



Internal Management Procedures Related to the Failed Remarketing of its Variable Rate Bonds

1.0 Background

In 2016, the Hampton Roads Sanitation District (HRSD) issued Subordinate Wastewater Revenue Bonds, Series 2016B in the form of variable rate demand bonds (the Bonds) with the initial mode as weekly rate. Under the Fourth Supplemental Indenture, HRSD can issue subordinate bonds in weekly rate or long-term rate mode. In weekly rate mode, the investor has the right to optionally tender bonds. HRSD did not and does not plan to purchase third party liquidity support in the event of an investor(s)' tender. In the event the Bonds cannot be remarketed (failed remarketing), HRSD plans on utilizing its primary and/or secondary sources of funds to meet any tender demand.

2.0 Purpose

The purpose of these procedures is: (i) to specify the available sources of funding for payment of the purchase price on the Bonds, in the event of a failed remarketing; (ii) to provide contact information for persons at HRSD responsible for activating procedures to provide the required funding to the trustee to cover the purchase price of the Bonds subject to a failed remarketing; and (iii) to outline the procedures to be followed by HRSD in the event of a failed remarketing.

3.0 Sources of Funds

Primary Sources of Funds

HRSD has identified its highly liquid funds as the primary source of funds which would be accessed first in response to a failed remarketing. HRSD will maintain balances in these primary sources of funds sufficient to address liquidity requirements in the event of a failed remarketing. Among the primary sources available to HRSD are the following:

- HRSD's Corporate Disbursement account: HRSD maintains a corporate disbursement account with Bank of America (BofA). HRSD's Chief Financial Officer, Chief of Accounting and Accounting Managers have the authority to wire funds using BofA's CashPro Online dual approval payment template. Wires initiated prior to 5:00 pm (ET) are recognized on the same day.
- HRSD's Liquidity Pool: HRSD maintains a portion of its operating cash in the Virginia Investment Pool (VIP) Trust Fund's Stable NAV Liquidity Pool. HRSD's Chief Financial Officer, Chief of Accounting, and Accounting Managers have the authority to wire funds from this account via online authorization to HRSD's Corporate Disbursement account. The VIP Trust Fund's Stable NAV Liquidity Pool account uses a dual approval. Wires initiated prior to 2:00 pm are recognized on the same day.

Finance Department • PO Box 5915, Virginia Beach, VA 23471-0915 • 757.460-2261 • Fax 757.460.8763

Secondary Source of Funds

HRSD has identified its 1-3 Year Investment funds as the secondary source which would be accessed if HRSD's primary sources were not sufficient to address liquidity requirements for a failed remarketing. The following is HRSD's Secondary Source of Funds:

- HRSD's 1-3 Year Total Return Strategy (TRS): HRSD maintains a portion of its funds in the Virginia Investment Pool 1-3 Year High Quality Bond Fund (VIP 1-3 Year Fund). These are funds that are not needed daily and are invested in longer term maturities to earn additional yield. HRSD could elect to liquidate funds invested in this account to replenish withdrawals from the primary sources of liquidity funds. HRSD's Chief Financial Officer, Chief of Accounting and Accounting Managers may direct transfers from the VIP 1-3 Year Fund to HRSD's BofA Corporate Disbursement account or the VIP Stable NAV Liquidity Pool twice per month via online authorization. The TRS requires dual approval. Withdrawals from the VIP 1-3 Year Fund can be made on the business day following a Valuation Date. Valuation Dates occur twice per month on the 15th and the last business day of the month. If the 15th is not a business day, the Valuation Date is the business day prior.

HRSD agrees to notify each rating agency actively rating the Bonds if these sources of potential funding are unavailable to meet any failed remarketing of the Bonds, if new funds or sources of liquidity are substituted as sources to meet the funding of the purchase price on the Bonds in the event of a failed remarketing, or if HRSD converts the Bonds from the current, weekly interest rate mode.

4.0 Procedures

Remarketing Agent Notification to HRSD

The Remarketing Agent shall notify the Trustee of the principal amount of bonds remarketed, if any, by 9:30 am on the purchase date. Primary contact will be made with HRSD's Chief Financial Officer. Secondary contacts will be made with the Chief of Accounting or one of the Accounting Managers. Either the primary or the secondary contacts will be available every business day. The individuals in these positions are authorized to liquidate holdings, and initiate transfers on behalf of HRSD using the procedures defined below.

Summary of Specific Procedures in the Event of a Failed Remarketing

Summarized below are the specific procedures for meeting the funding requirements of the Bonds in the event of an optional tender. A seven-day notice period is required for all bonds that are optionally tendered by the bondholders.

Optional Tender - Weekly Interest Rate Mode (all times below are New York City Time)

Day	Deadline	Event	Responsible Party
1	4:00 pm	Bondholder delivers optional tender notice to the Trustee and Remarketing Agent. Purchase date is not sooner than 7 days after delivery of such notice.	Bondholder
2	12:00 pm	Trustee notifies the Remarketing Agent and HRSD of receipt of such notice.	Trustee
2	4:00 pm	HRSD calls the Remarketing Agent to discuss prospects for remarketing. HRSD develops a plan to fund the potential purchase amount.	HRSD
3, 4 & 5	4:00 pm	HRSD calls the Remarketing Agent to inquire if a new bondholder has been found.	HRSD
6	9:30 am	Remarketing Agent notifies Trustee of the principal amount remarketed, if any.	Remarketing Agent
6	9:45 am	Trustee notifies HRSD of the funding requirement. If necessary, HRSD immediately initiates an additional transfer of funds to the Trustee to cover any failed remarketing AND Remarketing Proceeds not yet received plus accrued interest.	Trustee & HRSD
6	2:00 pm	If necessary, HRSD initiates a transfer of funds from HRSD's Primary Sources of funds.	HRSD
7	9:30 am	Remarketing Agent notifies Trustee of the principal amount remarketed, if any.	Remarketing Agent
7	12:15 pm	Trustee deposits any remarketing proceeds into Remarketing Proceeds Account.	Trustee
7	2:00 pm	HRSD deadline for payments to the Trustee for amounts, if any, required for deposit into the District Purchase Account.	HRSD
7	3:00 pm	Trustee deadline for sending required funds to DTC.	Trustee

Summary of Specific Procedures in the Event of a Mandatory Tender

A mandatory tender will occur if the Bonds are converted to a different interest rate mode, at HRSD's option, on any date on which the bonds may be called for optional redemption, or on the date of delivery of a Credit Facility or an alternative credit facility. Under the terms of the Fourth Supplemental Indenture, while HRSD maintains a self-liquidity arrangement with respect to the Bonds, all the events described above that may cause a mandatory tender are within the control of HRSD.

HRSD is required to provide a minimum 30-day notice to bondholders for all mandatory tenders that occur as a result of conversion to a different interest rate mode or at the option of HRSD on any day the Bonds may be called for redemption. HRSD shall not voluntarily terminate its current self-liquidity credit facility on the Bonds without a minimum 30-day notice to bondholders. At such time as HRSD provides such notice to bondholders, it will develop a detailed timeline and specific procedures for the liquidation of assets in order to make all deposits required upon the tender.

If HRSD delivers a Credit Facility to the Trustee and the ratings for short-term obligations of the Credit Facility Provider shall be downgraded to a rating of "P2" or below by Moody's or "A2" or below by S&P, HRSD will terminate such facility immediately, resulting in a tender with less than 30-day notice to bondholders. Summarized below are the specific procedures for meeting the funding requirements of the Bonds in the unlikely event of a mandatory tender for this reason.

Mandatory Tender with Less Than 30 Days Notice (all times below are New York City Time)

Day	Deadline	Event	Responsible Party
1	4:00 pm	Remarketing Agent notifies Trustee of required purchase amount.	Remarketing Agent
2	9:45 am	Trustee notifies HRSD of the funding requirement. HRSD immediately initiates a transfer of funds to the Trustee in the full amount.	Trustee & HRSD
2	12:15 pm	Deadline for depositing required funds into the Remarketing Proceeds Account.	Trustee & HRSD
2	12:30 pm	Trustee notifies HRSD of additional funds, if any, required to be transferred to the Trustee "Additional Funding Amount".	Trustee
2	2:00 pm	HRSD deadline for payments to the Trustee for the Additional Funding Amount, if any.	HRSD
2	3:00 pm	Trustee deadline for sending required funds to DTC.	Trustee

5.0 Effectiveness

This procedure, as may be amended from time to time, will be effective as long as the Bonds are outstanding.

HRSD agrees to review these Failed Remarketing Procedures periodically and will make revisions as necessary and appropriate.



Steve de Mik
Deputy General Manager/Chief Financial Officer

9/29/23

Date

CONTACTS

HRSD

Primary Contact

Steve de Mik
Deputy General Manager/Chief Financial Officer
Office: (757) 460-7240
Mobile: (757) 274-5340
sdemik@hrsd.com

Secondary Contacts

Kassandra Pagan
Chief of Accounting
Office: (757) 460-7319
Mobile: (757) 359-0340
kpagan@hrsd.com

Kathy Stephanitsis
Accounting Manager
Office: (757) 460-7202
Mobile: (757) 536-4180
kstephanitsis@hrsd.com

Andrew Drumheller
Accounting Manager
Office: (757) 460-7290
Mobile: (757) 615-9554
adrumheller@hrsd.com

Virginia Investment Pool (VML/VACo Finance)

Robert W. Lauterberg, Managing Director
rlauterberg@valocalfinance.org

Steven C. Mulroy, Managing Director
smulroy@valocalfinance.org

Tom Tight, Managing Director
Tom.tight@publictrustadvisor

Kevin Stoudt, Director of Investments
kstoudt@valocalfinance.org

George Moore, Investment Operations Analyst
gmoore@valocalfinance.org

Public Trust Advisors, LLC
Office: (407) 588-9391

Trustee/Paying Agent

Bart Trindeitmar
BNY Mellon
Vice President – Client Service, Corporate Trust
4965 U.S. Highway 42, Suite 1000 Louisville, KY 40222
Office (502) 566-6903
Fax (502) 425-3813
Bart.trindeitmar@bnymellon.com