Ratio for each of the past two Fiscal Years, as
9 calculated pursuant to Section 704 of this Trust Agreement, is equal to or greater than
10 1.35.

11 **“Securities Depository”** means The Depository Trust Company, New York, New
12 York or other recognized securities depository selected by the District, which maintains a
13 book-entry system in respect of the Bonds, and shall include any substitute for or
14 successor to the securities depository initially acting as Securities Depository.

15 **“Securities Depository Nominee”** means, as to any Securities Depository, such
16 Securities Depository or the nominee of such Securities Depository in whose name there
17 shall be registered on the registration books maintained by the Bond Registrar the Bond
18 certificates to be delivered to and immobilized at such Securities Depository during the
19 continuation with such Securities Depository of participation in its book-entry system.

20 **“Senior Indebtedness”** means any Senior Obligation incurred or assumed by the
21 District and not evidenced by Bonds which (a) is designated as Senior Indebtedness in the
22 Series Agreement pursuant to which it was incurred, (b) is incurred in compliance with
23 the provisions of Section 705 hereof or is a reimbursement obligation for a Credit Facility
24 supporting Senior Obligations incurred in compliance with the provisions of Section 705
25 hereof, and (c) may be accelerated only in compliance with the procedures set forth in
26 Section 803 hereof.

27 **“Senior Obligations”** means, collectively, Bonds and Senior Indebtedness.

28 **“Series Agreement”** means the supplemental trust agreement entered into or the
29 resolution adopted by the Commission providing for the issuance of Bonds pursuant to
30 Section 208 or Section 209 of this Trust Agreement. A Series Agreement shall include
31 any Officer’s Certificate delivered by a District Representative or Representatives to
32 whom authority has been delegated by the terms of the Series Agreement to provide the
33 details of such Bonds.

34 **“Short-Term Indebtedness”** means all obligations for borrowed money, other
35 than the current portion of Long-Term Indebtedness, incurred or assumed by the District
36 for any of the following:

37 (1) money borrowed for an original term, or renewable at the option of the
38 borrower for a period from the date originally incurred, of one year or less;

1 (2) leases which are capitalized in accordance with generally accepted
2 accounting principles having an original term, or renewable at the option of the lessee for
3 a period from the date originally incurred, of one year or less; and

4 (3) installment purchase or conditional sale contracts having an original term
5 of one year or less.

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

8 “**Standard & Poor’s**” means Standard & Poor’s Ratings Services, a division of
9 The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws
10 of the State of New York, its successors and their assigns, and, if such corporation shall
11 be dissolved or liquidated or shall no longer perform the functions of a securities rating
12 agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized
13 statistical rating organization designated by the District by notice to the Trustee.

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

15 “**Subordinated Indebtedness**” means Indebtedness of the District the terms of
16 which shall provide that it shall be subordinate and junior in right of payment to the prior
17 payment in full of the Senior Obligations to the extent and in the manner set forth below:

18 In the event (a) of any insolvency or bankruptcy proceedings, and any
19 receivership, liquidation, reorganization, arrangement or other similar proceedings in
20 connection therewith, relative to the District or to its Property, or in the event of any
21 proceedings for voluntary liquidation, dissolution or other winding-up of the District
22 whether or not involving insolvency or bankruptcy, (b) any Subordinated Indebtedness is
23 declared or otherwise becomes due and payable before its expressed maturity because of
24 the occurrence of an event of default occurring under the documents pursuant to which
25 such Subordinated Indebtedness is issued; and such declaration has not been rescinded
26 and annulled, or (c) any Event of Default under this Trust Agreement shall occur and be
27 continuing with respect to Senior Obligations and (1) written notice of such default shall
28 have been given to the District and (2) judicial proceedings shall be commenced in
29 respect of such Event of Default within 180 days in the case of a default in payment of
30 principal or interest on Obligations and within 90 days in the case of any other default
31 after the giving of such notice, then the Holders of Senior Obligations shall be entitled to
32 receive payment in full of all principal, premium and interest on all Senior Obligations
33 before the Holders of the Subordinated Indebtedness are entitled to receive any payment
34 on account of principal or interest upon the Subordinated Indebtedness, and to that end
35 the Holders of Senior Obligations shall be entitled to receive for application in payment
36 thereof any payment or distribution of any kind or character, whether in cash or property
37 or securities, which may be payable or deliverable in any such proceedings in respect of
38 the Subordinated Indebtedness after giving effect to any concurrent payment or
39 distribution in respect of such Senior Obligations.

1 "Supplement" means an agreement, including a Series Agreement, supplemental
2 to, and authorized and executed pursuant to the terms of, this Trust Agreement.

3 "Tax-exempt" with reference to Bonds or other Senior Obligations means any
4 Senior Obligations so designated in the related Series Agreement.

5 "Tax Certificate" means a certificate or comparable instrument of the District
6 that contains undertakings of the District with reference to Tax-exempt Senior
7 Obligations.

8 "Total Operating Revenues" means, with respect to the District, as to any period
9 of time, total operating revenues as determined in accordance with generally accepted
10 accounting principles consistently applied.

11 "Trust Agreement" means this trust agreement, including any Series Agreement
12 and any other trust agreement amendatory hereof or supplemental hereto.

13 "Variable Rate Indebtedness" means any portion of Indebtedness the interest
14 rate on which is not established at the time of incurrence at a fixed or constant rate until
15 maturity.

16 "Wastewater System" means the wastewater treatment system of the District as
17 it may at any time exist, and includes all improvements and expansions thereof and
18 additions thereto except as may otherwise be provided by resolution of the Commission.

19 **Section 102. Rules of Construction.** (a) Words of the masculine gender shall be
20 deemed and construed to include correlative words of the feminine and neuter genders. Unless
21 the context shall otherwise indicate, the words "Senior Obligation", "Bond", "owner", "Holder"
22 and "person" shall include the plural as well as the singular number and the word "person" shall
23 mean any individual, corporation, limited liability company, partnership, joint venture,
24 association, joint stock company, trust, unincorporated organization or government or any
25 agency or political subdivision thereof.

26 (b) Any provision of this Trust Agreement referring to actions to be taken by the
27 District shall be deemed to refer to the Commission to the extent that the Enabling Act authorizes
28 the Commission to take such action instead of the District.

29 (c) Unless the context clearly requires that the determination be made on a cash basis,
30 all determinations with respect to the calculation of Income Available for Debt Service, Long-
31 term Debt Service Coverage Ratio, Long-Term Debt Service Requirement, interest, principal,
32 Interest Requirements, Principal Requirements, indebtedness of the District and the incurrence
33 tests in Section 705 shall be made with reference to the District's Audited Financial Statements
34 or Financial Statements, as the case may be, and generally accepted accounting principles
35 consistently applied.

36 (End of Article I)

1
2 **ARTICLE II.**

3
4 **DETAILS OF BONDS; ISSUANCE OF BONDS, SENIOR INDEBTEDNESS**

5 **Section 201. Limitation on Indebtedness.** (a) The District may incur indebtedness
6 by issuing Bonds or incurring Senior Indebtedness hereunder or by creating Subordinated
7 Indebtedness under any other document. The principal amount of Senior Obligations evidencing
8 Indebtedness that may be created hereunder and the principal amount of Indebtedness that may
9 be created under other documents are not limited except as limited by the provisions hereof,
10 including Section 705, or the provisions of any other document securing Senior Obligations.

11 (b) No Bonds or other Senior Obligations may be issued under the provisions of this
12 Trust Agreement except in accordance with the provisions of this Article.

13 A. Senior Obligations shall be issued or incurred in such forms as may from
14 time to time be created by Series Agreements permitted hereunder. Each Senior
15 Obligation or series of Senior Obligations shall be created by a different Series
16 Agreement and shall be designated in such a manner as will differentiate such Senior
17 Obligations from any other Senior Obligations.

18 B. The District and the Trustee may from time to time enter into a Series
19 Agreement or the Commission may from time to time adopt a Series Agreement in order
20 to create Senior Obligations hereunder. Each such Series Agreement shall, with respect
21 to Senior Obligations created thereby, set forth the date thereof, and the date or dates on
22 which the principal of and redemption premium, if any, and interest on such Senior
23 Obligations shall be payable, and the form of such Senior Obligations and such other
24 terms and provisions as shall conform with the provisions hereof.

25 C. With respect to Senior Obligations created hereunder, simultaneously with
26 or prior to the execution, authentication and delivery of such Senior Obligations pursuant
27 to this Trust Agreement:

28 (i) All requirements and conditions to the issuance of such Senior
29 Obligations, if any, set forth in the Series Agreement or in this Trust Agreement
30 shall have been complied with and satisfied, as provided in an Officer's
31 Certificate, a certified copy of which shall be delivered to the Trustee; and

32 (ii) The District shall have delivered to the Trustee an Opinion of
33 Counsel to the effect that (1) registration of such Senior Obligations under the
34 Securities Act of 1933, as amended, and qualification of this Trust Agreement or
35 the Supplement or resolution under the Trust Indenture Act of 1939, as amended,
36 are not required, or, if such registration or qualification is required, that all
37 applicable registration and qualification provisions of said acts have been
38 complied with, and (2) the Trust Agreement, the Series Agreement and the Senior
39 Obligations are valid, binding and enforceable obligations of the District in
40 accordance with their terms, except as enforceability may be limited by

1 bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors'
2 rights generally and usual equity principles.

3 (c) Bonds authorized hereunder may be issued in one or more series that may be
4 delivered from time to time. The District shall by Series Agreement authorize such series and
5 shall specify, to the extent appropriate, (1) the authorized principal amount of such series; (2) the
6 purposes to be financed with the proceeds of such series, or the Bonds or other indebtedness to
7 be refunded or refinanced with the proceeds thereof, including costs of issuance; (3) the funding
8 of the Debt Service Reserve Fund, if any; (4) the date and terms of maturity or maturities of the
9 Bonds of such series, or the dates of payment of the Bonds on the demand of the Owner thereof;
10 (5) the interest rate or rates of the Bonds of such series, which may include variable, adjustable,
11 convertible or other rates, original issue discount, Capital Appreciation Bonds, Current Interest
12 Bonds, municipal multipliers or other deferred interest arrangements and zero interest rate
13 Bonds, provided that the interest cost of such series shall never exceed for such series the
14 maximum interest rate, if any, permitted by law in effect at the time such series is issued; (6) the
15 Interest Payment Dates for such series of Bonds; (7) the denominations, numbering, lettering and
16 series designation of such series of Bonds; (8) the paying agents and place or places of payment
17 of such Bonds; (9) any terms of redemption not inconsistent with the provisions of this Trust
18 Agreement, which may include redemption at the election of the Owner thereof to the extent
19 permitted by law; (10) the amount and date of each mandatory sinking fund or other redemption
20 requirement, if any, for such series of Bonds; (11) the use to be made of the proceeds of such
21 series of Bonds, including deposits required to be made into the Issuance Fund; and (12) any
22 other terms or provisions applicable to the series of Bonds not inconsistent with the provisions of
23 this Trust Agreement or the Act. All of the foregoing may be added by a Series Agreement at
24 any time or from time to time prior to the issuance of such series of Bonds.

25 **Section 202. Form and Numbering of Bonds.** Except as otherwise provided in a
26 Series Agreement, the definitive Bonds are issuable in fully registered form in denominations of
27 \$5,000 or any whole multiple thereof and shall be substantially in the form hereinabove set forth,
28 with such appropriate variations, omissions and insertions as may be necessary or appropriate to
29 conform to the provisions of this Trust Agreement. All Bonds may have endorsed thereon such
30 legends or text as may be necessary or appropriate to conform to any applicable rules and
31 regulations of any governmental authority or of any securities exchange on which the Bonds may
32 be listed or any usage or requirement of law with respect thereto.

33 **Section 203. Details of Bonds.** The Bonds shall be dated and shall be stated to mature,
34 all as provided in the applicable Series Agreement.

35 Each Bond shall bear interest from the Interest Payment Date next preceding the date on
36 which it is authenticated unless it is (a) authenticated upon any Interest Payment Date in which
37 event it shall bear interest from such Interest Payment Date or (b) authenticated prior to the first
38 Interest Payment Date in which event it shall bear interest from its date; provided, however, that
39 if at the time of authentication of any Bond interest is in default, such Bond shall bear interest
40 from the date to which interest has been paid.

1 The Bonds shall be executed with the manual or facsimile signatures of the Chairman or
2 Vice-Chairman of the Commission and of the Secretary or any Assistant Secretary of the
3 Commission and a facsimile of the official seal of the Commission shall be printed thereon.

4 In case any officer a facsimile of whose signature shall appear on any Bonds shall cease
5 to be such officer before the delivery of such Bonds, such facsimile shall nevertheless be valid
6 and sufficient for all purposes the same as if he had remained in office until such delivery, and
7 also any Bonds may bear the facsimile signatures of such persons as at the actual time of the
8 execution of such Bonds shall be the proper officers to sign such Bonds although at the date of
9 such Bonds such persons may not have been such officers.

10 Both the principal of and the interest on the Bonds shall be payable in any coin or
11 currency of the United States of America that is legal tender for the payment of public and
12 private debts on the respective dates of payment thereof. The principal of all Bonds shall be
13 payable at the corporate trust office of the Bond Registrar for the delivery of Bonds upon the
14 presentation and surrender of such Bonds as the same shall become due and payable.

15 Interest on any Bond which is payable, and is punctually paid or duly provided for, on
16 any Interest Payment Date shall be paid by check mailed to the person in whose name that Bond
17 is registered at the close of business on the Regular Record Date.

18 Any interest on any Bond which is payable, but is not punctually paid or duly provided
19 for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be
20 payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder
21 having been such Holder; and such Defaulted Interest may be paid by the District, at its election
22 in each case, as provided in Subsection A or B below:

23 A. The District may elect to make payment of any Defaulted Interest on the
24 Bonds to the persons in whose names such Bonds (or their respective Predecessor Bonds) are
25 registered at the close of business on a Special Record Date for the payment of such Defaulted
26 Interest, which shall be fixed in the following manner. The District shall notify the Trustee in
27 writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the
28 proposed payment (which date shall be such as will enable the Trustee to comply with the next
29 sentence hereof), and at the same time the District shall deposit or cause to be deposited with the
30 Trustee an amount of money equal to the sum of the unpaid fees and expenses of the Trustee, if
31 any, and the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall
32 make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed
33 payment, such money when deposited to be held in trust for the benefit of the persons entitled to
34 such Defaulted Interest as in this subsection provided. Thereupon the Trustee shall fix a Special
35 Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15)
36 nor fewer than ten (10) days prior to the date of the proposed payment and not fewer than ten
37 (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee
38 shall promptly notify the District of such Special Record Date and, in the name and at the
39 expense of the District, shall cause notice of the proposed payment of such Defaulted Interest
40 and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at
41 his address as it appears in the registration books maintained under Section 206 of this Trust
42 Agreement not fewer than ten (10) days prior to such Special Record Date; provided that such

1 notice shall be sent by registered or certified mail or overnight express delivery to any Holder
2 which is a Securities Depository Nominee. Notice of the proposed payment of such Defaulted
3 Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted
4 Interest shall be paid to the persons in whose names the Bonds (or their respective Predecessor
5 Bonds) are registered on such Special Record Date and shall no longer be payable pursuant to the
6 following subsection B.

7 B. The District may make payment of any Defaulted Interest on the Bonds in
8 any other lawful manner not inconsistent with the requirements of any securities exchange on
9 which such Bonds may be listed and upon such notice as may be required by such exchange, if,
10 after notice given by the District to the Trustee of the proposed payment pursuant to this
11 Subsection, such payment shall be deemed practicable by the Trustee.

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

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

28 **Section 205. Exchange of Bonds.** Bonds, upon surrender thereof at the corporate trust
29 office of the Bond Registrar for the delivery of Bonds, together with an assignment duly
30 executed by the registered owner or his attorney or legal representative in such form as shall be
31 satisfactory to the Bond Registrar, may, at the option of the registered owner thereof, be
32 exchanged for an equal aggregate principal amount of Bonds of the same maturity, of any
33 denomination or denominations authorized by this Trust Agreement, bearing interest at the same
34 rate, and in the same form as the registered Bonds surrendered for exchange.

35 The District shall make provision for the exchange of the Bonds at the corporate trust
36 office of the Bond Registrar for the delivery of Bonds.

37 **Section 206. Negotiability, Registration and Transfer of Bonds.** The Bank of New
38 York is hereby appointed as Bond Registrar and as such shall keep books for the registration and
39 registration of transfer of Bonds as provided in this Trust Agreement. Said registration books
40 shall be available at all reasonable times for inspection by the District, the Trustee and their
41 agents and representatives, and the Bond Registrar shall provide to the Trustee and the District,

1 upon their written request, an accurate copy of the names and addresses of the Holders set forth
2 on such books.

3 The Bond Registrar shall evidence acceptance of the duties, responsibilities and
4 obligations of the Bond Registrar under this Trust Agreement by the execution of the Certificate
5 of Authentication on the Bonds.

6 The transfer of any Bond may be registered only upon the books kept for the registration
7 and registration of transfer of Bonds upon surrender thereof to the Bond Registrar together with
8 an assignment duly executed by the registered owner or such owner's attorney or legal
9 representative in such form as shall be satisfactory to the Bond Registrar. Upon any such
10 registration of transfer the District shall execute and the Bond Registrar shall authenticate and
11 deliver in exchange for such Bond a new registered Bond or Bonds, registered in the name of the
12 transferee, of any denomination or denominations authorized by this Trust Agreement in the
13 aggregate principal amount equal to the principal amount of such Bond surrendered or
14 exchanged, of the same maturity and bearing interest at the same rate.

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

23 **Section 207. Ownership of Bonds.** The District, the Trustee, the Bond Registrar and
24 any agent of the District may treat the person in whose name any Bond is registered as the owner
25 of such Bond for the purpose of receiving payment of principal of and interest on such Bond, and
26 for all other purposes whatsoever, whether or not such Bond be overdue, and, to the extent
27 permitted by law, neither the District, the Trustee, the Bond Registrar nor any such agent shall be
28 affected by notice to the contrary.

29 **Section 208. Authorization of Series 2008 Bonds.** There shall be issued under and
30 secured by this Trust Agreement a series of revenue bonds of the District designated "Hampton
31 Roads Sanitation District (Virginia) Wastewater Revenue Bonds, Series 2008" (the "2008
32 Bonds") for the purpose of (i) refunding the principal amount of the 2007 Prior Bonds, (ii)
33 paying a portion of the Capital Improvement Program Costs and (iii) paying the Issuance Costs
34 of the 2008 Bonds.

35 The 2008 Bonds shall be stated to mature, shall bear interest and may be made subject to
36 mandatory and optional redemption, and shall have such other details, all as provided in the
37 related Series Agreement.

38 The 2008 Bonds shall be executed substantially in the form and in the manner
39 hereinabove set forth and shall be deposited with the Bond Registrar for authentication, but

1 before the Bonds shall be delivered by the Bond Registrar, there shall be filed or deposited with
2 the Trustee the following:

3 (a) a copy, certified by the Secretary or any Assistant Secretary of the Commission,
4 of the resolution of the Commission authorizing the execution of this Trust Agreement, the 2008
5 Bonds and this Trust Agreement, designating the Trustee and the Bond Registrar, approving the
6 award of, or authorizing Designated Representatives to award, the Bonds, and directing the
7 authentication and delivery of the Bonds to or upon the order of the purchasers thereof upon
8 payment of the purchase price of the Bonds and the accrued interest thereon;

9 (b) a fully executed counterpart of this Trust Agreement;

10 (c) the fully executed Bonds;

11 (d) copies of insurance certificates and a statement, signed by the Independent
12 Insurance Consultant of the District, to the effect that the insurance required by this Trust
13 Agreement is in effect;

14 (e) an Opinion of Counsel for the District substantially to the effect that (1) the
15 District has the power and authority to execute and deliver this Trust Agreement and the Bonds
16 and to consummate the transactions contemplated by such instruments; (2) this Trust Agreement
17 and the Bonds have been duly authorized, executed and delivered by the District; (3) the District
18 has received, and there are currently in full force and effect with respect to the District, all
19 consents, approvals, authorizations and orders of governmental or regulatory authorities, if any,
20 necessary to conduct its business as it is currently being conducted; and (4) the execution and
21 delivery of this Trust Agreement and the Bonds by the District and its compliance with the terms
22 of such instruments, under the circumstances contemplated by such instruments, do not and will
23 not in any material respect conflict with, or constitute on the part of the District a breach of or
24 default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the
25 District is a party or by which the District or any of its property is bound or conflict with, violate
26 or result in a breach of any law, public administrative rule or regulation, judgment, court order or
27 consent decree to which the District or any of its property is subject; and

28 (f) an Opinion of Bond Counsel to the District, which may be given in reliance on the
29 Opinion of Counsel to the District described in clause (e)(2) above, to the effect that this Trust
30 Agreement and the Bonds constitute valid and binding agreements of the District, enforceable in
31 accordance with their terms, except to the extent that the enforceability of the same may be
32 limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or by usual
33 equity principles; and

34 (g) an Opinion of Bond Counsel to the District to the effect that the 2007 Prior Bonds
35 have been defeased pursuant to the Master Indenture (in giving this opinion, Bond Counsel may
36 rely on related Officer's Certificates and certificates of the Trustee).

37 When the documents mentioned in paragraphs (a) to (g), inclusive, of this Section shall
38 have been filed with the Trustee and when the 2008 Bonds shall have been executed and
39 authenticated as required by this Trust Agreement, the Trustee shall deliver the 2008 Bonds at
40 one time to or upon the order of the purchasers named in the resolution mentioned in paragraph

1 (a) of this Section, but only upon payment to the Trustee of the purchase price of the Bonds and
2 the accrued interest thereon. The Trustee shall be entitled to rely upon the resolution mentioned
3 in paragraph (a) of this Section as to all matters stated therein.

4 Simultaneously with the delivery of the 2008 Bonds, the proceeds thereof shall be applied
5 by the Trustee as provided in the related Series Agreement.

6 **Section 209. Terms and Conditions for Incurrence of Indebtedness.** (a) The
7 District covenants and agrees that it will not incur any Indebtedness, other than the 2008 Bonds,
8 if, after giving effect to all other Indebtedness incurred by the District, such Indebtedness could
9 not be incurred pursuant to this Section 209. Indebtedness may be incurred only in the manner
10 and pursuant to the terms set forth in the following subsections.

11 (b) Additional Bonds, that is Bonds in addition to the 2008 Bonds, and other Senior
12 Obligations may be issued or incurred if, prior to incurrence thereof, the District shall file or
13 cause to be filed with the Trustee an Officer's Certificate (which may rely upon certificates or
14 other evidence prepared by the officials of the Fund) demonstrating and stating that the
15 incurrence test in Section 705, if applicable by its terms, will be met with respect to such
16 separate issuance of Additional Bonds or incurrence of other Senior Obligations. The District
17 may incur Senior Obligations in one or more separate issuances, which Senior Obligations may
18 be issued in any form or combination of forms permitted by this Trust Agreement.

19 (i) Before any Additional Bonds shall be issued or other Senior Obligations
20 incurred, the District shall execute and deliver or adopt a Series Agreement authorizing
21 the issuance of such Bonds or the incurrence of such other Senior Obligations, fixing the
22 amount and the details thereof as provided in Sections 202 and 203 hereof and describing
23 in brief and general terms the purpose for issuing such Senior Obligations. Bonds may be
24 issued and Senior Indebtedness may be incurred for any purpose permitted under the Act.

25 (ii) The District in the Series Agreement may determine to fund the Debt
26 Service Reserve Fund to an amount equal to the Debt Service Reserve Fund
27 Requirements and fix the provisions with respect thereto or not to make any deposit to
28 the Debt Service Reserve Fund.

29 (iii) The Additional Bonds of each series shall be designated "Hampton Roads
30 Sanitation District (Virginia) Wastewater Revenue Bonds [Notes], [Refunding] Series
31 " (inserting the year such Bonds are issued and any other distinctive letter or
32 number), shall be stated to mature, subject to the right of prior redemption as therein set
33 forth, on the date or dates specified therein, in such year or years not later than maximum
34 maturity permitted by law, shall bear interest at a rate or rates not exceeding the
35 maximum rate then permitted by law, shall be numbered and shall have such redemption
36 provisions, all as provided in the Series Agreement. Except as to any differences in the
37 maturities thereof or in the rate or rates of interest or the provisions for redemption or the
38 provisions regarding the respective accounts and subaccounts within the Bond Fund and
39 the Debt Service Reserve Fund, all such Additional Bonds shall be on a parity with each
40 other and the 2008 bonds and any Senior Indebtedness and shall be entitled to the same

1 benefit and security of this Trust Agreement, including, in particular, the pledge of
2 Revenues in Section 701.

3 (iv) The proceeds (including accrued interest) of the Additional Bonds and the
4 proceeds, if any, of any other Senior Obligations shall be applied simultaneously with the
5 delivery thereof as provided in the Series Agreement for the particular Senior
6 Obligations.

7 (v) In the case of Senior Obligations issued to refund Outstanding Senior
8 Obligations, the District may direct the Trustee (A) to withdraw moneys and Investment
9 Obligations from the Bond Fund and the Debt Service Reserve Fund and any appropriate
10 accounts therein to the extent that, following the issuance of such refunding Senior
11 Obligations and the defeasance of such refunded Senior Obligations, such moneys and
12 Investment Obligations would be in excess of the requirements of this Trust Agreement
13 and (B) to set aside such moneys and Investment Obligations so withdrawn, together with
14 proceeds of the refunding Senior Obligations and any other moneys provided by the
15 District, to effect the defeasance of such refunded Senior Obligations in accordance with
16 the provisions of the Supplement applicable to the refunded Senior Obligations.

17 (c) Subordinated Indebtedness may be incurred subject to the provisions of Section
18 705 hereof.

19 **Section 210. Temporary Bonds.** Until definitive Bonds are ready for delivery, there
20 may be executed, and upon request of the District, the Bond Registrar shall authenticate and
21 deliver, in lieu of definitive Bonds and subject to the same limitations and conditions,
22 typewritten, printed, engraved or lithographed temporary Bonds, in the form of fully registered
23 Bonds in denominations of \$5,000 or any whole multiple thereof, substantially of the tenor of the
24 Bonds set forth in this Trust Agreement and with such appropriate omissions, insertions and
25 variations as may be required.

26 Until definitive Bonds are ready for delivery, any temporary Bond may, if so provided by
27 the Commission by resolution, be exchanged at the corporate trust office of the Bond Registrar
28 for the delivery of Bonds, without charge to the Holder thereof, for an equal aggregate principal
29 amount of temporary fully registered Bonds of authorized denominations, of like tenor, of the
30 same maturity and bearing interest at the same rate.

31 If temporary Bonds shall be issued, the District shall cause the definitive Bonds to be
32 prepared and to be executed and delivered to the Bond Registrar, and the Bond Registrar, upon
33 presentation to it at its corporate trust office for the delivery of Bonds, of any temporary Bond,
34 shall cancel the same and authenticate and deliver in exchange therefor at the place designated
35 by the Holder, without charge to the Holder thereof, a definitive Bond or Bonds of an equal
36 aggregate principal amount, of the same maturity and bearing interest at the same rate as the
37 temporary Bond surrendered. Until so exchanged, the temporary Bonds shall in all respects be
38 entitled to the same benefit and security of this Trust Agreement as the definitive Bonds to be
39 issued and authenticated hereunder.

1 **Section 211. Mutilated, Destroyed, Stolen or Lost Bonds.** In case any Bond secured
2 hereby shall become mutilated or be destroyed, stolen or lost, the District shall cause to be
3 executed, and the Bond Registrar shall authenticate and deliver, a new Bond of like date and
4 tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in
5 lieu of and in substitution for such Bond destroyed, stolen or lost, and the Holder shall pay the
6 reasonable expenses and charges of the District and the Bond Registrar in connection therewith
7 and, in case of a Bond destroyed, stolen or lost, the Holder shall file with the Bond Registrar
8 evidence satisfactory to it and to the District that such Bond was destroyed, stolen or lost, and of
9 his ownership thereof, and shall furnish the District and the Bond Registrar indemnity
10 satisfactory to them.

11 Every Bond issued pursuant to the provisions of this Section 211 in exchange or
12 substitution for any Bond which is mutilated, destroyed, stolen or lost shall constitute an
13 additional contractual obligation of the District, whether or not the destroyed, stolen or lost Bond
14 shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits
15 hereof equally and proportionately with any and all other Bonds duly issued under this Trust
16 Agreement. All Bonds shall be held and owned upon the express condition that the foregoing
17 provisions are exclusive with respect to the replacement or payment of mutilated, destroyed,
18 stolen or lost Bonds, and shall preclude any and all other rights or remedies, notwithstanding any
19 law or statute existing or hereafter enacted to the contrary with respect to the replacement or
20 payment of negotiable instruments or other securities without their surrender.

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(End of Article II)

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ARTICLE III.

REDEMPTION OF PARITY OBLIGATIONS

Section 301. Redemption of Senior Obligations. Senior Obligations may be made subject to optional and mandatory redemption by the District prior to their respective maturities as provided in Series Agreements.

(End of Article III)

1 ARTICLE IV.

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3 ISSUANCE AND CONSTRUCTION FUNDS

4 **Section 401. Issuance Fund.** (a) A special fund is hereby established with the
5 Trustee and designated Hampton Roads Sanitation District (Virginia) Wastewater Revenue
6 Bonds Issuance Fund. The Trustee shall make the deposit to the Issuance Fund required by the
7 provisions of Section 208 of this Trust Agreement and any Series Agreement.

8 (b) The money in the Issuance Fund shall be held by the Trustee in trust and, subject
9 to the provisions of Section 405 of this Trust Agreement, shall be applied to the payment of
10 Issuance Costs and, pending such application, shall be subject to a lien and charge in favor of the
11 Holders and for the further security of such Holders until paid out or transferred as provided in
12 this Article IV.

13 (c) All issuance costs ("Issuance Costs") incurred in connection with the Bonds and
14 to be financed from the proceeds of the sale of the Bonds shall be paid only from the Issuance
15 Fund. Examples of such issuance costs include, but are not limited to, the following, if any:

16 (i) counsel fees (including bond counsel, underwriter's counsel, issuer's
17 counsel, trustee's counsel, as well as any other specialized counsel, fees and expenses
18 incurred in connection with the issuance of the Bonds);

19 (ii) financial advisor fees incurred in connection with the issuance of the
20 Bonds;

21 (iii) Rating Agency fees;

22 (iv) depositary fees incurred in connection with the issuance of the Bonds;

23 (v) trustee, paying agent and certifying and authenticating agent fees related
24 to the issuance of the Bonds;

25 (vi) accountant fees related to the issuance of the Bonds;

26 (vii) printing costs (for the Bonds and of preliminary and final offering
27 materials);

28 (viii) costs incurred in connection with the required public approval process
29 (e.g., publication costs for public notices generally and costs of the public hearing or
30 voter referendum); and

31 (ix) costs of engineering and feasibility studies necessary to the issuance of the
32 Bonds.

33 **Section 402. Construction Fund.** (a) A special fund is hereby established with the
34 Trustee and designated Hampton Roads Sanitation District (Virginia) Wastewater Revenue

1 Bonds Construction Fund. The Trustee shall make the deposit to the Construction Fund required
2 by the provisions of Section 208 of this Trust Agreement and any Series Agreement.

3 (b) The money in the Construction Fund shall be held by the Trustee in trust and,
4 subject to the provisions of Section 405 of this Trust Agreement, shall be applied to the payment
5 of Capital Improvement Program Costs and, pending such application, shall be subject to a lien
6 and charge in favor of the Holders and for the further security of such Holders until paid out or
7 transferred as provided in this Article IV for the further security of such Holders until paid out or
8 transferred as provided in this Article IV.

9 (c) All Capital Improvement Program Costs to be financed from the proceeds of the
10 sale of the Bonds shall be paid only from the Construction Fund. Examples of such Capital
11 Improvement Program Costs include, but are not limited to, the following, if any:

12 (i) the costs of preparation of surveys, cost estimates, appraisals, plans and
13 specifications for, and fees for architectural, engineering, supervisory and consulting
14 services, planning and development costs of, the costs of obtaining governmental or
15 regulatory permits, licenses, franchises and approvals for, and estimates of Net Revenues
16 and any other fees or expenses necessary or incidental to determining the feasibility or
17 practicability of, any project;

18 (ii) the cost of acquiring by purchase, and the amount of any deposit in court
19 or award or final judgment in, or any settlement or compromise of, any proceeding to
20 acquire by eminent domain, such lands, property, property rights, rights of way,
21 easements, franchises and other interests as may be deemed necessary or convenient for,
22 options and partial payments thereon, the cost of demolishing or removing or relocating
23 any buildings or structures or land so acquired, including the cost of acquiring any lands
24 to which such buildings or structures may be moved, and the amount of any damages
25 incident to or consequent upon, the construction and operation of the Wastewater System;

26 (iii) all costs incurred in connection with the planning, investigating, licensing,
27 siting, permitting, engineering, financing, equipping, construction and acquisition of a
28 project for the Wastewater System, including the costs of any wastewater treatment plant
29 or necessary transmission or interceptor lines or improvements required to interconnect
30 any of the transmission or interceptor lines with any treatment plant, inventories, working
31 capital, spares and other start up related costs, related environmental compliance costs,
32 legal, engineering, accounting, advisory and other financing costs relating thereto;

33 (iv) all costs incurred in connection with the refurbishing, improving,
34 repairing, replacement, retiring, decommissioning or disposing of any facility of the
35 Wastewater System, or otherwise paid or incurred or to be paid or incurred by or on
36 behalf of the District, all costs related to the acquisition and construction of any project,
37 including, without limitation, contractors' fees and charges, the cost of labor, services,
38 materials and supplies used or furnished in site improvement and construction, and the
39 purchase of machinery, equipment, facilities, rolling stock and ancillary items and the
40 cost of utility services;

1 (v) all administrative services and overheads necessary or incidental to any
2 project, including salaries, wages and benefits of employees and agents, of the District
3 and a reasonable allowance for working capital related to the acquisition, construction
4 and operation of any project and for a reasonable period after the completion thereof;

5 (vi) Issuance Costs for which funds are not available in the Issuance Fund;

6 (vii) interest to accrue on the Bonds to the completion of that portion of the
7 project, improvement or other facility for which Program Costs are being incurred and,
8 subject to the receipt of an Opinion of Bond Counsel to the effect that the proposed
9 application for such additional period will not adversely affect the exclusion from gross
10 income of the recipients thereof for federal income tax purposes of interest on the Tax-
11 exempt Bonds or any of them, for a reasonable period thereafter;

12 (viii) any amount required by Section 706 to make the amount to the credit of
13 the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement and
14 any amount provided in a Series Agreement to fund a debt service or other reserve for the
15 related series of Bonds or other Senior Obligations;

16 (ix) any federal, state and local taxes and payments in lieu of taxes legally
17 required, or deemed advisable by Commission, to be paid in respect of any project prior
18 to its completion;

19 (x) to the extent they shall not be paid by a contractor, premiums of all
20 insurance policies and surety and performance bonds required to be maintained in
21 connection with the acquisition and construction of any project and all costs and expenses
22 relating to injury, and damage claims arising from the acquisition and construction of any
23 project and casualty and liability insurance premiums in connection with insurance
24 against loss from such claims; and

25 (xi) repayment of all temporary borrowings made by and advances to the
26 District in connection with any project.

27 **Section 403. Requisitions from Issuance and Construction Funds.** Payments from
28 the Issuance or Construction Fund shall be made in accordance with the provisions of this
29 Section. Before any such payment shall be made, there shall be filed with the Trustee a
30 requisition signed by an appropriate officer or employee of the District in accordance with the
31 procedures established from time to time by resolution of the Commission.

32 Upon receipt of each requisition the Trustee shall pay the obligations set forth in such
33 requisition out of money in the Fund designated in such requisition, and each such obligation
34 shall be paid by check signed by one or more officers or employees of the Trustee designated for
35 such purpose by the Trustee. If for any reason the District should decide prior to the payment of
36 any item in a requisition not to pay such item, it shall give written notice of such decision to the
37 Trustee and thereupon the Trustee shall not make such payment.

38 **Section 404. Reliance Upon Requisitions.** All requisitions received by the Trustee as
39 conditions of payment from the Issuance or Construction Fund may be relied upon by the

1 Trustee and shall be retained by the Trustee, subject at all reasonable times upon reasonable
2 notice to the Trustee to examination by the Commission and the District.

3 **Section 405. Disposition of Fund Balances.** Unexpended fund balances in the
4 Issuance Fund and the Construction Fund shall be applied as provided in the applicable Series
5 Agreement.

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(End of Article IV)

1 credited unless such transfer is made to cure deficiencies in such Fund to which the transfer is
2 made.

3 Unless a Qualified Reserve Fund Substitute shall then be in effect, there shall be due and
4 payable directly to the Trustee as a required payment from the District, on the twenty-fifth (25th)
5 day of each month, (i) beginning in the month following the month in which money is
6 transferred from the Debt Service Reserve Fund to the Bond Fund to cure a deficiency therein
7 pursuant to Section 504 of this Trust Agreement, into the Debt Service Reserve Fund one-twelfth
8 (1/12) of the amount or amounts so transferred until the amount then on deposit in the Debt
9 Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement and (ii) beginning
10 in the month following a valuation made in accordance with Section 603 of this Trust Agreement
11 in which the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service
12 Reserve Fund Requirement and a loss resulting from a decline in the value of Investment
13 Obligations held for the credit of the Debt Service Reserve Fund is computed, into the Debt
14 Service Reserve Fund, one-sixth (1/6) of the amount of such loss until the amount of such loss is
15 reimbursed. Such payments shall be increased as may be necessary in any month to make up any
16 previous deficiency in any of such monthly payments.

17 If, after giving effect to the credits specified below, any installment of payments made by
18 the District should be insufficient to enable the Trustee to make the deposits required above, the
19 Trustee shall give the District telephonic notice thereof, promptly confirmed in writing, and
20 request that each future installment of payments due from the District be increased as may be
21 necessary to make up any previous deficiency in any of the required payments and to make up
22 any deficiency or loss in any of the above-mentioned funds.

23 To the extent that investment earnings are credited to the Bond Fund in accordance with
24 Section 602 of this Trust Agreement or amounts are credited thereto as a result of the application
25 of Bond proceeds or a transfer of investment earnings on any other fund or account held by the
26 Trustee, or otherwise, future deposits to the Bond Fund shall be reduced by the amount so
27 credited, and the payments due from the District in the months following the date upon which
28 such amounts are credited shall be reduced by the amounts so credited.

29 **Section 503. Application of Money in Bond Fund.** (a) Not later than 1:00 P.M. on
30 the Business Day next preceding each Interest Payment Date or date for the payment of
31 Defaulted Interest, the Trustee shall withdraw from the Bond Fund and remit by wire transfer to
32 the Bond Registrar, in Federal Reserve or other immediately available funds, the amounts
33 required for paying interest on the Bonds to each Holder which is not a Securities Depository
34 Nominee. The Bond Registrar shall, not later than the Business Day next preceding each Interest
35 Payment Date, remit by mail to each Holder which is not a Securities Depository Nominee the
36 amount required for paying interest on such Bonds when due and payable.

37 At such time as to enable the Bond Registrar to make payments of interest on the Bonds
38 in accordance with any existing agreement between the Bond Registrar and any Securities
39 Depository, the Trustee shall withdraw from the Bond Fund and remit by wire transfer to the
40 Bond Registrar, in Federal Reserve or other immediately available funds, the amounts required
41 to pay to any Holder which is a Securities Depository Nominee interest on the Bonds on the next
42 ensuing Interest Payment Date; provided, however, that in no event shall the Trustee be required

1 to make such wire transfer prior to the Business Day next preceding each Interest Payment Date,
2 and provided further that such wire transfer shall be made not later than 1:00 P.M. on each
3 Interest Payment Date.

4 In the event the balance in the Bond Fund on the Business Day next preceding an Interest
5 Payment Date is insufficient for the payment of interest becoming due on the Bonds on such
6 Interest Payment Date, the Trustee shall immediately notify the District of the amount of the
7 deficiency. Upon notification, the District shall immediately deliver to the Trustee an amount
8 sufficient to cure the same. If the amount so delivered is not sufficient to cure the deficiency in
9 the Bond Fund, the Trustee shall transfer to such Fund such amount as may be necessary to
10 remedy the deficiency therein from the Debt Service Reserve Fund.

11 (b) Not later than 10:00 A.M. on each Principal Payment Date, the Trustee shall
12 withdraw from the Bond Fund and remit by wire transfer to the Bond Registrar, in Federal
13 Reserve or other immediately available funds, the amount necessary to pay the principal of all
14 Bonds maturing on such Principal Payment Date.

15 In the event that the balance in the Bond Fund on the Business Day next preceding any
16 Principal Payment Date is insufficient for the payment of principal of all Bonds becoming due on
17 such Principal Payment Date, the Trustee shall immediately notify the District of the amount of
18 the deficiency. Upon notification, the District shall immediately deliver to the Trustee an
19 amount sufficient to cure the same. If the amount so delivered is not sufficient to cure the
20 deficiency in the Bond Fund, the Trustee shall transfer to such Fund such amount as may be
21 necessary to remedy the deficiency therein from the Debt Service Reserve Fund.

22 (c) The Trustee shall also withdraw from the Bond Fund and remit by wire or
23 otherwise transfer to the payee, in Federal Reserve or other immediately available funds, the
24 amount necessary to make any other payment in respect of outstanding Senior Obligations when
25 due.

26 **Section 504. Application of Money in Debt Service Reserve Fund; Qualified**
27 **Reserve Fund Substitute.** No funds shall be deposited in the Debt Service Reserve Fund upon
28 delivery of the 2008 Bonds. If the District shall be required to fund the Debt Service Reserve
29 Fund in accordance with the provisions of Section 706(a) of this Trust Agreement, then on or
30 before the date specified in such 706(a), an amount equal to the Debt Service Reserve Fund
31 Requirement shall be deposited in the Debt Service Reserve Fund. If the District shall elect to
32 fund the Debt Service Reserve Fund in accordance with the provisions of Section 706(b) of this
33 Trust Agreement, then an amount equal to the Debt Service Reserve Fund Requirement shall be
34 deposited in the Debt Service Reserve Fund.

35 The Trustee shall use amounts in the Debt Service Reserve Fund to make transfers to the
36 Bond Fund to the extent necessary to pay interest on and principal of (whether at maturity or by
37 acceleration) the Bonds, whenever and to the extent that the money on deposit in the Bond Fund
38 is insufficient for such purposes and the District has failed to cure such deficiency.

39 If on any date of valuation the amounts held in the Debt Service Reserve Fund, including
40 the interest earnings on such Fund, exceed for any reason the Debt Service Reserve Fund

1 Requirement on the Bonds, whether on account of the expiration of a Reserve Funding Period or
2 the District's election to terminate a discretionary funding of the Debt Service Reserve Fund or
3 otherwise, an amount equal to such excess shall be transferred by the Trustee, (i) to the Bond
4 Fund or (ii) if the District shall deliver to the Trustee a written statement setting forth the use
5 which the District proposes to make of such excess amounts, accompanied by an Opinion of
6 Bond Counsel, addressed to the Trustee, to the effect that such proposed use will not cause the
7 interest on the Bonds to be includable in the gross income of the owners thereof for purposes of
8 federal income taxation, to the District.

9 The District may, at any time, deliver to the Trustee a Qualified Reserve Fund Substitute.
10 In such event, if the District shall also deliver to the Trustee a written statement setting forth the
11 use which the District proposes to make of the cash and Investment Obligations then on deposit
12 to the credit of the Debt Service Reserve Fund, accompanied by an Opinion of Bond Counsel to
13 the District, addressed to the Trustee, to the effect that such proposed use will not cause the
14 interest on the Bonds to be includable in the gross income of the owners thereof for purposes of
15 federal income taxation, the Trustee shall transfer to the District all amounts on deposit to the
16 credit of the Debt Service Reserve Fund.

17 If any Qualified Reserve Fund Substitute shall be in effect, the Trustee hereby agrees to
18 give such notices and execute such documents as shall be required to assure that funds (i) are
19 available in such amounts and at such times to assure timely payment of principal of and interest
20 on the Bonds and (ii) are drawn to fund the Debt Service Reserve Fund in an amount equal to the
21 Debt Service Reserve Fund Requirement at least six (6) months prior to the expiration date of the
22 Qualified Reserve Fund Substitute unless (a) the Trustee shall have received a substitute
23 Qualified Reserve Fund Substitute to replace such expiring Qualified Reserve Fund Substitute or
24 (b) the expiration date of the expiring Qualified Reserve Fund Substitute is no earlier than the
25 final stated maturity date of the Bonds.

26 **Section 505. Money Held in Trust.** All money that the Trustee shall have withdrawn
27 from the Bond Fund or shall have received from any other source and set aside or transferred to
28 the Bond Registrar for the purpose of paying any of the Bonds hereby secured, either at the
29 maturity thereof or for the purpose of paying any interest on the Bonds hereby secured, shall be
30 held in trust for the respective Holders. Any money that is so set aside or transferred and that
31 remains unclaimed by the Holders for a period of three (3) years after the date on which such
32 Bonds have become payable shall upon request in writing be paid to the District or to such
33 officer, board or body as may then be entitled by law to receive the same, and thereafter the
34 Holders of such Bonds shall look only to the District or to such officer, board or body, as the
35 case may be, for payment and then only to the extent of the amounts so received, without any
36 interest thereon, and the Trustee and Bond Registrar shall have no responsibility with respect to
37 such money.

38 **Section 506. Cancellation of Bonds.** All Bonds paid shall be delivered to the Bond
39 Registrar when such payment is made, and such Bonds shall be cancelled. The Bond Registrar
40 shall certify to the Trustee and the District the details of all Bonds so cancelled. All Bonds
41 cancelled under any of the provisions of this Trust Agreement shall, as directed in writing by the
42 District Representative, be either delivered to the District or destroyed by the Bond Registrar,
43 which shall, in such event, execute a certificate in duplicate, describing the Bonds so destroyed,

1 and one (1) executed certificate shall be filed with the District and one (1) executed certificate
2 shall be filed with and retained by the Trustee.

3 **Section 507. Disposition of Fund Balances.** After provision shall be made for the
4 payment of all Outstanding Indebtedness secured by this Trust Agreement, including the interest
5 thereon, and for the payment of all other obligations, expenses and charges required to be paid
6 under or in connection with this Trust Agreement and, assuming the existence of no other
7 indentures or other agreements imposing a continuing lien on the balances hereinafter
8 mentioned, the Trustee shall pay all amounts in any fund or account then held by it under this
9 Trust Agreement to the District; provided, however, that if a continuing lien has been imposed
10 on any such balance by another bond order, resolution, indenture or agreement as to which the
11 Trustee has received actual notice, the Trustee shall pay such balance to such person as such
12 bond order, resolution, indenture or agreement shall provide.

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(End of Article V)

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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 Debt Service Reserve Fund shall mature no later than the final maturity date of the Bonds secured by the Debt Service Reserve Fund.

Unless a Qualified Reserve Fund Substitute shall be in effect, the District shall 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. Such reimbursement shall be made by depositing in the Debt Service Reserve Fund on a monthly basis an amount equal to one-sixth (1/6) of such

1 loss commencing in the month following a valuation made in accordance with Section 603
2 hereof in which such a loss is computed.

3 The District Representative shall give to the Trustee written directions respecting the
4 investment of any money required to be invested hereunder, subject, however, to the provisions
5 of this Article, and the Trustee shall then invest such money under this Section 602 as so directed
6 by the District Representative. The Trustee may request, in writing, direction or authorization of
7 the District Representative with respect to the proposed investment of money under the
8 provisions of this Trust Agreement. Upon receipt of such request, accompanied by a
9 memorandum setting forth the details of any proposed investment, the District Representative
10 will either approve such proposed investment or will give written directions to the Trustee
11 respecting the investment of such money and, in the case of such directions, the Trustee shall
12 then, subject to the provisions of this Article, invest such money in accordance with such
13 directions.

14 Investment Obligations acquired with money and credited to any fund or account
15 established under this Trust Agreement shall be held by or under the control of the Trustee and
16 while so held shall be deemed at all times to be part of such fund or account in which such
17 money was originally held, and the interest accruing thereon and any profit or loss realized upon
18 the disposition or maturity of such investment shall be credited to or charged against such fund
19 or account. The Trustee shall sell at the best price attainable or reduce to cash a sufficient
20 amount of such Investment Obligations whenever it shall be necessary so to do in order to
21 provide money to make any payment or transfer of money from any such fund or account. The
22 Trustee shall not be liable or responsible for any loss resulting from any such investment.

23 Whenever a payment or transfer of money between two (2) or more of the funds or
24 accounts established pursuant to Article V of this Trust Agreement is permitted or required, such
25 payment or transfer may be made in whole or in part by transfer of one or more Investment
26 Obligations at a value determined in accordance with this Article VI, provided that the
27 Investment Obligations transferred are those in which money of the receiving fund or account
28 could be invested at the date of such transfer.

29 **Section 603. Valuation.** For the purpose of determining the amount on deposit in any
30 fund or account, Investment Obligations in which money in such fund or account is invested
31 shall be valued (a) at face value if such Investment Obligations mature within six (6) months
32 from the date of valuation thereof, and (b) if such Investment Obligations mature more than six
33 (6) months after the date of valuation thereof, at the price at which such Investment Obligations
34 are redeemable by the holder at his option if so redeemable, or, if not so redeemable, at the lesser
35 of (i) the cost of such Investment Obligations minus the amortization of any premium or plus the
36 amortization of any discount thereon and (ii) the market value of such Investment Obligations.

37 The Trustee shall value the Investment Obligations in the funds and accounts established
38 under this Trust Agreement five (5) Business Days prior to each Interest Payment Date. In
39 addition, the Investment Obligations shall be valued by the Trustee at any time requested by the
40 District Representative on reasonable notice to the Trustee (which period of notice may be
41 waived or reduced by the Trustee); provided, however, that the Trustee shall not be required to

1 value the Investment Obligations more than once in any calendar month other than as provided
2 herein.

3 If upon valuation of the Debt Service Reserve Fund, the balance in such Fund, including
4 accrued interest to the date of valuation, is less than the Debt Service Reserve Fund
5 Requirement, the Trustee shall compute the amount by which the Debt Service Reserve Fund
6 Requirement exceeds such balance and shall immediately give the District notice of such
7 deficiency and the amount necessary to cure the same. The foregoing sentence shall not apply
8 during any period for which a Qualified Reserve Fund Substitute is in effect.

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10 (End of Article VI)

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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 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 hereunder, the District hereby grants to the Trustee a security interest in its Net Revenues.

(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 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 authorized hereby, to execute this Trust Agreement, to pledge its Net Revenues pursuant to this Trust Agreement in the manner and to the extent herein set forth as security for the Bonds; that all action on its part for the issuance of the Bonds and the adoption of this Trust Agreement has been duly and effectively taken; and that such Bonds 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 Senior Obligations are Outstanding, it shall comply with each and every covenant, condition and agreement in this Trust Agreement, any Series Agreements and such Senior Obligations. Each such covenant, condition and agreement in the Series Agreements and the Senior 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. Long-Term Debt Service Coverage Ratio. (a) The District covenants to set rates and charges for its facilities, services and products such that the Income Available for

1 Debt Service, calculated at the end of each Fiscal Year, will not be less than the greater of (i) one
2 hundred twenty percent (120%) of the Long-Term Debt Service Requirement for all
3 Indebtedness except Subordinated Indebtedness for such Fiscal Year and (ii) one hundred
4 percent (100%) of the Long-Term Debt Service Requirement for all Indebtedness including
5 Subordinated Indebtedness for such Fiscal Year; provided, however, that in any case where
6 Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the
7 Long-Term Debt Service Requirement with respect thereto shall not be taken into account in
8 making the foregoing calculation until the first Fiscal Year commencing after the occupation or
9 utilization of such capital improvements to the extent the Long-Term Debt Service Requirement
10 with respect thereto is required to be paid from sources other than the proceeds of such
11 Long-Term Indebtedness prior to such Fiscal Year.

12 (b) If at any time the Long-Term Debt Service Coverage Ratio required by clause (a)
13 hereof, as derived from the most recent Financial Statements for the most recent Fiscal Year, is
14 not met the District covenants to retain an Independent Consultant within thirty (30) days to
15 make recommendations to increase such Long-Term Debt Service Coverage Ratio in the
16 following Fiscal Year to the level required or, if in the opinion of the Independent Consultant the
17 attainment of such level is impracticable, to the highest level attainable. Any Independent
18 Consultant so retained shall be required to submit such recommendations within forty-five (45)
19 days after being so retained. The District agrees that it will, to the extent permitted by law,
20 follow the recommendations of the Independent Consultant. So long as an Independent
21 Consultant shall be retained and the District shall follow such Independent Consultant's
22 recommendations to the extent permitted by law, this Section shall be deemed to have been
23 complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year
24 is below the required level; provided, however, that the revenues of the District shall not be less
25 than the amount required to pay when due the total operating expenses of the District and to pay
26 when due the debt service on all Indebtedness of the District for such Fiscal Year and further
27 provided, however, that the District shall not be required to retain an Independent Consultant to
28 make recommendations pursuant to this subsection (b) more frequently than biennially.

29 **Section 705. Limitations on Indebtedness.** The District covenants and agrees that it
30 will not issue any Additional Bonds or incur any other Senior Obligations, other than the 2008
31 Bonds if, after giving effect to all other Indebtedness incurred by the District, such Indebtedness
32 could not be incurred pursuant to this Section 705. Any Indebtedness may be incurred only in
33 the manner and pursuant to the terms set forth in such subsections.

34 (a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term
35 Indebtedness there is delivered to the Trustee:

36 (i) an Officer's Certificate of a District Representative certifying that the
37 Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full
38 consecutive calendar months preceding the date of delivery of the certificate of the
39 District Representative for which there are Financial Statements available adjusted for
40 revenues and expenses resulting from anticipated new customers and any planned
41 program of rate increases that has been approved by the Commission, taking all
42 Long-Term Indebtedness incurred after such period and the proposed Long-Term

1 Indebtedness into account as if such Long-Term Indebtedness had been incurred at the
2 beginning of such period, is not less than one hundred twenty percent (120%); or

3 (ii) an Officer's Certificate of a District Representative certifying (A) that the
4 Long-Term Debt Service Coverage Ratio for the period mentioned in subsection (a)(i) of
5 this Section 705 was at least one hundred twenty percent (120%); and (B) that the
6 projected Long-Term Debt Service Coverage Ratio is not less than one hundred thirty
7 percent (130%) for (x) in the case of Long-Term Indebtedness to finance capital
8 improvements, each of the first two full Fiscal Years succeeding the earlier of (1) the date
9 on which all such capital improvements are expected to be in operation and (2) the last
10 day of the last Fiscal Year in which the entire Long-Term Debt Service Requirement with
11 respect thereto has been funded from proceeds of such Long-Term Indebtedness or (y) in
12 the case of Long-Term Indebtedness not financing capital improvements, each of the two
13 full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by
14 pro forma Financial Statements for the District for each such period, accompanied by a
15 statement of the relevant assumptions upon which such pro forma Financial Statements
16 for the District are based including but not limited to adjustments to revenues and
17 expenses resulting from anticipated new customers and any planned program of rate
18 increases that has been approved by the Commission.

19 (b) Long-Term Indebtedness may be incurred for the purpose of refunding any
20 Outstanding Long-Term Indebtedness if, prior to the incurrence of such Long-Term
21 Indebtedness, (i) either (A) the Trustee receives an Officer's Certificate stating that, taking into
22 account the Long-Term Indebtedness proposed to be incurred, the existing Long-Term
23 Indebtedness to remain Outstanding after the refunding and the refunding of the existing Long-
24 Term Indebtedness to be refunded, Maximum Annual Debt Service will not be increased by
25 more than five percent (5%), or (B) the conditions described in paragraphs (a)(i) or (a)(ii) above
26 are met with respect to such proposed Long-Term Indebtedness, taking into account the existing
27 Long-Term Indebtedness to remain Outstanding after the refunding and the refunding of the
28 existing Long-Term Indebtedness to be refunded and (ii) the Trustee receives an Opinion of
29 Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and
30 application of the proceeds thereof (on the Cross-over Date, in the case of Cross-over Refunding
31 Indebtedness), the Outstanding Long-Term Indebtedness to be refunded thereby will no longer
32 be Outstanding.

33 (c) Short-Term Indebtedness may be incurred as a Senior Obligation subject to the
34 same tests that apply to the incurrence of Long-Term Indebtedness; provided, however, that
35 notwithstanding such limitation, the District may incur as a Senior Obligation from time to time
36 and have outstanding at any one time Short-Term Indebtedness in an amount up to 10% of its
37 Total Operating Revenues as reflected in the Financial Statements of the District for the most
38 recent period of twelve consecutive months for which Financial Statements are available.
39 Short-Term Indebtedness may be incurred as Subordinated Indebtedness without compliance
40 with the tests that apply to the incurrence of Senior Indebtedness.

41 (d) Subordinated Indebtedness may be incurred without limitation.

1 (e) For purposes of demonstrating compliance with the incurrence test set forth in
2 subsection (a) or (b) of this Section 705, the District may (but is not required to) elect in the
3 applicable Series Agreement to treat all or any Senior Obligations authorized in a Credit Facility
4 (including, for example and without limitation, a line of credit or a liquidity facility supporting a
5 commercial paper program), but not immediately issued or incurred under such Credit Facility,
6 as subject to such incurrence test as of a single date, notwithstanding that none, or less than all,
7 of the authorized principal amount of such Senior Obligations shall have been issued or incurred
8 as of such date.

9 (f) Notwithstanding the foregoing provisions of this Section 705, nothing herein
10 contained shall preclude the District from incurring any obligation under a Credit Facility.

11 **Section 706. Funding of Debt Service Reserve Fund.** (a) The District agrees
12 that if (1) the Liquidity Ratio, as calculated based on the Audited Financial Statements of the
13 District as of the end of any Fiscal Year, is less than one hundred thirty-five percent (135%) or
14 (2) the Long-Term Debt Service Coverage Ratio, as calculated pursuant to Section 704 hereof, is
15 less than one hundred thirty-five percent (135%), the District shall fund, within six (6) months
16 after the end of such Fiscal Year, the Debt Service Reserve Fund in an amount equal to the Debt
17 Service Reserve Fund Requirement.

18 (b) Notwithstanding the foregoing provisions of this Section, the District may,
19 in its sole discretion, elect at any time to fund, for the benefit of all the outstanding Bonds, the
20 Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement.

21 **Section 707. Designation of Funds.** No later than the last Business Day of each
22 month, the District shall specifically earmark cash, cash equivalents or marketable securities or
23 any combination thereof in an amount equal to the amount of (a) the interest on the Bonds that
24 shall accrue in the next month and (b) the principal of the Bonds that shall accrue in the next
25 month. In computing the amount to be earmarked for any particular month, the District shall
26 take into account any scheduled maturities of interest or principal scheduled to become due and
27 payable in such month and the funds theretofore earmarked for such purpose and may assume
28 that both interest and principal accrue daily from the prior payment date or date of issuance but
29 not more than twelve (12) months prior to a payment date.

30 **Section 708. Covenants as to Maintenance of Properties, Etc.** The District hereby
31 covenants:

32 (a) At all times to cause its Property to be maintained, preserved and kept in good
33 repair, working order and condition and all needed and proper repairs, renewals and
34 replacements thereof to be made; provided, however, that nothing contained in this subsection
35 shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its
36 judgment (supported, in the case of such a cessation other than in the ordinary course of business
37 by an opinion or certificate of an Independent Consultant) it is advisable not to operate the same,
38 or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to
39 effect such sale or other disposition, or (ii) obligate it to retain, preserve, repair, renew or replace
40 any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its
41 Commission, useful in the conduct of its business;

1 (b) To do all things reasonably necessary to conduct its affairs and carry on its
2 business and operations in such manner as to comply with any and all applicable laws of the
3 United States and the State and duly observe and conform to all valid orders, regulations or
4 requirements of any governmental authority relative to the conduct of its business and the
5 ownership of its Properties; provided, nevertheless, that nothing herein contained shall require it
6 to comply with, observe and conform to any such law, order, regulation or requirement of any
7 governmental authority so long as the validity thereof or the applicability thereof to it shall be
8 contested in good faith;

9 (c) To pay promptly all lawful taxes, governmental charges and assessments at any
10 time levied or assessed upon or against it or its Property; provided, however, that it shall have the
11 right to contest in good faith any such taxes, charges or assessments or the collection of any such
12 sums and pending such contest may delay or defer payment thereof;

13 (d) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all
14 demands and claims against it as and when the same become due and payable, other than any
15 thereof (exclusive of the Indebtedness created and Outstanding hereunder) whose validity,
16 amount or collectibility is being contested in good faith;

17 (e) At all times to comply with all terms, covenants and provisions of any Liens at
18 such time existing upon its Property or any part thereof or securing any of its Indebtedness; and

19 (f) To procure and maintain all necessary licenses and permits for the operation of its
20 Wastewater System;

21 provided, however, that it need not comply with this Section 708 if and to the extent that its
22 Commission shall have determined in good faith, evidenced by a resolution of the Commission,
23 that such compliance is not in its best interests and that lack of such compliance would not
24 materially impair its ability to pay its Indebtedness when due.

25 **Section 709. Insurance.** (a) The District agrees that it will maintain, or cause to
26 be maintained, the following types of insurance, subject to the provisions of subsections (b) and
27 (c) of this Section, in such amounts as, in its judgment, are adequate to protect it and its Property
28 and operations from material financial loss: (i) comprehensive general liability insurance, (ii)
29 commercial automobile insurance including owned and hired automobiles, (iii) property
30 coverage on an All Risk basis, and (iv) workers' compensation insurance.

31 (b) The District shall engage an Independent Insurance Consultant to review the
32 insurance requirements of the District from time to time (but not less frequently than every 5
33 years) with the appropriate District personnel and provide a report of its findings to a District
34 Representative. If the Independent Insurance Consultant makes written recommendations for the
35 increase, decrease or elimination of any coverage, the District shall consider adjusting such
36 coverage in accordance with such recommendations, subject to a good faith determination of the
37 Commission that such recommendations, in whole or in part, are in the best interests of the
38 District. Notwithstanding anything in this Section to the contrary, the District shall have the
39 right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance
40 coverage below that most recently recommended by the Independent Insurance Consultant, if the

1 District furnishes to the Trustee a report of the Independent Insurance Consultant to the effect
2 that the insurance so provided affords the greatest amount of coverage available for the risk
3 being insured against at rates which in the judgment of the Independent Insurance Consultant are
4 reasonable in connection with reasonable and appropriate risk management, or (ii) to adopt
5 alternative risk management programs which the Independent Insurance Consultant determines
6 to be reasonable, including, without limitation, to self-insure in whole or in part individually or
7 in connection with other institutions (but subject to the provisions of subsection (c) of this
8 Section), to participate in programs of captive insurance companies, to participate with other
9 wastewater treatment systems in mutual or other cooperative insurance programs or to participate
10 in state or federal insurance programs, all as may be approved by the Independent Insurance
11 Consultant as reasonable and appropriate risk management by the District.

12 (c) If the District shall be self-insured (excluding deductibles) for any coverage, the
13 report of the Independent Insurance Consultant mentioned above shall state whether the
14 anticipated funding of any self-insurance fund is actuarially sound, and if not, the required
15 funding to obtain such result, and any such self-insurance coverage shall be reviewed by the
16 Independent Insurance Consultant not less frequently than annually. If the Independent
17 Insurance Consultant determines in any such report that the anticipated funding of any self-
18 insurance fund is not actuarially sound, the District covenants that it will undertake to fund such
19 self-insurance fund in the manner recommended by the Independent Insurance Consultant.

20 **Section 710. Insurance and Condemnation Proceeds.** (a) Amounts that do not
21 exceed twenty percent (20%) of the Net Book Value of the Property, Plant and Equipment of the
22 District received by the District as insurance proceeds with respect to any casualty loss or as
23 condemnation awards may be used in such manner as the District may determine, including,
24 without limitation, applying such moneys to the partial payment or prepayment of any
25 Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

26 (b) Amounts that exceed twenty percent (20%) of the Net Book Value of the
27 Property, Plant and Equipment of the District received by the District as insurance proceeds with
28 respect to any casualty loss or as condemnation awards shall be applied in such manner as the
29 District may determine; provided, however, that the District shall notify the Trustee and within
30 twelve (12) months after the casualty loss or taking, deliver to the Trustee a written report of an
31 Independent Consultant stating the Independent Consultant's recommendations, including
32 recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service
33 Coverage Ratio for each of the two periods of twelve (12) full consecutive calendar months
34 following the date on which such proceeds or awards are expected to have been fully applied to
35 be not less than one hundred twenty percent (120%), or, if in the opinion of the Independent
36 Consultant the attainment of such level is impracticable, at the highest practicable level.

37 (c) In determining the disposition of such proceeds, the District agrees that it will
38 take into account the recommendations described in subsection (b) of this section.

1 **Section 711. Limitations on Creation of Liens.**

2 (a) The District agrees that it will not create or suffer to be created or permit the
3 existence of any Lien on Property now owned or hereafter acquired by it or upon its Net
4 Revenues other than Permitted Liens.

5 (b) Permitted Liens shall consist of the following:

6 (i) Liens arising by reason of good faith deposits with the District in
7 connection with leases of real estate, bids or contracts (other than contracts for the
8 payment of money), deposits by the District to secure public or statutory obligations, or
9 to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the
10 payment of taxes or assessments or other similar charges;

11 (ii) Any Lien arising by reason of deposits with, or the giving of any form of
12 security to, any governmental agency or any body created or approved by law or
13 governmental regulation for any purpose at any time as required by law or governmental
14 regulation as a condition to the transaction of any business or the exercise of any
15 privilege or license, or to enable the District to maintain self-insurance or to participate in
16 any funds established to cover any insurance risks or in connection with workers'
17 compensation, unemployment insurance, pension or profit sharing plans or other social
18 security, or to share in the privileges or benefits required for companies participating in
19 such arrangements;

20 (iii) Any judgment lien against the District so long as such judgment is being
21 contested in good faith and execution thereon is stayed;

22 (iv) (A) Rights reserved to or vested in any municipality or public authority
23 by the terms of any right, power, franchise, grant, license, permit or provision of law,
24 affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees,
25 water and sewer rents, and other governmental and similar charges and any liens of
26 mechanics, materialmen, laborers, suppliers or vendors for work or services performed or
27 materials furnished in connection with such Property, which are not due and payable or
28 which are not delinquent or which, or the amount or validity of which, are being
29 contested and execution thereon is stayed or, with respect to liens of mechanics,
30 materialmen, laborers, suppliers or vendors, have been due for less than 90 days;
31 (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral
32 reservations and other minor defects, encumbrances, and irregularities in the title to any
33 Property which do not materially impair the use of such Property or materially and
34 adversely affect the value thereof; (D) to the extent that it affects title to any Property,
35 this Indenture; and (E) landlord's liens;

36 (v) Any Lien which is existing on the date of authentication and delivery of
37 the 2008 Bonds issued under this Trust Agreement; provided that no such Lien may be
38 increased, extended, renewed or modified to apply to any Property of the District not
39 subject to such Lien on such date or to secure Indebtedness not Outstanding on the date

1 of issuance of the 2008 Bonds, unless such Lien as so extended, renewed or modified
2 otherwise qualifies as a Permitted Lien hereunder;

3 (vi) Any lien on pledges, gifts or grants to be received in the future including
4 any income derived from the investment thereof;

5 (vii) Any Lien securing all Senior Obligations on a parity basis;

6 (viii) Any Liens on Property received by the District through gifts, grants or
7 bequests, such liens being due to restrictions on such gifts, grants or bequests of Property
8 or the income thereon;

9 (ix) Any Lien on moveable equipment securing Indebtedness incurred to
10 purchase such moveable equipment, provided that the total of such Indebtedness does not
11 exceed fifteen percent (15%) of the Net Book Value of the Property, Plant and
12 Equipment of the District as shown on the Financial Statements for the prior Fiscal Year;
13 and

14 (x) Any Lien on Net Revenues securing Subordinated Indebtedness; provided
15 that such Lien is expressly subordinate and junior to the Lien on Net Revenues created
16 pursuant to Section 701(a) hereof.

17 **Section 712. Filing of Financial Statements, Certificate of No Default, Other**
18 **Information.** The District covenants that it will:

19 (a) Within thirty (30) days after receipt of the audit report mentioned below but in no
20 event later than one hundred fifty (150) days after the end of each fiscal reporting period for
21 which the Audited Financial Statements are reported upon by independent public accountants,
22 file with the Trustee a copy of the Audited Financial Statements as of the end of such fiscal
23 reporting period, accompanied by the opinion of independent public accountants. Such Audited
24 Financial Statements shall be prepared in accordance with generally accepted accounting
25 principles.

26 (b) Within thirty (30) days after receipt of the audit report mentioned above, but in no
27 event later than one hundred fifty (150) days after the end of each fiscal reporting period, file
28 with the Trustee an Officer's Certificate and a report of independent public accountants stating
29 the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether,
30 to the best knowledge of the signers, the District is in default in the performance of any covenant
31 contained in this Trust Agreement and, if so, specifying each such default of which the signers
32 may have knowledge and whether each such default has been corrected. If any default has not
33 been remedied then such report of independent public accountants, to the best knowledge of the
34 signers, shall identify what, if any, corrective action will be taken to cure such default.

35 (c) If an Event of Default shall have occurred and be continuing, (i) file with the
36 Trustee such other financial statements and information concerning its operations and financial
37 affairs as the Trustee may from time to time reasonably request, excluding specifically personnel
38 records, and (ii) provide access to its facilities for the purpose of inspection by the Trustee during
39 regular business hours or at such other times as the Trustee may reasonably request.

1 (d) Within thirty (30) days after its receipt thereof, file with the Trustee a copy of
2 each report required by any provision of this Trust Agreement to be prepared by an Independent
3 Consultant.

4 **Section 713. Annual Budget.** The District covenants that on or before the 1st day of
5 the last month preceding the beginning of each Fiscal Year the Commission will adopt a budget
6 of operating and nonoperating revenues and expenses for the ensuing Fiscal Year.

7 **Section 714. Renewal and Replacement Reserve.** The District covenants that it will
8 establish a reserve to finance anticipated renewals, replacements, extensions, additions and
9 extraordinary repairs of the Wastewater System and that it will reserve in retained earnings and
10 credit to such reserve Net Revenues to the extent needed to finance such anticipated renewals,
11 replacements, extensions, additions and extraordinary repairs.

12 **Section 715. Further Instruments and Actions.** At the request of the Trustee, the
13 District or the Commission shall execute and deliver such further instruments or take such
14 further actions as may be required to carry out the purposes of this Trust Agreement.

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(End of Article VII)

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ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

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

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

(b) 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

(c) 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) or (b) 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(c) 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.

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 Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon

1 all Bonds then Outstanding (except the principal of any Bond not then due and payable by its
2 terms and the interest accrued on such Bond since the last Interest Payment Date), and the
3 charges, compensations, expenses, disbursements, advances and liabilities of the Trustee and all
4 other amounts then payable by the District hereunder shall have been paid or a sum sufficient to
5 pay the same shall have been deposited with the Trustee, and every other default known to the
6 Trustee in the observance or performance of any covenant, condition or agreement contained in
7 the Bonds or in this Trust Agreement (other than a default in the payment of the principal of such
8 Bonds then due only because of a declaration under this Section) shall have been remedied to the
9 satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written
10 request of the Holders of not less than a majority in aggregate principal amount of Bonds not
11 then due and payable by their terms (Bonds then due and payable only because of a declaration
12 under this Section shall not be deemed to be due and payable by their terms) and then
13 Outstanding shall, by written notice to the District, rescind and annul such declaration and its
14 consequences, but no such rescission or annulment shall extend to or affect any subsequent
15 Event of Default or impair any right consequent thereon.

16 **Section 804. Enforcement of Remedies.** Upon the happening and continuance of any
17 Event of Default specified in Section 801 of this Trust Agreement, then and in every such case
18 the Trustee may proceed and upon the written request of the Holders of not less than a majority
19 in aggregate principal amount of Bonds then Outstanding shall proceed, subject to the provisions
20 of Section 902 of this Trust Agreement, to protect and enforce its rights and the rights of the
21 Holders under the laws of the State or under this Trust Agreement by such suits, actions or
22 special proceedings in equity or at law, or by proceedings in the office of any board or officer
23 having jurisdiction, either for the specific performance of any covenant or agreement contained
24 herein or in aid or execution of any power herein granted or for the enforcement of any proper
25 legal or equitable remedy, as the Trustee, being advised by counsel chosen by the Trustee, shall
26 deem most effectual to protect and enforce such rights.

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

38 **Section 805. Pro-Rata Application of Funds.** Anything in this Trust Agreement to the
39 contrary notwithstanding, if at any time the money in the Bond Fund shall not be sufficient to
40 pay the interest on or the principal of Bonds as the same shall become due and payable (either by
41 their terms or by acceleration of maturities under the provisions of Section 803 of this Trust
42 Agreement), such money, together with any money then available or thereafter becoming
43 available for such purpose, whether through the exercise of the remedies provided for in this

1 Article or otherwise, shall be applied, subject to the provisions of Section 905 of this Trust
2 Agreement, as follows:

3 (a) if the principal of all Bonds shall not have become or shall not have been declared
4 due and payable, all such money in the Bond Fund shall be applied:

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

11 second: to the payment to the persons entitled thereto of the unpaid principal of
12 any Bonds that shall have become due and payable (other than Bonds called for
13 redemption for the payment of which money is held pursuant to the provisions of this
14 Trust Agreement), in the order of their due dates, and, if the amount available shall not be
15 sufficient to pay in full the principal of Bonds due and payable on any particular date,
16 then to the payment ratably according to the amount of such principal due on such date,
17 to the persons entitled thereto without any discrimination or preference; and

18 third: to the payment of the interest on and the principal of Bonds, to the
19 purchase and retirement of Bonds, and to the redemption of Bonds, all in accordance with
20 the provisions of Article III of this Trust Agreement.

21 (b) If the principal of all Bonds shall have become or shall have been declared due
22 and payable, all such money shall be applied to the payment of principal and interest then due
23 upon the Bonds without preference to the persons entitled thereto, without preference or priority
24 of principal over interest or interest over principal, or of any installment of interest over any
25 other installment of interest or any Bond over any other Bond ratably, according to the amounts
26 due respectively for principal and interest, to the persons entitled thereto, without any
27 discrimination or preference.

28 (c) If the principal of all Bonds shall have been declared due and payable and if such
29 declaration shall thereafter have been rescinded and annulled under the provisions of Section 803
30 of this Trust Agreement, then, subject to the provisions of paragraph (b) of this Section in the
31 event that the principal of all Bonds shall later become due and payable or be declared due and
32 payable, the money then remaining in and thereafter accruing to the Bond Fund shall be applied
33 in accordance with the provisions of paragraph (a) of this Section.

34 Whenever money is to be applied by the Trustee pursuant to the provisions of this
35 Section, such money shall be applied by the Trustee at such times and from time to time, as the
36 Trustee in its sole discretion shall determine, having due regard for the amount of such money
37 available for such application and the likelihood of additional money becoming available for
38 such application in the future; the setting aside of such money, in trust for the proper purpose,
39 shall constitute proper application by the Trustee, and the Trustee shall incur no liability
40 whatsoever to the District, to any Holder or to any other person for any delay in applying any

1 such money so long as the Trustee acts with reasonable diligence, having due regard for the
2 circumstances, and ultimately applies the same in accordance with such provisions of this Trust
3 Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee
4 shall exercise such discretion in applying such money, it shall fix the date (which shall be an
5 Interest Payment Date unless the Trustee shall deem another date more suitable) upon which
6 such application is to be made and upon such date interest on the amounts of principal to be paid
7 on such date shall cease to accrue. The Trustee shall give notice by first class mail, postage
8 prepaid, to all Holders of the fixing of any such date, and shall not be required to make payment
9 to the Holder of any Bonds until such Bonds shall be surrendered to the Bond Registrar for
10 cancellation if fully paid.

11 **Section 806. Effect of Discontinuance of Proceedings.** If any proceeding taken by the
12 Trustee or Holders on account of any Event of Default shall have been discontinued or
13 abandoned for any reason, then and in every such case, the District, the Trustee and the Holders
14 shall be restored to their former positions and rights hereunder, respectively, and all rights,
15 remedies, powers and duties of the Trustee shall continue as though no proceeding had been
16 taken.

17 **Section 807. Control of Proceedings by Holders.** The Holders of a majority in
18 aggregate principal amount of Bonds then Outstanding shall have the right, subject to the
19 provisions of Section 902 of this Trust Agreement, by an instrument or concurrent instruments in
20 writing executed and delivered to the Trustee, to direct the method and place of conducting all
21 remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall be
22 in accordance with law and the provisions of this Trust Agreement.

23 **Section 808. Restrictions upon Actions by Individual Holders.** Except as provided
24 in Section 813 of this Trust Agreement, no Holder shall have any right to institute any suit,
25 action or proceeding in equity or at law on any Bond or for the execution of any trust hereunder
26 or for any other remedy hereunder unless such Holder previously shall have given to the Trustee
27 written notice of the Event of Default on account of which such suit, action or proceeding is to
28 be instituted, and unless also the Holders of not less than a majority in aggregate principal
29 amount of Bonds then Outstanding shall have made a written request of the Trustee after the
30 right to exercise such powers or right of action as the case may be, shall have accrued, and shall
31 have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers
32 hereinabove granted or to institute such action, suit or proceedings in its or their name, and
33 unless, also, there shall have been offered to the Trustee reasonable security and indemnity
34 against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall
35 have refused or neglected to comply with such request within a reasonable time. Such
36 notification, request and offer of indemnity are hereby declared in every such case, at the option
37 of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Trust
38 Agreement or to any other remedy hereunder. Notwithstanding the foregoing provisions of this
39 Section and without complying therewith, the Holders of not less than a majority in aggregate
40 principal amount of Bonds then Outstanding may institute any such suit, action or proceeding in
41 their own names for the benefit of all Holders hereunder. It is understood and intended that,
42 except as otherwise above provided, no one (1) or more Holders shall have any right in any
43 manner whatsoever by his or their action to affect, disturb or prejudice the security of this Trust
44 Agreement, or to enforce any right hereunder except in the manner provided, that all proceedings

1 at law or in equity shall be instituted, had and maintained in the manner herein provided and for
2 the benefit of all Holders and that any individual rights of action or other right given to one or
3 more of such Holders by law are restricted by this Trust Agreement to the rights and remedies
4 herein provided.

5 **Section 809. Enforcement of Rights of Action.** All rights of action (including the
6 right to file proof of claim) under this Trust Agreement or under any Bonds may be enforced by
7 the Trustee without the possession of any Bonds or the production thereof in any proceedings
8 relating thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its
9 name as Trustee, without the necessity of joining as plaintiffs or defendants any Holders hereby
10 secured, and any recovery of judgment shall be for the equal benefit of the Holders.

11 **Section 810. No Remedy Exclusive.** No remedy herein conferred upon or reserved to
12 the Trustee or to the Holders is intended to be exclusive of any other remedy or remedies herein
13 provided, and each and every such remedy shall be cumulative and shall be in addition to every
14 other remedy given hereunder or now or hereafter existing at law or in equity.

15 **Section 811. Waivers.** No delay or omission by the Trustee or of any Holder in the
16 exercise of any right or power accruing upon any Event of Default shall impair any such right or
17 power or shall be construed to be a waiver of any such Event of Default or any acquiescence
18 therein; and every power or remedy given by this Trust Agreement to the Trustee and to the
19 Holders may be exercised from time to time and as often as may be deemed expedient.

20 The Trustee may, and upon written request of the Holders of not less than a majority in
21 principal amount of the Bonds then Outstanding shall, waive any Event of Default which in its
22 opinion shall have been remedied before the entry of final judgment or decree in any suit, action
23 or proceeding instituted by it under the provisions of this Trust Agreement or before the
24 completion of the enforcement of any rights of the Trustee hereunder, but such waiver shall not
25 waive any subsequent Event of Default or impair any rights or remedies consequent thereon.

26 **Section 812. Notice of Default.** The Trustee shall mail to all Holders at their addresses
27 as they appear on the registration books written notice of the occurrence of any Event of Default
28 set forth in Section 801 of this Trust Agreement within thirty (30) days after the Trustee shall
29 have notice of the same, pursuant to the provisions of Section 908 of this Trust Agreement;
30 provided that, except upon the happening of an Event of Default specified in clauses (a) and (b)
31 of Section 801 of this Trust Agreement, the Trustee may withhold such notice to the Holders if in
32 its opinion such withholding is in the interest of the Holders; and provided further that the
33 Trustee shall not be subject to any liability to any Holder by reason of its failure to mail any such
34 notice.

35 **Section 813. Right to Enforce Payment of Bonds Unimpaired.** Nothing in this
36 Article shall affect or impair the right of any Holder to enforce the payment of the principal of
37 and interest on such Holder's Bond or the obligation of the District to pay the principal of and
38 interest on each Bond to the Holder thereof at the time and place in said Bond expressed.

1 **Section 814. Enforcement of the Bonds.** The Trustee may enforce all obligations of
2 the District under this Trust Agreement for and on behalf of the Holders, whether or not the
3 District is in default hereunder.

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(End of Article VIII)

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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

1 proceeding for any remedy available to the Trustee, or exercising any power conferred
2 upon the Trustee under this Trust Agreement.

3 None of the provisions contained in this Trust Agreement shall require the Trustee to
4 expend or risk its own funds or otherwise incur individual financial liability in the performance
5 of any of its duties or in the exercise of any of its rights or powers.

6 **Section 902. Indemnification of Trustee as Condition for Remedial Action.** The
7 Trustee shall be under no obligation to institute any suit or to take any remedial proceeding
8 (including, but not limited to, the acceleration of the maturity date of any or all Bonds) under this
9 Trust Agreement or to enter any appearance or in any way defend in any suit in which it may be
10 made defendant, or to take any steps in the execution of any of the trusts hereby created or in the
11 enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction
12 against any and all costs and expenses, outlays and counsel fees and other reasonable
13 disbursements, and against all liability. The Trustee nevertheless may begin suit, or appear in
14 and defend suit, or do anything else in its judgment proper to be done by it as such Trustee,
15 without indemnity, and in such case the District, at the request of the Trustee, shall reimburse the
16 Trustee from the revenues of the District, for all costs, expenses, outlays and counsel fees and
17 other reasonable disbursements properly incurred in connection therewith. If the District shall
18 fail to make such reimbursement, the Trustee may reimburse itself from any money in its
19 possession under the provisions of this Trust Agreement and shall be entitled to a preference
20 therefor over any Bonds Outstanding hereunder.

21 **Section 903. Limitations on Obligations and Responsibilities of Trustee.** The
22 Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of
23 insurance or to inquire as to the sufficiency of any policies of insurance carried by the District, or
24 to report, or make or file claims or proof of loss for, any loss or damage insured against or that
25 may occur, or to keep itself informed or advised as to the payment of any taxes or assessments,
26 or to require any such payment to be made. Except as to the acceptance of the trusts by its
27 execution of this Trust Agreement, the Trustee shall have no responsibility in respect of the
28 validity, sufficiency, due execution or acknowledgment of this Trust Agreement, or in respect of
29 the validity of Bonds or the due execution or issuance thereof. The Trustee shall be under no
30 obligation to see that any duties herein imposed upon the District, the Bond Registrar, any
31 Independent Insurance Consultant, any depository other than the Trustee acting as a depository,
32 or any party other than itself, or any covenants herein contained on the part of any party other
33 than itself to be performed, shall be done or performed, and the Trustee shall be under no
34 obligation for failure to see that any such duties or covenants are so done or performed.

35 **Section 904. Trustee Not Liable for Failure of District to Act.** The Trustee shall not
36 be liable or responsible because of the failure of the District or of any of its employees or agents
37 to make any collections or deposits or to perform any act herein required of the District or
38 because of the loss of any money arising through the insolvency or the act or default or omission
39 of any depository other than the Trustee acting as a depository in which such money shall have
40 been deposited under the provisions of this Trust Agreement. The Trustee shall not be
41 responsible for the application of any of the proceeds of Bonds or any other money deposited
42 with it and paid out, withdrawn or transferred hereunder if such application, payment,
43 withdrawal or transfer shall be made in accordance with the provisions of this Trust Agreement.

1 The immunities and exemptions from liability of the Trustee hereunder shall extend to its
2 directors, officers, employees and agents.

3 **Section 905. Compensation and Indemnification of Trustee and Bond Registrar.**

4 Subject to the provisions of any contract between the District and the Trustee or the Bond
5 Registrar relating to the compensation of the Trustee or the Bond Registrar, the District shall pay
6 to pay to the Trustee and the Bond Registrar reasonable compensation for all services performed
7 by them hereunder and also all their reasonable expenses, charges and other disbursements and
8 those of their attorneys, agents and employees incurred in and about the administration and the
9 performance of their powers and duties hereunder and shall indemnify and save the Trustee and
10 the Bond Registrar harmless against any liabilities that they may incur in the proper exercise and
11 performance of their powers and duties hereunder. If the District shall fail to cause any payment
12 required by this Section to be made, the Trustee or the Bond Registrar may make such payment
13 from any money in their possession under the provisions of this Trust Agreement and shall be
14 entitled to a preference therefor over any Bonds Outstanding hereunder. The District covenants
15 that it shall promptly deposit or cause to be deposited to the credit of the respective fund or
16 account the amount withdrawn therefrom by the Trustee or the Bond Registrar to make any such
17 payment, provided sufficient funds are available to pay all costs and expenses, if any, reasonably
18 incurred by the District in connection therewith.

19 **Section 906. Monthly Statements from Trustee.** It shall be the duty of the Trustee,
20 on or before the fifteenth (15th) day of each month, to file with the District, a statement setting
21 forth in respect of the preceding calendar month:

22 (a) the amount withdrawn or transferred by it and the amount deposited with it on
23 account of each fund or account held by it under the provisions of this Trust Agreement,

24 (b) the amount on deposit with it at the end of such month in each such fund or
25 account,

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

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

29 It shall also be the duty of the Trustee to file with the District an annual statement
30 summarizing such monthly statements which statement shall include, as to each investment
31 transaction, the information required under the heading "Record Keeping" in the Tax Certificate.

32 In addition, on the anniversary date specified in the Tax Certificate for each issue of the
33 Bonds, the Trustee shall file with the District the information required by the District or its bond
34 counsel or arbitrage compliance service to determine the Rebate Requirement as set forth in the
35 Tax Certificate.

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

1 **Section 907. Trustee May Rely on Certificates.** If at any time it shall be necessary or
2 desirable for the Trustee to make any investigation respecting any fact preparatory to taking or
3 not taking any action or doing or not doing anything as such Trustee, and in any case in which
4 this Trust Agreement provides for permitting or taking any action, the Trustee may rely upon any
5 certificate required or permitted to be filed with it under the provisions of this Trust Agreement,
6 and any such certificate shall be evidence of such fact or protect the Trustee in any action that it
7 may or may not take or in respect of anything it may or may not do, in good faith, by reason of
8 the supposed existence of such fact. Except as otherwise provided in this Trust Agreement, any
9 request, notice, certificate or other instrument from the District to the Trustee shall be deemed to
10 have been signed by the proper party or parties if signed by any District Representative, and the
11 Trustee may accept and rely upon a certificate signed by any District Representative as to any
12 action taken by the District.

13 **Section 908. Notice of Default.** Except upon the happening of any Event of Default
14 specified in clauses (a) and (b) of Section 801 of this Trust Agreement, the Trustee shall not be
15 obliged to take notice or be deemed to have notice of any Event of Default under this Trust
16 Agreement, unless specifically notified in writing of such Event of Default by the District or the
17 Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding.

18 **Section 909. Trustee Not Responsible for Recitals.** The recitals, statements and
19 representations contained herein and in the Bonds shall be taken and construed as made by and
20 on the part of the District and not by the Trustee, and the Trustee assumes and shall be under no
21 responsibility for the correctness of the same.

22 **Section 910. Trustee Protected in Relying on Certain Documents.** The Trustee shall
23 be protected and shall incur no liability in acting or proceeding, or in not acting or not
24 proceeding, in good faith, reasonably and in accordance with the terms of this Trust Agreement,
25 upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit,
26 requisition, bond or other paper or document that it shall in good faith reasonably believe to be
27 genuine and to have been adopted or signed by the proper board or person or to have been
28 prepared and furnished pursuant to any of the provisions of this Trust Agreement, or upon the
29 written opinion of any attorney, engineer or accountant, and the Trustee shall be under no duty to
30 make any investigation or inquiry as to any statements contained or matters referred to in any
31 such instrument. The Trustee shall not be under any obligation to see to the recording or filing
32 of this Trust Agreement or otherwise to the giving to any person of notice of the provisions
33 hereof.

34 **Section 911. Trustee May Pay Taxes and Assessments.** In case the District shall fail
35 to pay or cause to be paid any tax, assessment or governmental or other charge upon any part of
36 the District, to the extent, if any, that the District shall be deemed by the Trustee liable for same,
37 the Trustee may pay such tax, assessment or governmental charge, without prejudice, however,
38 to any rights of the Trustee or the Holders hereunder arising in consequence of such failure; and
39 any amount at any time so paid under this Section shall be repaid upon demand by the Trustee by
40 the District from funds made available by the District, but the Trustee shall be under no
41 obligation to make any such payment from sources provided in the Trust Agreement unless it
42 shall have available or be provided with adequate funds for the purpose of such payment.

1 **Section 912. Resignation and Removal of Trustee Subject to Appointment of**
2 **Successor.** No resignation or removal of the Trustee and no appointment of a successor Trustee
3 pursuant to this Article shall become effective until the acceptance of appointment by the
4 successor Trustee under Section 915 of this Trust Agreement.

5 **Section 913. Resignation of Trustee.** Subject to the provisions of Section 912 of this
6 Trust Agreement, the Trustee may resign and thereby become discharged from the trusts hereby
7 created, by notice in writing given to the District, and mailed, postage prepaid, at the Trustee's
8 expense, to each Holder, not less than sixty (60) days before such resignation is to take effect,
9 but such resignation shall take effect immediately upon the appointment of a new Trustee
10 hereunder if such new Trustee shall be appointed before the time limited by such notice and shall
11 then accept the trusts hereof.

12 **Section 914. Removal of Trustee.** The Trustee may be removed at any time by an
13 instrument or concurrent instruments in writing, (i) executed by the Holders of not less than a
14 majority in aggregate principal amount of Bonds then Outstanding and filed with the District, or
15 (ii) so long as no Event of Default shall have occurred and be continuing, an instrument executed
16 by the District, not less than sixty (60) days before such removal is to take effect as stated in said
17 instrument or instruments. A photographic copy of any instrument or instruments filed with the
18 District under the provisions of this paragraph, duly certified by any District Representative as
19 having been received by the District, shall be delivered promptly by the District to the Trustee.

20 The Trustee may also be removed at any time for acting or proceeding in violation of, or
21 for failing to act or proceed in accordance with, any provisions of this Trust Agreement with
22 respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon
23 the application of the District or the Holders of not less than a majority in aggregate principal
24 amount of Bonds then Outstanding.

25 **Section 915. Appointment of Successor Trustee.** If at any time hereafter the Trustee
26 shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or
27 trust company acting as Trustee shall be taken over by any governmental official, agency,
28 department or board, the position of Trustee shall thereupon become vacant. If the position of
29 Trustee shall become vacant for any reason, the District shall appoint a Trustee to fill such
30 vacancy. A successor Trustee shall not be required if the Trustee shall sell or assign
31 substantially all of its trust business and the vendee or assignee shall continue in the trust
32 business, or if a transfer of the trust department of the Trustee is required by operation of law,
33 provided that such vendee, assignee or transferee is (a) (i) is a bank or trust company which is
34 duly authorized to exercise corporate trust powers and subject to examination by federal or state
35 authority, (ii) is in good standing, and (iii) has a combined capital, surplus and undivided profits
36 aggregating not less than One Hundred Million Dollars (\$100,000,000) or (b) is a subsidiary trust
37 company under the Trust Subsidiary Act, Title 6.1, Article 3.1, Code of Virginia, 1950, as
38 amended, whose parent State bank or bank holding company has undertaken to be responsible
39 for the acts of such subsidiary trust company pursuant to the provisions of Section 6.1-32.7(a) of
40 the Trust Subsidiary Act, or any successor provision of law, and whose combined capital, surplus
41 and undivided profits, together with that of its parent State bank or bank holding company, as the
42 case may be, is not less than \$100,000,000.

1 The District shall mail notice of any such appointment made by it, postage prepaid, to all
2 Holders. At any time within one (1) year after any such vacancy shall have occurred, the
3 Holders of not less than a majority in principal amount of Bonds then Outstanding, by an
4 instrument or concurrent instruments in writing, executed by such Holders and filed with the
5 District, may nominate a successor Trustee, which the District shall appoint and which shall
6 supersede any Trustee theretofore appointed by the District. Photographic copies, duly certified
7 by any District Representative as having been received by the District, of each such instrument
8 shall be delivered promptly by the District to the predecessor Trustee and to the Trustee so
9 appointed by the Holders.

10 If no appointment of a successor Trustee shall be made pursuant to the foregoing
11 provisions of this Section, any Holder hereunder or any retiring Trustee may apply to any court
12 of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such
13 notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

14 Any successor Trustee hereafter appointed shall (a) (i) be a bank or trust company which
15 is duly authorized to exercise corporate trust powers and subject to examination by federal or
16 state authority, (ii) be in good standing and (iii) have a combined capital, surplus and undivided
17 profits aggregating not less than One Hundred Million Dollars (\$100,000,000) or (b) be a
18 subsidiary trust company under the Trust Subsidiary Act, Title 6.1, Article 3.1, Code of Virginia,
19 1950, as amended, whose parent State bank or bank holding company has undertaken to be
20 responsible for the acts of such subsidiary trust company pursuant to the provisions of Section
21 6.1-32.7(a) of the Trust Subsidiary Act, or any successor provision of law, and whose combined
22 capital, surplus and undivided profits, together with that of its parent State bank or bank holding
23 company, as the case may be, is not less than \$100,000,000.

24 **Section 916. Vesting of Duties in Successor Trustee.** Every successor Trustee
25 appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the
26 District, an instrument in writing accepting such appointment hereunder, and thereupon such
27 successor Trustee, without any further act, shall become fully vested with all the rights,
28 immunities and powers, and subject to all the duties and obligations, of its predecessor; but such
29 predecessor shall nevertheless, on the written request of its successor or of the District and upon
30 payment of the expenses, charges and other disbursements of such predecessor that are payable
31 pursuant to the provisions of Section 905 of this Trust Agreement, execute and deliver an
32 instrument transferring to such successor Trustee all the rights, immunities and powers of such
33 predecessor hereunder; and every predecessor Trustee shall deliver all property and money held
34 by it hereunder to its successor. Should any instrument in writing from the District be required
35 by any successor Trustee for more fully and certainly vesting in such Trustee the rights,
36 immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee,
37 any such instrument in writing shall and will, on request, be executed, acknowledged and
38 delivered by the District.

39 **Section 917. Removal and Resignation of Bond Registrar.** The Bond Registrar may
40 be removed at any time, with or without cause, by the District upon forty-five (45) days' written
41 notice by the District to the Bond Registrar. A copy of such written notice shall be delivered
42 promptly by the District to the Trustee. Upon receipt of such notice the Trustee shall cause

1 notice of such removal to be mailed, postage prepaid, to the Holders not fewer than thirty (30)
2 days before such removal is to take effect.

3 The Bond Registrar may resign and thereby become discharged from the duties,
4 obligations and responsibilities of Bond Registrar under this Trust Agreement, by written notice
5 delivered to the District and the Trustee not fewer than seventy-five (75) days before such
6 resignation is to take effect. Upon receipt of such notice the Trustee shall cause notice of such
7 resignation to be mailed, postage prepaid, at the Bond Registrar's expense, to the Holders not
8 fewer than sixty (60) days before such resignation is to take effect, but such resignation shall
9 take effect immediately upon the appointment of a new Bond Registrar hereunder if such new
10 Bond Registrar shall be appointed before the time limited by such notice and shall then accept
11 the duties, obligations and responsibilities of Bond Registrar under this Trust Agreement. If at
12 any time thereafter the Bond Registrar shall resign, be removed, be dissolved or otherwise
13 become incapable of acting, or the entity acting as Bond Registrar shall be taken over by any
14 governmental official, agency, department or board, the position of Bond Registrar shall
15 thereupon become vacant. If the position of Bond Registrar shall become vacant for any reason,
16 the District shall, within thirty (30) days after it receives notice of such vacancy, appoint a bank
17 or trust company to fill such vacancy. A successor Bond Registrar shall not be required if the
18 Bond Registrar shall sell or assign substantially all of its business and the vendee or assignee
19 shall be qualified in the sole judgment of the District to carry out the duties, obligations and
20 responsibilities of Bond Registrar under this Trust Agreement. The District shall promptly
21 deliver written notice of any such appointment by it to the Trustee and mail such notice, postage
22 prepaid, to all Holders.

23 No resignation or removal of the Bond Registrar shall take effect until a successor Bond
24 Registrar shall have been appointed and accepted its duties hereunder.

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(End of Article IX)

1 ARTICLE X.

2
3 EXECUTION OF INSTRUMENTS BY HOLDERS,
4 PROOF OF OWNERSHIP OF BONDS, AND DETERMINATION
5 OF CONCURRENCE OF HOLDERS

6 Section 1001. Execution of Instruments by Holders. Any request, direction, consent
7 or other instrument in writing required or permitted by this Trust Agreement to be signed or
8 executed by any Holder may be in any number of concurrent instruments of similar tenor and
9 may be signed or executed by such Holders or their attorneys or legal representatives. Proof of
10 the execution of any such instrument and of the ownership of Bonds shall be sufficient for any
11 purpose of this Trust Agreement and shall be conclusive in favor of the Trustee and the District
12 with regard to any action taken by any of them under such instrument if made in the following
13 manner:

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

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

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

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

30 Section 1002. Preservation of Information; Communications to Holders. (a) The
31 Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses
32 of Holders received by the Trustee from the Bond Registrar.

33 (b) If three (3) or more Holders (hereinafter collectively referred to as "applicants")
34 apply in writing to the Trustee and furnish reasonable proof that each such applicant has owned a
35 Bond for a period of at least six (6) months preceding the date of such application, and such
36 application states that the applicants desire to communicate with other Holders with respect to
37 their rights under this Trust Agreement or under the Bonds and such application is accompanied
38 by a copy of the form of communication which such applicants propose to transmit, then the
39 Trustee shall, within five (5) Business Days after the receipt of such application, at its election,
40 either

1 (i) afford such applicants access to the information preserved at the time by
2 the Trustee in accordance with subsection (a) of this Section 1002, or

3 (ii) inform such applicants as to the approximate number of Holders whose
4 names and addresses appear in the information preserved at the time by the Trustee in
5 accordance with subsection (a) of this Section 1002, and as to the approximate cost of
6 mailing to such Holders the form of communication, if any, specified in such application.

7 If the Trustee shall elect not to afford such applicants access to such information, the
8 Trustee shall, upon the written request of such applicants, mail to each Holder whose name and
9 address appears in the information preserved at the time by the Trustee in accordance with
10 subsection (a) of this Section 1002 a copy of the form of communication which is specified in
11 such request, with reasonable promptness after a tender to the Trustee of the material to be
12 mailed and of payment, or provision for the payment, of the reasonable expenses of mailing.

13 (c) Every Holder, by receiving and holding one (1) or more Bonds, agrees with the
14 District and the Trustee that neither the District nor the Trustee shall be held accountable by
15 reason of the disclosure of any such information as to the names and addresses of the Holders in
16 accordance with subsection (b) of this Section 1002, regardless of the source from which such
17 information was derived, and that the Trustee shall not be held accountable by reason of mailing
18 any material pursuant to a request made under such subsection.

19
20 (End of Article X)

1 ARTICLE XI.

2
3 SUPPLEMENTAL TRUST AGREEMENTS

4 **Section 1101. Supplemental Trust Agreements without Consent of Holders.** The
5 District and the Trustee may, from time to time and at any time, without the consent of or notice
6 to any of the Holders, enter into such agreements supplemental hereto as shall be substantially
7 consistent with the terms and provisions of this Trust Agreement:

8 (a) to cure any ambiguity or formal defect or omission, to correct or supplement any
9 provision herein that may be inconsistent with any other provision herein, to make any other
10 provisions with respect to matters or questions arising under this Trust Agreement, or to modify,
11 alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this
12 Trust Agreement, or

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

16 (c) to add to the provisions of this Trust Agreement other conditions, limitations and
17 restrictions thereafter to be observed, or

18 (d) to add to the covenants and agreements of the District in this Trust Agreement
19 other covenants and agreements thereafter to be observed by the District or to surrender any right
20 or power herein reserved to or conferred upon the District, or

21 (e) to permit the qualification of this Trust Agreement under any federal statute now
22 or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the District
23 so determines, to add to this Trust Agreement or any supplemental trust agreement such other
24 terms, conditions and provisions as may be permitted or required by such federal statute or Blue
25 Sky law, or

26 (f) to provide for the issuance of Bonds in bearer form, or

27 (g) to provide for the issuance of Bonds under a book-entry system, or

28 (h) to make any other change in this Trust Agreement that, in the judgment of the
29 District, expressed in a resolution of the Commission, and the Trustee, each of which may rely
30 upon a written Opinion of Counsel, shall not materially and adversely affect the Holders of the
31 Bonds of each series that shall be affected by such supplement.

32 **Section 1102. Modification of Trust Agreement with Consent of Holders.** Subject to
33 the terms and provisions contained in this Section, and not otherwise, the Holders of not less than
34 a majority of the aggregate principal amount of Bonds then Outstanding shall have the right,
35 from time to time, anything contained in this Trust Agreement to the contrary notwithstanding, to
36 consent to and approve the execution and delivery by the District and the acceptance by the
37 Trustee of such trust agreement or trust agreements supplemental hereto as shall be deemed
38 necessary or desirable by the District for the purpose of modifying, altering, amending, adding to

1 or rescinding, in any particular, any of the terms or provisions contained in this Trust Agreement;
2 provided, however, that nothing herein contained shall permit, or be construed as permitting (a)
3 an extension of the maturity of the principal of or the interest on any Bonds issued hereunder
4 without the consent of the Holders of such Bonds, or (b) a reduction in the principal amount of
5 any Bonds or the rate of interest thereon without the consent of the Holders of such Bonds, or (c)
6 the creation of a pledge of receipts and revenues superior to the pledge created by this Trust
7 Agreement without the consent of the Holders of all Bonds Outstanding, or (d) a preference or
8 priority of any Bond over any other Bond without the consent of the Holders of all Bonds
9 Outstanding, or (e) a reduction in the aggregate principal amount of Bonds required for consent
10 to such supplemental trust agreement without the consent of the Holders of all Bonds
11 Outstanding. Nothing contained in this Section 1102, however, shall be construed as making
12 necessary the approval by the Holders of the adoption and acceptance of any supplemental trust
13 agreement as authorized in Section 1101 hereof.

14 If at any time the District shall request the Trustee to enter into any supplemental trust
15 agreement for any of the purposes of this Section, the Trustee shall, at the expense of the District,
16 cause notice of the proposed execution of such supplemental trust agreement to be mailed,
17 postage prepaid, to all Holders. Such notice shall briefly set forth the nature of the proposed
18 supplemental trust agreement and shall state that copies thereof are on file at the corporate trust
19 office of the Trustee for inspection by all Holders. The Trustee shall not, however, be subject to
20 any liability to any Holder by reason of its failure to mail the notice required by this Section, and
21 any such failure shall not affect the validity of such supplemental trust agreement when approved
22 and consented to as provided in this Section.

23 Whenever, at any time after the date of the mailing of such notice, the District shall
24 deliver to the Trustee an instrument or instruments in writing purporting to be executed by the
25 Holders of not less than a majority of the aggregate principal amount of Bonds then Outstanding,
26 which instrument or instruments shall refer to the proposed supplemental trust agreement
27 described in such notice and shall specifically consent to and approve the execution thereof in
28 substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise,
29 the Trustee may execute such supplemental trust agreement in substantially such form, without
30 liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

31 If the Holders of not less than a majority in aggregate principal amount of Bonds
32 Outstanding at the time of the execution of such supplemental trust agreement shall have
33 consented to and approved the execution thereof as herein provided, no Holder shall have any
34 right to object to the adoption of such supplemental trust agreement, or to object to any of the
35 terms and provisions contained therein or the operation thereof, or in any manner to question the
36 propriety of the execution thereof, or to enjoin or restrain the District and the Trustee from
37 executing the same or from taking any action pursuant to the provisions thereof.

38 Upon the execution of any supplemental trust agreement pursuant to the provisions of
39 this Section, this Trust Agreement shall be and be deemed to be modified and amended in
40 accordance therewith, and the respective rights, duties and obligations under this Trust
41 Agreement of the District, the Trustee and all Holders shall thereafter be determined, exercised
42 and enforced in all respects pursuant to the provisions of this Trust Agreement as so modified
43 and amended.

1 **Section 1103. Exclusion of Bonds.** At the time of any consent or other action taken
2 under this Article, Article VIII, Article XI or Article XII of this Trust Agreement, the District
3 shall furnish the Trustee a certificate signed by a District Representative, upon which the Trustee
4 may rely, describing all Bonds to be excluded, consistent with the definition of "Outstanding" in
5 Section 101 of this Trust Agreement.

6 **Section 1104. Responsibilities of Trustee and the District under this Article.** The
7 Trustee and the District shall be entitled to exercise their discretion in determining whether or
8 not any proposed supplemental trust agreement or any term or provision therein contained is
9 desirable, after considering the purposes of such instrument, the needs of the District, the rights
10 and interests of the Holders, and the rights, obligations and interests of the Trustee, and the
11 Trustee shall not be under any responsibility or liability to the District or to any Holder or to
12 anyone whomsoever for its refusal in good faith to execute any such supplemental trust
13 agreement if such trust agreement is deemed by it to be contrary to the provisions of this Article.
14 The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion
15 of Counsel as conclusive evidence that any such proposed supplemental trust agreement does or
16 does not comply with the provisions of this Trust Agreement, and that it is or is not proper for it,
17 under the provisions of this Article, to accept such supplemental trust agreement.

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(End of Article XI)

1 ARTICLE XII.

2
3 DEFESANCE

4 Section 1201. Release of Trust Agreement.

5 (a) When the Bonds secured hereby shall have become due and payable in accordance
6 with their terms or otherwise as provided in this Trust Agreement and the whole amount of the
7 principal and the interest so due and payable upon all Bonds shall be paid, and (b) if the Bonds
8 shall not have become due and payable in accordance with their terms, the Trustee or the Bond
9 Registrar shall hold, sufficient money or Defeasance Obligations, or a combination of money and
10 Defeasance Obligations, the principal of and the interest on which, when due and payable, will
11 provide sufficient money to pay the principal of, and the interest on, all Bonds then Outstanding
12 to the maturity date or dates of such Bonds and (c) sufficient funds shall also have been provided
13 or provision made for paying all other obligations payable hereunder by the District, then and in
14 that case the right, title and interest of the Trustee in the funds and accounts mentioned in this
15 Trust Agreement shall thereupon cease, determine and become void and, on demand of the
16 District and upon being furnished with an opinion, in form and substance satisfactory to the
17 Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the
18 release of this Trust Agreement have been satisfied, the Trustee shall release this Trust
19 Agreement and shall execute such documents to evidence such release as may reasonably be
20 required by the District and shall turn over to the District any surplus in, and all balances
21 remaining in, all funds and accounts. Otherwise, this Trust Agreement shall be, continue and
22 remain in full force and effect; provided, that, in the event Defeasance Obligations shall be
23 deposited with and held by the Trustee or the Bond Registrar as hereinabove provided, (i) the
24 Trustee shall nevertheless retain such rights, powers and privileges under this Trust Agreement
25 as may be necessary and convenient in respect of the Bonds for the payment of the principal and
26 interest for which such Defeasance Obligations have been deposited, and (ii) the Bond Registrar
27 shall retain such rights, powers and privileges under this Trust Agreement as may be necessary
28 and convenient for the registration, transfer and exchange of Bonds.

29 All money and Defeasance Obligations held by the Trustee (or the Bond Registrar)
30 pursuant to this Section shall be held in trust and applied to the payment, when due, of the
31 obligations payable therewith.

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33 (End of Article XII)

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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
1436 Air Rail Avenue
Virginia Beach, Virginia 23455
Attention: General Manager

(b) As to the Trustee—

The Bank of New York
385 Rifle Camp Road, 3rd Floor
West Paterson, New Jersey 07424
Attention: Corporate Trust Department

(c) As to the Bond Registrar—

The Bank of New York
385 Rifle Camp Road, 3rd Floor
West Paterson, New Jersey 07424
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.

1 All documents received by the Trustee under the provisions of this Trust Agreement, or
2 photographic copies thereof, shall be retained in its possession until this Trust Agreement shall
3 be released under the provisions of Section 1201 of this Trust Agreement, subject at all
4 reasonable times to the inspection of the District and any Holder and the agents and
5 representatives thereof.

6 **Section 1303. Substitute Mailing.** If, because of the temporary or permanent
7 suspension of postal service, the District or the Trustee shall be unable to mail any notice
8 required to be given by the provisions of this Trust Agreement, the District or the Trustee shall
9 give notice in such other manner as in the judgment of the District or the Trustee shall most
10 effectively approximate mailing, and the giving of notice in such manner shall for all purposes of
11 this Trust Agreement be deemed to be in compliance with the requirement for the mailing
12 thereof.

13 **Section 1304. Parties, Bond Registrar and Holders Alone Have Rights under Trust**
14 **Agreement.** Except as herein otherwise expressly provided, nothing in this Trust Agreement,
15 express or implied, is intended or shall be construed to confer upon any person, firm or
16 corporation, other than the Trustee, the Bond Registrar, the District and the Holders, any right,
17 remedy or claim, legal or equitable, under or by reason of this Trust Agreement or any provision
18 being intended to be and being for the sole and exclusive benefit of the Trustee, the District, the
19 Bond Registrar and the Holders.

20 **Section 1305. Effect of Partial Invalidity.** In case any one or more of the provisions of
21 this Trust Agreement or the Bonds shall for any reason be held to be illegal or invalid, such
22 illegality or invalidity shall not affect any other provisions of this Trust Agreement or the Bonds,
23 but this Trust Agreement and the Bonds shall be construed and enforced as if such illegal or
24 invalid provisions had not been contained therein. In case any covenant, stipulation, obligation
25 or agreement contained in the Bonds or this Trust Agreement shall for any reason be held to be
26 in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to
27 be the covenant, stipulation, obligation or agreement of the Commission or the District to the full
28 extent permitted by law.

29 **Section 1306. Effect of Covenants.** All covenants, stipulations, obligations and
30 agreements of the District contained in this Trust Agreement shall be deemed to be covenants,
31 stipulations, obligations and agreements of the District to the full extent permitted by the
32 Constitution and laws of the State. This Trust Agreement is adopted with the intent that the laws
33 of the State shall govern its construction.

34 **Section 1307. No Recourse Against Members, Officers or Employees of Commission**
35 **or District.** No recourse under, or upon, any statement, obligation, covenant, or agreement
36 contained in this Trust Agreement, or in any Bond hereby secured, or in any document or
37 certification whatsoever, or under any judgment obtained against the Commission or the District
38 or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any
39 constitution or statute or otherwise or under any circumstances, shall be had against any member,
40 officer or employee, as such, of the Commission or the District, either directly or through the
41 Commission or the District, respectively, or otherwise, for the payment for or to, the
42 Commission or the District or any receiver of either of them, or for, or to, any Holder or

1 otherwise, of any sum that may be due and unpaid upon any such Bond. Any and all personal
2 liability of every nature, whether at common law or in equity or by statute or by constitution or
3 otherwise, of any such member, officer or employee, as such, to respond by reason of any act or
4 omission on his or her part or otherwise, for the payment for, or to, the Commission or the
5 District or any receiver of either of them, or for, or to, any Holder or otherwise, of any sum that
6 may remain due and unpaid upon the Bonds hereby secured, is hereby expressly waived and
7 released as an express condition of, and in consideration for, the execution of this Trust
8 Agreement and the issuance of the Bonds.

9 **Section 1308. Expenses Payable under Trust Agreement.** All expenses incurred in
10 carrying out this Trust Agreement, except those expenses incurred by the Bond Registrar or
11 Trustee in mailing resignation notices, shall be payable solely from funds derived by the District
12 from the operation of its Wastewater System. Anything in this Trust Agreement to the contrary
13 notwithstanding, the performance by the District of all duties and obligations imposed upon it
14 hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants,
15 agreements and promises made by it hereunder, and the liability of the District for all warranties
16 and other covenants herein shall be limited solely to the money and revenues received from the
17 payments by the District in respect to the Bonds and this Trust Agreement, and from money
18 attributable to the proceeds of Bonds, or the income from the investment thereof; and the District
19 shall not be required to effectuate any of its duties, obligations, powers or covenants except from,
20 and to the extent of, such money, revenues, proceeds, and payments.

21 **Section 1309. Dealing in Bonds.** The Trustee and the Bond Registrar and their
22 directors, officers, employees or agents may in good faith, buy, sell, own, hold and deal in any
23 Bonds issued under the provisions of this Trust Agreement and may join in any action which any
24 Holder may be entitled to take with like effects as if such Trustee were not a Trustee and such
25 bank or trust company were not the Bond Registrar under this Trust Agreement.

26 **Section 1310. Multiple Counterparts.** This Trust Agreement may be executed in
27 multiple counterparts, each of which shall be regarded for all purposes as an original, and such
28 counterparts shall constitute but one and the same instrument.

29 **Section 1311. Headings.** Any heading preceding the text of the several articles hereof,
30 and any table of contents or marginal notes appended to copies hereof, shall be solely for
31 convenience of reference and shall not constitute a part of this Trust Agreement, nor shall they
32 affect its meaning, construction or effect.

33 **Section 1312. Further Authority.** The officers of the Commission or the District,
34 attorneys, engineers and other agents or employees of the Commission or the District are hereby
35 authorized to do all acts and things required of them by this Trust Agreement and the Agreement
36 for the full, punctual and complete performance of all of the terms, covenants and agreements
37 contained in the Bonds and this Trust Agreement.

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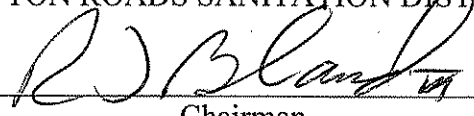
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(End of Article XIII)

1 **IN WITNESS WHEREOF**, the Hampton Roads Sanitation District has caused these
2 presents to be signed in its name and on its behalf and attested by its duly authorized officers and
3 to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to
4 be signed in its name and on behalf by its duly authorized officer, all as of the date first written
5 above.

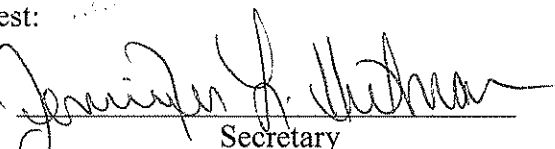
HAMPTON ROADS SANITATION DISTRICT

(Seal)

By: 
Chairman

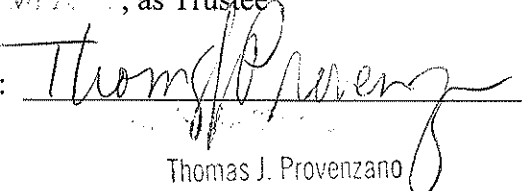
Hampton Roads Sanitation District Commission

Attest:

By: 
Secretary

Hampton Roads Sanitation District Commission

THE BANK OF NEW YORK
Trustee, as Trustee

By: 
Thomas J. Provenzano
Vice President

(Seal)

