

VRA RESOLUTION

Resolution of the Board of Directors of the Virginia Resources Authority (VRA)

The Southeastern Public Service Authority of Virginia (SPSA) was created pursuant to the Virginia Water and Sewer Authorities Act by its owner communities which are the Cities of Virginia Beach, Norfolk, Chesapeake, Suffolk, Portsmouth and Franklin, and the Counties of Southampton and Isle of Wight.

SPSA is currently indebted to VRA in the amount of approximately \$ 129 million on bonds issued for various capital expenditures ("SPSA Local Bonds").

Upon VRA's recent review of SPSA's financial condition, VRA has grave concerns regarding SPSA's ability to pay the SPSA Local Bonds to VRA in the short and long term. Although no formal request has yet been made, VRA anticipates that SPSA will approach VRA to restructure its existing debt, which may include the SPSA Local Bonds.

Should this occur, and if VRA and the Commonwealth of Virginia decide to increase their risk exposure by restructuring SPSA's existing debt, VRA intends to impose numerous requirements on SPSA and/or its owner communities as a condition of such restructuring. These terms will include at a minimum:

1. Each of SPSA's eight owner communities must guaranty the SPSA debt held by VRA with a General Obligation Pledge, except for Southampton County, which must guaranty its share of such SPSA debt with a Moral Obligation Pledge;
- * 2. Each owner community must provide VRA with written assurance of its commitment to work with VRA and SPSA in restructuring and guarantying SPSA's debt, in a letter similar to Isle of Wight's letter of February 6, 2009 to VRA. Such written assurance must be received by VRA no later than February 25, 2009;
3. VRA will have the right to approve SPSA's issuance or incurrence of any future debt;
4. VRA will have the right to approve the sale or disposition of any SPSA assets;

5. To the extent authorized by law, VRA will review and suggest and/or require modifications to SPSA's business model and its implementation, as necessary to protect VRA's and the Commonwealth's risk exposure;
6. Each of SPSA's eight owner communities shall designate a point person to interact and communicate with VRA regarding SPSA's potential debt restructuring going forward. Such point person shall not be a current board member, staff member or employee of SPSA; and
7. To the extent authorized by law, VRA may also consider the inclusion of other conditions deemed necessary by the VRA Board to protect VRA's and the Commonwealth's risk exposure from such debt restructuring, including but not limited to the review of significant contracts that impact SPSA's business model, operations and ability to fulfill its debt obligations.

The above are the parameters VRA intends to require for any SPSA debt restructuring that may be considered or implemented. However, at this time, as no formal debt restructuring proposal has been proffered or considered, these parameters may be modified, amended and/or supplemented to accommodate any specific debt restructuring under review or consideration.

Passed unanimously by VRA Board on February 10, 2009



COUNTY of ISLE OF WIGHT

THE COURTHOUSE

February 6, 2009

VIA E-MAIL AND HAND DELIVERY ON FEB. 9, 2009

Mr. William G. O'Brien, Chairman
Virginia Resources Authority
1111 E. Main Street, Suite 1920
Richmond, Virginia 23219

RE: Southeastern Public Service Authority

Dear Chairman O'Brien:

By motion of the Isle of Wight County Board of Supervisors, at its special meeting on February 5, 2009, I have been authorized to express the County's position with respect to the issues currently facing the Southeastern Public Service Authority (SPSA).

As a member locality of SPSA, Isle of Wight County wishes to express its sincere appreciation for the Virginia Resources Authority's (VRA) willingness to work with the communities of South Hampton Roads to seek a positive way forward with respect to SPSA's ongoing financial crisis. We look forward to working directly with the VRA on these matters in the hopes of possibly restructuring SPSA's debt to allow for a more evenly disbursed debt repayment plan. Further, Isle of Wight County is ready and willing to consider guaranteeing VRA its portion of the debt owed through SPSA based on population.

These are difficult times, requiring the making of difficult decisions by all the member localities. However, Isle of Wight County is prepared to take all the necessary steps to resolve this ongoing financial crisis.

Isle of Wight County looks forward to working closely with you as we work to find an amicable solution with respect to SPSA.

With best personal regards, I am

Sincerely yours,

James B. Brown, Jr.

James B. Brown, Jr., Chairman
Isle of Wight County Board of Supervisors

cc: The Honorable Board of Supervisors, Isle of Wight County
The Virginia Resources Authority Board of Directors
Sheryl D. Bailey, Ph.D., Executive Director, Virginia Resources Authority
Arthur Anderson, Esq., McGuire Woods
James Traudt, Davenport and Company
Mayor/Chairman of the City Councils of the Cities of Virginia Beach,
Chesapeake, Franklin, Norfolk, Portsmouth and Suffolk; and the County of
Southampton
Chief Administrative Officers of the Cities of Virginia Beach, Chesapeake,
Franklin, Norfolk, Portsmouth and Suffolk; and the County of Southampton
Rowland Taylor, Executive Director, Southeastern Public Service Authority
W. Douglas Caskey, County Administrator
A. Paul Burton, Interim County Attorney