

GUARANTY AGREEMENT

1 **GUARANTY AGREEMENT**

2 dated as of _____, 2010

3 **Re: Not to Exceed \$50,000,000 in Aggregate Principal**
4 **Amount**
5 **Southeastern Public Service Authority of Virginia**
6 **Senior Subordinated and Guaranteed Subordinated Bonds**

7 by and among

8 **CITY OF CHESAPEAKE,**
9 **CITY OF FRANKLIN,**
10 **CITY OF NORFOLK,**
11 **CITY OF PORTSMOUTH,**
12 **CITY OF SUFFOLK,**
13 **CITY OF VIRGINIA BEACH,**
14 **COUNTY OF ISLE OF WIGHT, and**
15 **COUNTY OF SOUTHAMPTON**
16 **as Guarantors,**

17 **SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF**
18 **VIRGINIA, and**

19 **U.S. BANK NATIONAL ASSOCIATION,**
20 **as Trustee,**

21 **for the benefit of the**

22 **VIRGINIA RESOURCES AUTHORITY**

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30 **GUARANTY AGREEMENT**

31 **Re: Not to Exceed \$50,000,000 in Aggregate Principal Amount**
32 **Southeastern Public Service Authority of Virginia**
33 **Senior Subordinated and Guaranteed Subordinated Bonds**

34 THIS **GUARANTY AGREEMENT** is made and entered into as of the ____ day of
35 _____, 2010, by and among the Guarantors (as hereinafter defined), which shall include all
36 of the **CITY OF CHESAPEAKE**, the **CITY OF FRANKLIN**, the **CITY OF NORFOLK**, the
37 **CITY OF PORTSMOUTH**, the **CITY OF SUFFOLK** and the **CITY OF VIRGINIA**
38 **BEACH**, all municipal corporations of the Commonwealth of Virginia (the "Commonwealth"),
39 the **COUNTY OF ISLE OF WIGHT**, a county of the Commonwealth that in accordance with
40 the provisions of Article VII, Section 10(b), Constitution of Virginia 1971, as amended, has
41 elected to become a municipal corporation for purposes of incurring indebtedness, and the
42 **COUNTY OF SOUTHAMPTON**, a county of the Commonwealth (collectively, the
43 "Guarantors"), **SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA**, a
44 public body politic and corporate ("SPSA") created and existing under the Virginia Water and
45 Waste Authorities Act, being Chapter 51, Title 15.2, Code of Virginia, 1950, as amended (herein
46 sometimes called the "Act"), and **U.S. BANK NATIONAL ASSOCIATION**, a national
47 banking association qualified under Virginia law to provide trust services, and currently the
48 trustee under the Bond Resolutions hereinafter mentioned (the "Trustee"), as fiscal agent
49 hereunder, this Guaranty Agreement to be effective on the Effective Date (hereinafter defined),
50 to be supplemented on the New Schedule Date (hereinafter defined) and to expire on the
51 Expiration Date (hereinafter defined), all as provided in Section 11(b) hereof but subject to
52 earlier termination as provided in Section 11(c) hereof.

76 of its indebtedness, ratably in accordance with the relative proportions of its indebtedness held
77 or enhanced by such creditors as shown in Schedule 2.

78 R-5. Under the terms of the Intercreditor Agreement, SPSA has agreed to obtain the
79 agreement of the Guarantors to enter into this Guaranty Agreement and severally guarantee the
80 full and timely payment to, or for the account of, VRA of all of SPSA's indebtedness not paid
81 or defeased and held by VRA after the application of the Cash Consideration to the Retirement
82 of SPSA indebtedness, the aggregate principal amount of such SPSA indebtedness to VRA
83 having the benefit of this Guaranty Agreement not to exceed \$50,000,000 ("SPSA's Remaining
84 VRA Indebtedness"). Schedule 3 shows SPSA's Remaining VRA Indebtedness as of the date
85 hereof.

86 R-6. Each of the Guarantors has entered into an agreement ("Use and Support
87 Agreement") with SPSA for the acquisition, construction and operation by SPSA of the System,
88 and each of the Guarantors has agreed to deliver or cause to be delivered to the System
89 substantially all of the solid waste (excluding hazardous solid waste) under its control and,
90 subject to certain exceptions and limitations, to pay SPSA tipping fees for its disposal of such
91 solid waste.

92 R-7. Chapter 544, Virginia Acts of Assembly, 1977, as amended and reenacted by
93 Chapter 872, Virginia Acts of Assembly, 2003, both enacted pursuant to Article VII, Section
94 10(a)(4) of the Constitution of Virginia 1971, as amended, authorizes the Guarantors, except the
95 County of Southampton, to contract obligations to provide payments over a period or periods of
96 more than one year to guarantee the payment of all or any part of the principal of and the interest
97 on bonds issued by SPSA on account of the System and provides that such payments shall be an

98 excluded indebtedness within the meaning of and for the purposes of Article VII, Section 10(a)
99 of the Constitution of Virginia 1971, as amended.

100 R-8. Section 15.2-5114.9 of the Act authorizes the County of Southampton to lend,
101 advance or give money to SPSA.

102 R-9. By the entry of the Guarantors into this Guaranty Agreement, VRA will be
103 induced to enter into, and SPSA will be enabled to meet the requirements of, the Intercreditor
104 Agreement. By its compliance with the terms thereof, SPSA can effect the sale of the WTE
105 Facilities, receive the Cash Consideration and apply the Cash Consideration to the reduction of
106 its indebtedness. By the entry of SPSA, VRA and SPSA's other principal creditors into the
107 Intercreditor Agreement and the application made possible thereby of the Cash Consideration to
108 the reduction of SPSA's indebtedness and thereby the mitigation of the tipping fees the
109 Guarantors would otherwise pay and the continuation of the service provided by SPSA through
110 (i) the System, as modified by the sale of the WTE Facilities, and (ii) the Service Agreement, the
111 Guarantors will be induced to enter into this Guaranty Agreement.

112 R-10. SPSA intends to endeavor to purchase with the Cash Consideration such portion
113 of its indebtedness outstanding under its Bond Resolutions that it can purchase at a net cost that
114 is less than the cost to SPSA of redeeming, prepaying, defeasing or paying at maturity such
115 indebtedness, such that to the extent that SPSA purchases any of SPSA's Remaining VRA
116 Indebtedness ("Purchased VRA Indebtedness"), the aggregate indebtedness (principal and
117 interest) described in Schedule 3 to this Guaranty Agreement (the "Current Schedule") that
118 would otherwise be guaranteed by the Guarantors under this Guaranty will be reduced. SPSA's
119 efforts to purchase and retire its indebtedness will commence on the Effective Date and conclude
120 within 90 days after the Effective Date (the "New Schedule Date"), after which SPSA will

121 provide to the Trustee, the Guarantors and VRA Schedule 4 (the “Revised Schedule”) that will
122 describe SPSA’s Remaining VRA Indebtedness less the Purchased VRA Indebtedness in the
123 same detail provided in the Current Schedule, and the Revised Schedule will replace the Current
124 Schedule and become a part of this Guaranty Agreement the same as if were a part hereof on the
125 Effective Date. On the Effective Date, SPSA’s Remaining VRA Indebtedness shown in the
126 Current Schedule shall have the benefit of this Guaranty Agreement, and, from and after the date
127 that SPSA delivers the Revised Schedule to the Trustee, VRA and the Guarantors, SPSA’s
128 Remaining VRA Indebtedness less the Purchased VRA Indebtedness shall have the benefit of
129 this Guaranty Agreement.

130 R-11. The Cities of Franklin, Portsmouth and Suffolk and the Counties of Isle of Wight
131 and Southampton (the “2009 VRA Guarantors”) delivered for the benefit of VRA a Guaranty
132 Agreement, dated as of June 1, 2009 (the “2009 VRA Guaranty”), by which the 2009 VRA
133 Guarantors severally agreed to make certain payments in the event that SPSA failed to do so
134 under its Guaranteed Subordinated Bond Resolution, and VRA has agreed, in consideration of
135 SPSA’s and the Guarantors’ delivery of this Guaranty Agreement, to release the 2009 VRA
136 Guarantors and SPSA from their respective obligations under the 2009 VRA Guaranty and to
137 join with the 2009 VRA Guarantors and SPSA in directing the Trustee (as therein defined) in
138 executing the release appended to this Guaranty Agreement as Exhibit A and to mark
139 “Canceled,” and return to the 2009 VRA Guarantors and SPSA, the 2009 VRA Guaranty for
140 destruction.

141 R-12. Each of the Cities of Chesapeake and Norfolk (the “2009 Wachovia Guarantors”) delivered for the benefit of Wachovia Bank, National Association (“Wachovia”), a Guaranty
142 Agreement, dated as of May 15, 2009 (the “2009 Wachovia Guaranty”), by which the 2009
143

144 Wachovia Guarantors severally agreed to make certain payments in the event that SPSA failed to
145 do so on its promissory note to Wachovia in respect of a line of credit extended to SPSA by
146 Wachovia, and Wachovia has agreed, in consideration of SPSA terminating its right to draw on
147 the line of credit (no amounts being due on SPSA's promissory note), to release the 2009
148 Wachovia Guarantors from their obligations under the 2009 Wachovia Guaranty and to join with
149 the 2009 Wachovia Guarantors and SPSA in executing the release appended to this Guaranty
150 Agreement as Exhibit B and to mark "Canceled," and return to SPSA for destruction, the 2009
151 Wachovia Guaranty and SPSA's promissory note secured thereby.

152 R-13. The City of Virginia Beach ("Virginia Beach") and SPSA entered into a
153 Forbearance Agreement, dated as of May 15, 2009 (the "2009 Forbearance Agreement"), under
154 which Virginia Beach agreed, among other things, to forbear from exercising its rights to receive
155 certain payments from SPSA, and SPSA issued its Junior Subordinated Revenue Note to
156 Virginia Beach to evidence its obligation to make certain payments to Virginia Beach, and
157 Virginia Beach has agreed, in consideration of SPSA's payment of all amounts owing under the
158 Forbearance Agreement and the Junior Subordinated Revenue Note, to release SPSA from its
159 obligations under the 2009 Forbearance Agreement, to execute the release appended to this
160 Guaranty Agreement as Exhibit C and to mark "Canceled," and return to SPSA for destruction,
161 the 2009 Forbearance Agreement and SPSA's Junior Subordinated Revenue Note secured
162 thereby.

163 R-14. Each Guarantor has determined that it is necessary and proper and in its best
164 interest to enter into this Guaranty Agreement and to agree severally to make, from time to time,
165 payments to, or for the account of, VRA to pay in full, as and when they are scheduled to
166 become due and payable, the principal of and the interest on bonds described in the Current

167 Schedule (or the Revised Schedule from and after the time that it shall replace the Current
168 Schedule) (the "Guaranteed Bonds"), and thereby to guarantee the full and timely scheduled
169 payments of such principal and interest ("Debt Service") on the Guaranteed Bonds.

170 NOW, THEREFORE, in consideration of and as an inducement to VRA to execute and
171 deliver the Intercreditor Agreement, the Guarantors do hereby severally covenant and agree with
172 SPSA and the Trustee, and SPSA does hereby covenant and agree with the Guarantors and the
173 Trustee, as follows:

174 Section 1. Notice of Failure to Make Monthly Deposits.

175 (a) *Deposit Day.* Under the Bond Resolutions, SPSA is obligated to transfer to the
176 Trustee amounts at least sufficient for the Trustee to make, not later than the 12th day of each
177 calendar month (a "Deposit Day"), deposits to special accounts under and in accordance with all
178 three Bond Resolutions in the respective amounts equal to the accrued Debt Service on SPSA's
179 indebtedness outstanding thereunder.

180 (b) *Notice.* In the event that SPSA has not made, by the 16th day of any month, a
181 transfer to the Trustee sufficient for the Trustee to make all the deposits described in subsection
182 (a) of this Section 1, then both SPSA and the Trustee, independently, shall notify the Guarantors
183 and VRA of the existence of the insufficiency, the total amount thereof and the account or
184 accounts in which a deficiency exists and the amount thereof.

185 Section 2. Payments on Guaranteed Bonds. If, in the determination of the
186 Trustee, (i) a deficiency exists on the 5th "Business Day" immediately prior to a "Payment Date"
187 on the Guaranteed Bonds in the amounts (A) on deposit in the Senior Subordinated Obligations
188 Subaccount in the Subordinated Obligations Account under the Senior Subordinated Bond
189 Resolution and/or (B) on deposit in the Guaranteed Subordinated Obligations Subaccount in the

190 Subordinated Obligations Account under the Guaranteed Subordinated Bond Resolution, and (ii)
191 there are not, under the Bond Resolutions, other funds legally available to the Trustee sufficient
192 for the Trustee to make the payments of Debt Service due on the Guaranteed Bonds on such
193 Payment Date, the Trustee shall give notice thereof, as described in Section 3(a), to the
194 Guarantors, and the Guarantors hereby severally agree to make, all as provided hereinafter in this
195 Guaranty Agreement, on or before such Payment Date, payments to, or for the account of, VRA
196 as provided in Section 3 in the amount of such deficiency (“Debt Service Deficiency”) and for
197 the credit of SPSA. Not later than simultaneously with its making such payment, each Guarantor
198 shall notify VRA, the Trustee and SPSA of such payment and the date and amount such payment
199 was or is being made. It shall not be a default under this Guaranty Agreement if any Guarantor
200 shall fail to give any notice required by the preceding sentence. If prior to the Payment Date,
201 SPSA shall otherwise provide to the Trustee funds sufficient to remedy the Debt Service
202 Deficiency in the accounts described in clause (i)(A) and (B) above, then the Trustee shall
203 promptly so notify the Guarantors and return to such of them as shall have made payments
204 pursuant to the third preceding sentence the amount of such payments but without interest.

205 As used in this Guaranty Agreement,

206 “Business Day” means a calendar day that is not a Saturday or Sunday or a
207 legal holiday in the Commonwealth or a day on which banks doing business in the
208 Commonwealth are authorized to close.

209 “Payment Date” means as to the Guaranteed Bonds the date on which
210 interest or principal and interest thereon is scheduled to become due and payable to VRA.

211 Section 3. Calculation and Notice of Guaranty Payments.

212 (a) *Allocation of Deficiency.* If the Trustee shall have determined that a Debt Service
213 Deficiency, described in Section 2, exists, the Trustee shall include in the notice the amount of
214 each Guarantor's "Allocable Portion" of the deficiency (determined by multiplying the
215 "Applicable Percentage," as defined below, for such Guarantor by the aggregate amount of the
216 Debt Service Deficiency). Each Guarantor hereby agrees to make, without further notice or
217 demand therefor, on or before the applicable Payment Date, payment to the Trustee in the
218 amount of its Allocable Portion of such Debt Service Deficiency.

219 (b) *Applicable Percentages.* The Applicable Percentages for the Guarantors, shall be as
220 follows:

<u>Guarantor</u>	<u>Applicable Percentage</u>
City of Chesapeake	22.49%
City of Franklin	0.97%
County of Isle of Wight	3.98%
City of Norfolk	16.98%
City of Portsmouth	10.27%
County of Southampton	2.10%
City of Suffolk	12.87%
City of Virginia Beach	30.34%

221 (c) *Reimbursement for Guaranty Payments.* To the extent that a Guarantor shall have
222 made a payment to VRA, or to the Trustee for the account of VRA, pursuant to this Section, such
223 Guarantor shall be subrogated to the rights of VRA as against SPSA and thereby entitled to
224 reimbursement from SPSA (i) in accordance with the provisions of the Reimbursement
225 Agreement of even date herewith between SPSA and the Guarantors and (ii) subject to, in the

226 case of SPSA's Senior Subordinated Revenue Bond, Series 22 and allonges thereto, the amount,
227 if any, owing thereon to Wachovia on account of SPSA's obligation to reimburse Wachovia for
228 any draws on Wachovia's letter of credit, or a comparable facility, issued to the Virginia
229 Department of Environmental Quality to meet its requirements for "financial assurance" relating
230 to the capital costs associated with the closure of SPSA's landfill and other facilities.

231 Section 4. Source of Guaranty Payments. Any amount required to be paid by
232 a Guarantor pursuant to Section 2 hereof may be paid from any funds of such Guarantor legally
233 available therefor; provided, however, that if no other funds are legally available for such
234 payment, such amount shall be paid from ad valorem taxes levied or to be levied on all taxable
235 real and tangible personal property within such Guarantor, and each Guarantor (except the
236 County of Southampton) hereby pledges its full faith and credit to the payment of such amount.
237 The obligation of the County of Southampton to provide for such payment is subject to the
238 appropriation by its Board of Supervisors of funds from which such payment obligation may be
239 made. Each Guarantor hereby covenants that promptly after receiving a notice from the Trustee
240 of a Debt Service Deficiency pursuant to Section 2 of this Guaranty Agreement, such Guarantor
241 will amend its current budget, if and as necessary, to include an amount sufficient to make its
242 Allocable Portion of such Deficiency as provided in Section 3(a).

243 Section 5. The Guaranty, Absolute and Unconditional. Each Guarantor
244 hereby absolutely and unconditionally agrees to pay its Allocable Portion of any Debt Service
245 Deficiency mentioned in Section 3(a) of this Guaranty Agreement as provided in any notice
246 provided by the Trustee pursuant to Section 2(a) without regard to the cause of such Debt
247 Service Deficiency; provided, however, that the obligation of the County of Southampton to
248 provide for such payment is subject to the appropriation of funds from which such payment

249 obligation can be met. Each Guarantor further agrees that its agreement to pay its Allocable
250 Portion of any Debt Service Deficiency shall not be subject to diminution by set-off,
251 counterclaim, abatement or any other rights which the Guarantor may have against the Trustee or
252 VRA or SPSA or any other Guarantor pursuant to the Bond Resolutions, the Use and Support
253 Agreements, the Service Agreement or any other contract relating to the System, this Guaranty
254 Agreement or any other agreement or any law for reimbursement of all or any part of such
255 payment. Default by one or more of the Guarantors with respect to their obligations hereunder
256 shall not release any other Guarantor from its obligations hereunder.

257 The Guarantors agree that this Guaranty Agreement and the obligations of the
258 Guarantors hereunder shall be unconditional and shall not in any manner be impaired, modified,
259 or affected if, among other things, (i) any event of default described in any of the Bond
260 Resolutions or in any of the Financing Agreement, dated as of June 1, 2009, as amended,
261 between VRA and SPSA, the Use and Support Agreements or the Service Agreement shall
262 occur, (ii) the Bond Resolutions, or any of them, the Use and Support Agreements, or any of
263 them, the Service Agreement or any other contract relating to the System shall be amended or
264 supplemented in accordance with the Bond Resolutions, (iii) the Bond Resolutions, or any of
265 them, or the Use and Support Agreements, or any of them, the Service Agreement, or any other
266 contract relating to the System shall be determined by a court of competent jurisdiction to be null
267 and void or otherwise unenforceable in whole or in part, (iv) any sale, lease, or other disposition
268 or change in the ownership or control or abandonment of, or any damage or destruction to, all of
269 any portion of the System shall occur, (v) any diminution in SPSA's or Wheelabrator's ability to
270 provide, or cause to be provided, the solid waste disposal services required under the Use and
271 Support Agreements and the Service Agreement shall occur, or (vi) SPSA shall delay or omit to

272 exercise any right or power or perform any duty or obligation under the Bond Resolutions, the
273 Use and Support Agreements, the Service Agreement or any other contract relating to the System
274 or this Guaranty Agreement.

275 This Guaranty Agreement shall be construed as a guaranty of payment and, in the
276 event of a Debt Service Deficiency or any other event of default described in clause (i) of the
277 preceding sentence, neither VRA nor the Trustee shall be required to institute or complete any
278 efforts of collection against SPSA prior to proceeding against the Guarantors.

279 For avoidance of doubt, if any event of default described in either or both of the Junior
280 Resolutions shall have occurred and be continuing and the Trustee under either or both of the
281 Junior Resolutions shall have declared that the principal of all the bonds outstanding under such
282 resolution or resolutions to be due and payable immediately, such declaration shall have no force
283 or effect on the obligation of the Guarantors under this Guaranty Agreement, which obligation
284 shall remain to pay their Allocable Portions of any Debt Service Deficiency on or before each
285 Payment Date as the same shall occur without regard to any acceleration of principal of or
286 interest on the Guaranteed Bonds.

287 Section 6. VRA as Third Party Beneficiary. The Guarantors, SPSA and the
288 Trustee each hereby acknowledge that VRA, and no other person, is the third party beneficiary
289 of this Guaranty Agreement.

290 Section 7. Acceptance by the Trustee of Duties Hereunder. U.S. Bank
291 National Association hereby accepts the duties and responsibilities imposed upon the Trustee by
292 this Guaranty Agreement, upon the terms and conditions, including indemnification and
293 compensation, provided in Article IX of the Senior Subordinated Bond Resolution and Article IX
294 of the Guaranteed Subordinated Bond Resolution.

295 Section 8. Trustee under Guaranty Agreement same as Trustees under Bond
296 Resolutions. The Trustee for purposes of this Guaranty Agreement shall at all times be the same
297 as the Trustee or Trustees under the Junior Bond Resolutions and, to that end, should the Trustee
298 under both the Junior Bond Resolutions resign or be removed, the Trustee hereunder shall be
299 deemed, ipso facto, to have resigned or to have been removed, and the successor trustee under
300 the Junior Bond Resolutions, upon its acceptance of the trusts thereunder and hereunder, shall
301 become automatically the Trustee hereunder; provided, however, that if the trustee under one but
302 not both Junior Bond Resolutions resigns or is removed as trustee thereunder, then SPSA shall
303 appoint another bank or trust company meeting the qualifications of the trustee under the
304 applicable Junior Bond Resolution, and the provisions of this Guaranty Agreement applicable to
305 the Trustee shall apply to, the word “Trustee” thereunder shall refer to, and the provisions of
306 Section 7 shall apply to, such successor Trustee.

307 Section 9. Covenants.

308 (a) *Enforcement of Service Agreement and Use and Support Agreements*. SPSA
309 covenants, for the benefit of the Guarantors, the Trustee, and the holders from time to time of its
310 Guaranteed Bonds, that SPSA will defend and enforce the provisions of (i) the Service
311 Agreement and (ii) the Use and Support Agreements with each of the Guarantors in accordance
312 with their respective terms.

313 (b) *Additional Indebtedness*. SPSA covenants, for the benefit of the Guarantors, the
314 Trustee and VRA that SPSA will borrow no money and in evidence thereof issue any bonds,
315 notes or other evidences of indebtedness, enter into any installment purchase, lease purchase,
316 sale or lease-leaseback transactions or incur any additional certificated indebtedness
317 (collectively, “Additional Indebtedness”) except in accordance with the provisions of the Act,

318 including in particular and without limitation, the provisions of clauses 8 and 9 of Section 15.2-
319 5102.1, Code of Virginia 1950 as amended.

320 Section 10. State Aid Intercept. The Guarantors each hereby acknowledge that
321 VRA and the Trustee may take any and all actions available to them under the laws of the
322 Commonwealth, including the invocation of the “state-aid intercept” provisions of Section 62.1-
323 216.1 of the Virginia Resources Authority Act and, except in the case of the County of
324 Southampton, Section 15.2-2659 of the Public Finance Act, to obtain any payment of the
325 principal of and premium, if any, and interest on the Guaranteed Bonds or any payment due
326 under this Guaranty Agreement.

327 Section 11. Effective Date; Expiration Date.

328 (a) *Effective Date*. This Guaranty Agreement shall become effective on the date (the
329 “Effective Date”) that SPSA shall receive the Cash Consideration, SPSA shall transfer title to the
330 WTE Facilities to or at the direction of the purchaser thereof and the Service Agreement shall
331 become effective; provided that on or prior to such date, the governing body of each Guarantor
332 shall have authorized such Guarantor to execute and deliver this Guaranty Agreement and each
333 such Guarantor shall have executed and delivered this Guaranty Agreement, and certified copies
334 of the proceedings of each Guarantor evidencing such authorization, together with an opinion or
335 opinions of counsel nationally recognized in the field of municipal bond law, addressed to the
336 Trustee and to VRA, to the effect that this Guaranty Agreement is valid and binding on each
337 such Guarantor in accordance with its terms, shall have been delivered to the Trustee.

338 (b) *Expiration Date*. This Guaranty Agreement shall expire on the final stated
339 maturity date of the Guaranteed Bonds, or, if all amounts of principal and interest owing on the
340 Guaranteed Bonds shall not have been paid or defeased on their final stated maturity date, then

341 on such later date as all of the Guaranteed Bonds shall have been paid or defeased in accordance
342 with their respective terms. Notwithstanding any other provision of this Guaranty Agreement, the
343 provisions of this Section 11(b) are in all respects subject to the provisions of Section 11(c).

344 (c) *Early Termination.* In the event that all of the Guaranteed Bonds shall have been
345 retired or defeased prior to the last stated maturity date of the Guaranteed Bonds in accordance
346 with their applicable Junior Resolution, this Guaranty Agreement shall terminate as of such
347 earlier date.

348 Section 12. Amendments. This Guaranty Agreement may not be amended or
349 supplemented except by a supplemental guaranty agreement executed by all of SPSA, the
350 Guarantors and the Trustee and approved by VRA.

351 Section 13. Notices; Wire Instructions.

352 (a) *Notices.* Unless otherwise provided in this Guaranty Agreement, all demands,
353 notices, approvals, consents, requests and other communications under this Guaranty Agreement
354 shall be in writing and shall be given first by electronic or facsimile transmission and shall be
355 confirmed and deemed to have been given when delivered in person or mailed via overnight
356 delivery addressed as set forth below:

357 If to a Guarantor, at:
358 City of Chesapeake, Virginia
359 306 Cedar Road
360 Chesapeake, Virginia 23322
361 Attention: City Manager
362 Facsimile: (757) 382-6507
363 E-mail: weharrell@cityofchesapeake.net

364 City of Franklin, Virginia
365 207 W. Second Avenue
366 Franklin, Virginia 23851
367 Attention: City Manager
368 Facsimile: (757) 562-7982
369 E-mail: jfleming@franklinva.com

370 County of Isle of Wight, Virginia
371 17090 Monument Circle
372 Isle of Wight, Virginia 23397
373 Attention: County Administrator
374 Facsimile: (757) 357-9171
375 E-mail: dcaskey@isleofwightus.net

376 City of Norfolk, Virginia
377 810 Union Street
378 City Hall Building
379 Norfolk, Virginia 23510
380 Attention: City Manager
381 Facsimile: (757) 664-4424
382 E-mail: rvkwilliams@norfolk.gov

383 City of Portsmouth, Virginia
384 801 Crawford Street, 6th Floor
385 Portsmouth, Virginia 23704
386 Attention: City Manager
387 Facsimile: (757) 393-5241
388 E-mail: chandlerk@portsmouthva.gov

389 County of Southampton, Virginia
390 26022 Administration Center Drive
391 Courtland, Virginia 23837
392 Attention: County Administrator
393 Facsimile: (757) 653-0227
394 E-mail: mikejohnson@co.southampton.state.va.us

395 City of Suffolk, Virginia
396 441 Market Street
397 Suffolk, Virginia 23434
398 Attention: City Manager
399 Facsimile: (757) 539-2621
400 E-mail: SCGlenn@city.suffolk.va.us

401 City of Virginia Beach, Virginia
402 2401 Courthouse Drive
403 Municipal Center Building 1
404 Virginia Beach, Virginia 23456
405 Attention: City Manager
406 Facsimile: (757) 427-5626
407 E-mail: jspore@vbgov.com

408 If to VRA, at:

409 Virginia Resources Authority
410 1111 East Main Street, 19th Floor
411 Richmond, Virginia 23219
412 Attention: Executive Director
413 Facsimile:
414 E-mail:

415 If to the Trustee, at:

416 U.S. Bank National Association
417 1021 East Cary Street, 18th Floor
418 Richmond, Virginia 23219
419 Attention: Corporate Trust Department
420 Facsimile:
421 E-mail:

422 If to SPSA, at:

423 Southeastern Public Service Authority
424 723 Woodlake Drive
425 Chesapeake, Virginia 23320
426 Attention: Executive Director
427 Facsimile: (757) 424-4133
428 E-mail: rtaylor@spsa.com

429 VRA, each of the Guarantors, SPSA and the Trustee may designate, by notice given hereunder,
430 any further or different addresses to which subsequent demands, notices, approvals, consents,
431 requests or other communications shall be sent or persons to whose attention the same shall be
432 directed.

433 (b) *Wire Instructions.* Payments owing by the Guarantors hereunder shall be
434 made by wire transfer for the account of VRA as follows:

435 [to come]

436 VRA may designate, by notice given hereunder, any further or different instructions as to where
437 subsequent payments shall be sent or persons to whose attention the same shall be directed.

438 Section 14. Applicable Law. This Guaranty Agreement shall be governed by
439 and construed in accordance with the laws of the Commonwealth.

440 Section 15. Counterparts. This Guaranty Agreement may be executed in
441 multiple counterparts, each of which shall be regarded for all purposes as an original; and such
442 counterparts shall constitute but one and the same instrument.

443 **IN WITNESS WHEREOF**, each of the Guarantors, being the City of
444 Chesapeake, the City of Franklin, the City of Norfolk, the City of Portsmouth, the City of
445 Suffolk, the City of Virginia Beach, the County of Isle of Wight, and the County of
446 Southampton, has caused this Guaranty Agreement to be executed on its behalf by its mayor or
447 county or city manager or administrator, as the case may be, and its corporate seal to be
448 impressed hereon and attested by its clerk, Southeastern Public Service Authority of Virginia has
449 caused this Guaranty Agreement to be executed on its behalf by its Executive Director and its
450 corporate seal to be impressed hereon and attested by its Secretary or an Assistant Secretary, and
451 U.S. Bank National Association has caused this Guaranty Agreement to be executed on its behalf
452 by its duly authorized trust officer, all as of the date and year first written above.

453

CITY OF CHESAPEAKE, VIRGINIA

454

By: _____

455

456 (Corporate seal)

457 ATTEST:

458

459 Clerk

460 Approved as to form:

461

462 City Attorney

463

CITY OF FRANKLIN, VIRGINIA

464

By: _____

465

466 (Corporate seal)

467 ATTEST:

468

469 Clerk

470 Approved as to form:

471

472 City Attorney

473

COUNTY OF ISLE OF WIGHT, VIRGINIA

474

By: _____

475

476 (Corporate seal)

477 ATTEST:

478 _____

479 Clerk

480 Approved as to form:

481 _____

482 County Attorney

483

CITY OF NORFOLK, VIRGINIA

484

By: _____

485

486 (Corporate seal)

487 ATTEST:

488

489 _____
Clerk

490 Approved as to form:

491

492 _____
City Attorney

493

CITY OF PORTSMOUTH, VIRGINIA

494

By: _____

495

496 (Corporate seal)

497 ATTEST:

498

499 Clerk

500 Approved as to form:

501

502 City Attorney

503

COUNTY OF SOUTHAMPTON, VIRGINIA

504

By: _____

505

506 (Corporate seal)

507 ATTEST:

508

509 _____
Clerk

510 Approved as to form:

511

512 _____
County Attorney

513

514

CITY OF SUFFOLK, VIRGINIA

515

516
517

By: _____

518 (Corporate seal)

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520

521 ATTEST:

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524 _____
Clerk

525

526

527 Approved as to form:

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530 _____
City Attorney

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CITY OF VIRGINIA BEACH, VIRGINIA

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534
535

By: _____

536 (Corporate seal)

537

538

539 ATTEST:

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542 _____
Clerk

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545 Approved as to form:

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548 _____
City Attorney

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DRAFT DATED
March 09, 2010 1:33 PM

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**SOUTHEASTERN PUBLIC SERVICE AUTHORITY
OF VIRGINIA**

By: _____
Its: Executive Director

(Corporate seal)

ATTEST:

[Assistant]Secretary

DRAFT DATED
March 09, 2010 1:33 PM

567

U. S. BANK NATIONAL ASSOCIATION

568

569

By: _____

570

571

572

Exhibit A

573

RELEASE

574

dated as of _____, 2010

575

576

of the

577

GUARANTY AGREEMENT

578

dated as of June 1, 2009

579

among

580

City of Franklin,

581

City of Portsmouth,

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City of Suffolk,

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County of Isle of Wight, and

584

County of Southampton,

585

(Guaranteeing Units),

586

Southeastern Public Service Authority of Virginia

587

(Beneficiary), and

588

U.S. Bank National Association,

589

as Fiscal Agent and Trustee,

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for the benefit of

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Virginia Resources Authority

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(Third Party Beneficiary)

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RECITALS

R-1. On June 13, 2009, Virginia Resources Authority (“VRA”) purchased from Southeastern Public Service Authority of Virginia (“SPSA”) SPSA’s Guaranteed Subordinated Revenue Bond, Refunding Series 2009 (Taxable), in the principal amount of \$71,985,000 (the “Guaranteed Bond”) in part in reliance on, and secured by, a Guaranty Agreement dated as of June 1, 2009 (the “2009 VRA Guaranty Agreement”), by and among the City of Franklin, the City of Portsmouth, the City of Suffolk, the County of Isle of Wight, and the County of Southampton (each a “Guaranteeing Unit” and, collectively the “Guaranteeing Units”), SPSA and U.S. Bank National Association, as fiscal agent thereunder (the “Trustee”).

R-2. VRA, the Guaranteeing Units and SPSA have entered into subsequent agreements by the terms of which SPSA will defease, redeem or purchase certain outstanding indebtedness, including bonds of VRA, the proceeds of which VRA applied to fund the purchase price of the Guaranteed Bond and thereby, in the form of an allonge, receive a credit against the principal and interest otherwise due on the Guaranteed Bond; the Guaranteeing Units and the City of Chesapeake, the City of Norfolk and the City of Virginia Beach (collectively, the “Guarantors”) have entered into a Guaranty Agreement, dated as of _____, 2010 (the “New Guaranty Agreement”), with SPSA and the Trustee by the terms of which the Guarantors, in accordance with the terms of the New Guaranty Agreement, have severally agreed to guarantee to the Trustee for the benefit of VRA the full and timely payment of the remaining unpaid debt service on the Guaranteed Bond as amended by an allonge thereto.

R-3. One condition to the delivery by the Guarantors of the New Guaranty Agreement is that the Guaranteeing Units and SPSA be relieved of their respective obligations under the 2009 VRA Guaranty Agreement simultaneously with their delivery of the New Guaranty Agreement, and VRA, as the third party beneficiary of the 2009 VRA Guaranty Agreement, be willing to release its rights under such agreement and join the Guaranteeing Units and SPSA in requesting and directing the Trustee to release such agreement, and VRA and the Trustee are delivering this release in evidence of their relinquishment of their respective rights under the 2009 VRA Guaranty Agreement.

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Now, therefore, VRA hereby releases (i) all of its rights as third party beneficiary under the 2009 VRA Guaranty Agreement and (ii) the Guaranteeing Units and SPSA from their respective obligations under the 2009 VRA Guaranty Agreement, and VRA hereby requests and directs the Trustee to acknowledge such release and to provide a counterpart of this Release to each Guaranteeing Unit and to SPSA.

Dated this __ day of _____, 2010.

VIRGINIA RESOURCES AUTHORITY

By: _____
Dr. Sheryl Bailey, Ph.D
Executive Director

Acknowledged and agreed: U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Representative

Received and accepted: SOUTHEASTERN PUBLIC SERVICE
AUTHORITY OF VIRGINIA

By: _____
Authorized Representative

Received and accepted: CITY OF FRANKLIN

By: _____
Authorized Representative

Received and accepted: CITY OF PORTSMOUTH

By: _____
Authorized Representative

Received and accepted: CITY OF SUFFOLK

By: _____
Authorized Representative

Received and accepted: COUNTY OF ISLE OF WIGHT

By: _____
Authorized Representative

Received and accepted: COUNTY OF SOUTHAMPTON

By: _____
Authorized Representative

672

673

Exhibit B

674

RELEASE

675

dated as of _____, 2010

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677

678

of the

GUARANTY AGREEMENT

679

680

dated as of May 15, 2009

681

among

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Southeastern Public Service Authority of Virginia

684

(Beneficiary)

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and

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City of Chesapeake

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and

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City of Norfolk,

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(Guarantors)

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for the benefit of

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Wachovia Bank, National Association

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(Third Party Beneficiary)

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RECITALS

R-1. On May 15, 2009, the City of Chesapeake and the City of Norfolk delivered to Wachovia Bank, National Association (“Wachovia”) a Guaranty Agreement dated as of May 15, 2009 (the “2009 Wachovia Guaranty Agreement”), by and among Southeastern Public Service Authority (“SPSA”), the City of Chesapeake and the City of Norfolk (each City a “Guarantor” and, collectively, “Guarantors”) by the terms and conditions of which the Guarantors severally agreed to guarantee certain payments by SPSA owing to Wachovia on SPSA’s promissory note, in the principal amount of up to \$17,200,000, evidencing unpaid draws by SPSA on a line of credit extended by Wachovia to SPSA.

R-2. Virginia Resources Authority (“VRA”), the Guarantors, SPSA’s other six members and SPSA have entered into subsequent agreements by the terms of which SPSA will defease or redeem or purchase certain outstanding indebtedness, and the Guarantors and the City of Franklin, the City of Portsmouth, the City of Suffolk, the City of Virginia Beach, the County of Isle of Wight and the County of Southampton (collectively, the “New Guarantors”) have entered into a Guaranty Agreement, dated as of _____, 2010 (the “New Guaranty Agreement”), with SPSA and the Trustee under SPSA’s Senior Subordinated Bond Resolution and Guaranteed Senior Subordinated Bond Resolution, by the terms and conditions of which the New Guarantors have severally agreed to guarantee to the Trustee, for the benefit of VRA, the full and timely payment of the remaining SPSA debt to VRA.

R-3. One condition to the delivery by the Guarantors and SPSA of the New Guaranty Agreement is that the Guarantors and SPSA be relieved of their respective obligations under the 2009 Wachovia Guaranty Agreement prior to or simultaneously with the delivery of the New Guaranty Agreement, and Wachovia, as the third party beneficiary of the 2009 Wachovia Guaranty Agreement, be willing to release its rights under and execute a release of such agreement, and Wachovia is delivering this release in evidence of its relinquishment of its rights under the 2009 Wachovia Guaranty Agreement.

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Now, therefore, Wachovia hereby releases (i) all of its rights as third party beneficiary under the 2009 Wachovia Guaranty Agreement and (ii) the Guarantors and SPSA from their respective obligations under the 2009 Wachovia Guaranty Agreement.
Dated this __ day of _____, 2010.

WACHOVIA BANK, NATIONAL ASSOCIATION

By: _____
Vanessa G. Wilson/Stephanie L. Foster
Vice President

Received and accepted: SOUTHEASTERN PUBLIC SERVICE
AUTHORITY OF VIRGINIA

By: _____
Authorized Representative

Received and accepted: CITY OF CHESAPEAKE

By: _____
Authorized Representative

Received and accepted: CITY OF NORFOLK

By: _____
Authorized Representative

756

757

Exhibit C

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759

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761

RELEASE and TERMINATION

762

dated as of _____, 2010

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764

765

766

of the

767

768

FORBEARANCE AGREEMENT

dated as of May 15, 2009

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771

772

between

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City of Virginia Beach,

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and

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Southeastern Public Service Authority of Virginia

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RECITALS

R-1. On May 15, 2009, the City of Virginia Beach (the “City) and the Southeastern Public Service Authority of Virginia (“SPSA”) entered into a Forbearance Agreement dated as of May 15, 2009 (the “Forbearance Agreement”), and SPSA simultaneously issued to the City SPSA’s “Non-Transferable Junior Subordinated Revenue Note also dated as of May 15, 2009 (the “Note”), all to evidence the agreement by the City to defer its right to receive certain amounts owing to the City under the terms of the Agreement for Disposal of Ash and Process Residue dated as of August 8, 1984 (the “Ash Agreement”) between the City and SPSA, and the agreement of SPSA to repay certain amounts on terms set forth in the Forbearance Agreement and the Note.

R-2. As of the date hereof, SPSA has paid the City all amounts owing under the Forbearance Agreement and the Note and, in consideration of its receipt of such payment, the City has agreed to release the Forbearance Agreement and to cancel and return the Note, as provided herein.

Now, therefore, the City of Virginia Beach hereby (i) acknowledges the receipt of \$_____ in full satisfaction of all amounts owing by SPSA to the City under the Forbearance Agreement, (ii) agrees that all of SPSA’s obligations under the Forbearance Agreement and the Note have been paid, satisfied and discharged, (iii) releases all of its rights under the Forbearance Agreement, (iv) has canceled and returned to SPSA the Note, and (v) agrees that the Forbearance Agreement is terminated as of the date of this Release.

CITY OF VIRGINIA BEACH

By: _____
James K. Spore
City Manager

SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA hereby acknowledges receipt of this Release and the return of its Non-Transferable Junior Subordinated Revenue Note, appropriately canceled and agrees to the termination of the Forbearance Agreement.

By: _____
Authorized Representative

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Schedule 1

816

SPSA Indebtedness as of [April 2], 2010

Outstanding Principal Prior to Defeasance							
FY	AMBAC ¹	Wachovia ²	VA Beach ³	VRA Subordinate	VRA Guaranteed	Total Debt	% of Total
2011	-	6,050,000	4,485,000	4,080,000	-	14,615,000	6.67%
2012	255,000	11,385,000	6,205,000	9,260,000	-	27,105,000	12.38%
2013	270,000	5,895,000	6,455,000	13,680,000	-	26,300,000	12.01%
2014	285,000	9,480,000	1,783,000	14,100,000	-	25,648,000	11.71%
2015	15,935,000	-	-	2,525,000	8,540,000	27,000,000	12.33%
2016	16,765,000	-	-	8,210,000	9,785,000	34,760,000	15.87%
2017	-	-	-	9,910,000	27,520,000	37,430,000	17.09%
2018	-	-	-	-	26,140,000	26,140,000	11.94%
Total	33,510,000	32,810,000	18,928,000	61,765,000	71,985,000	218,998,000	100.00%
% of Total	15.30%	14.98%	8.64%	28.20%	32.87%	100.00%	

Note: Assumes Wachovia loan due in FY2012 will be amortized in equal amounts in FY2010 and FY2011. Excludes certain maturities for which funds have already been deposited with the Trustee.

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¹ 1998 SPSA bonds insured by Ambac Assurance Corporation.

² 2008 \$12,100,000 SPSA bonds held by Wachovia and \$20,700,000 SPSA variable rate bonds secured by a direct pay letter of credit from Wachovia.

³ Amounts payable to Virginia Beach in accordance with the Forbearance Agreement.

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Schedule 2

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Application of pro rata portions of Cash Consideration to SPSA Indebtedness

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Application of Pro Rata Portions of Cash Consideration to SPSA Indebtedness		
Lender	Proceeds Applied	% of Total
AMBAC	24,282,650	16%
Wachovia	13,860,000	9%
VA Beach	18,928,000	12%
VRA Subordinate	43,839,768	29%
VRA Guaranteed	51,286,104	34%
Total	152,196,522	100%

Note: Total includes proceeds released from Series 1998 Debt Service Reserve Fund.

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Schedule 3⁴

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SPSA's Remaining Indebtedness to VRA

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(Guaranteed Bonds)

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[Is shown below in the highlighted columns headed
 VRA Subordinate and VRA Guaranteed]

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[Estimate as of mid-February 2010]

Outstanding Principal After Pro-rata Scenario with VA Beach Takeout							
FY	AMBAC	Wachovia	VA Beach	VRA Subordinate	VRA Guaranteed	Total Debt	% of Total
2011	-	-	-	4,080,000	-	4,080,000	5.27%
2012	90,000	5,230,000	-	3,250,000	-	8,570,000	11.07%
2013	95,000	5,260,000	-	4,805,000	-	10,160,000	13.13%
2014	100,000	8,460,000	-	2,045,000	-	10,605,000	13.70%
2015	5,590,000	-	-	885,000	3,000,000	9,475,000	12.24%
2016	5,885,000	-	-	2,880,000	3,435,000	12,200,000	15.76%
2017	-	-	-	3,480,000	9,650,000	13,130,000	16.97%
2018	-	-	-	-	9,170,000	9,170,000	11.85%
Total	11,760,000	18,950,000	-	21,425,000	25,255,000	77,390,000	100.00%
% of Total	15.20%	24.49%	0.00%	27.68%	32.63%	100.00%	

Note: Excludes certain maturities for which funds have already been deposited with the Trustee.

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⁴ This Schedule 3 will be amended to show only SPSA's Remaining Indebtedness to VRA (Guaranteed Bonds). In this draft, SPSA's remaining AMBAC insured and Wachovia owned or enhanced bonds are also shown.

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Schedule 4

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SPSA Post-Purchase Remaining Indebtedness to VRA

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