SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA

SENIOR BOND RESOLUTION

Adopted August 16, 1989,
Amended on March 31, 1993,
Amended and Restated on April 28, 1993,
Amended and Restated on June 23, 1999,
Amended and Restated on September 26, 2007
and
Amended on March 24, 2010

Authorizing the Issuance of \$186,435,000 Senior Revenue and Revenue Refunding Bonds, Series 1989 (Regional Solid Waste System) and Thereafter of Additional and Refunding Senior Revenue Bonds

[Restated as of April 29, 2010]

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Table of Contents

<u>Pa</u>	age
	_
Preamble	1
ARTICLE I	
DEFINITIONS	
Castian 101 Magning of Words and Torms	11
Section 101. Meaning of Words and Terms. Section 102. Rules of Construction.	
	30
ARTICLE II	
DETAILS OF BONDS; ISSUANCE OF BONDS	
Section 201. Limitation on Issuance of Bonds.	31
Section 202. Form of Bonds.	
Section 203. Details and Execution of Bonds.	31
Section 204. Authentication of Bonds.	33
Section 205. Exchange of Bonds.	33
Section 206. Registration of Transfer of Bonds	33
Section 207. Ownership of Bonds.	34
Section 208. Authorization and Issuance of Bonds.	34
Section 209. Additional Bonds.	37
Section 210. Refunding Bonds.	
Section 211. Temporary Bonds	
Section 212. Mutilated, Destroyed, Stolen or Lost Bonds	48
ARTICLE III	
REDEMPTION OF BONDS	
Section 301. Redemption Dates and Prices.	50
Section 302. Selection of Bonds to be Redeemed.	
Section 303. Redemption Notice.	
Section 304. Effect of Calling for Redemption.	
Section 305. Redemption of Portion of Bonds.	
Section 306. Cancellation.	
Section 307. Use of Defeasance Obligations to Redeem Bonds.	
ARTICLE IV	
SENIOR CONSTRUCTION ACCOUNT	
Section 401. Senior Construction Account.	53
Section 402. Payments from Senior Construction Account	53
Section 403. Cost of the 1989 Project and Additional Projects	54
Section 404. Completion of the 1989 Project and Additional Projects and Disposition of	54
Senior Construction Account Balance.	55

ARTICLE V REVENUES AND FUNDS

Section 501. Contracts.	57
Section 502. Rate Covenant.	58
Section 503. Annual Budget.	58
Section 504. Establishment of Fund and Accounts.	59
Section 505. Funds Received.	
Section 506. Application of Moneys in Senior Bond Account	62
Section 507. Application of Moneys in Senior Reserve Account.	
Section 508. Application of Moneys to the Credit of the Subordinate Obligations	
Account	
Section 509. Application of Moneys in the Reserve and Contingency Account	
Section 510. Use of Moneys in General Account.	66
Section 511. Application and Pledge of Moneys in the Senior Bond Account and Senior	
Reserve Account.	
Section 512. Moneys Held in Trust.	
Section 513. Cancellation of Indebtedness.	
Section 514. Disposition of Account Balances.	67
ARTICLE VI	
DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS, INVESTMENT OF FUN	NDS
AND COVENANT AS TO ARBITRAGE	
Section 601. Security for Deposits	68
Section 602. Investment of Moneys	
Section 603. Valuation.	
ARTICLE VII	
GENERAL COVENANTS AND REPRESENTATIONS	
	71
Section 701. Payment of Principal, Interest and Premium.	
Section 702. Covenant to Perform of the Authority	
Section 704. Covenant to Construct the 1989 Project and any Additional Project	
Section 705. Ose and Operation of Disposar System. Section 706. Payment of Lawful Charges	
Section 700. I syntem of Lawrur Charges	
Section 70%. No Inconsistent Action.	
Section 709. Records and Audits.	
Section 710. Contracts, Leases and Other Agreements.	
Section 711. Covenant against Sale or Encumbrance and Exceptions Thereto	
Section 712. Budgets and Covenants as to Operating Expenses.	
Section 713. Service Contracts.	
Section 714. Consulting Engineer	
Section 715. Subordinate Obligations	
Section 716. Limitations on Parity Indebtedness	

Section 718. Allocations of Revenues and Costs. Section 719. Notice to Rating Agencies of an Interest Rate Swap	Section 717. Further Instruments and Actions.		
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES Section 801. Events of Default			
Section 801. Events of Default	Section 719. Notice to Rating Agencies of an Interest Rate Swap	84	
Section 801. Events of Default	ARTICLE VIII		
Section 802. Acceleration of Maturities	EVENTS OF DEFAULT AND REMEDIES		
Section 803. Enforcement of Remedies			
Section 804. Pro Rata Application of Funds	Section 802. Acceleration of Maturities.	86	
Section 805. Effect of Discontinuance of Proceedings	Section 803. Enforcement of Remedies.	87	
Section 806. Control of Proceedings by Holders	Section 804. Pro Rata Application of Funds	87	
Section 807. Restrictions upon Actions by Individual Holders			
Section 808. Enforcement of Rights of Action	Section 806. Control of Proceedings by Holders	89	
Section 809. No Remedy Exclusive	Section 807. Restrictions upon Actions by Individual Holders	90	
Section 810. Delay Not a Waiver	Section 808. Enforcement of Rights of Action.	90	
Section 811. Notice of Default			
Section 812. Right to Enforce Payment of Bonds Unimpaired	Section 810. Delay Not a Waiver.	91	
ARTICLE IX CONCERNING THE TRUSTEE AND THE BOND REGISTRAR Section 901. Acceptance of Duties. 92 Section 902. Indemnification of Trustee as Condition for Remedial Action. 93 Section 903. Limitations on Obligations and Responsibilities of Trustee. 93 Section 904. Trustee Not Liable for Failure of Authority to Act. 94 Section 905. Compensation and Indemnification of Trustee and Bond Registrar. 94 Section 906. Semi-Annual Statements from Trustee. 94 Section 907. Trustee May Rely on Certificates. 95 Section 908. Notice of Default. 95 Section 909. Trustee Not Responsible for Recitals. 96 Section 910. Trustee Protected in Relying on Certain Documents. 96 Section 911. Resignation and Removal of Trustee Subject to Appointment of Successor. 96 Section 912. Resignation of Trustee. 96 Section 913. Removal of Trustee. 96 Section 914. Appointment of Successor Trustee. 97 Section 915. Vesting of Duties in Successor Trustee. 98 Section 916. Appointment of Depositories. 98 Section 917. Co-Trustee. 98 Section 917. Co-Trustee. 98 Section 917. Co-Trustee. 98 Section 917. Co-Trustee. 98 Section 918. AND DETERMINATION OF CONCURRENCE OF HOLDERS			
ARTICLE IX CONCERNING THE TRUSTEE AND THE BOND REGISTRAR Section 901. Acceptance of Duties. 92 Section 902. Indemnification of Trustee as Condition for Remedial Action. 93 Section 903. Limitations on Obligations and Responsibilities of Trustee. 93 Section 904. Trustee Not Liable for Failure of Authority to Act. 94 Section 905. Compensation and Indemnification of Trustee and Bond Registrar. 94 Section 906. Semi-Annual Statements from Trustee. 94 Section 907. Trustee May Rely on Certificates. 95 Section 908. Notice of Default. 95 Section 909. Trustee Not Responsible for Recitals. 96 Section 910. Trustee Protected in Relying on Certain Documents. 96 Section 911. Resignation and Removal of Trustee Subject to Appointment of Successor. 96 Section 912. Resignation of Trustee. 96 Section 913. Removal of Trustee. 96 Section 914. Appointment of Successor Trustee. 97 Section 915. Vesting of Duties in Successor Trustee. 98 Section 916. Appointment of Depositories. 98 Section 917. Co-Trustee. 98 Section 918. AND DETERMINATION OF CONCURRENCE OF HOLDERS	•		
Section 901. Acceptance of Duties	Section 813. Rights of Credit Provider or Insurer.	91	
Section 901. Acceptance of Duties	ARTICLE IX		
Section 902. Indemnification of Trustee as Condition for Remedial Action			
Section 902. Indemnification of Trustee as Condition for Remedial Action	Section 901. Acceptance of Duties.	92	
Section 903. Limitations on Obligations and Responsibilities of Trustee			
Section 904. Trustee Not Liable for Failure of Authority to Act			
Section 905. Compensation and Indemnification of Trustee and Bond Registrar			
Section 906. Semi-Annual Statements from Trustee			
Section 907. Trustee May Rely on Certificates			
Section 908. Notice of Default			
Section 909. Trustee Not Responsible for Recitals	· · · · · · · · · · · · · · · · · · ·		
Section 910. Trustee Protected in Relying on Certain Documents			
Section 911. Resignation and Removal of Trustee Subject to Appointment of Successor			
Section 912. Resignation of Trustee	· · ·		
Section 913. Removal of Trustee			
Section 915. Vesting of Duties in Successor Trustee			
Section 915. Vesting of Duties in Successor Trustee	Section 914. Appointment of Successor Trustee.	97	
Section 916. Appointment of Depositories			
ARTICLE X EXECUTION OF INSTRUMENTS BY HOLDERS, PROOF OF OWNERSHIP OF BONDS, AND DETERMINATION OF CONCURRENCE OF HOLDERS			
EXECUTION OF INSTRUMENTS BY HOLDERS, PROOF OF OWNERSHIP OF BONDS, AND DETERMINATION OF CONCURRENCE OF HOLDERS			
EXECUTION OF INSTRUMENTS BY HOLDERS, PROOF OF OWNERSHIP OF BONDS, AND DETERMINATION OF CONCURRENCE OF HOLDERS	ARTICI F X		
AND DETERMINATION OF CONCURRENCE OF HOLDERS		ONDS,	
Section 1001. Execution of Instruments by Holders	·	ŕ	
	Section 1001. Execution of Instruments by Holders.	100	

ARTICLE XI SUPPLEMENTAL RESOLUTIONS

Section 1101. Supplemental Resolutions Without Consent of Holders.	101		
Section 1102. Modification of Resolutions with Consent of Holder			
Section 1103. Exclusion of Bonds.			
Section 1104. Consent of Credit Providers and Insurers Required.			
ARTICLE XII			
SUPPLEMENTAL CONTRACTS - ASH DISPOSAL AGREEMENTS			
Section 1201. Supplemental Contracts Without Bondholder Consent.	104		
Section 1202. Supplemental Contracts with Bondholder Consent.	104		
ARTICLE XIII			
DEFEASANCE			
Section 1301. Defeasance.	105		
ARTICLE XIV			
MISCELLANEOUS PROVISIONS			
Section 1401. Effect of Dissolution of Authority.			
Section 1402. Effect of Covenants			
Section 1403. Successorship of Depository and Bond Registrars			
Section 1404. Manner of Giving Notice.	108		
Section 1405. Substitute Mailing.	109		
Section 1406. Parties, Bond Registrar and Holders Alone Have Rights under Resolution	109		
Section 1407. Effect of Partial Invalidity.	109		
Section 1408. Effect of Covenants	109		
Section 1409. No Recourse Against Members, Officers or Employees of Authority	109		
Section 1410. Taxable Bonds.			
Section 1411. Expenses Payable under Resolution.	110		
Section 1412. Dealing in Bonds			
Section 1413. Payments Due on Sundays and Holidays	110		
Section 1414. Headings.			
Section 1415. Further Authority.			
Section 1416. Resolution Effective			

A RESOLUTION AUTHORIZING THE ISSUANCE OF \$186,435,000 SENIOR REVENUE AND REFUNDING BONDS, SERIES 1989 (REGIONAL SOLID WASTE SYSTEM) AND THEREAFTER ADDITIONAL AND REFUNDING SENIOR REVENUE BONDS

WHEREAS, the Southeastern Public Service Authority of Virginia is a public body politic and corporate exercising public and essential governmental functions pursuant to the Virginia Water and Sewer Authorities Act, being Chapter 2, Title 15.1, Code of Virginia, 1950, as amended (herein called the "Act"), under a certificate of incorporation issued by the State Corporation Commission (herein called the "Authority"); and

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

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

WHEREAS, the Contracts contemplate the development of the Disposal System in two phases - the first phase (herein called "Phase I") consisting of a new landfill, transfer stations, supporting equipment, rolling stock and ancillary facilities and the second phase (herein called "Phase II") consisting of a refuse derived fuel plant, additional transfer stations, supporting equipment, rolling stock and ancillary facilities to be operated in conjunction with Phase I (Phase I and Phase II herein collectively called the "Initial Project"); and

WHEREAS, the Authority has heretofore issued its Guaranteed Revenue Bonds, Series A (Regional Solid Waste Project), dated as of March 1, 1984, in the aggregate principal amount of \$26,000,000 (the "Phase I Bonds") for the purpose of providing funds for the payment of the cost of constructing and placing into operation Phase I of the Disposal System and of a part of the cost of certain engineering studies relating to Phase II of the Disposal System, pursuant to a resolution of the Authority, adopted on December 21, 1983, as amended and readopted by the Authority on March 14, 1984 (the "Phase I Resolution"); and

WHEREAS, the Authority has heretofore issued its Senior Revenue Bonds, Series A (Regional Solid Waste System), dated as of December 1, 1984, in the aggregate principal amount of \$107,000,000 (the "initial Phase II Bonds") for the purpose of providing funds for the acquisition, construction and equipping of a refuse derived fuel plant and a fuel delivery system located in Portsmouth, Virginia, three solid waste transfer stations in Virginia Beach and Suffolk, Virginia, certain related equipment, rolling stock and ancillary facilities (all comprising Phase II of the Initial Project), pursuant to a resolution of the Authority, adopted on December 21, 1984 (the "Phase II Resolution"); and

WHEREAS, the Authority has heretofore issued its Senior Revenue Bonds, Series B (Regional Solid Waste System), dated as of December 1, 1985, in the aggregate principal amount of \$20,000,000 (the "additional Phase II Bonds"; the initial Phase II Bonds and the additional Phase II Bonds being herein collectively called the "Phase II Bonds") for the purpose of providing funds to finance certain other components of Phase II, pursuant to the Phase II Resolution; and

WHEREAS, the Authority has determined that on the basis of current market conditions it is necessary and appropriate to issue Senior Revenue Bonds, among other things, to advance refund and defease all Phase II Bonds now outstanding under the Phase II Bond Resolution; and

WHEREAS, the Authority has determined that it may be necessary, convenient or appropriate to issue additional series of its obligations, payable on a parity with its Senior Revenue Bonds initially issued hereunder, to provide additional funds in respect of its Disposal System, including the refunding of obligations theretofore issued; and

WHEREAS, the Authority has determined that its Senior Revenue Bonds, the certificate of authentication to be endorsed by the Bond Registrar thereon as provided herein, and the form of assignment shall be, respectively, substantially in the following forms, with such variations, omissions and insertions as are required or permitted by this Resolution, including any resolution supplementing or amending this Resolution:

[Form of Face of the Bonds]

[Add Statement of Insurance, if any.]

United States of America

Commonwealth of Virginia

SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA SENIOR REVENUE [AND REVENUE REFUNDING] BONDS SERIES _____

(Regional Solid Waste System)

[Initial] Interest Rate Maturity Date [Original Issue Date] C	\$		
Registered Owner	CUSIP		
Principal Amount Dollars			
and corporate exercising public and essential governmental functions and duly created provisions of the Act (hereinafter mentioned), for value received, promises to provide solely from the sources and in the manner hereinafter provided, to the Registered Owner or registered assigns, on the Maturity Date set forth above (or earlier as hereinafter refer upon the presentation and surrender hereof, at the principal office of, in the, Virginia (the "Bond Registrar"), the Principal Amount set forth above in any currency of the United States of America which on the date of payment thereof is legal to the payment of public and private debts, and to pay in like coin or currency interest	pay, but hereof, rred to), City of coin or nder for on said		
Principal Amount on each January 1 and July 1, commencing,, solely from sources, from the date hereof or the January 1 or July 1 next preceding the date on who Bond is authenticated unless it is authenticated on January 1 or July 1, in which event from date, at the Interest Rate set forth above until the principal amount hereof is paid. The interest Rate set forth above until the principal amount hereof is paid.	nich this om such terest so		
payable and punctually paid or duly provided for on any interest payment date will, as print the Resolution hereinafter referred to, be paid by check mailed to the person in whose this Bond (or one or more predecessor bonds, as defined in the Resolution) is registered close of business on the regular record date for such interest, which shall be the June December 15 (whether or not a business day) next preceding such interest payment date such interest not so punctually paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith cease to be particularly paid or duly provided for shall forthwith the particularly paid or duly provided for shall forthwith the particularly paid or duly provided for shall forthwith the particularly paid or duly provided for shall forthwith the particularly paid or duly provided for shall forthwith the particularly paid or duly provided for shall forthwith the particularly paid or duly provided for shall particularly paid or duly particularly paid or duly provided for shall particularly particularly paid or duly provided for shall particularly parti	se name d at the e 15 or e. Any		

the registered owner on such regular record date, and may be paid to the person in whose name this Bond (or any predecessor bond) is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof being given by the Trustee by mail to the registered owners not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds of this series may be listed and upon such notice as may be required by such exchange, or as more fully provided in the Resolution. Such payment of interest shall be by check mailed to the registered owner at his address as it appears on the bond registration books maintained by the Bond Registrar and shall be made in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts.

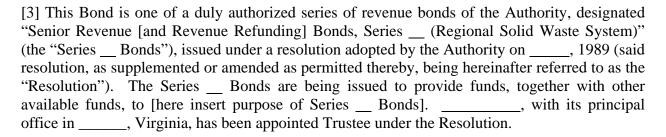
[1A] Revise paragraph [1] as appropriate for Capital Appreciation Bonds and for such bonds that become Current Interest Bonds and for Variable Rate Indebtedness and for such bonds that may convert to a fixed interest rate.

[2] The Series _____ Bonds are limited obligations of the Authority. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or of any political subdivision thereof is pledged as security for the payment of the principal of or the interest or premium, if any, on this Bond.

ADDITIONAL PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF AND SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH SET FORTH HERE.

(18) IN WITNESS WHEREOF, Southeastern Public Service Authority of Virginia has caused this Bond to be executed with the facsimile signatures of its Chairman and its Executive Director and a facsimile of its official seal to be imprinted hereon and this Bond to be dated the
day of
SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA
By [FACSIMILE SIGNATURE] Chairman
By [FACSIMILE SIGNATURE] Executive Director
[FACSIMILE OF OFFICIAL SEAL]
CERTIFICATE OF AUTHENTICATION
This is one of the bonds issued under the provisions of the within-mentioned Resolution.
, Bond Registrar
ByAuthorized Signatory
Authorized Signatory
Date of authentication:

(Form of Reverse of Bonds]



- [4] Reference is made to the Resolution for a more complete statement of the provisions thereof and of the rights and duties of the Authority, the Trustee, the Bond Registrar and the bondholders. Copies of each agreement with the Contracting Units (hereinafter mentioned) and the Resolution are on file and may be inspected at the principal office of the Trustee in Richmond, Virginia. By the purchase and acceptance of this Bond, the Registered Owner hereof signifies assent to all of the provisions of the aforementioned documents. The Resolution provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional series of bonds and other indebtedness on a parity with the Series _____ Bonds to finance additional projects or for improvements to the Disposal System and for the purpose of providing funds, with any other available funds, for refunding any such parity bonds (such bonds, other indebtedness and the Series _____ Bonds being herein collectively called the "Bonds").
- [5] This Bond is issued and the agreements with the Contracting Units and the Resolution were made and adopted under and pursuant to the Constitution and laws of the Commonwealth of Virginia, particularly in conformity with the provisions, restrictions and limitations of Chapter 28, Title 15.1, Code of Virginia, 1950, as amended (the "Act").
- [6] The cities of Norfolk, Chesapeake, Portsmouth, Virginia Beach, Franklin and Suffolk and the counties of Isle of Wight and Southampton, Virginia (such cities, such counties and any other municipal corporation and county which enters into such an agreement with the Authority herein collectively called "Contracting Units"), have entered into agreements with the Authority relating to a regional solid waste disposal system, consisting of a refuse derived fuel processing system, regional landfill, transfer stations, supporting equipment, rolling stock and ancillary facilities, which system is publicly owned and controlled (such facilities and equipment, together with other facilities and equipment acquired by the Authority for such system are herein referred to as the "Disposal System") pursuant to which each of the Contracting Units has agreed to deliver or cause to be delivered to the Disposal System substantially all of the solid waste (excluding hazardous solid waste) under the control of such Unit and, subject to certain exceptions, to pay the Authority tipping fees for its disposal of such solid waste. The Authority has also entered into a contract, dated July 24, 1984, with the United States of America, Department of the Navy (the "Navy"), by the terms of which the Authority is obligated to furnish, and the Navy is obligated to purchase for combustion in its power plant located at the Norfolk Naval Shipyard, in Portsmouth, Virginia, for the 30-year period provided therein, the

refuse derived fuel generated by the refuse derived fuel processing facility mentioned above. To secure the Bonds, the Authority has pledged to the Trustee the Net Revenues (as defined in the Resolution) of the Disposal System. The Bonds are also secured by the moneys and securities held by the Trustee in accounts established under the Resolution.

[7] The Resolution, in accordance with and as required by the Act, provides for the fixing and collecting by the Authority of rates and charges for the use of and the services and facilities furnished by the Disposal System and for revising such rates and charges from time to time in order that such rate and charges and other revenues will be sufficient to provide funds, among other things, to pay the cost of operating, repairing and maintaining the Disposal System, to pay the principal of and the interest on the Bonds issued under the Resolution as the same shall become due and payable and to create and maintain reserves for such purposes. The Resolution also provides for the deposit of a sufficient amount of such revenues, over and above such cost of operation, repair and maintenance, and a reserve for such purpose, to the credit of a special account designated "Senior Bond Account" (herein called the "Bond Account") to pay such principal and interest. The Bond Account is pledged to and charged with the payment of the principal of and interest on all Bonds issued under the Resolution to the extent provided in the Resolution.

[7A] [Insert, as appropriate, paragraphs concerning credit enhancement.] [8] The Series _____ Bonds are issuable as fully registered Bonds in denominations of \$____ or any integral multiple thereof. At the principal office of the Bond Registrar, in the manner and subject to the limitations and conditions provided in the Resolution, Series _____ Bonds may be exchanged for an equal aggregate principal amount of Series _____ Bonds of the same series and maturity, of any authorized denomination or denominations and bearing interest at the same rate or having the same yield. [9] The transfer of this Bond is registrable by the Registered Owner hereof in person or by his attorney or legal representative at the principal office of the Bond Registrar, but only in the manner and subject to the limitations and conditions provided in the Resolution and upon surrender and cancellation of this Bond. Upon any such registration of transfer, the Authority shall execute and the Bond Registrar shall authenticate and deliver in exchange for this Bond a new Series _____ Bond or Series ____ Bonds, registered in the name of the transferee, of any authorized denomination or denominations, in an aggregate principal amount equal to the principal amount of this Bond, of the same series and maturity and bearing interest at the same rate or having the same yield. Neither the Authority nor the Bond Registrar shall be required to make any exchange or registration of transfer of any Series _____ Bond during the fifteen (15) days immediately preceding the date of the Authority's giving notice of redemption or after such Bond has been selected for redemption.

[9A] [Insert as appropriate paragraphs concerning rights and obligations of bond owners to "put" their bonds and methods of determining the interest rates on bonds as Variable Rate Indebtedness and upon conversion to fixed rate bonds.]

[10A] The Series __ Bonds are subject to redemption, at the option of the Authority, from any moneys that may be made available for such purpose other than moneys set aside in respect of a sinking fund requirement, in whole or in part on any date not earlier than July 1, 19__. Any such redemption will be at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date:

Redemption Periods

Redemption Prices

[10B] Series __ Bonds maturing July 1, __ are required to be redeemed commencing July 1, __ and on July 1, __ in each year thereafter in accordance with the sinking fund requirements of the Resolution relating to such Bonds. Such redemption shall be at the principal amount thereof and without premium.

[10C] [Here insert any additional redemption provisions.]

- [11] If less than all of the Bonds of any one maturity of a series shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Authority by such method as the Authority deems appropriate.
- [12] At least thirty (30) days before the redemption date of any Series _ Bonds, whether such redemption is in whole or in part, the Authority shall cause a notice of any such redemption signed by the Authority to be mailed, first class, postage prepaid, to all Registered Owners to be redeemed in whole or in part, but any defect in such notice or the failure so to mail any such notice to the Registered Owner of any Series Bond shall not affect the validity of the proceedings for the redemption of any other Series ____ Bonds. On the date fixed for redemption, notice having been mailed in the manner provided in the Resolution, the Series Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If a portion of this Bond shall be called for redemption a new Series ____ Bond or Bonds in principal amount equal to the unredeemed portion hereof will be issued to the Registered Owner upon the surrender hereof.
- [13] The Registered owner of this Bond shall have no right to enforce the provisions of the Resolution or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Resolution, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Resolution.
- [14] In certain events, on the conditions, in the manner and with the effect set forth in the Resolution, the principal of all the Bonds then outstanding under the Resolution may become or may be declared due and payable before the stated maturities thereof together with the interest accrued thereon.

- [15] Modifications or alterations of the Resolution, or any resolution supplemental thereto, may be made only to the extent and in the circumstances permitted by the Resolution.
- [16] This Bond is issued with the intent that the laws of the Commonwealth of Virginia shall govern its construction.
- [17] All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of this Bond have happened, exist and have been performed as so required.
- [18] This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Resolution until it shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

(Form	of	Assignment))
١	1 01111	$\mathbf{o}_{\mathbf{I}}$	1 10015 IIII CIII	,

; and

FOR VALUE REC		ereby sells, assigns and transfers unto [Please Print or Typewrite Name
=	the within Bond, and all ri attorney to registe	ghts thereunder, and hereby irrevocably er the transfer of the within Bond on the
Dated:	Signature: _	
	Taxpayer identi	ification number:
9		ond with the name as it appears upon the alteration or enlargement or any change
Signature Guaranteed* by: _	, New York, New Y	York
0	•	k or trust company having an officer or ving membership on the New York Stock

WHEREAS, under the Constitution and laws of the Commonwealth of Virginia, including the Act, the Authority is authorized to adopt this Resolution, to issue its Senior Revenue Bonds as hereinafter provided, to apply the proceeds of such Bonds for the purposes herein authorized, and to do or cause to be done all the acts and things herein provided or required to be done as hereinafter covenanted;

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

ARTICLE I

DEFINITIONS

- **Section 101.** Meaning of Words and Terms. In addition to words and terms elsewhere defined in this Resolution, the following words and terms as used in this Resolution shall have the following meanings, unless some other meaning is plainly intended:
 - "Accreted Amount" means, as of any point in time, with respect to Capital Appreciation Bonds of any Series, the amount set forth in, or calculated in accordance with, a Series Resolution as the amount representing the initial public offering price plus the accumulated and compounded interest on such Bonds as of such point in time.
 - "Accountant" means the firm of independent certified public accountants at the time serving as such pursuant to Section 709 of this Resolution.
 - "Acquisition" means acquisition by purchase or eminent domain, construction, improvement and placing into operation.
 - "Act" means the Virginia Water and Sewer Authorities Act, being Chapter 28, Title 15.1, Code of Virginia, 1950, as amended, or any successor statute.
 - "Additional Bonds" means Senior Revenue Bonds authorized pursuant to Section 209 of this Resolution.
 - "Additional Projects" means any future projects, plants, additions, enlargements, improvements, extensions, alterations, fixtures, equipment, land, appurtenances and other facilities necessary, convenient, used or useful for the reception, transfer, processing or disposal of solid waste.
 - "amortized cost", when used with respect to an obligation purchased at a premium above or at a discount below par, shall mean, as of any subsequent date of valuation, the value obtained by dividing the total premium or discount by the number of days remaining to maturity on any such obligation at the time of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of purchase and (i) in the case of an obligation purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount, by adding the product thus obtained to the purchase price.
 - "Annual Budget" means the budget for the Authority for a Fiscal Year adopted by the Authority, as the same may be amended from time to time, adopted in accordance with the provisions of Section 712 of this Resolution.

- "Applicable Principal Payment Date" shall mean the date so designated and described within the definition of "Principal Requirement", hereinafter set forth.
- "Ash Disposal Agreement" means the Agreement for the Disposal of Ash and Process Residue, dated August 8, 1984, between the City of Virginia Beach, Virginia, and the Authority, as the same may be supplemented and amended as permitted hereby.
- "Authority" means the Southeastern Public Service Authority of Virginia, and any successor thereto.
- "Authority Representative" means each of the persons at the time designated to act on behalf of the Authority in a written certificate furnished to each Depository and the Trustee, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the Authority by its Chairman or Vice-Chairman.
- "Balloon Indebtedness" means Bonds or Parity Indebtedness twenty-five percent (25%) or more of the principal of which matures or is subject to mandatory sinking fund redemption on the same date and such date is not subsequent to the final stated maturity of the outstanding Bonds and Parity Indebtedness (taking into account the defeasance of any Bonds and Parity Indebtedness occurring simultaneously with the issuance of the Bonds or incurrence of the Parity Indebtedness). If any such Indebtedness consists partially of Variable Rate Indebtedness and partially of Indebtedness bearing interest at a fixed rate, the portion constituting Variable Rate Indebtedness and the portion bearing interest at a fixed rate shall be treated as separate issues for purposes of determining whether any such Indebtedness constitutes Balloon Indebtedness.
- "Board" means the board of directors of the Authority as constituted from time to time and defined by the Act, or if said Board shall be abolished, then the board, body or officer succeeding to the principal functions thereof or to whom the powers of the Authority shall be given by law.
- "Bond Registrar" means the Bond Registrar at the time serving as such under this Resolution, whether the original or a successor bond registrar.
- "Bond Year" means the period commencing on the first day of July of any calendar year and ending on the 30th day of June of the following calendar year.
- "Bonds" means the bonds issued under this Resolution and includes the Bonds authorized pursuant to Section 208 hereof and any Additional Bonds and Refunding Bonds.

- "Business Day" means any day, other than a Saturday or Sunday, on which commercial banks (including the Trustee, the Paying Agents, the Bond Registrar, any Depository and any Credit Provider) and any Insurer (including its insurance trustee) are open for business in New York, New York or in the State or in any other jurisdiction specified in a Series Resolution and on which the New York Stock Exchange is open.
- "Capital Appreciation Bonds" means Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in the applicable Series Resolution and is payable upon redemption or on the maturity date of such Bonds or on the date, if any, upon which such Bonds become Current Interest Bonds.
- "Closing" means the date on which the Bonds, Parity Indebtedness or Subordinate Obligations are delivered against payment therefor.
- "Code" means the Internal Revenue Code of 1986, as amended.
- "Completion Date" means as to the 1989 Project and each Additional Project the date of completion thereof as such date shall be certified pursuant to Section 404 of this Resolution.
- "Consulting Engineer" means the individual or firm, at the time retained by the Authority, to discharge the functions of the Consulting Engineer described in Section 714 of this Resolution. The Consulting Engineer shall not be an employee of the Authority or of any Unit.
- "Contracted Services" means services rendered or facilities provided to the Authority in respect of the Disposal System, or for the performance for or on behalf of the Authority of functions similar to those provided by the Disposal System, from a specific project, projects or systems, pursuant to a contract, whether a financing lease, a service agreement or other arrangement.
- "Contracting Units" means those Units which at any particular time are parties to Contracts with the Authority.
- "Contracts" means, collectively, the several agreements for the use and support of the Disposal System, between the Authority and the Contracting Units as the same may be supplemented and amended as permitted hereby.
- "Cost", as applied to the Initial Project and any Additional Project, means, without intending thereby to limit or restrict any proper definition of such word under the Act, all items of cost set forth in Section 403 of this Resolution.

"Cost of Contracted Services" means the payments to be made by the Authority for Contracted Services which shall consist of three elements: (i) a "Debt Service Component" which shall consist of that part of the payment for Contracted Services for which the Authority is obligated to pay and which shall have been determined in writing in an Officer's Certificate at the time the Authority commits to receive such Contracted Services to be for the purpose of paying a fixed charge or the principal or interest, or both, on the obligations of the person providing the Contracted Services directly or indirectly associated with rendering the Contracted Services (whether or not any such Contracted Services are at the time being provided), (ii) the "Operating Component" which shall consist of that portion of the payment for Contracted Services (but only if such Contracted Services are at the time being provided) for which the Authority is obligated to pay, which is not included as a Debt Service Component and which shall constitute an Operating Expense of the Disposal System and (iii) the "Remaining Component" which shall consist of the remaining portion of the payment for Contracted Services for which the Authority is obligated to pay and which is not a Debt Service Component or an Operating Component. The Service Fee shall be an Operating Component of the Cost of Contracted Services. All other amounts payable by the Authority under the Service Agreement shall be a Remaining Component of the Cost of Contracted Services.

"Credit Facility" means, as to any particular maturity or Series of Bonds, a letter of credit, line of credit, guaranty, surety bond, standby bond purchase agreement or other credit-enhancement or liquidity facility (other than an insurance policy issued by an Insurer) approved and described in a Series Resolution in respect of such Bonds.

"Credit Provider" means, as to any particular maturity or Series of Bonds, the person (other than an Insurer) providing a Credit Facility or a Senior Reserve Account Credit Facility, as designated in the Series Resolution providing for the issuance of such Bonds.

"Crossover Date" means, with respect to Crossover Refunding Bonds, the date specified in or determined in accordance with the provisions of the Series Resolution for such Bonds on which Bonds to be refunded in whole or in part with the proceeds of such Crossover Refunding Bonds are to be paid at maturity or redeemed (or provision made for such payment or redemption).

"Crossover Refunding Bonds" means Bonds, as determined in the Series Resolution pursuant to which such Bonds are issued, the proceeds of which will be used on the Crossover Date to pay at maturity or redeem or to provide for such payment or redemption any Bonds to be so paid or refunded.

"Current Interest Bonds" means Bonds the interest on which is payable on the Interest Payment Dates provided therefor in the applicable Series Resolution which Series Resolution may also provide that Bonds initially issued as Capital Appreciation Bonds may become Current Interest Bonds on the date specified therein.

"Debt Service Requirements" means for any Bond Year, the aggregate of (a) the Principal and Interest Requirements on Bonds of all Series then outstanding for such Bond Year and (b) the payments required to be made in respect of Parity Indebtedness for such Bond Year, employing in each case the methods of calculation set forth in clauses (A), (B) and (C) of Section 209 hereof in the cases of Balloon Indebtedness, Variable Rate Indebtedness and Optional Tender Indebtedness; provided, however, that principal or interest expense shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is to be paid from the proceeds of Bonds or Parity Indebtedness or from investment (but not reinvestment) earnings thereon if such proceeds shall have been invested in Defeasance Obligations and to the extent such earnings may be determined precisely.

"**Defaulted Interest**" means Defaulted Interest as defined in Section 203 of this Resolution.

"Defeasance Obligations" means (i) noncallable Government Obligations, (ii) Defeased Municipal Obligations and (iii) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, (a) which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state or territory thereof in the capacity as custodian, (b) the owner of the proportionate interest is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations, and (c) the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Defeased Municipal Obligations" means obligations of any state or territory of the United States or any political subdivision thereof which obligations are rated in the highest rating category by Moody's and S&P which obligations meet the following requirements: (1) the obligations are not subject to redemption or the trustee has been given irrevocable instructions to call such obligations for redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (ii) the obligations are secured by cash or noncallable Government Obligations that may be applied only to interest, principal, and premium payments of such obligations held in escrow by an escrow

agent or a trustee; (iii) the principal of and interest on the Government Obligations (plus any cash held in escrow) are sufficient to meet the liabilities of the obligations; and (iv) the Government Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

"**Deposit Day**" means the twelfth (12th) day of each month on which a withdrawal from the General Account is required to accomplish the transfers required by Section 505 of this Resolution and any other day so designated for all the Bonds in a Series Resolution.

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

"Disposal System" means the Initial Project, the 1989 Project and any Additional Projects and all additions, extensions and improvements thereto, and any renewals or replacements thereof, acquired, constructed or operated by or on behalf of the Authority for the reception, transfer, processing or disposal of solid waste, all or a portion of the Cost of which is to be or has been financed from the proceeds of Bonds or Gross Revenues or any other moneys held under the Resolution provided, however, that, effective on the WTE Sale Date, the Disposal System shall not include the WTE Facilities.

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

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

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

"General Account" means the General Account created and so designated by Section 504 of the Phase I Resolution and continued by Section 504 of this Resolution.

"Government Obligations" means (i) direct obligations of, or obligations the timely payment of the principal of and the interest on which are unconditionally and fully guaranteed by, the United States of America and (ii) evidences of

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

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

"Guaranteed Bonds" means the Authority's \$23,175,000 Guaranteed Subordinated Revenue Refunding Bonds, Series 1989 (Regional Solid Waste System) and any other refunding bonds issued pursuant to the Guaranteed Resolution.

"Guaranteed Resolution" means the resolution of the Authority adopted on August 16, 1989, relating to the Guaranteed Bonds.

- "Guaranteed Senior Subordinated Debt" means the Authority's bonds issued and outstanding under the Senior Subordinated Bond Resolution (as defined in the Guaranteed Subordinated Bond Resolution) immediately following the sale of the WTE Facilities on the WTE Sale Date..
- "Guaranteed Subordinated Debt" means the Authority's bonds, mentioned in R-5 above, issued and outstanding under the Guaranteed Subordinated Bond Resolution, mentioned in R-2 above, immediately following the sale of the Waste to Energy Facilities on the WTE Sale Date.
- "Guarantors" means the eight Units that have severally guaranteed, for the benefit of VRA, the Authority's Guaranteed Senior Subordinated Debt and Guaranteed Senior Subordinated Debt pursuant to the terms of the Guaranty Agreement.
- "Guaranty Agreement" means the agreement by which the Guarantors have agreed severally to guarantee the full and timely payment of the principal of and interest on the Guaranteed Senior Subordinated Debt and Guaranteed Subordinated Debt.
- "[H]older" means a person in whose name a Bond (or one or more predecessor bonds) is registered in the registration books provided for in Section 206 of this Resolution and the owner of any Parity Indebtedness, as the context may require.
- "Indebtedness" means (a) the Bonds, (b) the Debt Service Components of the Cost of Contracted Services, (c) all other indebtedness of the Authority relating to the Disposal System and payable from Gross Revenues and (d) all installment sales and capital lease obligations relating to the Disposal System and payable from Gross Revenues and incurred or assumed by the Authority. Obligations to reimburse Credit Providers for amounts drawn under Credit Facilities to pay the Purchase Price of Optional Tender Indebtedness shall not constitute Indebtedness, except to the extent such obligations exceed the Debt Service Requirements on Bonds or Parity Indebtedness held by or pledged to or for the account of a Credit Provider that shall have paid the Purchase Price of Optional Tender Indebtedness.
- "Initial Project" means Phase I and Phase II.
- "Insurer" means, as to any particular maturity or any Series of Bonds, the person undertaking to insure such Bonds as designated in a Series Resolution providing for the issuance of such Bonds.
- "Interest Payment Date" means a January 1 or July 1, as the case may be; provided, however, that Interest Payment Date may mean, if so provided in a Series Resolution or other supplemental resolution permitted by this Resolution, such other date or dates provided therein or permitted thereby.

"Interest Period" means the period from the date of the Bonds of any Series to and including the day immediately preceding the first Interest Payment Date and thereafter means each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

"Interest Requirement" for any Bond Year or any Interest Period, as the context may require, as applied to Bonds of any Series then Outstanding, means the total of the sums that would be deemed to accrue on such Bonds during such Bond Year or Interest Period if the interest on the Current Interest Bonds of such Series were deemed to accrue daily in equal amounts during such Year or Interest Period, employing the methods of calculation set forth in clauses (A), (B) and (C) of Section 209 hereof in the case of Balloon Indebtedness, Variable Rate Indebtedness and Optional Tender Indebtedness; provided, however, that interest expense shall be excluded from the determination of Interest Requirement to the extent that any interest is to be paid from the proceeds of Bonds or other available moneys or from investment (but not reinvestment) earnings thereon if such proceeds or other moneys shall have been invested in Defeasance Obligations and to the extent such earnings may be determined precisely. Interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds (herein called "excess interest"), shall not be included in the determination of Interest Requirement. The Authority may in a Series Resolution provide that such excess interest be included in the calculation of Interest Requirement for all provisions of this Resolution except those contained in Section 505 hereof. If interest is not payable at a single numerical rate for the entire term of such Bonds, then "Interest Requirement" shall have the appropriate meaning assigned thereto by the applicable Series Resolution or other supplemental resolution permitted by this Resolution.

The interest rate on Bonds issued with a variable, adjustable, convertible or similar rate of interest shall be the greater of (A)(1) the average rate of interest on such Bonds for the preceding twelve months or such shorter period that such Bonds shall have been outstanding, or (2) if such Bonds had not been outstanding prior to the date of calculation, the rate of interest on such Bonds on the date of calculation and (B) the lesser of the maximum rate then permitted by law and the maximum rate permitted on such Bonds by the Series Resolution authorizing the issuance thereof; provided, however, that if the Authority has notified the Trustee that a Swap Agreement is in effect in respect of such Bonds, then for all purposes of this Resolution, except for the purpose of determining the required deposits to the Senior Bond Account or the Subordinated Obligations Account pursuant to Section 505 hereof, the interest rate on such Bonds shall be the Swap Rate under such Swap Agreement; and if such Swap Rate is a variable rate, the interest rate on such Bonds (except for the purpose specified above in this paragraph) shall be the average Swap Rate for the preceding twelve months or such shorter period

that the Swap Agreement has been in effect, or if such Swap Agreement has not been in effect prior to the date of calculation, the Swap Rate on the date of calculation.

"Investment Obligations" means Government Obligations and, to the extent from time to time permitted by the laws of the State, (A) the obligations of (i) Export-Import Bank, (ii) Government National Mortgage Association, (iii) Federal Housing Administration, (iv) Farmers Home Administration, (v) United States Postal Service and (vi) any other agency or instrumentality of the United States of America now or hereafter created, which obligations are backed by the full faith and credit of the United States of America, (B) the obligations of (i) Federal National Mortgage Association, (ii) Federal Intermediate Credit Banks, (iii) Federal Banks for Cooperatives, (iv) Federal Land Banks, and (v) Federal Home Loan Banks, (C) Defeased Municipal Obligations, (D) negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of least A-1 by S & P and P-1 by Moody's for maturities of one year or less, and a rating of at least AA by S & P and Aa by Moody's for maturities over one year and not exceeding five years, (E) any overnight, term or open repurchase agreement for Government Obligations or obligations described in clauses (A) and (B) above that is with (i) a bank or trust company (including the Trustee, any Depository and their affiliates) that has a combined capital, surplus and undivided profits not less than \$50,000,000, or (ii) a subsidiary trust Company whose combined capital, surplus and undivided profits, together with that of its parent State bank or bank, holding company, as the case may be, is not less than \$50,000,000, or (iii) a financial institution or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation ("SIPC") or with a dealer or parent holding company that is rated in one of the three highest rating categories by Moody's and S&P (without regard to gradations such as "plus" or "minus") and as to which the fair market value of such agreements, together with the fair market value of the repurchase agreement securities, exclusive of accrued interest, shall be valued daily and maintained at an amount at least equal to the amount invested in the repurchase agreements, provided, however, that (1) such obligations purchased must be transferred to the Trustee or Depository (who shall not be the provider of the collateral) or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations, (2) as to which failure to maintain the requisite collateral levels will require the Trustee or Depository, as the case may be, or its agent to liquidate the securities immediately, (3) as to which the Trustee or Depository, as the case may be, has a perfected, first priority security interest in the securities, and (4) as to which the securities are free and clear of third-party liens, and in the case of an SIPC broker, were not acquired pursuant to a repurchase or reverse repurchase agreement, (F) bankers' acceptances drawn on and accepted by commercial banks (which may include the Trustee, any Bond

Registrar, any Depository, any Credit Provider and any Paying Agent) having a combined capital, surplus and undivided profits of at least \$100,000,000, (G) commercial paper rated at the time of acquisition by the Trustee or a Depository hereunder in the highest rating category by Moody's and S&P (without regard to any gradations or refinements such as "plus" or "minus"), (H) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured to their maturities by an insurer the bonds insured by which are rated at the time of acquisition by the Trustee or a Depository hereunder by Moody's and S&P in one of the two highest rating categories (without regard to any numerical or other gradations or refinements such as "plus" or "minus"), (1) obligations of state or local government municipal bond issuers that are rated by Moody's and S&P in one of the two highest rating categories (without regard to any numerical or other gradations or refinements such as "plus" or "minus"), (J) (1) open-end investment funds registered under the Investment Companies Act of 1940, as amended, the authorized investments by which are permitted by the terms of this Resolution, (K) investments pursuant to the Government Non-Arbitrage Act, Article 7.1, Chapter 14, Title 2.1, Code of Virginia, 1950, as amended, and (L) any other investment permitted by Code of Virginia 1950, Title 2.1, Chapter 18 ("Investment of Public Funds"), as amended. Any investment in a repurchase agreement shall be considered to mature on the date the party providing the repurchase agreement is obligated to repurchase the Investment Obligations. Any investment in obligations described above may be made in the form of an entry made on the records of the issuer of or the securities depository with respect to the particular obligation.

"Moody's" means Moody's Investors Service, its successors and assigns and, in the event such corporation ceases to rate municipal bonds, any other nationally recognized securities rating service designated by the Authority.

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

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

"[Newspaper]" means a newspaper regularly published in the English language at least once in each of five consecutive days each week.

"1989 Project" shall have the meaning given to it in Section 208 hereof, all or a portion of the cost of which project is to be paid from the proceeds of the Bonds issued pursuant to said Section 208.

"Officer's Certificate" means a certificate signed by the Chairman or Vice-Chairman or the Executive Director or the chief financial officer of the Authority, or a member of the Authority or a member of tile staff of the Authority, in either case designated by such Chairman, or Vice-Chairman, Executive Director, or chief financial officer of the Authority.

Each Officer's Certificate presented under this Resolution shall state that it is being delivered pursuant to (and shall identify specifically the provision of) this Resolution and shall incorporate by reference and use in all appropriate instances, all terms defined in this Resolution. Each Officer's Certificate shall state (i) whether the terms thereof are in compliance with the requirements of the provision pursuant to which such Officer's Certificate is delivered, or shall state in reasonable detail the nature of any non-compliance, and the steps being taken to remedy such non-compliance, and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Operating Expenses" means for any period the Authority's reasonable and necessary current expenses for the operation, repair and maintenance of the Disposal System, as determined in accordance with generally accepted accounting principles except as modified by this definition, and shall include, without limiting the generality of the foregoing, all ordinary and usual expenses of maintenance, repair and operation, which may include expenses not annually recurring, administrative expenses, any reasonable payments to pension or retirement funds properly chargeable to the Disposal System and the Solid Waste Disposal System Fund, insurance premiums, engineering expenses relating to maintenance, repair and operation, fees and expenses of the Trustee, Depositories, Paying Agents and the Bond Registrar, legal expenses, fees of consultants, any taxes which may be lawfully imposed on, or payments in lieu of taxes which may be lawfully paid by, the Disposal System or the income therefrom, operating lease payments, the Operating Component of the Cost of Contracted Services, all other payments, not chargeable to the capital account of the Disposal System, to be made by the Authority under the Contracts and the Ash Disposal Agreement, and any other expenses required or permitted to be paid by the Authority under the provisions of this Resolution or by law, but shall not include any reserves or expenses for extraordinary maintenance or repair or any allowance for depreciation, any payments required to be made by the Authority on account of any agreement referred to in Section 718 hereof, or any deposits to the credit of the Senior Bond Account, the Senior Reserve Account, Subordinate Obligations

Account or the Reserve and Contingency Account (other than Operating Expenses hereinabove described in this definition).

"Optional Tender Indebtedness" means any portion of Indebtedness incurred under this Resolution a feature of which is an option on the part of the holders of such Indebtedness to tender to the Authority or the Trustee or a Depository, Paying Agent or other fiduciary for such holders, or an agent of any of the foregoing, all or a portion of such Indebtedness for payment or purchase.

"[O]utstanding" means all Bonds which have been authenticated and delivered by the Bond Registrar under this Resolution, except:

- (i) Bonds paid or redeemed or delivered to or acquired by the Trustee or the Bond Registrar for cancellation;
- (ii) Bonds deemed to have been paid in accordance with Article XIII of this Resolution:
- (iii) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Resolution; and
- (iv) Bonds constituting Optional Tender Indebtedness deemed to have been purchased in accordance with the provisions of the applicable Series Resolution in lieu of which other Bonds have been authenticated and delivered under such Series Resolution;

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

The Authority may provide in a supplemental resolution permitted hereby as to when any Parity Indebtedness shall be deemed no longer to be outstanding hereunder in a manner not inconsistent with the above definition.

- "Parity Debt Service Component" means the Debt Service Components of the Cost of Contracted Services under any Service Contracts where the Executive Director of the Authority shall certify in an Officer's Certificate at the time the Authority commits to receive such Contracted Services that the Authority shall have elected to treat such Debt Service Components as payable on a parity as to moneys in the Senior Bond Account with the Principal and Interest Requirements of Bonds issued under this Resolution and that shall meet the requirements of Section 713 of this Resolution.
- "Parity Indebtedness" means (a) Parity Debt Service Components and (b) any other Indebtedness incurred in accordance with the provisions of Section 716 hereof and payable on a parity with the Principal and Interest Requirements of Bonds issued under the provisions of this Resolution. Parity Indebtedness does not include Bonds.
- "Paying Agents" means one or more of the banks or trust companies, the Trustee, the Bond Registrar or any Depository, as may be designated by the applicable Series Resolution, at which the principal of Bonds shall be payable.
- "[P]erson" means and includes an association, unincorporated organization, a corporation, a partnership, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.
- "**Phase I**" means the new landfill, transfer stations, supporting equipment, rolling stock and ancillary facilities financed with the proceeds of the Phase I Bonds.
- "Phase I Bonds" means the Guaranteed Revenue Bonds, Series A (Regional Solid Waste System) issued by the Authority issued under the Phase I Resolution on April 11, 1984.
- "Phase I Resolution" means the resolution of the Authority adopted on December 21, 1983, as amended and readopted on March 14, 1984.
- **"Phase II"** means the refuse derived fuel plant, additional transfer stations, supporting equipment, rolling stock and ancillary facilities. Phase II also includes capital obligations of the Authority under the Contracts, the Navy Contract and the Ash Disposal Agreement.
- "Phase II Bonds" shall have the meaning given such term in the preamble.

"Predecessor Bonds" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and, for purposes of this definition, any Bond authenticated and delivered under Section 212 of this Resolution in lieu of a destroyed, stolen or lost Bond shall be deemed to evidence the same debt as the destroyed, stolen or lost Bond.

"principal" means (i) with respect to the principal amount of any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest), except as used in this Resolution in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an event of default, in which cases "principal" means the initial public offering price of such Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest), but when used in connection with determining whether the owners of the requisite principal amount of Bonds then outstanding have given any request, demand, authorization, direction, notice, consent or waiver or with respect to the Redemption Price of such Capital Appreciation Bond, "principal" means the Accreted Amount and (ii) with respect to any Current Interest Bond, the principal amount of such Bond payable in satisfaction of a Sinking Fund Requirement, if applicable, or at maturity.

"Principal and Interest Requirements" for any Bond Year means the sum of the Principal Requirement and Interest Requirement for such Year.

"Principal Payment Date" means a July 1 upon which the principal of any Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of a Sinking Fund Requirement; provided, however, Principal Payment Date may mean, if so provided by a Series Resolution or other supplemental resolution permitted by this Resolution, such other date or dates as may be provided thereby or permitted therein.

"Principal Requirement" for any Bond Year means, as applied to the Bonds of a Series then Outstanding, if and to the extent for such Series of Bonds a Principal Payment Date or Dates shall occur after July 1 during such Bond Year and on July 1 of the next succeeding Bond Year (each, an "Applicable Principal Payment Date"), then beginning

- (i) on the preceding Principal Payment Date, if any, that occurs one year or less before each Applicable Principal Payment Date, or
- (ii) one year prior to each Applicable Principal Payment Date if there is no prior Principal Payment Date or if the preceding Principal Payment Date is more than one year prior to the Applicable Principal Payment Date;

- (iii) the total of the sums that would be deemed to accrue on such Bonds during such Bond Year if
- (1) the principal of the Current Interest Bonds of such Series scheduled to mature or be subject to a Sinking Fund Requirement on or prior to the Applicable Principal Payment Date and
- (2) the Accreted Amount of the Capital Appreciation Bonds of such Series scheduled to become due or be subject to a Sinking Fund Requirement on or prior to the Applicable Principal Payment Date,

were each deemed to accrue daily during such Year in equal amounts to but not including the Applicable Principal Payment Date; provided, however, that an amount of principal shall be excluded from the determination of Principal Requirement to the extent that such amount is to be paid from the proceeds of Bonds or other available moneys or from the investment (but not reinvestment) earnings thereon if such proceeds or other moneys shall have been invested in Defeasance Obligations and to the extent such earnings may be determined precisely.

- "Purchase Price" means, with respect to Optional Tender Indebtedness, the purchase price established in the applicable Series Resolution as the purchase price to be paid for such Indebtedness upon an optional or mandatory tender of all or a portion of such Indebtedness.
- "Redemption Price" means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms and this Resolution.
- "**Refunding Bonds**" means the Bonds authorized pursuant to Section 210 of this Resolution.
- "Regular Record Date" means, the 15th day of the month preceding an Interest Payment Date (whether or not a Business Day), unless otherwise provided by Series Resolution.
- "Reserve and Contingency Account" means the Reserve and Contingency Account created and so designated by Section 504 of this Resolution.
- "Resolution" means this resolution authorizing the Bonds, as supplemented and amended as permitted hereby.
- "Secretary-Treasurer" means the Secretary and Treasurer of the Authority, or if the offices of Secretary and Treasurer of the Authority shall not at the time be

held by the same person, then the Secretary of the Authority or if there is no Secretary or if the Secretary is incapable of performing his duties, then the Executive Director or any person designated by the Board or authorized by the by-laws of the Authority to perform the functions of the Secretary.

"Senior Bond Account" means the Senior Bond Account created and so designated by Section 504 of this Resolution.

"Senior Construction Account" means the Senior Construction Account created and so designated by Section 401 of this Resolution.

"Senior Reserve Account" means the Senior Reserve Account created and so designated by Section 504 of this Resolution.

"Senior Reserve Account Credit Facility" means any Credit Facility deposited in the Senior Reserve Account in lieu of or in partial substitution for cash or Reserve Account Investment Obligations (as defined in Section 602 hereof) on deposit therein.

"Senior Reserve Account Requirement" means, as of any date of calculation, an amount equal to the lesser of (i) the maximum Principal and Interest Requirements in any Bond Year on account of all the Bonds Outstanding and the Guaranteed Bonds then outstanding, less the Reserve Account Requirement (as defined in the Guaranteed Resolution) for such Guaranteed Bonds then outstanding and (ii) ten percent (10%) of the originally issued aggregate principal amount of the Bonds of each Series then Outstanding; provided, however, that the Senior Reserve Account Requirement for Bonds constituting Balloon Indebtedness and Variable Rate Indebtedness shall be not less than ten percent (10%) of the originally issued aggregate principal amount of such Bonds.

In computing the Senior Reserve Account Requirement in respect of any Bonds constituting Variable Rate Indebtedness, the interest rate on such Bonds shall be assumed to be the greatest of (i) the interest rate on any Bonds that shall not constitute Variable Rate Indebtedness delivered simultaneously with the Bonds that constitute Variable Rate Indebtedness, (ii) one hundred ten percent (110%) of the daily average interest rate on such Bonds constituting Variable Rate Indebtedness during the twelve (12) months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been outstanding, and (iii) the rate of interest on such Bonds constituting Variable Rate Indebtedness on the date of calculation.

In respect of any Bonds constituting Balloon Indebtedness the Principal Requirement shall be adjusted to include the greatest principal amount established for any Bond Year pursuant to Section 209(A)(i) or (ii).

In respect of any Bonds constituting Optional Tender Indebtedness, the date or dates on which the Holders thereof may at their option tender such Bonds for payment or purchase shall be disregarded.

"Serial Bonds" means the Bonds which are stated to mature In consecutive annual installments and so designated in the applicable Series Resolution.

"[S]eries" shall mean the Bonds, if any, delivered at any one time issued under the provisions of this Resolution.

"Series Resolution" shall mean a resolution of the Authority, supplemental to this Resolution, and in conformity with the provisions of Article XI, providing for the issuance of a Series of Bonds or Parity Indebtedness and setting forth the provisions and details thereof not inconsistent herewith.

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

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

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

"Sinking Fund Requirement" for the Term Bonds, if any, of each Series for any Bond Year shall be initially the respective principal amounts of such Bonds to be redeemed, or otherwise retired, on the date or dates in such Bond Year or the next succeeding Bond Year, as the case may be, as fixed in or provided for by the applicable Series Resolution. The aggregate amount of such Sinking Fund Requirements for the Term Bonds of each Series shall be equal to the aggregate principal amount of Term Bonds of such Series. The Sinking Fund Requirements for the Term Bonds of each Series shall begin in the Bond Year determined by the Authority and shall end in the Bond Year of the maturity of such Term Bonds (the Sinking Fund Requirement for such Bond Year being the amount payable at maturity).

If at the close of any Principal Payment Date the total principal amount of the Term Bonds of any maturity of each Series retired by purchase or redemption or called for redemption under the provisions of this Resolution prior to such Principal Payment Date shall be in excess of the total amount of the Sinking Fund Requirements for the Term Bonds of such maturity and Series on such Principal Payment Date, then, unless otherwise provided in the applicable Series Resolution, the total amount of the Sinking Fund Requirements for the Term Bonds of such maturity and Series for all subsequent Principal Payment Dates

shall be reduced by the amount of such excess. The amount of the reduction in the Sinking Fund Requirement for each such subsequent Principal Payment Date shall be in the same proportion, as nearly as practicable (the amount of the reduction on any such Principal Payment Date being in a multiple of the minimum authorized denomination of such Bonds) as determined by the Trustee, as the total reduction for all such Principal Payment Dates bears to the total amount of the Sinking Fund Requirements for all such subsequent Principal Payment Dates for the Term Bonds of such maturity and Series.

It shall be the duty of the Trustee, on or before the 10th day of July, to Compute the Sinking Fund Requirements for all subsequent Principal Payment Dates for the Term Bonds of each Series then outstanding. The Sinking Fund Requirements for the next succeeding Principal Payment Date shall continue to be applicable and no further adjustment shall be made therein by reason of Bonds purchased or redeemed prior to the next succeeding Principal Payment Date.

"Solid Waste Disposal System Fund" means the Solid Waste Disposal System Fund created and so designated by Section 504 of this Resolution.

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

"S&P" shall mean Standard & Poor's Corporation and its successors and assigns and, in the event such corporation ceases to rate municipal bonds, any other nationally recognized securities rating service designated by the Authority.

"State" means the Commonwealth of Virginia.

"Subordinate Indebtedness" means the Phase I Bonds and any Subordinate Obligations.

"Subordinate Obligations" means the Debt Service Component of the Cost of Contracted Services and any other obligations of the Authority incurred, issued and secured by or payable from the Subordinate Obligations Account under this Resolution. Phase I Bonds are not Subordinate Obligations under this Resolution.

"Subordinate Obligations Account" means the Subordinate Obligations Account created and so designated by Section 504 of this Resolution.

"Swap Agreement" means an agreement between the Authority and a Swap Party whereby the Swap Party agrees to pay to the Authority amounts calculated on the basis of all or a portion of the interest on Bonds issued hereunder with a variable, adjustable, convertible or similar rate of interest at or prior to the times such interest is due and payable in consideration of the Authority's payment to the Swap Party of amounts set forth in the Swap Agreement.

"Swap Party" means a person who is party to a Swap Agreement and whose senior obligations are rated in the "A" category (without regard to any gradations within such category) or better at the time of the execution and delivery of such Swap Agreement by S&P and Moody's.

"Swap Rate" means the fixed rate per annum on the principal amount of Bonds issued hereunder with a variable, adjustable, convertible or similar rate of interest covered by a Swap Agreement equal to the percentage derived by dividing (i) the sum of the amounts in the last twelve months paid by the Authority in respect of interest on such Bonds and to the Swap Party less the amount paid to the Authority by the Swap Party by (ii) such principal amount of Bonds; provided, however, that if such Swap Agreement has been in effect for less than twelve months, such percentage shall be multiplied by 360 divided by the number of days between the effective date of such Swap Agreement and the date of calculation determined on the basis of 30-day months.

"**Term Bonds**" means the Bonds of a Series, other than Serial Bonds, stated to be payable by their terms on one or more dates.

"Trustee" means the Trustee at the time acting as such under this Resolution whether the original or a successor trustee.

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

"Variable Rate Indebtedness" shall mean any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a single numerical rate for the entire term of such Indebtedness.

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

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

Section 102. Rules of Construction. (a) Unless the context otherwise indicates words of the masculine gender shall be deemed and construed to include correlative words of the feminine

and neuter genders and words importing the singular shall include the plural and vice versa. Unless the context shall otherwise indicate and except as may be provided in any Series Resolution respecting any Insurer or Credit Provider, the words "Bond", "owner", "Holder" and "person" shall include the plural as well as the singular number.

- (b) Where the character or amount of any asset, liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purpose hereof for any certificate or executed and delivered in accordance with or pursuant to this Resolution, the same shall be done in accordance with generally accepting accounting principles of such agreement, document or certificate; provided, however, whenever the context makes clear that the requirement is that cash, or its equivalent, be available to meet indebtedness, computations regarding such requirement shall be computed on a cash basis, and not in accordance with generally accepted accounting principles.
- (c) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.
- (d) Provisions calling for the redemption of Indebtedness or the calling of Indebtedness for redemption do not mean or include the payment of Indebtedness at its stated maturity.

[End of Article I]

ARTICLE II

DETAILS OF BONDS; ISSUANCE OF BONDS

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

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

Section 203. Details and Execution of Bonds. Unless otherwise provided in the applicable Series Resolution, the Bonds shall have the details set forth below in this Section. The Bonds shall be dated, shall bear interest until their payment, such interest to the maturity thereof being payable semi-annually on January 1 and July 1 in each year, and shall be stated to mature on July 1 of such year or years (subject to the right of prior redemption), all as hereinafter provided.

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

Bonds shall be executed with the signatures or facsimile signatures of the Chairman of the Authority and of the Executive Director of the Authority and a facsimile of the official seal of the Authority shall be impressed or imprinted thereon.

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

Both the principal of and the interest on the Bonds shall be payable in any coin or currency of the United States of America which is legal tender on the respective dates of payment thereof for the payment of public and private debts. Except as provided in Section 211 hereof, the principal of and premium, if any, on all Bonds shall be payable at the principal office of the Bond Registrar upon the presentation and surrender of such Bonds as the same shall become due and payable.

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Bond (or one or more predecessor bonds) is registered at the close of business on the Regular Record Date for such interest.

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

A. The Authority may elect to make payment of any Defaulted Interest on the Bonds to the persons in whose names such Bonds are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Authority shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Authority shall deposit or cause to be deposited with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment with the Bond Registrar, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subparagraph provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name and at the expense of the Authority, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the registration books maintained under Section 206 of this Resolution not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Authority, cause a similar notice to be published at least once in a financial journal distributed in the Borough of Manhattan, City and State of New York, but such publication shall not be a condition precedent to the establishment of such Special

Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds (or their respective predecessor bonds) are registered on such Special Record Date and shall no longer be payable pursuant to the following subparagraph B.

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

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

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

Section 205. Exchange of Bonds. Bonds, upon surrender thereof at the principal office of the Bond Registrar, together with an assignment duly executed by the Holder or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any denomination or denominations authorized by this Resolution, bearing interest at the same rate or having the same yield, and in the same form as the registered Bonds surrendered for exchange.

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

Section 206. Registration of Transfer of Bonds. The Bond Registrar shall keep books for the registration and registration of transfer of Bonds as provided in this Resolution. The

Bond Registrar shall evidence acceptance of the duties, obligations and responsibilities of Bond Registrar by execution of the certificate of authentication on the Bonds.

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

In all cases in which Bonds shall be exchanged or the transfer of Bonds shall be registered hereunder, the Authority shall execute and the Bond Registrar shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Bond Registrar. No service charge shall be made for any registration of transfer or exchange of Bonds, but the Authority and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration Of transfer or exchange of Bonds. Except as otherwise provided in a Series Resolution, neither the Authority nor the Bond Registrar shall be required (i) to issue, register the transfer of or exchange Bonds during a period beginning at the opening of business fifteen (15) days before the day of mailing of a notice of redemption of Bonds under Section 303 of this Resolution and ending at the close of business on the day of such mailing or (ii) to register the transfer of or exchange any Bond so selected for redemption in whole or in part.

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

Section 208. Authorization and Issuance of Bonds. There shall be initially issued under and secured by this Resolution a series of revenue bonds of the Authority in the aggregate principal amount of One Hundred Eighty-six Million Four Hundred Thirty-five Thousand Dollars (\$186,435,000), designated "Southeastern Public Service Authority of Virginia, Senior Revenue and Refunding Bonds, Series 1989 (Regional Solid Waste System)" for the purpose of providing funds, together with other available funds to (i) refund all of the outstanding Phase II Bonds, (ii) refund all of the outstanding Phase I Bonds, (iii) satisfy certain obligations of the

Authority in connection with the Navy Contract, (iv) acquire land to be used as a borrow pit for the Authority's landfill in Suffolk, Virginia, to develop additional capacity at such landfill and pay a or a portion of the costs of certain capital improvements to the Disposal System (the "1989 Project"), and (v) provide reserves for such purposes and pay certain expenses incurred in connection with the issuance of the Bonds. Such Bonds shall be issued in any form permitted by law, including, but not limited to, Capital Appreciation Bonds, Current Interest Bonds, Balloon Indebtedness, Variable Rate Indebtedness, Optional Tender Indebtedness, Serial Bonds, Term Bonds, or a combination of both, shall be dated and shall be stated to mature, subject to the right of prior optional and mandatory sinking fund redemption, if any, on the dates and in the principal amounts, may have the benefit in whole or in part of a Credit Facility or a Senior Reserve Account Credit Facility or may be insured in whole or in part, and shall have such other details, and shall be sold in such manner to such purchasers upon the payment of such purchase price, all as shall be provided by the applicable Series Resolution.

The Bonds shall be executed substantially in the form and in the manner hereinabove set forth or provided in the Series Resolution and shall be deposited with the Bond Registrar for authentication, but before the Bonds shall be delivered by the Bond Registrar, there shall be filed or deposited with the Trustee the following:

- (a) a copy, certified by the Secretary-Treasurer of the Authority, of this Resolution;
- (b) a copy, certified by the Secretary-Treasurer of the Authority, of the Series Resolution of the Authority, supplemental to this Resolution, fixing details of the Bonds, approving the sale of the Bonds to the purchasers thereof, and directing the authentication and delivery of the Bonds to or upon the order of such purchasers upon payment of the purchase price therein set forth and the accrued interest thereon;
- (c) opinions of the City or County Attorney of each Contracting Unit to the effect that the applicable Contract has been duly authorized, executed and delivered and is a valid, binding and legally enforceable agreement of the Contracting Unit;
- (d) an opinion or opinions of counsel to the effect that, assuming proper authorization, execution and delivery by the Authority, the Navy Contract constitutes a valid, binding and legally enforceable agreement of the Navy;
- (e) an opinion or opinions of counsel for the Authority to the effect that (1) the Authority has been duly organized and is validly existing as a public body politic and corporate, exercising public and essential governmental functions pursuant to the Act, in good standing under the laws of the State with power and authority to execute and deliver the Contracts and to consummate the transactions contemplated by such instruments; (2) the Contracts, the Ash Disposal Agreement and the Navy Contract have been duly authorized, executed and delivered by the Authority and, assuming proper authorization, execution, and delivery by the other parties thereto, constitute valid, binding and legally enforceable agreements of the parties thereto, except to the extent that the enforceability of the rights and remedies set forth herein and therein may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or by usual equity

principles; (3) no provision of the Contracts violates any provision of the Act; (4) this Resolution and the resolution referred to in clause (b) above have been duly adopted and are in full force and effect; (5) the Authority has all necessary power and authority to apply the proceeds of such Bonds for the purpose described in this Resolution and the resolution referred to in clause (b) above; (6) the execution and delivery of the Contracts, the Ash Disposal Agreement and the Navy Contract and compliance with the terms thereof, under the circumstances contemplated thereby, do not and will not conflict with the Authority's certificate of incorporation or by-laws and do not and will not in any material respect conflict with, or constitute on the part of the Authority a breach or default under, any indenture, mortgage, deed of trust, agreement or other instrument to which the Authority is a party or conflict with, violate or result in a breach of any law, public administrative rule or regulation, judgment, court order or consent decree to which the Authority is subject; (7) there are no liens or encumbrances on or charges against the Disposal System that could materially adversely affect the ability of the Authority to effect the 1989 Project or the operation of the Disposal System as contemplated by the Resolution; (8) all permits, approvals, franchises, privileges and legal clearances under federal, State or local laws and from federal, State or local entities or officers necessary for the operation and maintenance of the Initial Project, and then obtainable, have been obtained, and the Authority has full and lawful authority to operate and maintain the Disposal System, with the exception of those facilities constituting a part of the Initial Project and the 1989 Project not yet acquired or the acquisition of which is not yet completed; and (9) the conditions precedent to the delivery of such Bonds have been fulfilled; and

(f) a certificate of the Executive Director of the Authority giving his best estimate of the Completion Date of the 1989 Project and certifying, according to his estimate of the total amount required for paying the Cost of the 1989 Project, that the aggregate principal amount of the Bonds then being delivered, together with any other funds anticipated to be made available therefor, will be sufficient to provide the funds necessary to pay the total amount of such Cost.

When the documents mentioned in paragraphs (a) to (f), inclusive, of this Section shall have been filed with the Trustee and when the Bonds shall have been executed and authenticated by the Bond Registrar upon the request of the Authority, as required by this Resolution, the Trustee shall deliver the Bonds at one time to or upon the order of the purchasers named in the resolution mentioned in paragraph (b) of this Section, but only upon payment to the Authority of the purchase price of the Bonds and the accrued interest thereon. The Trustee and Bond Registrar shall be entitled to rely upon such resolution as to the names of the purchasers, any Paying Agents or Depositories, and the amount of such purchase price.

The proceeds (including accrued interest) of the Bonds, together with any other funds made available by the Authority, shall be deposited by the Secretary-Treasurer of the Authority, simultaneously with the delivery of the Bonds, as follows:

(1) with the Trustee, to the credit of the Senior Bond Account an amount equal to the accrued interest on the Bonds;

- (2) with the trustee under the Phase II Resolution such amount as shall be specified in an Officer's Certificate to be applied, together with other available moneys, to the payment of the Phase II Bonds;
- (3) with the trustee under the Phase I Resolution, such amount as shall be specified in an Officer's Certificate to be applied, together with other available moneys, to the payment of the Phase I Bonds;
- (4) with the Trustee, to the credit of the Senior Reserve Account such amount as may be specified in an Officer's Certificate; and
- (5) with the Depository therefor, to the credit of the Senior Construction Account the balance of said proceeds.

Simultaneously with the delivery of the Bonds, the Authority hereby authorizes and directs

- (i) the trustee under the Phase II Resolution to withdraw the amounts then held to the credit of the Senior Bond Account and Senior Reserve Account established under the Phase II Resolution and apply said amounts as may be specified in an Officer's Certificate:
- (ii) the depository of the Senior Construction Account established under the Phase II Resolution to withdraw the amount then held to the credit of said Account and transfer said amount to the Depository of the Senior Construction Account established under this Resolution, which Depository is hereby authorized and directed to deposit said amount to the credit of the Senior Construction Account established under this Resolution;
- (iii) the trustee under the Phase I Resolution to withdraw the amounts then held to the credit of the Bond Account and the Reserve Account established under the Phase I Resolution and apply said amounts as may be specified in an Officer's Certificate; and
- (iv) the trustee under the Phase I Resolution, to withdraw from the Construction Account established under the Phase I Resolution the amount then held to the credit of such Account and transfer said amount to the Depository of the Senior Construction Account established under this Resolution, which Depository is hereby authorized and directed to deposit said amount to the credit of the Senior Construction Account established under this Resolution.

Section 209. Additional Bonds. Additional Series of Bonds of the Authority ("Additional Bonds"), in addition to the Series of Bonds issued under Sections 208 and 210 of this Article, may be issued from time to time under and secured by this Resolution, subject to the conditions hereinafter provided in this Section, for the purpose of providing funds, with any other available funds, for (i) completing payment of the Cost of the 1989 Project or any

Additional Project for which Bonds shall have theretofore been issued pursuant to Section 208 or this Section 209 or (ii) paying all or any portion of the Cost of Additional Projects.

Before any Series of Bonds shall be issued under this Section, the Authority shall adopt a Series Resolution authorizing the issuance of such Series of Bonds, fixing the amount and the details thereof and the purpose thereof and, if for any purpose of paying the Cost of any Additional Project, describing in brief and general terms the facilities to be acquired or constructed and approving the estimate of the Cost thereof. Such Series of Bonds shall be appropriately designated, shall be dated and numbered, shall be stated to mature in such principal amount or amounts, may have the benefit in whole or in part of a Credit Facility or a Senior Reserve Account Credit Facility, may be insured in whole or in part, shall bear interest at a rate or rates or shall have such yield or yields not exceeding the maximum rate then permitted by law and may be redeemable at such times and prices (subject to the provisions of Article III of this Resolution), all as may be provided in the Series Resolution. Such Additional Bonds may be issued in any form permitted by law, including but not limited to, Capital Appreciation Bonds, Current Interest Bonds, Balloon Indebtedness, Variable Rate Indebtedness, Optional Tender Indebtedness (provided the Authority delivers concurrently with the delivery of such Indebtedness a Credit Facility which the Trustee or another fiduciary may draw upon to pay the Purchase Price of any such Indebtedness), Serial Bonds, Term Bonds or any combination thereof, all as provided in the Series Resolution. Any such Credit Facility and any associated reimbursement agreement shall provide for reimbursement by the Authority of Purchase Price payments in substantially equal annual payments over a period of not less than five (5) years and shall not contain a provision requiring accelerated payments of the principal portion of any such drawings unless the obligation of the Authority to make such accelerated payments is subordinated to the obligation of the Authority in respect of the Bonds and Parity Indebtedness and be payable in accordance with the provisions of Section 510 or from funds not constituting Net Revenues of the Authority. Except as to any Credit Facility, insurance policy or Senior Reserve Account Credit Facility and as to any differences in the rate or rates of interest or yield or yields, the maturities or the provisions for redemption or purchase and except for such differences, if any, respecting the use of moneys in various subaccounts in the Senior Bond Account or Senior Reserve Account, such Series of Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of this Resolution as all other Bonds theretofore or thereafter issued under this Resolution.

Prior to or simultaneously with the delivery of such Bonds by the Bond Registrar to or upon the order of the purchasers thereof, there shall be filed with the Trustee the following:

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

- (b) a statement, signed by the Executive Director of the Authority, and approved by the Consulting Engineer, giving his estimate of the Completion Date of the 1989 Project or the Additional Project for which such Bonds are to be issued and of the date on which the 1989 Project or such Additional Project will be placed in use and operation and certifying, according to his estimate of the total amount required for paying, or completing payment of, the Cost of the 1989 Project or such Additional Project, that the aggregate principal amount of Additional Bonds, of one or more Series, then being or to be issued, together with any other funds anticipated to be made available therefor, will be sufficient to provide the funds necessary to pay the total amount of such Cost;
- (c) an opinion of the counsel for the Authority to the effect that (i) the Series Resolution referred to in clause (a) above has been duly adopted pursuant to the Act and the issuance of such Bonds has been duly and validly authorized and all conditions precedent to the delivery of such Bonds have been fulfilled, (ii) no provision of such Bonds or of the Series Resolution authorizing such Bonds results in or constitutes a default under any agreement, indenture or other instrument to which the Authority is a party or by which the Authority is or may be bound, and (iii) all permits, approvals, franchises, privileges and legal clearances under federal, State or local laws and from federal, State or local entities or officers necessary for the construction of the 1989 Project or Additional Project to be financed with the proceeds of such Additional Bonds, and then obtainable, have been obtained, and the Authority has full and lawful authority to operate and maintain the Disposal System, including the 1989 Project or such Additional Project, as provided in this Resolution;
- (d) an Officer's Certificate of the chief financial officer of the Authority, approved by the Accountant, setting forth:
 - (i) the Net Revenues of the Authority for each of the twenty-four (24) months next preceding the date of such certificate, adjusted as permitted hereinafter in this Section;
 - (ii) the amount of the Debt Service Requirements for all Bonds and Parity Indebtedness then outstanding under this Resolution on the date of the Certificate described in paragraph (d) above for each of the twenty-four (24) months next preceding the date of such certificate;
 - (iii) the sum of the amount for the Bond Year in which such Bonds are to be delivered and for each Bond Year thereafter, (A) of the Debt Service Requirements for all Bonds and Parity Indebtedness then outstanding under this Resolution, the Additional Bonds then proposed to be delivered and if the amount of the Additional Bonds then proposed to be issued is less than the total aggregate principal amount of Bonds estimated by the Executive Director in the statement mentioned in (b) above for all Series of Additional Bonds estimated to be required to be it in respect of the 1989 Project or such Additional Project, for all future Series of Additional Bonds so required, assuming as to such future Series of Additional Bonds that the Principal and Interest Requirements

therefor shall occur in the same Bonds Years as the Principal and Interest Requirements on the Additional Bonds then proposed to be delivered and in the same proportion as the aggregate principal amount of such Series of Additional Bonds to be issued in future years bears to the principal amount of the Additional Bonds then proposed to be issued and (B) the debt service requirements (computed to the extent practicable in a manner similar to that used in computing Debt Service Requirements) for each such Bond Year of all Subordinate Indebtedness then outstanding; and

- (iv) the amounts required to make all deposits to the credit of the Senior Reserve Account, the Reserve and Contingency Account and the Subordinate Obligations Account required by this Resolution and to pay all other obligations of the Authority related to the Disposal System, including the Phase I Bonds, as the same become due for each of the twenty four (24) months next preceding the date of such certificate; and
- (e) a report of the Consulting Engineer setting forth his estimate of (i) the Net Revenues of the Authority, for each of the three (3) Bond Years immediately following the Bond Year in which the 1989 Project or such Additional Project is placed in use and in operation or if prior to the date such Project is so placed in use and operation all or any portion of the interest on such Additional Bonds is not to be paid from the proceeds thereof, for the first Bond Year for which all such interest is not to be paid from such proceeds and in each Bond Year thereafter to and including the third complete Bond Year following the Bond Year in which such Project is so placed in use and operation, as estimated in the statement mentioned in clause (b) above (in estimating such Net Revenues, the Consulting Engineer may take into account any increase in tipping fees indicated in a financing plan adopted by the Authority on or prior to the date of such certificate); and (ii) the amounts required to make all deposits to the credit of the Senior Reserve Account, the Reserve and Contingency Account and the Subordinate Obligations Account required by this Resolution and to pay all other obligations of the Authority related to the Disposal System, including the Phase I Bonds, as the same become due for the period covered by in clause (i) of this paragraph (e).

The Net Revenues in each of the twenty-four (24) months referred to in paragraph (d)(i) shall be adjusted as follows: (1) to reflect for each such month any changes made in the rates, fees, rentals or other charges for the operation of the Disposal System placed in effect prior to the date of the Officer's Certificate provided for in paragraph (d) above as though such changes had been in effect for the full twenty-four (24) months in such period; and (2) to reflect any change in such Net Revenues caused by the 1989 Project, any Additional Projects or any other facilities, including the Acquisition of any existing facilities, comprising a part of the Disposal System having been placed into use and operation subsequent to the date of commencement of such preceding 24-month period and prior to the date of such Certificate provided for in paragraph (d) above.

When (i) the documents mentioned in clauses (a) to (e), inclusive, of this Section shall have been filed with the Trustee, and (ii) the Additional Bonds described in the Series Resolution mentioned in clause (a) of this Section shall have been executed by the Authority and

authenticated by the Bond Registrar upon the request of the Authority as required by this Resolution, the Authority shall deliver the Bonds at one time to or upon the order of the purchasers named in the Series Resolution mentioned in paragraph (a) but only upon payment to the Authority of the purchase price of such Bonds and the accrued interest thereon. The Authority, the Trustee and the Bond Registrar shall be entitled to rely upon such Series Resolution as to the names of the purchasers, the names of the Bond Registrar, Depository and Paying Agents for such Bonds, the Sinking Fund Requirements, if any, for the Term Bonds, if any, the interest rate or yield of such Bonds and the amount of such purchase price.

Except in the case of Additional Bonds to be issued for completing payment of the Cost of the 1989 Project or any Additional Project pursuant to clause (i) of the first paragraph of this Section 209, the Trustee shall not deliver any such Additional Bonds to or upon the order of the purchasers thereof unless the Authority shall provide an Officer's Certificate to the effect that

- (1) for any twelve (12) consecutive months in the twenty-four (24) month period referred to in the statement mentioned in clause (d)(i) of this Section, the sum of the amounts set forth therein shall be not less than each of (A) one hundred twenty percent (120%) of the sum of the amounts set forth in clause (d)(ii) and (B) one hundred percent (100%) of the sum of amounts set forth in clauses (d)(ii) and (d)(iv) for such twelve (12) consecutive months; and
- (2) each of the amounts shown in clause (i) of the report mentioned in paragraph (e) of this Section for each of the Bond Years referred to therein shall be not less than each of (A) one hundred percent (100%) of the maximum amount set forth in clause (d)(iii), (B) one hundred twenty percent (120%) of the amount set forth in clause (d)(iii)(A) for each of such Bond Years and (C) the sum of one hundred percent (100%) of the amount set forth in clause (d)(iii)(A) and the amount set forth in clause (e)(ii) for each of such Bond Years.

The Authority shall not be required to provide the statement, report or certificate referred to in paragraph (d) or (e), respectively, of this Section 209 unless the same shall be required by the terms of this paragraph for the Additional Bonds to be issued.

Notwithstanding the foregoing provisions of this Section 209, in the case of the following described Additional Bonds the foregoing requirements and provisions respecting the issuance thereof shall be modified as hereinafter indicated:

(A) <u>Balloon Indebtedness</u>. If any of the Bonds or Parity Indebtedness outstanding or the Additional Bonds of the Series to be issued constitute Balloon Indebtedness or Balloon Indebtedness and Variable Rate Indebtedness, then for purposes of the amounts to be shown in clauses (ii) and (iii) of paragraph (d) above, the Authority shall adjust such amounts as if the principal amount of such Indebtedness were to be amortized in substantially equal annual installments of principal and interest over a term equal to the lesser of (i) twenty (20) years and (ii) the weighted average estimated useful life of the facilities comprising Phase II or any

Additional Project to be financed from the proceeds of such Bonds, as determined by the Consulting Engineer, the fixed interest rate used for such computation being in the case such Indebtedness shall also constitute Variable Rate Indebtedness, the maximum rate established pursuant to paragraph (c) below and in all other cases the greater of (x) the interest rate or rates borne by such Indebtedness and (y) the rate at which it is assumed that the Authority could reasonably expect to borrow by issuing such Bonds with such term and level Principal and Interest Requirements for each Bond Year, such reasonable expectations being established by an Officer's Certificate and a letter of a banking or investment banking or financial advisory institution knowledgeable in financial matters relating to the Authority confirming the interest rate assumption as reasonable.

- (B) Optional Tender Indebtedness. If any of the Bonds or Parity Indebtedness outstanding or the Additional Bonds of the Series to be issued constitute Optional Tender Indebtedness, then (1) for purposes of the amounts to be shown in clauses (ii) and (iii) of paragraph (d) above, the options of the Holders to tender the same for payment prior to their stated maturity or maturities shall be ignored, (2) if such Indebtedness also constitutes Variable Rate Indebtedness or Variable Rate Indebtedness and Balloon Indebtedness, the Authority shall adjust such amounts shown in clauses (ii) and (iii) of paragraph (d) above as provided in paragraphs (A) above and (C) below, as appropriate, (3) if such Indebtedness shall have been or if such Additional Bonds are secured by a Credit Facility or insurance policy, the Credit Provider or Insurer, as the case may be, or obligations secured by credit facilities issued by such Credit Provider shall be rated in one of the three highest rating categories (without reference to gradations of such categories such as "plus" or "minus") by Moody's and S&P, and (4) any obligation the Authority may have, other than its obligation on such Bonds (which need not be uniform as to all Holders thereof), to reimburse any Credit Provider or Insurer, including any obligations so to reimburse in excess of the Principal and Interest Requirements on such Indebtedness (determined without regard to whether such Credit Provider or Insurer shall then be holding or shall then have had pledged to it such Indebtedness), shall be subordinated to the obligation of the Authority on the Bonds and be payable in accordance with the provisions of Section 505 or from funds not constituting Gross Revenues of the Disposal System.
- (C) <u>Variable Rate Indebtedness</u>. If any of the Bonds or Parity Indebtedness outstanding or the Additional Bonds of the Series to be issued constitute Variable Rate Indebtedness, then for purposes of the amounts shown in clause (iii) of paragraph (d) above, the interest rate used in such computation shall be the greater of (1) the interest rate for the first period of calculation of interest on such Bonds and (2) the fixed interest rate established as provided in the case of paragraph (A) above for Balloon Indebtedness. The conversion of Bonds constituting Variable Rate Indebtedness to bear interest at a fixed rate or rates or the conversion of such

Bonds from Serial Bonds to Term Bonds or vice-versa, in accordance with their terms, shall not constitute a new issuance of Bonds under this Resolution.

The proceeds (including accrued interest) of such Bonds together with any other funds made available by the Authority, shall be deposited by the Secretary-Treasurer of the Authority simultaneously with the delivery of the Bonds, as follows:

- (1) with the Trustee, to the credit of the Senior Bond Account an amount equal to the accrued interest on the Bonds;
- (2) if so provided by the Series Resolution mentioned in clause (a) of this Section, with the Trustee, the amount specified in such resolution, which amount shall not be greater than that required, with the accrued interest, to pay the interest which will accrue on such Bonds from their date to the estimated Completion Date of the 1989 Project or Additional Project, and, if so provided by such resolution, for not exceeding one year after the estimated Completion Date shall be deposited to the credit of the Senior Bond Account;
- (3) if and to the extent so provided by the Series Resolution mentioned in clause (a) of this Section, with the Trustee the amount specified in such resolution (which shall be not less than the minimum amount required to make the balance to the credit of the Senior Reserve Account equal to the amount of the Senior Reserve Account Requirement on account of all Bonds Outstanding and such Additional Bonds) shall be deposited to the credit of the Senior Reserve Account or in a segregated subaccount therein; and
- (4) the balance of the proceeds of such Bonds shall be deposited to the credit of a special account in the Senior Construction Account, to be credited with a Depository, appropriately designated and held in trust for the purpose of paying the cost of the 1989 Project or such Additional Project or otherwise as provided in the Series Resolution mentioned in clause (a) of this Section.

Section 210. Refunding Bonds. Series of refunding Bonds of the Authority ("Refunding Bonds") may be also issued from time to time under and secured by this Resolution, subject to the conditions hereinafter provided in this Section, for the purpose of providing funds for refunding all or any Indebtedness, including, without limitation, Bonds of any one or more Series of Bonds or of all or any Parity Indebtedness then outstanding, including the payment of any redemption premium thereon and interest which will accrue on such Bonds to the redemption date or stated maturity date or dates and any expenses in connection with such refunding. Before any such Series of Refunding Bonds shall be issued under the provisions of this Section, the Board shall adopt a Series Resolution authorizing the issuance of such Bonds, fixing the amount and the details thereof and describing the Indebtedness or Parity Indebtedness to be refunded. Such Refunding Bonds shall be appropriately designated and numbered, shall be dated, shall be stated to mature in such principal amount or amounts, may have the benefit in whole or in part of a Credit Facility, an insurance policy or a Senior Reserve Account Credit

Facility, shall bear interest at a rate or rates or have such yield or yields not exceeding the maximum rate then permitted by law and may be made redeemable at such times and prices (subject to the provisions of Article III of this Resolution), all as may be provided in the Series Resolution authorizing the issuance of such series of Refunding Bonds. Such Refunding Bonds may be issued in any form permitted by law, including but not limited to, Capital Appreciation Bonds, Current Interest Bonds, Balloon Indebtedness, Variable Rate Indebtedness, Optional Tender Indebtedness (provided the Authority delivers concurrently with the delivery of such Indebtedness a Credit Facility which the Trustee or another fiduciary may draw upon to pay the Purchase Price of any such Indebtedness), Serial Bonds, Term Bonds or any combination thereof, all as provided in the Series Resolution. Any such Credit Facility and any associated reimbursement agreement shall provide for reimbursement by the Authority of Purchase Price payments in substantially equal annual payments over a period of not less than five (5) years and shall not contain a provision requiring accelerated payments of the principal portion of any such drawings unless the obligation of the Authority to make such accelerated payments is subordinated to the obligation of the Authority in respect of the Bonds and Parity Indebtedness and be payable in accordance with the provisions of Section 510 or from funds not constituting Net Revenues of the Authority. Except as to any Credit Facility, insurance policy or Senior Reserve Account Credit Facility and as to any differences in the maturities thereof or the rate or rates of interest or yield or yields, or the provisions for redemption or purchase and except for such differences, if any, respecting the use of moneys in various subaccounts in the Senior Bond Account or Senior Reserve Account, such Refunding Bonds shall be on a parity with and shall be entitled to the same benefit and security of this Resolution as all other Bonds theretofore or thereafter issued under this Resolution.

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

- (a) a copy, certified by the Secretary-Treasurer of the Authority, of the Series Resolution adopted by the Authority providing for the issuance of such Refunding Bonds, approving the sale of such Bonds to the purchasers thereof and directing the delivery of such Bonds to or upon the order of the purchasers upon payment of the purchase price therein set forth and the accrued interest thereon; and
- (b) an opinion of the counsel for the Authority to the effect that (i) the Series Resolution authorizing such Refunding Bonds has been duly adopted pursuant to the Act and the issuance of such Bonds has been duly and validly authorized and all conditions precedent to the delivery of such Refunding Bonds have been fulfilled and (ii) no provision of such Refunding Bonds or the Series Resolution authorizing such Refunding Bonds results in or constitutes a default under any agreement, indenture or other instrument to which the Authority is a party or by which the Authority is or may be bound.

The Trustee may require the Authority to submit or cause to be submitted to it such other documents and certifications as the Trustee in its judgment may reasonably require in connection

with the issuance of such Refunding Bonds, including such documents showing that provision has been duly made in accordance with the provisions of this Resolution for the payment or redemption or defeasance in accordance with Article XIII hereof of all of the Bonds to be refunded.

When (i) the documents mentioned in clauses (a) and (b) and the preceding paragraph of this Section shall have been filed with the Trustee, and (ii) the Refunding Bonds described in the Series Resolution mentioned in clause (a) of this Section shall have been executed by the Authority and authenticated by the Bond Registrar upon the request of the Authority, as required by this Resolution, the Trustee shall deliver such Bonds, at one time to or upon the order of the purchasers thereof, but only upon payment to the Authority of the purchase price of such Bonds and the accrued interest thereon. The Authority, the Trustee and the Bond Registrar shall be entitled to rely upon such Series Resolution as to the names of the purchasers, the names of the Bond Registrar, Depository and Paying Agents, for such Bonds, the Sinking Fund Requirements, if any, for the Term Bonds, if any, the interest rate or yield of each of such Bonds and the amount of such purchase price. The Authority shall not deliver such Bonds unless

(I) in the determination of an Accountant satisfactory to the Trustee, the proceeds (excluding accrued interest) of such Refunding Bonds, together with the amount, if any, withdrawn from the Senior Bond Account or the Senior Reserve Account or any other money deposited with the Trustee for such purpose, and the interest that shall accrue upon any Defeasance Obligations acquired pursuant to clause (2) below of this Section, shall be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Indebtedness to be refunded and the interest that will accrue thereon to the respective redemption and maturity dates of the Indebtedness to be refunded (calculated with respect to interest that will accrue on any Bonds or Parity Indebtedness being refunded with Crossover Refunding Bonds, from the Crossover Date), the expenses incident to such refunding and the Principal and Interest Requirements of the Crossover Refunding Bonds to the Crossover Date, and

(II)(A)(1) during the years in which any of the Bonds and Parity Indebtedness not so refunded are outstanding, the maximum Debt Service Requirements for any Bond Year on account of all Bonds and Parity Indebtedness outstanding, after the issuance of such Refunding Bonds and the redemption or provision for payment of the Bonds or Parity Indebtedness to be refunded, shall not exceed the maximum Debt Service Requirements for any Bond Year thereafter on account of all the Bonds and Parity Indebtedness outstanding, including the Bonds or Parity Indebtedness to be refunded, immediately prior to the issuance of such Refunding Bonds and (2) the aggregate Debt Service Requirements for each Bond Year thereafter on account of the Refunding Bonds then being issued does not exceed for the corresponding Bond Year one hundred five percent (105%) of the aggregate Debt Service Requirements of the Bonds or Parity Indebtedness to be refunded, or

(B) the Authority shall demonstrate satisfaction of the tests set forth in Section 209 in connection with the issuance of Additional Bonds, such tests being applied to the Refunding Bonds to be issued under the provisions of this Section <u>mutatis</u> <u>mutandis</u> and shall file with the Trustee the appropriate certificates evidencing such compliance of the same tenor and effect as those required by Section 209 with any necessary changes relating to such Refunding Bonds having been made,

except that in the event any of the Refunding Bonds are being issued for the purpose of refunding Indebtedness other than Bonds or Parity Indebtedness, the Authority shall demonstrate compliance with the provisions of clause (II)(B) above and shall not have the option instead of demonstrating compliance with the provisions of clause (II)(A) above of this Section.

In applying the foregoing test, if any of the Bonds or Parity Indebtedness outstanding immediately prior to or after the issuance of the Refunding Bonds constitute Balloon Indebtedness, Optional Tender Indebtedness or Variable Rate Indebtedness, the conventions employed in Sections 209(A), (B) and (C), respectively, shall be applied in determining the Debt Service Requirements thereof and shall be utilized in determining the Principal and Interest Requirements of the Refunding Bonds to be issued.

Simultaneously with the delivery of such Refunding Bonds, the Trustee may withdraw (a) from the Senior Bond Account such amount, if any, as may have been deposited to the credit of the Senior Bond Account for the payment of the principal of or interest on the Bonds to be redeemed or paid and (b) from the Senior Reserve Account, such amount, if any, as will exceed the Senior Reserve Account Requirement in respect of the Bonds Outstanding immediately following the issuance of such Refunding Bonds and the redemption or provision for payment of the Bonds being refunded and the Trustee shall apply, after provision for payment of the expenses incident to such refunding, including the payment of any premiums or costs and expenses associated with any Credit Facility, insurance policy and any Senior Reserve Account Credit Facility, the proceeds of such Refunding Bonds (including accrued interest), any money so withdrawn from said Accounts and any other money provided for such purpose, as follows:

- (1) the accrued interest received as part of the proceeds of such Refunding Bonds shall be deposited to the credit of the Senior Bond Account;
- (2) an amount which, together with the interest that shall accrue on the Defeasance Obligations acquired pursuant to this clause (2), shall be sufficient to pay the principal and redemption premium of and the interest on any Crossover Refunding Bonds then being issued to the Crossover Date and on the Bonds to be refunded hereunder (from the Crossover Date in respect of Bonds or Parity Indebtedness being refunded with Crossover Refunding Bonds) shall be deposited by the Trustee to the credit of a special redemption fund, appropriately designated, to be held in trust by the Trustee or a Depository for the sole and exclusive purpose of paying such principal, redemption premium and interest; and money held for the credit of such redemption fund shall, as nearly as may be

practicable and reasonable, be invested and reinvested by the Trustee or such Depository, as the case may be, in Defeasance Obligations which shall mature or be subject to redemption by the holder thereof at the option of such holder, at such time or times as the Trustee or such Depository, as the case may be, shall determine to be necessary or desirable to effectuate the purpose of such Refunding Bonds as stated in the Series Resolution mentioned in clause (a) of this Section;

(3) such amount shall be deposited to the credit of any Account established under Section 504 of this Resolution, as shall be required by reason of the issuance of the Refunding Bonds then proposed to be delivered and the Series Resolution authorizing the issuance of the Refunding Bonds under this Section (which amount if deposited to the credit of the Senior Reserve Account shall be not less than the minimum amount required to make the balance to the credit of the Senior Reserve Account Requirement on account of all Series of Bonds outstanding immediately after the issuance of the Refunding Bonds and the redemption or provision for payment of the Bonds being refunded); and

(4) any balance of such proceeds shall be deposited to the credit of the Senior Bond Account;

provided, however, that if the refunding shall be a crossover refunding, then amounts derived from Crossover Refunding Bonds shall be applied by the Trustee in accordance with the applicable Series Resolution but such amounts (except for such amounts to be used to pay expenses incident to the issuance of such Crossover Refunding Bonds) shall in any case not be applied to pay principal of or any redemption premium or interest on the Bonds or Parity Indebtedness being refunded until the Crossover Date unless otherwise provided in such Series Resolution.

Section 211. Temporary Bonds. Until definitive Bonds of any Series are ready for delivery, there may be executed, and upon request of the Authority, the Bond Registrar shall authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, typewritten, printed, engraved or lithographed temporary Bonds, in the form of fully registered Bonds in the denomination (except as otherwise provided by the Authority in a Series Resolution) of \$5,000 and any whole multiple thereof, or a single temporary Bond in the denomination equal to the aggregate principal amount of the Bonds of such Series and payable in installments corresponding to the maturities of such Series with payment record attached for the notation of payments of such installments and interest without presentation and surrender of such single temporary Bond, as the Authority by resolution may provide, substantially of the tenor of the Bonds set forth in this Resolution and with such appropriate omissions, insertions and variations as may be required.

Until definitive Bonds are ready for delivery, any temporary Bond may, if so provided by the Authority by resolution, be exchanged at the principal office of the Bond Registrar, without charge to the Holder thereof, for an equal aggregate principal amount of temporary fully registered Bonds of authorized denominations, of like tenor, of the same Series and maturity and bearing interest at the same rate or having the same yield.

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

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

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

In case any such mutilated, destroyed or lost Bond has become or is about to become due and payable, the Authority in its discretion, instead of issuing a new Bond, may pay such Bond.

[End of Article II]

ARTICLE III

REDEMPTION OF BONDS

- **Section 301.** Redemption Dates and Prices. (a) The Bonds issued under the provision of this Resolution may be made subject to mandatory, extraordinary mandatory and optional redemption by the Authority, either in whole or in part, and at such times and prices as may be provided in the respective Series Resolutions.
- (b) In addition, the Term Bonds are required to be redeemed to the extent of the Sinking Fund Requirements, if any, therefor established by the Series Resolution providing for the issuance thereof.
- **Section 302.** Selection of Bonds to be Redeemed. The Bonds shall be redeemed only in whole multiples of the minimum denomination authorized by the applicable Series Resolution. In selecting Bonds for redemption, the Authority shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond (maturity amount in the case of Capital Appreciation Bonds) by the minimum denomination authorized by the applicable Series Resolution. If less than all of the Bonds of a particular maturity of a Series shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Authority by such method as the Authority in its sole discretion deems fair and appropriate.
- Section 303. Redemption Notice. At least thirty (30) days before the redemption date of any Bonds, whether such redemption be in whole or in part, the Authority shall cause a notice of any such redemption signed by the Trustee on behalf of the Authority to be mailed, first class, postage prepaid, to all Holders owning Bonds to be redeemed in whole or in part, but any defect in such notice or the failure so to mail any such notice to any Holder owning any Bonds shall not affect the validity of the proceedings for the redemption of any other Bonds. Each such notice shall set forth the Bonds or portions thereof to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the Series, and if less than all the Bonds of a Series shall be called for redemption, the maturities of the Bonds to be redeemed and, if less than all of the Bonds of any one maturity then outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Bond is to be redeemed in part only, the notice of redemption shall state also that on or after the redemption date, upon surrender of such Bond, a new Bond in principal amount equal to the unredeemed portion of such Bond and of the same Series and maturity, of authorized denominations and in principal amount equal to the unredeemed portion of such Bond will be issued.
- **Section 304.** Effect of Calling for Redemption. On the date fixed for redemption, notice having been mailed in the manner and under the conditions hereinabove provided, the Bonds or portions thereof called for redemption shall be due and payable at the Redemption Price provided therefor, plus accrued interest to such date. If money or Defeasance Obligations, or a

combination of both, sufficient to pay the Redemption Price of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Trustee or the Bond Registrar in trust for the Holders of Bonds to be redeemed, interest on the Bonds called for redemption shall cease to accrue after the date fixed for redemption; such Bonds shall cease to be entitled to any benefits or security under this Resolution or to be deemed outstanding; and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof, plus accrued interest to the date of redemption. Bonds and portions of Bonds for which irrevocable instructions to pay or to call for redemption on one or more specified dates have been given to the Trustee and the Bond Registrar in form satisfactory to them shall not thereafter be deemed to be outstanding under this Resolution and shall cease to be entitled to the security of or any rights under this Resolution, other than rights to receive payment of the Redemption Price thereof and accrued interest thereon, to be given notice of redemption in the manner provided in Section 303, and, to the extent hereinafter provided, to receive Bonds for any unredeemed portions of Bonds if money or Defeasance Obligations, or a combination of both, sufficient to pay the Redemption Price of such Bonds or portions thereof, together with accrued interest thereon to the date upon which such Bonds or such portions thereof are to be paid or redeemed, are held in separate accounts by the Trustee or the Bond Registrar in trust for the holders of such Bonds or such portions thereof.

Section 305. Redemption of Portion of Bonds. In case part but not all of an outstanding Bond shall be selected for redemption, the Holder thereof or his attorney or legal representative shall present and surrender such Bond to the Bond Registrar for payment of the principal amount thereof so called for redemption and the redemption premium, if any, on such principal amount, and the Authority shall execute and the Bond Registrar shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a new Bond or Bonds of the same Series and maturity, of authorized denominations and bearing interest at the same rate or having the same yield.

Section 306. Cancellation. Unless the applicable Series Resolution shall otherwise provide in the case of Optional Tender Indebtedness, all Bonds paid, redeemed or purchased, either at or before maturity, shall be cancelled upon the payment, redemption or purchase of such Bonds and shall be delivered to the Bond Registrar when such payment, redemption or purchase is made. All Bonds cancelled under any of the provisions of this Resolution shall be destroyed by the Bond Registrar, which shall execute a certificate of destruction in triplicate describing the Bonds so destroyed, and one executed certificate shall be filed with the Authority, one executed certificate shall be filed with the Trustee and the remaining executed certificate shall be retained by the Bond Registrar.

Section 307. <u>Use of Defeasance Obligations to Redeem Bonds</u>. For purposes of all Sections in this Article, Defeasance Obligations shall be deemed to be sufficient to pay or redeem bonds on a specified date if the principal of and the interest on such Defeasance Obligations, when due, will, together with any other available moneys, be sufficient to pay on such date the Redemption Price of, and the interest accruing on, such Bonds to such date;

provided, however, that for Variable Rate Indebtedness, the Authority may provide in a Series Resolution adopted prior to the issuance of such Variable Rate Indebtedness for a method of calculating the rate of interest, or for a maximum assumed rate of interest to be taken into account in determining the sufficiency of such moneys and Defeasance Obligations.

[End of Article III]

ARTICLE IV

SENIOR CONSTRUCTION ACCOUNT

Section 401. Senior Construction Account. A special account is hereby established with a Depository and designated "Southeastern Public Service Authority of Virginia Solid Waste Disposal System Senior Construction Account", to the credit of which deposits shall be made as required by the provisions of Sections 208 and 209 of this Resolution. Any money received by the Authority from any source for the 1989 Project or for any Additional Project shall be deposited immediately upon its receipt to the credit of the Senior Construction Account. Different subaccounts for different Additional Projects may be established with different Depositories, in which case the provisions of this Resolution, including especially this Article IV, shall apply to each such subaccount as though it were the entire Senior Construction Account.

The money in the Senior Construction Account shall be held by the Depository in trust and, subject to the provisions of Section 404 of this Resolution, shall be applied to the payment of the Cost of the 1989 Project or such Additional Project or to the retirement of Bonds issued under the provisions of this Resolution or Parity Indebtedness, and, pending such application, shall be subject to a lien and charge in favor of the Holders and for the further security of such Holders until paid out or transferred as herein provided.

Section 402. Payments from Senior Construction Account. (a) Payment of the Cost of the 1989 Project and any Additional Project shall be made from the Senior Construction Account. All payments from the Senior Construction Account shall be subject to the provisions and restrictions set forth in this Article, and the Authority covenants that it will not cause or agree to permit to be paid from the Senior Construction Account any sums except in accordance with such provisions and restrictions.

- (b) Such payments shall be made by the Depository upon receipt of a requisition, signed by an Authority Representative, stating to whom the payment is to be made, the general purpose for which the obligation to be paid was incurred and:
 - (1) that each item is a proper charge against the Cost of the 1989 Project or any Additional Project and that, if the payment is to be made to someone other than the Authority, the obligation has not been the basis for a prior requisition which has been paid and, except as contemplated by the provisions of Section 403(a), the obligation stated on the requisition has been incurred by the Authority in or about the 1989 Project or such Additional Project; and
 - (2) such requisition contains no items representing payment on account of any retained percentages entitled to be retained at the date of the certificate.

The Depository is authorized and directed to apply the moneys in the Senior Construction Account in accordance herewith but only upon receipt of the requisitions required by this Section, duly executed by the person and in the manner provided for herein.

- (c) All requisitions in the form provided by this Section and all other statements, orders, certifications and approvals received by the Depository, as required by the Article as conditions of payment from the Senior Construction Account, may be conclusively relied upon by the Depository, and shall be retained by the Depository, subject at all reasonable times to examination by the Authority.
- **Section 403.** Cost of the 1989 Project and Additional Projects. For the purpose of this Resolution the Cost of the 1989 Project and any Additional Projects shall embrace such costs as are eligible costs within the purview of the Act and, without intending thereby to limit or restrict any proper definition of such Cost, shall include the following:
- (a) the cost of acquiring by purchase, and the amount of any deposit in court or award or final judgment in, or any settlement or compromise of any, proceeding to acquire by eminent domain, such lands, property, property rights, rights of way, easements, franchises and other interests as may be deemed necessary or convenient for, options and partial payments thereon, the cost of demolishing or removing or relocating any buildings or structures or land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, and the amount of any damages incident to or consequent upon, the construction and operation of the 1989 Project or any Additional Project;
- (b) preparation of surveys, cost estimates, appraisals, plans and specifications for, and fees for architectural, engineering, supervisory and consulting services, planning and development costs, the costs of obtaining governmental or regulatory permits, licenses, franchises and approvals for the Acquisition, and estimates of Gross Revenues and Operating Expenses and any other fees or expenses necessary or incidental to determining the feasibility or practicability of the Acquisition and operation, of the 1989 Project or any Additional Project;
- (c) all costs related to the Acquisition of the 1989 Project or any Additional Project, including, without limitation, contractors' fees and charges, the cost of labor, services, materials and supplies used or furnished in site improvement and construction, and the purchase of machinery, equipment, facilities, rolling stock and ancillary items and the cost of utility services;
- (d) all administrative services and overheads necessary or incidental to the 1989 Project or to any Additional Project, including salaries, wages and benefits of employees and agents, of the Authority and a reasonable allowance for working capital related to the Acquisition and operation of the Additional Project and for a reasonable period after the Completion Date;
- (e) all fees and expenses of the Trustee, the Bond Registrar, any Depository or paying Agents, indexing agents and remarketing agents for their services prior to and during construction, fees of Credit Providers and Insurers prior to and during construction and premiums on insurance (if any) prior to and during construction, legal, accounting and financial

advisory fees and expenses, underwriting or private placement fees, filing and rating agencies' fees and printing and engraving costs incurred in connection with the authorization, sale and issuance of the Bonds, the validation of the Bonds, the preparation, execution and filing of this Resolution, the Contracts, the Ash Disposal Agreement, and any financing statements and all other documents in connection therewith, and payment of all other fees, costs and expenses for the preparation of this Resolution, the Contracts, the Ash Disposal Agreement and the Bonds, including recording fees and documentary stamp taxes, if any, and any other fees, intangible taxes and expenses necessary or incidental to the issuance and sale of the Bonds;

- (f) interest to accrue on the Bonds to the Completion Date and, subject to the receipt of an opinion of counsel, nationally recognized as expert in tax matters relating to obligations of states and their political subdivisions, to the effect that the proposed application for such additional period will not adversely affect the exclusion from gross income of the recipients thereof for federal income tax purposes of interest on the Bonds or any of them, for a period of up to one (1) year thereafter;
- (g) any amount required, prior to the Completion Date, to make or maintain the amount on deposit to the credit of the Senior Reserve Account equal to the Senior Reserve Account Requirement;
- (h) all federal, state and local taxes and payments in lieu of taxes legally required, or deemed advisable by the Authority, to be paid in respect of the 1989 Project or any Additional Project prior to the Completion Date;
- (i) to the extent they shall not be paid by a contractor, premiums of all insurance policies and surety and performance bonds required to be maintained in connection with the Acquisition of Phase II of the Initial Project, the 1989 Project or any Additional Project and all costs and expenses relating to injury, and damage claims arising from the Acquisition of the 1989 Project or any Additional Project and casualty and liability insurance premiums in connection with insurance against loss from such claims;
- (j) all costs and expenses incurred in connection with the Acquisition of administration, operating and maintenance and repair facilities, equipment and furnishings necessary or useful to the Authority in connection with the 1989 Project or any Additional Project; and
- (k) repayment of all temporary borrowings made by and advances to the Authority in connection with the 1989 Project or any Additional Project.

Section 404. Completion of the 1989 Project and Additional Projects and Disposition of Senior Construction Account Balance. When the 1989 Project or any Additional Projects shall have been completed, which fact shall be evidenced to the Depository by a certificate of the Executive Director of the Authority, approved by the Authority by appropriate resolution, setting forth the date of such completion (herein referred to as the "Completion Date") and also stating that requisitions have been made for the payment of all obligations which are payable from the Senior Construction Account, delivered to the Depository together with an opinion of counsel to

the effect that there are no mechanics', workmen's, repairmen's, architects', engineers', surveyors', carriers', laborers', contractors' or materialmen's liens on any property constituting a part of the 1989 Project or such Additional Projects on file in any public office where the same should be filed in order to be perfected liens against any part of the 1989 Project or such Additional Projects and that the time within which such liens can be filed has expired, the balance in the Senior Construction Account not reserved by the Authority for the payment of any remaining part of the Cost of the 1989 Project or such Additional Projects, shall be transferred, as directed by the Authority (i) to the appropriate subaccount in the Construction Account established for Additional Projects that shall not have been completed, (ii) to the Reserve and Contingency Account, or (iii) to the Senior Bond Account for the payment, purchase or redemption of Bonds in accordance with the provisions of this Resolution. Such direction of the Authority shall be accompanied by an opinion of counsel nationally recognized as expert in tax matters relating to obligations of states and their political subdivisions to the effect that such proposed application of such balance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any or all of the Bonds.

[End of Article IV]

ARTICLE V

REVENUES AND FUNDS

Section 501. Contracts. (a) The Authority covenants and agrees that it will not suffer, permit or take any action or do anything or fail to take any action or fail to do anything which may result in the termination of any Contract so long as any Bonds are outstanding; that it will fulfill its obligations and will require the Units to perform punctually their duties and obligations under the Contracts and will otherwise administer the Contracts in accordance with their respective terms to assure the timely payment of all amounts payable by the Contracting Units thereunder, all in accordance with the terms of the Contracts; that it will not execute or agree to any change, amendment or modification of or supplement to any Contract except by supplemental contract, as the case may be, duly executed by the applicable Unit or Units and the Authority or the Trustee, respectively, and upon the further terms and conditions set forth in Article XII of this Resolution; and that, except as provided in said Article XII, it will not agree to any abatement, reduction, abrogation, waiver, diminution or other modification in any manner or to any extent whatsoever of the obligation of any Contracting Unit under its Contract to meet its obligations as provided in such Contract.

- (b)(i) The Authority covenants and agrees that it will not suffer, permit or take any action or do anything or fail to take any action or fail to do anything which may result in the termination of the Navy Contract so long as any Bonds are outstanding; that it will fulfill its obligations and it will enforce the obligations of the United States of America under the Navy Contract; and that it will not execute or agree to any change, amendment or modification of or supplement to the Navy Contract except by supplemental contract, duly executed by the parties thereto and upon the further terms and conditions set forth in Article XII of this Resolution.
- (ii) In the event that the United States of America, Department of the Navy (the "Navy") shall exercise its option to terminate for its convenience the Navy Contract in accordance with paragraph 12.D. thereof, to the extent that such termination shall affect the refuse derived fuel plant and its fuel delivery system (A) the Authority shall adopt a supplemental resolution, in accordance with Article XI of this Resolution, that shall, anything in this Resolution to the contrary notwithstanding, credit against the Principal and Interest Requirements for the outstanding Bonds for all purposes of this Resolution the amounts to be paid by the Navy in the years stipulated, and (B) the Authority shall not exercise its rights under paragraph 12.F. of the Navy Contract unless the Executive Director of the Authority shall first file with the Trustee (1) a resolution of the Board of Directors of the Authority electing to exercise such rights, and (2) a certificate and a report comparable to those described in clauses (d) and (e) of Section 209 of this Resolution applied mutatis mutandis to the Disposal System and the outstanding Bonds and Parity Indebtedness that shall indicate that were the Authority to exercise such rights it would be in compliance in its covenant set forth in Section 502 of this Resolution in each of the years described in the report referred to in Section 209(e).

- (iii) The provisions of Section 501(b)(i) and (ii) shall be deemed to have been repealed contingent upon and effective on the WTE Sale Date.
- (c) The Authority covenants and agrees that it will fulfill its obligations and it will enforce the obligations of the City of Virginia Beach, Virginia under the Ash Disposal Agreement; that it will not execute or agree to any change, amendment or modification of or supplement to the Ash Disposal Agreement except by supplemental contract, duly executed by the parties thereto and upon the further terms and conditions set forth in Article XII of this Resolution; and that, except as provided in said Article XII, it will not agree to any abatement, reduction, abrogation, waiver, diminution or other modification in any manner or to any extent whatsoever of the obligation of the City of Virginia Beach, Virginia under the Ash Disposal Agreement to meet its obligations as provided in such Agreement.

Section 502. Rate Covenant. The Authority further covenants that it will at all times fix, charge and collect reasonable rates and charges for the use of, and for the services and facilities furnished by, the Disposal System and that from time to time, and as often as it shall appear necessary, it will adjust such rates and charges so that the Net Revenues will be sufficient to provide an amount in each Bond Year at least equal to each of (A) one hundred twenty per centum (120%) of the Debt Service Requirements for such Bond Year on account of all the Bonds and Parity Indebtedness then outstanding and (B) one hundred per centum (100%) of the sum of the Debt Service Requirements for such Bond Year on account of all Bonds and Parity Indebtedness then outstanding and the amount required to make all other deposits required by this Resolution and to pay all other obligations of the Authority related to the Disposal System, including Subordinate Obligations and the Phase I Bonds, as the same become due.

The Authority further covenants that if the moneys available for the payment of the sum of the amounts set forth in the preceding paragraph shall not equal or exceed the amount required above for any Bond Year, it will revise the rates and charges for the services and facilities furnished by the Disposal System and, if necessary, it will revise its plan of operation in relation to the collection of bills for such services and facilities, so that such deficiency will be made up before the end of the Bond Year following that Bond Year in which such deficiency occurred. Should any deficiency not be made up in such following Bond Year, the requirement therefor shall be cumulative and the Authority shall continue to revise such rates until such deficiency shall have been completely made up.

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

The Authority further covenants that the amount expended for Operating Expenses in any Fiscal Year will not exceed the reasonable and necessary amount thereof, and that it will not expend any amount for maintenance, repair and operation of the Disposal System in excess of the total amount provided for Operating Expenses in the Annual Budget. Nothing in this Section contained shall limit the amount which the Authority may expend for Operating Expenses in any

Fiscal Year provided any amounts expended therefor in excess of the total amount provided in the Annual Budget shall be received by the Authority from some source other than the Gross Revenues of the Disposal System and the Authority shall not make any reimbursement therefor from such Gross Revenues.

Section 504. Establishment of Fund and Accounts. The Authority has heretofore established by the Phase I Resolution the "Southeastern Public Service Authority of Virginia Solid Waste Disposal System Fund" (herein called the "Solid Waste Disposal System Fund"), which is hereby continued. The moneys in the Solid Waste Disposal System Fund shall be held by the Authority, or by the Trustee for the benefit of the Authority, and applied as hereinafter provided.

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

There are hereby created the following:

- (i) with the Trustee, the "Southeastern Public Service Authority of Virginia Solid Waste Disposal System Senior Bond Account" (herein called the "Senior Bond Account");
- (ii) with the Trustee, the "Southeastern Public Service Authority of Virginia Solid Waste Disposal System Reserve Account" (herein called the "Senior Reserve Account");
- (iii) with a Depository, the "Southeastern Public Service Authority of Virginia Solid Waste Disposal System Subordinate Obligations Account" (herein called the "Subordinate Obligations Account"); and
- (iv) with a Depository, the "Southeastern Public Service Authority of Virginia Solid Waste Disposal System Reserve and Contingency Account" (herein called the "Reserve and Contingency Account").

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

Section 505. <u>Funds Received.</u> All Gross Revenues received by the Authority shall be deposited in the General Account. The moneys to the credit of the General Account shall be deposited with and held by a Depository for the account of the Authority and, pending the withdrawal of moneys from such Account and the deposit thereof with the Trustee as hereinafter in this Section provided, such moneys shall be subject to a lien and charge in favor of the Holders.

Monthly, on or before the twelfth (12th) day of each month and/or on such other Deposit Day as may be required for all Bonds pursuant to a Series Resolution, commencing October 12, 1989, prior to making any withdrawal from the General Account pursuant to the Guaranteed Resolution, the Authority shall set aside in or withdraw from the General Account, as appropriate, any legally available moneys then held to the credit of such Account and transfer any moneys so withdrawn to the Trustee or a Depository or otherwise dispose of such moneys for the following purposes in the following order in amounts sufficient in the aggregate to satisfy the following requirements, subject to credits as provided in this Article V:

- (i) set aside in a subaccount within the General Account an amount that together with funds then held to the credit of such subaccount will make the total amount then to the credit of such subaccount equal to the sum of the Operating Expenses of the Authority budgeted for such month;
- (ii) pay to the Trustee for deposit into the Senior Bond Account, after first taking into account any accrued interest deposited from the proceeds of any Bonds and any transfers from the Senior Construction Account pursuant to Section 403(f) by deducting the sum of such amounts from the amount of interest otherwise payable, the sum of
 - (1) (i) one-sixth (1/6th) of the Interest Requirement which has accrued and will accrue during the then current Interest Period; provided, however, that except as specified above, the amount so deposited on account of the then current Interest Requirement on each Deposit Day after the delivery of the Bonds of any Series under the provisions of this Resolution up to and including the Deposit Day immediately preceding the first Interest Payment Date thereafter of the Bonds of such Series shall be that amount which when multiplied by the number of such deposits will be equal to the amount of such current Interest Requirement respecting such Bonds during such first Interest Period; and provided, further, that in making such deposits, the Trustee shall take into account any excess moneys to the credit of the Senior Reserve Account that are to be transferred to the Senior Bond Account in accordance with the provisions of Section 507(c) immediately after each Interest Payment Date,
 - (2) beginning on the twelfth (12th) day of July in the Bond Year next preceding the Bond Year on the first day of which any Serial Bond matures, one-twelfth (1/12th) of the amount of the Principal Requirement which will accrue prior to the next Applicable Principal Payment Date, and
 - (3) such amount of the Debt Service Requirements as the Authority determines is necessary to accrue in equal monthly installments and to insure the sufficiency of deposits to make timely payment of Parity Indebtedness and provided, further, that in the event subaccounts shall have been established as contemplated in the last paragraph of this Section, the amounts to be deposited to

tile credit of the Senior Bond Account shall be apportioned among such subaccounts <u>pro</u> <u>rata</u> in accordance with the respective Debt Service Requirements for the Series of Bonds and Parity Indebtedness to which such subaccounts relate;

- (iii) pay to the Trustee for deposit into the Senior Reserve Account, beginning on the twelfth (12th) day of the month next succeeding the month in which the Closing shall occur, an amount which together with funds then held to the credit of the Senior Reserve Account will make the total amount then to the credit of the Senior Reserve Account equal to the current Senior Reserve Account Requirement plus any other amounts required to reinstate fully any Senior Reserve Account Credit Facility then held to the credit of the Senior Reserve Account; provided, however, that in the event that (x) the amount available for deposit to the credit of such Account shall be less than the total amount required, (y) subaccounts shall have been established as contemplated by Section 209 and Section 210 in the event that Bonds constituting Balloon Indebtedness or Optional Tender Indebtedness are issued and Outstanding and (z) deficiencies exist in two or more such subaccounts, such amount available for deposit shall be apportioned among such deficient subaccounts <u>pro rata</u> in accordance with the respective amounts of such deficiencies; and
- (iv) set aside with a Depository for deposit into the Subordinate Obligations Account, beginning on the twelfth (12th) day of the month next succeeding the month in which the Closing shall occur, an amount which together with funds then held to the credit of the Subordinate Obligations Account will make the total amount then to the credit of the Subordinate Obligations Account equal to the entire aggregate amount of Subordinate Obligations, excluding all amounts payable pursuant to the Guaranteed Resolution, due and payable prior to the twelfth (12th) day of the next succeeding month; and
- (v) pay to a Depository for deposit into the Reserve and Contingency Account, beginning on the twelfth day of the month next succeeding the month in which the Closing shall occur, the amount, if any, budgeted for the next month for expenditure therefrom by the Authority in its Annual Budget or recommended by the Consulting Engineer in a report filed with the Authority and the Trustee.

The balance, if any, after making the transfers provided in clauses (i), (ii), (iii), (iv) and (v) above, shall be available for application in accordance with the provisions of the Guaranteed Resolution. After such application, moneys remaining in the General Account may be used for any lawful purpose related to the Disposal System.

If the amount deposited in any month to the credit of the Senior Bond Account or the Senior Reserve Account shall be less than the amount required to be deposited under the foregoing provisions of this Section, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited on the next Deposit Day.

Notwithstanding the foregoing provisions of clauses (ii) and (iii), if there shall be to the credit of either Account on a Deposit Day the amount required to be on deposit to the credit of such Account on the next Interest Payment Date or the next Principal Payment Date, no further deposit into such Account on account of the requirements of said clause (ii) or (iii) shall then be required.

If the Authority notifies the Trustee before the twelfth (12th) day of the first month of an Interest Period that the Authority will cause to be transferred from the Senior Construction Account to the Senior Bond Account, on or before the next Interest Payment Date, an amount equal to any or a portion of the interest on the Bonds, payable on such Date, then the amount of interest in respect of which monthly deposits are required shall be reduced by such amount to be transferred.

If the Series Resolution authorizing any Series of Bonds shall provide that the interest is payable otherwise than semiannually on January 1 or July 1 of each year, then the Authority shall provide in such Series Resolution for such deposits to the Accounts mentioned in clauses (ii) and (iii) above as shall be necessary to accrue evenly and to ensure the sufficiency of the required deposits to make timely payment of the debt service on such Bonds.

If any Series of Bonds is secured by a Credit Facility, the Trustee shall establish a separate account or subaccount within the Senior Bond Account and the Senior Reserve Account corresponding to the source of moneys for each deposit made into either of such Accounts so that the Trustee may at all times ascertain the source and date of deposit of the funds in each such Account or subaccount. In addition, the Trustee shall establish separate subaccounts within the Senior Bond Account in respect of the interest to accrue on any Bonds, the principal coming due at maturity and the principal payable in respect of a Sinking Fund Requirement for any Serial Bonds and Term Bonds then outstanding for the purpose of allocating properly the respective deposits made pursuant to clauses (ii)(1), (2) and (3) above. Nothing contained in the prior sentence shall be deemed a limitation on the ability of the Trustee to apply moneys in the Senior Bond Account and the Senior Reserve Account in the order and for the purposes specified in Section 804 hereof should the moneys in the Senior Bond Account and the Senior Reserve Account not be sufficient to pay the interest on or the principal of the Bonds or Parity Indebtedness as the same shall become due and payable.

Section 506. Application of Moneys in Senior Bond Account. All interest accruing on the Bonds up to the date of their delivery shall be paid from the amounts deposited in the Senior Bond Account pursuant to Section 208, 209 or 210 of this Resolution and any moneys transferred from the Construction Account pursuant to Section 403(f). Except as otherwise provided in this Resolution, moneys in the Senior Bond Account shall be held in trust and used solely for the payment of the principal of and premium, if any, and, the interest on the Bonds and Parity Indebtedness, and the Trustee shall on or before each Interest Payment Date withdraw

from such moneys and transfer to the Bond Registrar who shall remit by mail to each registered owner the amounts required for paying the interest on such Bonds on such date, and on or before each Principal Payment Date the Trustee shall withdraw from such moneys and transfer to the Bond Registrar who shall set aside in trust the amounts required for paying the principal of and premium, if any, on the Bonds due on such date. Payment of Parity Indebtedness shall be made timely from moneys set aside for such purpose in the Senior Bond Account, and the Trustee shall deposit in trust with the Bond Registrar the amounts required for paying such Parity Indebtedness.

In the case of a purchase of Bonds pursuant to this Resolution, upon the deposit of cash or Defeasance Obligations (the principal of and the interest on which will be payable at the times and in the amounts required for such purpose) in the appropriate subaccount of the Senior Bond Account sufficient, together with other amounts available therefor in such subaccount in the Senior Bond Account, to make the purchase of Bonds as directed by the Authority, the Trustee covenants and agrees to take and cause to be taken the necessary steps to redeem or purchase such principal amount of Bonds as specified by the Authority; provided, however, that notwithstanding anything herein or any Series Resolution to the contrary, money in the Senior Bond Account may be used by the Authority, or the Trustee at the direction of the Authority, to purchase Bonds only if for cancellation and only to the extent said moneys are in excess of the amount required for payment of the Bonds theretofore matured or called for redemption; and provided further that no such purchase shall be made within the period of forty-five (45) days immediately preceding any Interest Payment Date on which the Bonds are subject to call for redemption under the provisions of this Resolution except from moneys other than moneys set aside or deposited for the redemption of Bonds. The Authority shall pay from the General Account all expenses in connection with such purchase.

Notwithstanding the foregoing, in the case of Bonds or Parity Indebtedness secured by a Credit Facility, amounts on deposit in the Senior Bond Account may be applied as provided in the applicable Series Resolution to reimburse the Credit Provider for amounts drawn under such Credit Facility to pay the principal of and premium, if any, and interest on such Bonds when due.

Section 507. <u>Application of Moneys in Senior Reserve Account.</u> (a) Not later than each Interest Payment Date for the Bonds outstanding, the Trustee shall transfer from the Senior Reserve Account to the Senior Bond Account

- (1) if such Interest Payment Date is not a Principal Payment Date, the amount, if any, required to increase the amount then held to the credit of the Senior Bond Account, after any transfer of available moneys held for the credit of the General Account pursuant to Section 510 hereof, to an amount equal to the amount of interest scheduled to become due on such date; or
- (2) if such Interest Payment Date is also a Principal Payment Date, the amount, if any, required to increase the amount then held for the credit of the Senior Bond Account, after any transfer of available moneys held for the credit of the General

Account pursuant to Section 510 hereof, to an amount equal to the sum of (i) the amount of interest scheduled to become due on such date and (ii) the aggregate principal amount of the Bonds which will become due and payable on such date, and (iii) the amount of the Sinking Fund Requirement for the Term Bonds on such date.

If the amount transferred from the Senior Reserve Account to the Senior Bond Account pursuant to the foregoing provisions of this Section shall be less than the amount required to be transferred under such provisions, any amount thereafter deposited to the credit of the Senior Reserve Account shall be immediately transferred to the Senior Bond Account as, and to the extent, required to make up any such deficiency.

- (b) In the event that two or more subaccounts have been established in the Senior Reserve Account as contemplated by Section 209 and Section 210 in the event that Bonds constituting Balloon Indebtedness or Optional Tender Indebtedness or Bonds entitled to the benefit of a Credit Facility or a Senior Reserve Account Credit Facility are issued and outstanding and a deficiency in the amount of money to the credit of the Senior Bond Account shall exist with respect to a Series of Bonds constituting Balloon Indebtedness by virtue of an insufficiency of moneys in the Senior Bond Account to meet the balloon Principal Requirement, respectively, or with respect to Bonds entitled to the benefit of a Credit Facility or a Senior Reserve Account Credit Facility by virtue of a draw under either such Credit Facility, the necessary withdrawals shall be made solely from and to the extent of moneys credited to the subaccount corresponding to such Series of Bonds; otherwise, such subaccounts shall be drawn upon pro rata in accordance with the amounts of principal and interest coming due on the Bonds of different Series which, on the one hand do not, and, on the other hand, do constitute Balloon Indebtedness or Optional Tender Indebtedness or Bonds entitled to the benefit of a Credit Facility or a Senior Reserve Account Credit Facility, to the extent necessary to remedy such deficiencies.
- (c) If on the first Business Day after any Interest Payment Date, the amount of moneys held for the credit of the Senior Reserve Account shall exceed the Senior Reserve Account Requirement as then calculated, the Trustee shall transfer from the Senior Reserve Account the amount of such excess in such manner as the Authority may direct in an Officer's Certificate.
- (d) In the case of Bonds secured by a Credit Facility, amounts on deposit in a separate subaccount in the Senior Reserve Account may be applied as provided in the applicable Series Resolution to reimburse the Credit Provider for amounts drawn under such Credit Facility to pay the principal of and premium, if any, and interest on such Bonds when due.
- (e) For the purposes of this Resolution, the Authority may meet the Senior Reserve Account Requirement with cash, whether derived from Bond proceeds or otherwise, a Senior Reserve Account Credit Facility, Reserve Account Investment Obligations (as defined in Section 602 hereof), or any combination thereof, and may make substitutions therefor; provided that in making any transfers pursuant to paragraph (a) of this Section, the Trustee shall first exhaust all

such cash and such Reserve Account Investment Obligations (including any proceeds derived from the sale or other disposition thereof) before drawing under any Senior Reserve Account Credit Facility.

(f) Any Senior Reserve Account Credit Facility deposited in the Reserve Account in satisfaction or partial satisfaction of the Senior Reserve Account Requirement shall be payable without condition (other than the giving of notice as required thereunder) on or before any Interest or Principal Payment Date (for the Series of Bonds in respect of which it was deposited) on which a deficiency exists in the Senior Bond Account, shall have a minimum term of not less than three (3) years and shall provide that the reimbursement obligation of the Authority thereunder shall be subordinated to the Authority's obligations on the Bonds. The issuer providing such Senior Reserve Account Credit Facility shall be either (A) a commercial bank, insurance company or other institution the obligations payable or guaranteed by which have been assigned one of the two highest rating categories by Moody's and S&P (without regard to any numerical or other gradations or refinements such as "plus" or "minus") or (B) a commercial bank or other institution the short-term obligations payable or guaranteed by which have been assigned the highest rating by Moody's (currently P-1) and S&P (currently A-1+).

Such Facility must also give the Trustee the right to draw or otherwise request payment on, and the Trustee shall so draw or otherwise request payment on, such Facility prior to the expiration or termination thereof or upon the occurrence of any condition causing such Facility to fail to qualify under the provisions of the preceding paragraph, unless the Authority shall have furnished to the Trustee a replacement Senior Reserve Account Credit Facility or sufficient moneys or Reserve Account Investment Obligations to make amounts on deposit to the credit of the Senior Reserve Account Requirement. The issuer of any Senior Reserve Account Credit Facility held to the credit of the Senior Reserve Account shall provide notice to the Authority and the Trustee of its termination or other cancellation of such Facility at least twelve (12) months prior to such termination or other cancellation. If a disbursement is made under such a Senior Reserve Account Credit Facility, the Authority shall either reinstate the limits of such Facility or deposit to the credit of the Senior Reserve Account moneys or Reserve Account Investment Obligations in the amount of the disbursement made under such Facility or a combination of such alternatives.

Section 508. Application of Moneys to the Credit of the Subordinate Obligations Account. Moneys held for the credit of the Subordinate Obligations Account shall be paid out by or for the account of the Authority as necessary to meet its obligations constituting Subordinate Obligations (excluding amounts payable pursuant to the Guaranteed Resolution).

Section 509. Application of Moneys in the Reserve and Contingency Account. Moneys held for the credit of the Reserve and Contingency Account may be disbursed by the Authority (i) for paying, in connection with the System, expenses related to the System payable as Operating Expenses, and not previously paid, the cost of unusual or extraordinary maintenance or repairs, repairs or maintenance not recurring annually, renewals, replacements and repairs resulting from any emergency caused by some extraordinary occurrence, engineering and

architectural expenses incurred under the provisions of this Section, premiums on insurance carried under the provisions of this Resolution, the cost of fixtures, machinery, equipment, furniture, real property and additions to, or improvements, extensions or enlargements of, the System and (ii) for deposit to the credit of the Senior Bond Account.

If on the first Business Day after any Interest Payment Date, the amount of moneys held for the credit of the Reserve and Contingency Account shall exceed the amount then required to be on deposit to the credit of such Account, the Authority shall transfer from the Reserve and Contingency Account the amount of such excess to the General Account.

Section 510. Use of Moneys in General Account. Subject to the provisions of Section 707 hereof and the Guaranteed Resolution, the Authority may use moneys held to the credit of the General Account for any lawful purpose of the Authority or may from time to time transfer or deposit to the credit of any Account or subaccount created under the provisions of this Resolution any moneys held for the credit of the General Account as directed in a resolution duly adopted by the Authority; provided, however, that if moneys held for the credit of the Senior Bond Account shall be insufficient to pay the Debt Service Requirements on any Bonds and Parity Indebtedness as such Requirements become due and payable, or if moneys held for the credit of the Senior Reserve Account shall be less than the Senior Reserve Account Requirement, or if moneys held for the credit of the Subordinate Obligations Account or the Reserve and Contingency Account shall be less than the respective amounts then required to be on deposit therein, or if there shall be a deficiency in the amounts required to be on deposit to the credit of the various accounts (other than the General Account) established under the Guaranteed Resolution (the "Guaranteed Resolution Accounts") the Depository shall transfer from any moneys held to the credit of the General Account and not otherwise pledged or encumbered (herein called "available moneys") to the Trustee or appropriate Depository for deposit to the credit of the following Accounts in the following order (1) the Senior Bond Account, (2) the Senior Reserve Account, (3) the Subordinate Obligations Account, (4) the Reserve and Contingency Account and (5) the Guaranteed Resolution Accounts an amount sufficient to make up any or all such deficiencies.

Section 511. Application and Pledge of Moneys in the Senior Bond Account and Senior Reserve Account. Subject to the terms and conditions set forth in this Resolution, moneys held for the credit of the Senior Bond Account and the Senior Reserve Account shall be held in trust and disbursed by the Trustee for (a) the payment of interest on the Bonds issued hereunder as such interest becomes due and payable, or (b) the payment of the principal of such Bonds at their respective maturities, or (c) the payment of the Redemption Price of such Bonds before their respective maturities, or (d) to the extent any such payment of principal or interest is made from moneys drawn under a Credit Facility, to reimburse the Credit Provider, and such moneys are hereby pledged to secure, and are charged with, the payments mentioned in this Section.

Section 512. Moneys Held in Trust. All moneys that the Trustee shall have withdrawn from the Senior Bond Account or shall have received from any other source and set aside or transferred to the Bond Registrar for the purpose of paying any of the Bonds or Parity

Indebtedness hereby secured, either at the maturity thereof or by purchase or call for redemption, or for the purpose of paying interest on the Bonds, shall be held in trust for the respective Holders and the holders of such Parity Indebtedness. Except as otherwise provided in a Series Resolution, any moneys that are so set aside or transferred and that remain unclaimed by such holders for a period of three (3) years after the date on which such Bonds or Parity Indebtedness have become payable shall be paid to the Authority, or to such successor as may then be entitled by law to receive the same, and thereafter such holders shall look only to the Authority, or to such successor, as the case may be, for payment and then only to the extent of the amounts so received, without any interest thereon, and the Trustee and the Bond Registrar shall have no responsibility with respect to such money.

Section 513. Cancellation of Indebtedness. Except in the case of Variable Rate Indebtedness if otherwise provided in the applicable Series Resolution, all Indebtedness paid, redeemed or purchased, either at or before maturity, shall be delivered to the Bond Registrar when such payment, redemption or purchase is made, and such Indebtedness shall be cancelled. The Bond Registrar shall certify to the Authority the details of all Indebtedness so cancelled. All Indebtedness cancelled under any of the provisions of this Resolution shall be destroyed by the Bond Registrar, which shall execute a certificate in triplicate, describing the Indebtedness so destroyed, and one executed certificate shall be filed with each of the Authority and the Trustee and one executed certificate shall be retained by the Bond Registrar.

Section 514. Disposition of Account Balances. (a) As permitted by Section 511 of the Guaranteed Resolution, the Authority hereby covenants that after provision shall have been made for the payment of all outstanding Guaranteed Bonds, including the interest and premium, if any, thereon, and for the payment of all other obligations, expenses and charges required to be paid under or in connection with the Guaranteed Resolution, the Authority shall direct and cause the trustee under the Guaranteed Resolution (i) to pay all amounts then to the credit of all accounts under the Guaranteed Resolution to the Trustee under this Resolution for deposit to the Senior Reserve Account to the extent of any deficiency in the amount then to the credit thereof (after adjusting the Senior Reserve Account Requirement by any increases in the Senior Reserve Account Requirement to occur in the same and the next succeeding Bond Years) and (ii) to pay to the Authority for deposit to the General Account under this Resolution the excess of the amounts to the credit of the accounts under the Guaranteed Resolution and required by clause (i) to be deposited to the Senior Reserve Account.

(b) After provision shall be made for the payment of all outstanding Indebtedness issued under this Resolution, including the interest and premium, if any, thereon, and for the payment of all other obligations, expenses and charges required to be paid under or in connection with this Resolution, the Trustee shall pay all amounts in any Account then held by it under this Resolution to the Authority.

[End of Article V]

ARTICLE VI

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

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

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

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

Section 602. <u>Investment of Moneys</u>. Moneys held for the credit of all accounts shall be continuously invested and reinvested at the direction of the Authority Representatives.

Moneys held for the credit of the General Account, the Reserve and Contingency Account and Senior Construction Account shall, as nearly as may be practicable, be invested and reinvested in Investment Obligations, which shall mature, or which shall be subject to redemption at the option of the holder thereof, at the times required and not in any event in the case of the Senior Construction Account later than the date, estimated by the Authority on the Closing Date of the Bonds to which such moneys relate, to be the Completion Date. Pending final disposition thereof any moneys held for the credit of the Senior Construction Account at the Completion Date or thereafter shall, as nearly as may be practicable, be invested and reinvested in Government Obligations which shall mature, or which shall be subject to redemption at the option of the holder thereof, not later than one year after the date of such investment.

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

Moneys held for the credit of the Senior Reserve Account shall, as nearly as may be practicable, be invested and reinvested in Investment Obligations, which obligations shall mature, or shall be subject to mandatory redemption or to redemption at the option of the holder thereof, not later than twenty-five (25) years after the date of such investment ("Reserve Account Investment Obligations"); provided, however, that (i) the weighted average maturity (treating as a maturity date any mandatory redemption date or date on which the holder thereof can demand such Obligations be redeemed) of the Obligations held for the credit of such Account shall not exceed fifteen (15) years, and (ii) in the event of a transfer by the Trustee of moneys from the Senior Reserve Account to the Senior Bond Account with the result that the balance in the Senior Reserve Account shall for any period be less than the Senior Reserve Account Requirement, such obligations shall mature, or be subject to mandatory redemption or to redemption at the option of the holder thereof, not later than the next Interest Payment Date after the date of such reinvestment.

Subject to any more restrictive covenants of the Authority in instruments other than this Resolution, moneys held for the credit of the Subordinate Obligations Account shall be invested and reinvested in any investments that at the time of such investment shall be lawful investments for the Authority under the laws of the State.

Investment Obligations acquired with moneys and credited to any Account held by or under the control of the Trustee or a Depository shall, while so held, be deemed at all times to be part of such Account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized upon the disposition or maturity of such investment shall be credited to or charged against such Account; provided, however, that the interest accruing thereon and any profit realized or any loss realized upon the maturity or disposition of such investment prior to the Completion Date, as evidenced in accordance with the provisions of Section 404 of this Resolution, shall, in the case of the Senior Bond Account, the Senior Reserve Account and the Reserve and Contingency Account, be credited to or charged against the Senior Construction Account. Any interest accruing and any profit realized or loss resulting from such investment subsequent to the Completion Date shall be credited to or charged against the Account of which it is a part. The Trustee or the Depository shall sell at the best price obtainable or reduce to cash a sufficient amount of such Investment Obligations whenever it shall be necessary so to do in order to provide moneys to make any payment or transfer of moneys from any such Account. The Trustee shall not be liable or responsible for any loss resulting from any such investment.

Whenever a payment or transfer of moneys between two or more of the Accounts established pursuant to Articles IV or V of this Resolution is permitted or required, such payment

or transfer may be made in whole or in part by transfer of one or more Investment Obligations at a value determined in accordance with this Article, provided that the Investment Obligations transferred are those in which moneys of the receiving Account could be invested at the date of such transfer.

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

The Trustee and each Depository shall value the Investment Obligations in the Accounts established under this Resolution twelve (12) Business Days prior to each Interest Payment Date, and all Reserve Account Investment Obligations shall be valued by the Trustee immediately after any withdrawal from the Senior Reserve Account pursuant to Section 507(a) hereof. In addition, the Investment Obligations shall be valued by the Trustee and each Depository at any time requested by the Authority Representative on reasonable notice (which period of notice may be waived or reduced by the Trustee or the Depository); provided, however, that the Trustee and each Depository shall not be required to value the Investment Obligations more than once in any calendar month.

[End of Article VI]

ARTICLE VII

GENERAL COVENANTS AND REPRESENTATIONS

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

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

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

Section 703. Covenants with Credit Providers and Insurers. The Authority may make such covenants as it may in its sole discretion determine to be appropriate with any Credit Provider or Insurer that shall agree to insure or provide credit or liquidity support that shall enhance the security or the value of the Bonds or Parity Indebtedness. Such covenants may be set forth in the applicable Series Resolution and shall be binding on the Authority, the Trustee, the Bond Registrar, the Paying Agents, the Depositories and all the Holders of Bonds or Parity Indebtedness, as the case may be, the same as if such covenants were set forth in full in this Resolution, provided that no such covenants shall increase the duties or the liabilities of the Trustee, the Bond Registrar or the Depositories without the consent of such of them as are affected thereby.

Section 704. Covenant to Construct the 1989 Project and any Additional Project. The Authority covenants that it will cause the 1989 Project and any Additional Project to be constructed substantially as contemplated hereby and by the Contracts and the Navy Contract, as appropriate, and in conformity with law and all requirements of all governmental authorities having jurisdiction and of this Resolution, and that it will cause such Project and any such Additional Project to be completed with all expedition practicable.

The Authority shall require 100% performance and payment bonds, or their legal equivalent, in connection with contracts for the construction of the 1989 Project and any Additional Projects and will cause each contractor to carry such worker's compensation or employers' liability insurance as may be required by law and such public liability and property damage insurance, including provisions to indemnify and save the Authority harmless, and such builders' risk insurance, if any, as the Authority may deem appropriate. The Authority farther covenants that it will in the event of any default under any such contract and the failure of the surety to complete the contract, deposit the proceeds of such surety bonds, upon receipt of such proceeds, to the credit of the Senior Construction Account, and to apply such proceeds toward the completion of the contract in connection with which such surety bonds shall have been furnished.

The Authority covenants to continue or to commence the Acquisition of the 1989 Project and any Additional Project subsequently authorized hereunder, promptly upon the delivery of the Series of Bonds issued to pay the cost thereof, and to thereafter work with due diligence to complete the 1989 Project and any such Additional Project. The Authority may, however, abandon Acquisition of the 1989 Project and any Additional Project, or any component thereof, if it first obtains the written opinion of the Consulting Engineer that such abandonment (and the use of the remaining proceeds set aside for the Acquisition of the 1989 Project or the Additional Project or the component thereof to redeem Bonds or to construct such other Additional Project described in such opinion) will have a more favorable effect on the Authority's ability to meet its rate covenant and other obligations hereunder than if such Project or component thereof were completed (taking into account the effect of issuing such Additional Bonds as may be necessary to pay the cost of completing the 1989 Project or Additional Project or component originally proposed and any such Bonds as may be necessary for such other Additional Project). If funds for the 1989 Project or any Additional Project are to come from other sources (for example, from Unit funding or state or federal grants and loans), the Authority shall take all legally available actions to insure the receipt of such funds and shall cause such funds to be deposited into the Senior Construction Account or otherwise set aside in a separate account and used for the purposes herein provided.

Section 705. Use and Operation of Disposal System. The Authority covenants that it will establish and enforce reasonable rules and regulations governing the use of the Disposal System and the operation thereof, that all conditions of employment and all compensation, salaries, fees and wages paid by it in connection with the maintenance, repair and operation of the Disposal System will be reasonable, that no more persons will be employed by it than are necessary, that all persons employed by it will be qualified for their respective positions, that it

will maintain and operate the Disposal System in an efficient and economical manner, that, from Gross Revenues and from any other available moneys, it will at all times maintain the same in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements, and that it will, in a manner not inconsistent with this Agreement, comply, subject to the right to contest, with all valid acts, rules, regulations, orders and directives of any legislative, executive, administrative or judicial body applicable to the Disposal System.

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

Section 707. Insurance. The Authority covenants that it will maintain a practical insurance program, with reasonable terms, conditions, provisions and costs, which the Authority determines (i) will afford adequate protection against loss caused by damage to or destruction of the Disposal System or any part thereof and (ii) will include reasonable liability insurance on all of the Disposal System for bodily injury and property damage resulting from the construction or operation of the Disposal System. All such insurance policies shall be carried in a responsible insurance company or companies authorized and qualified to assume the risks thereof, provided that the Authority may self-insure against public liability for bodily injury and property damage, loss of Gross Revenues or other revenues normally covered by use and occupancy insurance and other risks not enumerated herein in accordance with and as permitted by law and up to such levels as may be recommended in writing by an independent insurance consultant having a favorable reputation for skill and experience in such work, who is qualified to survey risks and to recommend insurance coverage for public entities engaged in operating facilities similar to the Disposal System.

All such policies shall be for the benefit of the Trustee and the Authority as their interests shall appear, shall be made payable to the Trustee and shall be deposited with the Trustee, and the Trustee shall have the sole right to receive and receipt for the proceeds of such insurance. The proceeds of any and all such insurance shall be held by the Trustee as security for the Bonds and any other Indebtedness until paid out as hereinafter provided.

The Authority further covenants that, immediately after any substantial damage to or destruction of any part of the Disposal System, it will cause plans and specifications for

repairing, replacing or reconstructing the damaged or destroyed property (either in accordance with the original or a different design) and an estimate of the cost thereof to be prepared, and file copies of such estimate with the Trustee.

The proceeds of all insurance referred to in this Section shall be available for, and shall to the extent necessary be applied to, the repair, replacement or reconstruction of the damaged or destroyed property, and such disbursements by the Trustee for such purposes shall be made in accordance with the provisions of Section 402 of this Agreement for payments from the Senior Construction Account to the extent that such provisions may be applicable. If such proceeds are more than sufficient for such purpose, the balance remaining shall be deposited to the credit of the Reserve and Contingency Account. If such proceeds shall be insufficient for such purpose, the deficiency shall be supplied by the Trustee upon requisition of the Authority from any moneys held for the credit of the Reserve and Contingency Account or the General Account.

The Authority further covenants that, in the case of any substantial damage to or destruction of any part of the Disposal System, it will forthwith, with any funds available for such purpose, commence and diligently proceed with the repair, replacement or reconstruction of the damaged or destroyed property according to plans and specifications prepared or approved by the Authority.

The proceeds of any such insurance not applied or obligated within eighteen (18) months after their receipt by the Trustee to repairing, replacing or reconstructing the damaged or destroyed property, unless the Authority shall advise the Trustee in writing that it has been prevented from so doing because of conditions beyond its control or unless the Authority, with the consent of the Holders of a majority in principal amount of all the Bonds and Parity Indebtedness then outstanding, shall otherwise direct, shall be deposited first to the credit of the Senior Bond Account to the extent of the principal amount of the Bonds of each Series and Parity Indebtedness then outstanding, second to the credit of the Subordinated Obligations Account to the extent of the principal amount of the Subordinated Obligations then outstanding and third to the credit of the General Account.

All insurance policies referred to in this Section shall be open at all reasonable times to inspection by the Holders and the holders of any Parity Indebtedness and their agents and representatives. The Authority covenants that it will take such action as may be necessary to demand, collect and sue for any insurance money that may become due and payable under any policy payable to the Authority or the Trustee. The Trustee is hereby authorized in its own name to demand, collect, sue and receipt for any insurance money that may have become due and payable under any policies payable to it.

Any appraisement or adjustment of any loss or damage under any policy payable to the Authority or the Trustee and any settlement or payment of indemnity under any such policy that may be agreed upon by the Authority, the Trustee and any insurer shall be evidenced by a certificate, signed by an Authority Representative and by the Trustee, and filed with the

Authority and the Trustee. The Trustee shall in no way be liable or responsible for the collection of insurance moneys in case of any loss or damage.

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

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

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

Immediately upon the receipt of each such audit report, copies thereof shall be filed with the Trustee. A copy of such audit report shall also be made available for inspection and copying upon reasonable request by any Holder of Bonds or any holder of Parity Indebtedness at the office of the Authority. The Authority may charge a reasonable fee for copying such audit report. During the course of performing the audit, such Accountant will perform a review of the provisions of this Resolution and by letter addressed to the Authority, and filed with the Trustee, set forth its findings as to whether the moneys received by the Authority under the provisions of this Resolution during such Fiscal Year have been applied in accordance with the provisions of this Resolution, whether any expenditures for Operating Expenses were made in the preceding Fiscal Year in excess of the total amount provided for Operating Expenses in the Annual Budget for such Fiscal Year, whether the Authority is in default in the performance of any of the covenants contained in Article V of this Resolution and whether it became aware of the occurrence of any Events of Default and, if so, specifying same.

The Authority further covenants that it will cause any additional reports or audits relating to the Disposal System to be made as required by law and that, as often as may be requested, it

will furnish to the Trustee and any representative of the holders of at least fifteen per centum (15%) of the aggregate principal amount of Bonds and Parity Indebtedness then outstanding such other information concerning the Disposal System or the operation thereof as may reasonably be requested.

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

Section 710. Contracts, Leases and Other Agreements. Subject to the provisions of Section 713 of this Resolution, the Authority may lease, as lessor, all or any part of the Disposal System, or contract or make an agreement for Contracted Services in connection with the Disposal System or any part thereof, for any lawful purpose; provided, that

- (a) each such lease, contract or agreement, or any amendment or rescission thereof, shall not be inconsistent with the provisions of this Resolution,
- (b) the Authority shall remain fully obligated and responsible under this Resolution to the same extent as if such lease, contract or agreement, or any amendment or recession thereof, had not been executed, and
- (c) if the amount payable by or to the Authority in the then current or any subsequent Fiscal Year under any such lease, contract or agreement, or any amendment or rescission thereof, shall exceed five percent (5%) of the Gross Revenues of the Authority for the preceding Fiscal Year, then, the Authority shall expressly determine by resolution, and shall obtain a statement from the Consulting Engineer affirming such determination, that such lease, contract or agreement, or amendment or rescission thereof, does not materially impair the ability of the Authority to meet its covenant set forth in Section 502 of this Resolution.

Section 711. Covenant against Sale or Encumbrance and Exceptions Thereto. The Authority covenants that, except as in this Section and Section 710 of this Resolution otherwise permitted, it will not sell, exchange or otherwise dispose of or encumber the Disposal System or any part thereof.

The Authority may from time to time sell, exchange or otherwise dispose of any equipment, motor vehicles, machinery, fixtures, apparatus, tools, instruments or other movable property if it determines that such articles are no longer needed or are no longer useful in connection with the Disposal System, and the proceeds thereof shall be applied to the replacement of the properties so sold, exchanged or disposed of or shall be transferred first to the Senior Reserve Account to the extent of any deficiency therein, then to the Reserve and Contingency Account to the extent of any deficiency therein, and then to the Senior Construction Fund or Senior Bond Account for the purchase or redemption of Bonds in accordance with the provisions of this Resolution, all as directed in an Officer's Certificate.

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

- (a) that such property is no longer needed or is no longer useful in connection with the Disposal System, or
- (b) that the sale, exchange or other disposition thereof would not materially adversely affect the operating efficiency of the Disposal System,

and the proceeds, if any, thereof shall be transferred first to the Senior Reserve Account to the extent of any deficiency therein, then to the Reserve and Contingency Account to the extent of any deficiency therein, and then to the Senior Construction Fund or Senior Bond Account for the purchase or redemption of Bonds in accordance with the provisions of this Resolution all as directed in an Officer's Certificate.

Section 712. <u>Budgets and Covenants as to Operating Expenses</u>. The Authority Covenants that on or before the 15th day of May, 1990 and of each Fiscal Year thereafter it will prepare with respect to the Disposal System a preliminary budget of Gross Revenues and Operating Expenses and a preliminary budget of capital expenditures for the ensuing Fiscal Year and file copies of each such preliminary budget with the Trustee.

Each such budget of Gross Revenues and Operating Expenses shall be a pro-forma statement of Gross Revenues and Operating Expenses and shall be prepared in such a manner so that it will be possible to determine from such budget the Operating Expenses and the amounts to be deposited to the credit of the various Accounts created by this Resolution. In preparing such budget, the Authority covenants that it will give due consideration to the provisions of Section 502 of this Resolution.

Each such budget of capital expenditures shall show the amounts, if any, to be expended during such Fiscal Year from moneys deposited to the credit of the Senior Construction Account and the Reserve and Contingency Account, together with a statement of the purposes for which such amounts are to be expended.

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

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

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

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

The Authority further covenants that the Operating Expenses incurred in any Fiscal Year will not exceed the reasonable and necessary amount thereof and that it will not expend any amount or incur any obligations for maintenance repair and operation of the Disposal System in excess of the amounts provided for Operating Expenses in the Annual Budget, except amounts that may be paid from the Reserve and Contingency Account. The Authority shall not expend for Operating Expenses in any Fiscal Year an amount in excess of that provided for by the Annual Budget for such Fiscal Year unless the amount of such excess is derived from some source other than Gross Revenues. Gross Revenues shall not be used to reimburse any such source.

Section 713. Service Contracts. (a) The Authority may enter into agreements for Contracted Services for the benefit of the Disposal System (in this Section called "Service Contracts") provided that except in the case of Service Contracts that by their terms do not permit payments from Gross Revenues, the Authority shall not enter into any such Service Contract that would create additional Debt Service Components unless the chief financial officer of the Authority shall determine in writing that the requirements of clauses (1) and (2) of the sixth full paragraph of Section 209 are met.

- (b) The Authority covenants that it will faithfully fulfill all lawful requirements of all Service Contracts and that it will require all other parties thereto to fulfill their lawful obligations thereunder.
- (c) Anything in this Resolution to the contrary notwithstanding, the Authority's covenants applicable to the 1989 Project and to Additional Projects set forth in this Resolution shall be applicable to the facilities, products and services to which the Authority shall be entitled under Service Contracts only to the extent that the Authority may reasonably and practicably fulfill such covenants as a matter of contract right or that the Authority may legally enforce the covenants of other parties thereto.
- (d) The Authority shall not enter into any Service Contract that shall provide under any circumstances for the acceleration of the amounts payable by the Authority thereunder otherwise than at the option of the Authority unless all of the Bonds and Parity Indebtedness shall have first been declared to have become due and payable as provided in Section 802 and unless such Service Contract shall provide for an automatic rescission if such acceleration under Section 802 shall have been rescinded.

- (e) The chief financial officer of the Authority shall determine in writing on or before the effective date of any Service Contract the amounts and due dates of any Debt Service Components of the Cost of Contracted Services payable by the Authority under such Contract and the interest and principal portions of such Components.
- **Section 714.** Consulting Engineer. (a) The Authority covenants that it will, for the purpose of performing and carrying out the duties imposed on the Consulting Engineer by this Resolution, employ an independent engineer or engineering firm or corporation having a nationwide and favorable repute for skill and experience in such work. R.W. Beck and Associates, Denver, Colorado, are now employed by the Authority as such Consulting Engineer.
- (b) In addition to the duties elsewhere in this Resolution assigned to the Consulting Engineer, it shall annually prepare and deliver to the Authority and the Trustee, on or before April 1 of each year, a report regarding the Disposal System and containing its recommendations concerning the proper maintenance, repair and operation of the Disposal System during the following Fiscal Year, any necessary changes in the services to be provided through the Disposal System during the following Fiscal Year, any additions, improvements or renewals or replacements that should be made during the following Fiscal Year, the estimated Gross Revenues necessary for such purposes, and any necessary revisions to the tipping fees. If in any Fiscal Year Net Revenues are less than the amount required by Section 502, the Authority will direct the Consulting Engineer to make recommendations with respect to the revision of its tipping fees, improvements to or changes in the operations of the Disposal System or the services rendered by the Authority through the Disposal System. If the Authority implements the recommendations of the Consulting Engineer and thereafter Net Revenues fail in the succeeding Fiscal Year to equal the amount required by Section 502, such failure shall not, in and of itself, constitute an Event of Default.
- (c) The annual report of the Consulting Engineer shall also contain an estimate of the useful life remaining in all landfills which are a part of the Disposal System. Should that estimated useful life be less than the final maturity of Bonds outstanding, the Consulting Engineer shall submit to the Authority estimates of the cost of extending the estimated useful life of any landfills to at least equal the final maturity of Bonds outstanding and its advice and recommendations considering such extension and alternatives thereto. Based on such advice and recommendations, the Authority shall take such action as it deems reasonable to assure that the Disposal System, including the necessary landfill capacity, will be in operation at least through the final maturity of the Bonds.
- Section 715. Subordinate Obligations. (a) The Authority may, at any time or from time to time, issue or incur Subordinate Obligations for any purpose of the Authority in connection with the Disposal System, including, without limitation, the financing of a part of the Cost of Acquisition of the 1989 Project or any Additional Project or the refunding of any Subordinate Obligations or all or any of the outstanding Bonds of one or more Series or Parity Indebtedness. Such Subordinate Obligations shall be payable out of and may be secured by a pledge of such amounts in the Subordinate Obligations Account as may from time to time be available therefor,

provided that any such payment or pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the pledge and lien created under this Resolution as security for the Bonds.

- (b) The resolution, indenture or other instrument securing each issue of Subordinate Obligations shall contain provisions (which shall be binding an all holders of such Subordinate Obligations) not more favorable to the holders of such Subordinate Obligations than the following:
 - (1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Authority, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the Holders of all Bonds and Parity Indebtedness then outstanding shall be entitled to receive payment in full of all principal and interest due on all such Bonds and Parity Indebtedness in accordance with the provisions of this Resolution before the holders of the Subordinate Obligations are entitled to receive any payment from the Net Revenues or other moneys pledged to the Bonds and Parity Indebtedness on account of principal (and premium, if any) or interest upon the Subordinate Obligations.
 - (2) In the event that any issue of Subordinate Obligations is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of paragraph (1) above shall not be applicable), the holders of all Bonds and Parity Indebtedness outstanding at the time such Subordinate Obligations become due and payable because of such occurrence of such an event of default shall be entitled to receive payment in full of all principal and interest on all such Bonds and Parity Indebtedness then due and payable before the holders of the Subordinate Obligations are entitled to receive any accelerated payment from the Net Revenues and other moneys pledged to the Bonds under this Resolution of principal (and premium, if any) or interest upon the Subordinate Obligations.
 - (3) If any Event of Default with respect to the Bonds and Parity Indebtedness shall have occurred and be continuing (under circumstances when the provisions of paragraph (1) above shall not be applicable), the Holders of all Bonds and Parity Indebtedness then outstanding shall be entitled to receive payment in full of all principal and interest on all such Bonds and Parity Indebtedness as the same become due and payable before the Holders of the Subordinate Obligations are entitled to receive, subject to the provisions of paragraph (5) below, any payment from the Net Revenues and other moneys pledged to the Bonds and Parity Indebtedness under this Resolution of principal (and premium, if any) or interest upon the Subordinate Obligations.

- (4) No Holder of a Bond or the holder of Parity Indebtedness shall be prejudiced in his right to enforce subordination of the Subordinate Obligations by any act or failure to act on the part of the Authority.
- (5) The Subordinate Obligations may provide that the provisions of paragraphs (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Holders of the Bonds or the holder of Parity Indebtedness on the one hand, and the holders of Subordinate Obligations on the other hand, and that nothing herein shall impair, as between the Authority and the holders of the Subordinate Obligations, the obligation of the Authority, which shall be unconditional and absolute, to pay to the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with their terms, nor shall anything herein prevent the holders of the Subordinate Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under paragraphs (1), (2), (3) and (4) above of the Holders of Bonds or the holder of Parity Indebtedness to receive cash, property or securities from the Net Revenues and other moneys pledged to the Bonds and Parity Indebtedness under this Resolution otherwise payable or deliverable to the holders of the Subordinate Obligations; and the Subordinate Obligations may provide that, insofar as a trustee or paying agent for such Subordinate Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinate Obligations if such trustee or paying agent did not have written notice or actual knowledge at the time of such application that such payment was prohibited by the foregoing provisions.
- (c) The Authority agrees, for the benefit of the Holders of Bonds and the holders of Parity Indebtedness, that in the event any Subordinate Obligation is declared due and payable before its expressed maturity because of the occurrence of a default thereunder, the Authority will give prompt notice in writing of such happening to the Holders of the Bonds and the holders of Parity Indebtedness. Upon the occurrence of an event of default specified in clauses (a) and (b) of Section 801 hereof or upon any transfer of moneys from the Senior Reserve Account to the Senior Bond Account pursuant to Section 507 hereof, the Trustee shall promptly notify the trustee of the Subordinate Obligations.
- (d) Any issue of Subordinate Obligations may have such rank or priority with respect to any other issue as may be provided in the resolution, indenture or other instrument securing such issue of Subordinate Obligations and may contain such other provisions as are not in conflict with the provisions of this Resolution.
- (e) The Trustee shall not be deemed to owe any fiduciary duty to the holders of Subordinate Obligations and shall not be liable to such holders if it shall mistakenly pay over or transfer to Holders of Bonds and the holders of Parity Indebtedness, the Authority or any other

person, moneys to which any holder of Subordinate Obligations shall be entitled by virtue of this Section 715 or otherwise; provided, however, that the Trustee shall not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct. Notwithstanding any of the provisions of this Section 715 or any other provision of this Resolution, the Trustee shall not at any time be charged with knowledge of the existence of any facts (other than any facts related to any required deposits to the credit of the Accounts specified in Section 505 hereof) which would prohibit the making of any payment of moneys to or by the trustee in respect of Subordinate Obligations or of any default in the payment of the principal of or premium, if any, or interest on any Subordinate Obligations, unless and until the Trustee shall have received written notice thereof at its principal corporate trust office from the Authority or the holders of at least 10% in principal amount of any class or category of any Subordinate Obligations or from any trustee therefor and any financial institution which provides credit or security for any Subordinate Obligations.

- (f) Any payment made under a credit facility, bond insurance policy, or reserve account insurance policy to the holders of the Subordinate Obligations having the benefit of such facility, bond insurance policy or insurance policy by the appropriate credit provider or insurer shall be retained by such holders for their own account, and no Holder of Bonds or holder of Parity Indebtedness is to have any right with respect to any such payment so made.
- (g) As between the credit provider or insurer whose credit facility, bond insurance policy or reserve account insurance policy, as the case may be, secures any Subordinate Obligations and the holder of such Obligations, any payment made on such Obligations by the Authority which, under the subordination provisions of this Section, is required to be paid over to the Holders of the Bonds or holder of Parity Indebtedness, shall not constitute a payment on such Subordinate Obligations but, instead, shall be treated for all purposes of such facility, bond insurance policy or insurance policy as though such payment had not been made by the Authority. Until the holder of the Subordinate Obligations so guaranteed has received from the Authority, or from such credit provider or insurer, moneys which such holder is entitled to retain for its own account, equal in the aggregate to the principal amount of his Subordinate Obligations and any accrued and unpaid interest thereon, such credit provider or insurer shall remain liable on its credit facility, bond insurance policy or reserve account insurance policy and, unless otherwise provided in such facility, bond insurance policy or insurance policy or in any Series Resolution relating thereto, shall not be subrogated to any of the rights of the holder of such Subordinate Obligations.
- (h) The Holders of the Bonds or holders of Parity Indebtedness may extend, renew, modify or amend the terms of the Bonds or Parity Indebtedness or any security therefor and release, sell or exchange such security and otherwise to deal freely with the Authority, all without notice to or consent of the holders of the Subordinate Obligations and without affecting the liabilities and obligations of the parties to this Resolution or the holders of the Subordinate Obligations.

Section 716. Limitations on Parity Indebtedness. (a) The Authority may incur and refund Parity Indebtedness, provided that the documents providing for such Parity Indebtedness shall specify the amounts and due dates of the Debt Service Requirements of such Parity Indebtedness and the principal and interest components of such Debt Service Requirements and that the Trustee shall determine that all the requirements of sixth full paragraph of Section 209, or all the requirements of Section 210, as appropriate, of this Resolution shall have been met the same as if such Parity Indebtedness to be incurred were an additional Series of Bonds to be issued under the provisions of Section 209 or 210, respectively.

(b) The Authority covenants that it will faithfully fulfill all lawful requirements of all contracts or agreements creating such Parity Indebtedness and that it will require all other parties thereto to fulfill their lawful obligations thereunder.

Section 717. Further Instruments and Actions. At the request of the Trustee, the Authority shall execute and deliver such further instruments or take such further actions as may be required to carry out the purposes of this Resolution.

Section 718. [Repealed].

Section 719. Notice to Rating Agencies of an Interest Rate Swap. The Authority hereby covenants that it will not enter into a Swap Agreement unless it first delivers copies of the proposed Swap Agreement to S&P and Moody's.

[End of Article VII]

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

- (a) payment of any installment of interest on any Bonds or Parity Indebtedness shall not be made when the same shall become due and payable; or
- (b) payment of the principal or of the redemption premium, if any, of any Bonds or Parity Indebtedness shall not be made when the same shall become due and payable, whether at maturity or by proceedings for redemption or pursuant to a Sinking Fund Requirement or otherwise; or
- (c) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in this Resolution or any resolution supplemental hereto and such default shall continue for ninety (90) days (or such further time as may be granted in writing by the Trustee) after receipt by the Authority of a written notice from the Trustee specifying such default and requiring the same to be remedied; provided, however, that no Event of Default under the provisions of this paragraph (c) shall occur so long as the Authority is in good faith acting to remedy the default and such default is, in the opinion of the Trustee, curable by such remedial action; or
- (d) the Authority shall: (i) become insolvent or the subject of insolvency proceedings; or (ii) be unable, or admit in writing its inability, to pay its debts as they mature; or (iii) make a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; or (iv) file a petition or other pleading seeking reorganization, composition, readjustment or liquidation of assets, or requesting similar relief; or (v) apply to a court for the appointment of a receiver for any of its assets; or (vi) have a receiver or liquidator appointed for any of its assets (with or without the consent of the Authority) and such receiver shall not be discharged within 90 consecutive days after his appointment; or (vii) become the subject of an "order for relief" within the meaning of the United States Bankruptcy Code; or (viii) file an answer to a creditor's petition admitting the material allegations thereof for liquidation, reorganization, readjustment or composition or to effect a plan or other arrangement with creditors or fail to have such petition dismissed within 60 consecutive days after the same is filed against the Authority.

The foregoing provisions of subsection (c) of this section are subject to the following limitations: if by reason of force majeure, the Authority is unable in whole or in part to carry out any of its agreements herein contained, the failure of the Authority to carry out any such agreements, other than the obligations on the part of the Authority contained in Sections 502 and 707 of this Resolution, shall not be deemed an Event of Default during the continuance of such inability, including a reasonable time for the removal of the effect thereof.

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

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

Upon the occurrence of an Event of Default, the Trustee shall give prompt written notice to the Authority specifying the nature of the Event of Default. The Authority shall give the Trustee notice of all events of which it is aware that either constitute Events of Default under this Resolution or, upon notice by the Authority or the Trustee or the passage of time, would constitute Events of Default hereunder.

Section 802. Acceleration of Maturities. Upon the happening and continuance of any Event of Default specified in Section 801, then and in every such case the Trustee may, and upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds and Parity Indebtedness then outstanding shall, by a notice in writing to the Authority, declare the principal of all of the Bonds and the Parity Indebtedness 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, any Parity Indebtedness or this Resolution to the contrary notwithstanding; provided, however, that if at any time after the principal of the Bonds and Parity Indebtedness shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Resolution, moneys shall have accumulated in the Senior Bond Account sufficient to pay the principal of all matured Bonds and Parity Indebtedness and all arrears of interest, if any, upon all the Bonds and Parity Indebtedness then outstanding (except the principal of any Bonds and Parity Indebtedness not then due and payable by their terms and the interest accrued on such Bonds and such Parity Indebtedness since the last Interest Payment Date) and sufficient to satisfy the Sinking Fund Requirements of the then current Bond Year, and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Authority hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds, any Parity Indebtedness or this Resolution (other than a default in the payment of the principal of such Bonds and Parity Indebtedness then due and payable only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee shall, by written notice to the Authority, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 803. Enforcement of Remedies. Upon the happening and continuance of any Event of Default specified in Section 801 of this Article, then and in every such case the Trustee may proceed and upon the written request of the holders of not less than a majority in aggregate principal amount of Bonds and Parity Indebtedness then Outstanding shall proceed, subject to the provisions of Section 902 of this Resolution, to protect and enforce its rights and the rights of such holders under the laws of the State or under this Resolution by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel chosen by the Trustee, shall deem most effectual to protect and enforce such rights.

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

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

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

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

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

third: to the payment of the interest on and the principal of the Bonds or Parity Indebtedness, to the purchase or retirement of Bonds or Parity Indebtedness and to the redemption of Bonds or Parity Indebtedness, all in accordance with the provisions of Article V.

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

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

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

(c) If the principal of all the Bonds or Parity Indebtedness shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 802 then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds or Parity Indebtedness shall later become due and payable or be declared due and payable, the moneys remaining in and thereafter accruing to the Senior Bond Account and the Senior Reserve Account shall be applied in accordance with the provisions of paragraph (a) of this Section.

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

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

Section 806. Control of Proceedings by Holders. Anything in this Resolution to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of Bonds and Parity Indebtedness then Outstanding shall have the right, subject to the provisions of Section 902 of this Resolution, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to

be taken by the Trustee hereunder, provided that such direction shall be in accordance with law and the provisions of this Resolution.

Section 807. Restrictions upon Actions by Individual Holders. Except as provided in Section 812 of this Article or in any Series Resolution, no Holder shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or Parity Indebtedness or for the execution of any trust hereunder or for any other remedy hereunder unless such Holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than a majority in aggregate principal amount of Bonds and Parity Indebtedness then Outstanding shall have made a written request of the Trustee after the right to exercise such powers or right of action as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceedings in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Resolution or to any other remedy hereunder. Notwithstanding the foregoing provisions of this Section and without complying therewith, the Holders of not less than a majority in aggregate principal amount of Bonds and Parity Indebtedness then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Holders hereunder. It is understood and intended that, except as otherwise above provided, no one or more Holders shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder except in the manner provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders and that any individual rights of action or other right given to one or more of such Holders by law are restricted by this Resolution to the rights and remedies herein provided.

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

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

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

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

Section 811. Notice of Default. The Trustee shall mail to all Holders at their addresses as they appear on the registration books and any similar records in respect of Parity Indebtedness written notice of the occurrence of any Event of Default set forth in Section 801 of this Article within thirty (30) days after the Trustee shall have notice of the same, pursuant to the provisions of Section 908 of this Resolution, that any such Event of Default shall have occurred.

Section 812. Right to Enforce Payment of Bonds Unimpaired. Except as may be provided in a Series Resolution, nothing in this Article shall affect or impair the right of any Holder to enforce the payment of the principal of and the interest on his Bond or Parity Indebtedness or the obligation of the Authority to pay the principal of and the interest on each Bond or Parity Indebtedness to the Holder thereof at the time and place in said Bond expressed.

Section 813. Rights of Credit Provider or Insurer. Notwithstanding anything contained in this Resolution to the contrary, but subject to the provisions of any applicable Series Resolution, until the Authority has reimbursed a Credit Provider for amounts paid under a Credit Facility to pay the interest on or the principal of any Bonds or Parity Indebtedness on any Interest Payment Date or Principal Payment Date or to the extent any Insurer has exercised its rights as subrogee for the particular Bonds or Parity Indebtedness it has insured payment of, (a) such Bonds or Parity Indebtedness shall be deemed to be outstanding hereunder and such Credit Provider or Insurer shall succeed to the rights and interests of the Holders to the extent of the amounts paid under the Credit Facility or as specified in respect of the applicable insurance policy until such amount has been reimbursed and (b) upon presentation to the Bond Registrar, such Bonds or Parity Indebtedness shall be registered in the name of the Credit Provider or its nominee or the Insurer or its nominee, as appropriate.

[End of Article VIII]

ARTICLE IX

CONCERNING THE TRUSTEE AND THE BOND REGISTRAR

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

No provision of this Resolution or any Bond or Parity Indebtedness 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:
 - (1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Resolution 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 Resolution, and no implied covenants or obligations shall be read into this Resolution against the Trustee; and
 - (2) 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 Resolution, 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 Resolution; and
- (b) During the existence of any such Event of Default that has not been cured the Trustee shall exercise any of the rights and powers vested in it by this Resolution and shall use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.
- (c) at all times, regardless of whether or not any such Event of Default shall exist but subject at all times to subsection (a) above:
 - (1) 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

(2) 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 the Holders of not less than a majority in aggregate principal amount of Bonds and Parity Indebtedness then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any power conferred upon the Trustee under this Resolution.

None of the provisions contained in this Resolution shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 902. <u>Indemnification of Trustee as Condition for Remedial Action</u>. The Trustee shall be under no obligation to institute any suit or to take any remedial proceeding (including, but not limited to, the operation of the Authority or the appointment of a receiver) under this Resolution or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. The Trustee nevertheless may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Authority, at the request of the Trustee, shall reimburse the Trustee from the revenues of the Authority derived from the Disposal System for all costs, expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Authority shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of this Resolution (subject to the Authority's continuing ability to comply with any covenants as to the exclusion from gross income of the recipients thereof for federal income tax purposes of interest on any Bonds or Parity Indebtedness contained in any Series Resolution and other than moneys derived from a drawing under a Credit Facility or bond insurance policy for the Bonds or Parity Indebtedness or any of them) and shall be entitled to a preference therefor over any Bonds or Parity Indebtedness outstanding hereunder.

Section 903. Limitations on Obligations and Responsibilities of Trustee. The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Authority, or to report, or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. Except as to the acceptance of the trusts of this Resolution, the Trustee shall have no responsibility in respect of the validity, sufficiency, due acknowledgment of this Resolution, or, should the Trustee act as Bond Registrar, except as to the authentication thereof, in respect of the validity of Bonds or Parity Indebtedness or the due execution or issuance thereof. The Trustee shall be under no obligation to see that any duties

herein imposed upon the Authority, the Accountant, the Bond Registrar, any Depository or Paying Agent, or any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

Section 904. Trustee Not Liable for Failure of Authority to Act. The Trustee shall not be liable or responsible because of the failure of the Authority or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Authority or because of the loss of any money arising through the insolvency or the act or default or omission of any other Depository in which such money shall have been deposited under the provisions of this Resolution. The Trustee shall not be responsible for the application of any of the proceeds of Bonds, Parity Indebtedness or any other money deposited with it and paid out withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Resolution. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

Section 905. Compensation and Indemnification of Trustee and Bond Registrar. Subject to the provisions of any contract between the Authority and the Trustee or the Bond Registrar relating to the compensation of the Trustee or the Bond Registrar, the Authority shall pay the Trustee or the Bond Registrar reasonable compensation for all services performed by it hereunder and also all its reasonable expenses (including counsel fees), charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and the performance of its powers and duties hereunder and shall indemnify and save the Trustee or the Bond Registrar harmless against any liabilities that it may incur in the proper exercise and performance of its powers and duties hereunder. If the Authority shall fail to cause any payment required by this Section to be made, the Trustee or the Bond Registrar may make such payment from any moneys in its possession under the provisions of this Resolution (subject to the Authority's continuing ability to comply with any covenants as to exclusion from gross income of the recipients thereof for federal income tax purposes of interest on any Bonds or Parity Indebtedness contained in any Series Resolution and other than moneys derived from a drawing under a Credit Facility or bond insurance policy for the Bonds or Parity Indebtedness or any of them) and shall be entitled to a preference therefor over any Bonds or Parity Indebtedness outstanding hereunder. The Authority covenants that it shall promptly deposit or cause to be deposited to the credit of the respective fund or account the amount withdrawn therefrom by the Trustee or the Bond Registrar to make any such payment.

Section 906. <u>Semi-Annual Statements from Trustee</u>. It shall be the duty of the Trustee, on or before the 15th day of January and July in each year, beginning with January 15, 1990, to file with the Authority a statement setting forth in respect of the preceding six-month period (July 1 - December 31 or January 1 - June 30, as the case may be):

- (a) the amount withdrawn or transferred by it and the amount deposited with it on account of each fund or account held by it under the provisions of this Resolution and the purpose or application of each such withdrawal, transfer and deposit,
- (b) the amount on deposit with it at the beginning and the end of such six-month period in each such fund or account,
- (c) a brief description of all obligations held by it as an investment of money in each such fund or account,
- (d) the amount applied to the purchase or redemption of Bonds under the provisions of Articles III or V of this Resolution and a description of the Bonds or portions thereof so purchased or redeemed, and
 - (e) any other information that the Authority may reasonably request.

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

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

Section 908. Notice of Default. Except upon the happening of any Event of Default specified in clauses (a) and (b) of Section 801 of this Resolution, the Trustee shall not be obliged to take notice or be deemed to have notice of any Event of Default under this Resolution, unless specifically notified in writing of such Event of Default by the Authority or the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds and Parity Indebtedness then Outstanding.

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

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

Section 911. Resignation and Removal of Trustee Subject to Appointment of Successor. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 914 of this Article.

Section 912. Resignation of Trustee. The Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing given to the Authority, not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee hereunder if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts hereof.

Section 913. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, executed by the Holders of not less than a majority in aggregate principal amount of Bonds then outstanding and filed with the Authority, not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments. A photographic copy of any instrument or instruments filed with the Authority under the provisions of this paragraph, duly certified by the Secretary-Treasurer or any Assistant Secretary-Treasurer of the Authority as having been received by the Authority, shall be delivered promptly by the Secretary-Treasurer or any Assistant Secretary-Treasurer of the Authority to the Trustee.

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

Section 914. Appointment of Successor Trustee. If at any time hereafter the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If the position of

Trustee shall become vacant for any reason, the Authority shall appoint a Trustee to fill such vacancy. A successor Trustee shall not be required if the Trustee shall sell or assign substantially all of its trust business and the vendee or assignee shall continue in the trust business, or if a transfer of the trust department of the Trustee is required by operation of law, provided that such vendee, assignee or transferee is (a) a bank or trust company within the State which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, of good standing, and having a combined capital, surplus and undivided profits not less than \$50,000,000 or (b) a subsidiary trust company under the Trust Subsidiary Act, Title 6.1, Article 3.1, Code of Virginia, 1950, as amended, whose parent State bank or bank holding company has undertaken to be responsible for the acts of such subsidiary trust company pursuant to the provisions of Section 6.1-32.7(a) of the Trust Subsidiary Act, or any successor provision of law, and whose combined capital, surplus and undivided profits, together with that of its parent State bank or bank holding company, as the case may be, is not less than \$50,000,000. The Authority shall mail notice of any such appointment, postage prepaid, to all Holders.

At any time within one year after any such vacancy shall have occurred, the Holders of a majority in principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Holders and filed with the Authority, may nominate a successor Trustee, which the Authority shall appoint and which shall supersede any Trustee theretofore appointed by the Authority. Photographic copies, duly certified by the Secretary-Treasurer or any Assistant Secretary-Treasurer of the Authority as having been received by the Authority, of each such instrument shall be delivered promptly by the Authority to the predecessor Trustee and to the Trustee so appointed by the Holders.

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

Any successor Trustee hereafter appointed shall be (a) a bank or trust company within the State which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, of good standing, and having a combined capital, surplus and undivided profits not less than \$50,000,000 or (b) a subsidiary trust company under the Trust Subsidiary Act, Title 6.1, Article 3.1, Code of Virginia, 1950, as amended, whose parent State bank or bank holding company has undertaken to be responsible for the acts of such subsidiary trust company pursuant to the provisions of Section 6.1-32.7(a) of the Trust Subsidiary Act, or any successor provision of law, and whose combined capital, surplus and undivided profits, together with that of its parent State bank or bank holding company, as the case may be, is not less than \$50,000,000.

Section 915. <u>Vesting of Duties in Successor Trustee</u>. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the Authority, an instrument in writing accepting such appointment hereunder, and thereupon such

successor Trustee, without any further act, shall become fully vested with all the rights, immunities, powers and trusts, and subject to all the duties and obligations, of its predecessor; but such predecessor shall nevertheless, on the written request of its successor or of the Authority and upon payment of the expenses, charges and other disbursements of such predecessor that are payable pursuant to the provisions of Section 905 of this Article, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all property and money, held by it hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the Authority.

Section 916. Appointment of Depositories. The Authority may at any time and from time to time appoint one or more Depositories to hold any one or more of the funds and accounts (other than the Senior Bond Account or the Senior Reserve Account) established pursuant to this Resolution. Such Depository or Depositories shall perform at the direction of the Authority the duties of the Authority in depositing, transferring and disbursing moneys to and from each of such funds and accounts as set forth in this Resolution, and all records of such Depository in performing such duties shall be open at all reasonable times to inspection by the Trustee, the Authority and their agents and employees. Any such Depository shall be (a) a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000) or (b) a subsidiary trust company under the Trust Subsidiary Act, Title 6.1, Article 3.1, Code of Virginia, 1950, as amended, whose parent State bank or bank holding company has undertaken to be responsible for the acts of such subsidiary trust company pursuant to the provisions of Section 6.1-32.7(a) of the Trust Subsidiary Act, or any successor provisions of law, and whose combined capital, surplus and undivided profits, together with that of its parent State bank or bank holding company, as the case may be, is not less than \$50,000,000. In the event any Depository is appointed by the Authority, the provisions of Sections 901, 905, 906, 907, 908, 911, 912, 914 and 1412 of this Resolution shall apply to such Depository, and the Trustee shall not be liable or responsible for the failure of such Depository to act or for the insolvency of or any omission by such Depository, as provided in Section 904 of this Article. Any Depository may resign at any time after thirty Business Days' prior notice to the Authority and the Trustee, and the Authority shall appoint a successor in accordance with Section 1403 hereof. The Authority shall notify the Trustee promptly after the appointment of any Depository.

Section 917. Co-Trustee. It is the intention of the Authority that the Trustee shall not be required to act at anytime such Trustee has a conflict of interest in performing its duties hereunder and that there shall be no violation of any laws of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of a conflict of interest or in case of litigation under this Resolution, and in particular in case of the

enforcement of any remedies upon the occurrence of an Event of Default, it may be necessary that the Trustee appoint an additional individual or institution as an additional, separate, or Co-Trustee, and in such case the Trustee is authorized to do so. The following provisions apply to the Trustee and to any additional or Co-Trustee:

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

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

[End of Article IX]

ARTICLE X

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

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

- (a) The fact and date of the execution by any person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual, such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.
- (b) The ownership of Bonds shall be proved by the registration books kept under the provisions of Section 206 of this Resolution and the ownership of Parity Indebtedness shall be proved as provided in a resolution relating to such indebtedness supplemental hereto and complying with the provisions of Article XI.

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

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

[End of Article X]

ARTICLE XI

SUPPLEMENTAL RESOLUTIONS

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

- (a) to cure any ambiguity or formal defect or omission, or to amend or correct or supplement any provision herein that may be inconsistent with any other provision herein, or
- (b) to grant to or confer upon the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders, or
- (c) to add to the conditions, limitations and restrictions thereafter to be observed by the Authority under the provisions of this Resolution, or
- (d) to add to the covenants and agreements of the Authority in this Resolution other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power herein reserved to or conferred upon the Authority, or
- (e) in the case of Series Resolutions, to provide for the issuance of Additional and Refunding Bonds and to provide for such other related matters as may be required or contemplated by or appropriate under this Resolution, or
 - (f) [Repealed], or
- (g) to provide for registration by book-entry or any other method or the issuance of Bonds in coupon form and for the exchange, redemption and payment thereof, or
- (h) to make any other change which, in the opinion of the Trustee, would not materially adversely affect the security for the Bonds or Parity Indebtedness, or
- (i) to make any changes that may be required by (1) Moody's or S&P to the extent necessary to prevent any then current ratings of said services in respect of the Bonds from being reduced or withdrawn or (2) any Credit Provider or any Insurer.

Not more than thirty (30) days after the adoption of any supplemental or amendatory resolution for any of the purposes of this Section (except a Series Resolution adopted pursuant to clause (e) above fixing the details of any Series of Bonds or Parity Indebtedness to the extent such Series Resolution does not amend this Resolution in a manner other than as permitted by this Section, as to which no notice need be given), the Authority shall cause a notice of the proposed adoption of such supplemental or amendatory resolution to be mailed, first class, postage prepaid, to all Holders. Such notice shall briefly set forth the nature of the proposed

supplemental or amendatory resolution and shall state that copies thereof are on file at the office of the Authority for inspection for all Holders. A failure on the part of the Authority to mail the notice required by this Section shall not affect the validity of such supplemental or amendatory resolution.

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

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

Whenever, at any time within three years after the date of the first mailing of such notice, the Authority shall receive an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of Bonds and Parity Indebtedness then outstanding that are affected by a proposed supplemental or amendatory resolution, which instrument or instruments shall refer to the proposed supplemental or

amendatory resolution described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Authority may adopt such supplemental or amendatory resolution in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

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

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

Section 1103. Exclusion of Bonds. Bonds and Parity Indebtedness owned or held by or for the account of the Authority shall not be deemed outstanding for the purpose of any consent or other action or any calculation of outstanding Bonds and Parity Indebtedness provided for in this Article or Article XIII, and the Authority as holder of such Bonds and Parity Indebtedness shall not be entitled to consent or take any other action provided for in this Article or Article XII. At the time of any consent or other action taken under this Article or Article XII, the Authority shall furnish the Trustee a certificate signed by an Authority Representative, upon which the Trustee may rely, describing all Bonds and Parity Indebtedness so to be excluded.

Section 1104. Consent of Credit Providers and Insurers Required. Anything herein to the contrary notwithstanding, no resolution supplemental or amendatory hereto affecting any Series of Bonds or Parity Indebtedness secured in whole or in part by a Credit Facility, insurance policy or Senior Reserve Account Credit Facility shall become effective unless and until the appropriate Credit Providers and Insurers shall have consented thereto in writing.

[End of Article XI]

ARTICLE XII

SUPPLEMENTAL CONTRACTS AND ASH DISPOSAL AGREEMENTS

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

- (a) to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in the Contract or or the Ash Disposal Agreement, respectively, or in any supplemental or amendatory contract, or
- (b) to grant to the Authority for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Authority, or
- (c) to make any other change in, or waive any provision of, the Contracts or the Ash Disposal Agreement, respectively, provided only that the ability of the Authority to comply with the provisions of Section 502 of this Resolution shall not thereby be materially impaired.

Section 1202. Supplemental Contracts with Bondholder Consent. Except for supplemental or amendatory contracts provided for in Section 1201 of this Article, neither the Authority nor the Trustee shall consent to any supplemental or amendatory contract respecting any Contract and the Ash Disposal Agreement, unless notice of the proposed execution of such supplemental or amendatory contract shall have been given and the Holders of not less than a majority in aggregate principal amount of the Bonds and Parity Indebtedness then outstanding shall have consented to and approved the execution thereof, all as provided for in Section 1102 of this Resolution in the case of supplemental or amendatory resolutions.

(End of Article XII)

ARTICLE XIII

DEFEASANCE

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

- (b) If the Authority shall pay or cause to be paid to the holders of less than all of the Outstanding Bonds and Parity Indebtedness the principal of and premium, if any, and interest on such Bonds or Parity Indebtedness, or such portions thereof, which is and shall thereafter become due and payable upon such Bonds or Parity Indebtedness, or such portions thereof, such Bonds or Parity Indebtedness, or such portions thereof, shall cease to be entitled to any lien, benefit or security under this Resolution.
- (c) Any Outstanding Bond or Parity Indebtedness (or any portion thereof) shall be deemed to have been paid for the purposes of subsection (a) or (b) of this Section when (i) there shall have been deposited with the Trustee or any other Depository either moneys in an amount which, or Defeasance Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys in an amount which, together with the moneys, if any, deposited with or held by the Trustee or any Depository or Paying Agent available therefor, shall be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on said Bond or Parity Indebtedness (or portion thereof) on or prior to the redemption date or maturity date thereof, as the case may be, (ii) in case said Bond or Parity Indebtedness (or portion thereof) has been selected for redemption in accordance with the provisions hereof prior to its maturity, the Authority shall have given to the Trustee irrevocable instructions to give in accordance with the provisions of Section 303 hereof notice of redemption of such Bond or Parity Indebtedness (or portion thereof), (iii) in the event said Bond or Parity Indebtedness is not to mature or be redeemed within the next succeeding sixty (60) days, the Authority shall have given the Trustee irrevocable instructions to give, as soon as practicable in the same manner as a notice of redemption is given pursuant to Section 303 hereof, notice to the Holder of said Bond or Parity Indebtedness (or portion thereof) stating that moneys or Defeasance Obligations have been deposited with the Trustee or any other Depository as provided in this Article XIII and that said Bond or Parity Indebtedness (or portion thereof) is deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal thereof and premium, if any, and interest thereon and (iv) provisions satisfactory to the Trustee shall have

been made for the payment of the Trustee's and Bond Registrar's fees and expenses, and any Paying Agent's or other Depository's fees and all fees and expenses payable by the Authority in connection with the defeasance of said Bond or parity Indebtedness.

- (d) The moneys and Defeasance Obligations deposited with the Trustee or any other Depository pursuant to this Section and all payments of principal or interest on any such Obligations shall not be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds or Parity Indebtedness (or portions thereof) deemed to have been paid in accordance with this Section.
- (e) If Bonds or Parity Indebtedness (or portions thereof) are deemed to have been paid in accordance with the provisions of this Article by reason of the deposit with the Trustee or any other Depository of moneys or Defeasance Obligations, no amendment to the provisions of this Section which would adversely affect the holders of such Bonds or Parity Indebtedness (or portions thereof) shall be made without the consent of each Holder affected thereby.
- (f) All money and Defeasance Obligations held pursuant to this Article shall be held in trust and applied to the payment, when due, of the Bonds or Parity Indebtedness (or portions thereof) payable therewith.
- (g) The provisions of this Article XIII may be modified with respect to Bonds of any Series that constitute Variable Rate Indebtedness and/or Optional Tender Indebtedness and with respect to any Parity Indebtedness.

[End of Article XIII]

ARTICLE XIV

MISCELLANEOUS PROVISIONS

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

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

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

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

Section 1403. <u>Successorship of Depository and Bond Registrars</u>. (a) Any bank or trust company with or into which any Depository or the Bond Registrar may be merged or consolidated, or to which the assets and business of such Depository or the Bond Registrar may be sold, shall be deemed the successor of such Depository and Bond Registrar for the purposes of this Resolution.

If the position of any Depository or the Bond Registrar shall become vacant for any reason, the Authority, provided sufficient funds are available to pay all costs and expenses, if any, reasonably incurred by the Authority in connection therewith, shall appoint a bank or trust company as successor Depository that shall meet the requirements of the last paragraph of Section 914 for a successor Trustee to fill such vacancy within thirty (30) days after the Authority receives notice of such vacancy.

(b) The Trustee shall give notice of each appointment of such successor by mailing written notice of such event by first class mail, postage prepaid, to all Holders of the Bonds at their addresses as they appear on the registration books and to all Holders of Parity Indebtedness. Neither the Authority nor the Trustee, however, shall be subject to any liability to any Bondholder by reason of its failure to mail any such notice.

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

(a) As to the Authority --

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

(b) As to the Trustee --

U.S. Bank National Association 1021 East Cary Street Richmond, Virginia 23219 Attention: Corporate Trust Services Telephone: 804-771-7934

Facsimile: 804-771-7934

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

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

All documents received by the Trustee under the provisions of this Resolution, photographic copies thereof, shall be retained in its possession until this Resolution shall be released under the provisions of Section 1301 of this Resolution, subject at all reasonable times to the inspection of the Authority and any Holder and the agents and representatives thereof.

Section 1405. <u>Substitute Mailing.</u> If, because of the temporary or Permanent suspension of postal service, the Authority or the Trustee shall be unable to mail any notice required to be given by the provisions of this Resolution, the Authority or the Trustee shall give

notice in such other manner as in the judgment of the Authority or the Trustee shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirement for the mailing thereof.

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

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

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

Section 1409. No Recourse Against Members, Officers or Employees of Authority. No recourse under, or upon, any statement, obligation, covenant, or agreement contained in this Resolution; or in any Bond or Parity Indebtedness hereby secured; or in the Resolution; or in any document or certification whatsoever; or under any judgment obtained against the Authority or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member, officer or employee, as such, of the Authority either directly or through the Authority or otherwise, for the payment for or to, the Authority or any receiver of either of them, or for, or to, any Holder or otherwise, of any sum that may be due and unpaid upon any such Bond or parity Indebtedness. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment for, or to, the Authority or any receiver of either of them, or for, or to, any Holder or otherwise, of any sum that may remain due and unpaid upon the Bonds or Parity Indebtedness hereby secured or any of them, is hereby expressly waived and released as an express condition of, and in consideration for, the adoption of this Resolution and the issuance of the Bonds.

Section 1410. Taxable Bonds. The Authority may, if it so elects, issue one or more Series of Bonds the interest on which is (or may be) payable to the owner as a whole or in part, subject directly or indirectly to federal income taxes, so long as each Bond of such Series states that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or to become includable in gross income of the recipients thereof for federal income tax purposes.

Section 1411. Expenses Payable under Resolution. All expenses incurred in carrying out this Resolution shall be payable solely from funds derived by the Authority from the Disposal System. Anything in this Resolution to the contrary notwithstanding, the performance by the Authority of all duties and obligations imposed upon it hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants, agreements and promises made by it hereunder, and the liability of the Authority for all warranties and other covenants herein shall be limited solely to the money and revenues received from the payments from the Disposal System, and from moneys attributable to the proceeds of Bonds or Parity Indebtedness, or the income from the temporary investment thereof, and, to the extent herein, the proceeds of insurance, sale and condemnation awards; and the Authority shall not be required to effectuate any of its duties, obligations, powers or covenants except from, and to the extent of, such moneys, revenues, proceeds, and payments.

Section 1412. Dealing in Bonds. The Trustee, the Bond Registrar and any bank or trust company acting as Depository under this Resolution and its directors, officers, employees or agents, and any officer, employee or agent of the Authority, may in good faith, buy, sell, own, hold and deal in any Bonds or Parity Indebtedness issued under the provisions of this Resolution and may join in any action which any Holder may be entitled to take with like effect as if such Trustee were not a trustee and such bank or trust company were not the Bond Registrar or a Depository under this Resolution or as if such officer, employee or agent of the Authority did not serve in such capacity.

Section 1413. Payments Due on Sundays and Holidays. Except as otherwise provided in a Series Resolution, in any case where the date of maturity of interest on or principal of the Bonds or Parity Indebtedness or the date fixed for redemption of any Bonds or Parity Indebtedness shall be a Sunday or a legal holiday or not a business day, then payment of interest or principal and premium, if any, need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption or the interest payment date and no interest on such payment shall accrue for the period after such date.

Section 1414. <u>Headings</u>. Any heading preceding the text of the several articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect.

Section 1415. <u>Further Authority</u> . The officers of the	Authority and other agents or
employees of the Authority are hereby authorized to do all acts a	and things required of them by
this Resolution for the full, punctual and complete performance of	fall of the terms, covenants and
agreements contained in the Bonds and this Resolution.	

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

Adopted by the Southeastern Public Service Authority of Virginia, this 16th day of August, 1989.

2010.	Restated by the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of the Southeastern Public Service Authority of Virginia this 29 th day of Virginia this 20 th day of Virginia this	of April,
(Seal) Attest:	st:	
	Secretary	