FINANCING LEASE

Between

VIRGINIA RESOURCES AUTHORITY
as Lessor

And

COUNTY OF FAUQUIER, VIRGINIA
as Lessee

Dated as of June 1, 2002

Virginia Resources Authority
Infrastructure Revenue Bonds
(Pooled Loan Bond Program)
Series 2002A

TABLE OF CONTENTS

Page

ARTICLE I
DEFINITIONS

SECTION 1.1 DEFINITIONS 1
SECTION 1.2 RULES OF CONSTRUCTION 3

ARTICLE II
REPRESENTATIONS

SECTION 2.1 REPRESENTATIONS BY VRA 4
SECTION 2.2 REPRESENTATIONS BY LOCALITY 4

ARTICLE III
ACQUISITION AND LEASE OF REAL ESTATE

SECTION 3.1 LEASE TO LOCALITY 6
SECTION 3.2 LEASE TERM 7
SECTION 3.3 CONDITIONS PRECEDENT 7
SECTION 3.4 TRANSFER UPON TERMINATION 8
SECTION 3.5 DISCLAIMER OF WARRANTY 8
SECTION 3.6 OBLIGATIONS OF THE LOCALITY UNCONDITIONAL 8
SECTION 3.7 APPROPRIATION OF RENTAL PAYMENTS BY LOCALITY 8
SECTION 3.8 NO ASSIGNMENT 9
SECTION 3.9 TITLE TO REAL ESTATE 9
SECTION 3.10 NET LEASE 9

ARTICLE IV
USE OF PURCHASE PRICE

SECTION 4.1 DEPOSIT OF PURCHASE PRICE; INVESTMENT OF AMOUNTS IN LOCAL ACCOUNT 9
SECTION 4.2 AGREEMENT TO ACCOMPLISH PROJECT 9
SECTION 4.3 DISBURSEMENT OF PURCHASE PRICE AND EARNINGS 10
SECTION 4.4 PERMITS 11
SECTION 4.5 CONSTRUCTION CONTRACTORS 11
SECTION 4.6 ENGINEERING SERVICES 12
SECTION 4.7 LOCALITY REQUIRED TO COMPLETE PROJECT 12
SECTION 4.8 PAYMENTS AND RIGHTS ASSIGNED 12

ARTICLE V
PAYMENT AND REDEMPTION

SECTION 5.1 PAYMENT OF RENTAL PAYMENTS AND RELATED AMOUNTS 12
SECTION 5.2 REDEMPTION, PREPAYMENT AND REFUNDING 14

ARTICLE VI
NON-APPROPRIATION

SECTION 6.1 NON-APPROPRIATION; TERMINATION OF AGREEMENT 15
SECTION 6.2 REMEDIES OF VRA 15
SECTION 6.3 REINSTATEMENT 15

ARTICLE VII
OPERATION AND USE OF PROJECT

SECTION 7.1 MAINTENANCE 15
SECTION 7.2 ADDITIONS AND MODIFICATIONS 15
SECTION 7.3 USE OF PROJECT 16
SECTION 7.4 INSPECTION OF PROJECT AND LOCALITY'S BOOKS AND RECORDS 16
SECTION 7.5 OWNERSHIP OF PROJECT 16
SECTION 7.6 SALE OR ENCUMBRANCE 16
SECTION 7.7 LAWFUL CHARGES 17

ARTICLE VIII
INSURANCE, DAMAGE AND DESTRUCTION

SECTION 8.1 INSURANCE 17
SECTION 8.2 REQUIREMENTS OF POLICIES 18
SECTION 8.3 NOTICE OF DAMAGE, DESTRUCTION OR CONDEMNATION 18
SECTION 8.4 DAMAGE AND DESTRUCTION 18
SECTION 8.5 CONDEMNATION AND LOSS OF TITLE 18

ARTICLE IX
SPECIAL COVENANTS

SECTION 9.1 TAX COVENANTS 19
SECTION 9.2 MAINTENANCE OF EXISTENCE 19
SECTION 9.3 FINANCIAL RECORDS AND STATEMENTS 19
SECTION 9.4 CERTIFICATE AS TO NO DEFAULT 19
SECTION 9.5 [INTENTIONALLY OMITTED] 20
SECTION 9.6 [INTENTIONALLY OMITTED] 20
SECTION 9.7 FURTHER ASSURANCES 20
SECTION 9.8 [INTENTIONALLY OMITTED] 20
SECTION 9.9 ASSIGNMENT BY LOCALITY 20
SECTION 9.10 [INTENTIONALLY OMITTED] 20
SECTION 9.11 CONTINUING DISCLOSURE 20

ARTICLE X
DEFAULTS AND REMEDIES

SECTION 10.1 EVENTS OF DEFAULT 24
SECTION 10.2 REMEDIES 24
SECTION 10.3 OTHER REMEDIES 25
SECTION 10.4 DELAY AND WAIVER 25
SECTION 10.5 STATE AID INTERCEPT 25

ARTICLE XI
MISCELLANEOUS

SECTION 11.1 SUCCESSORS AND ASSIGNS 26
SECTION 11.2 AMENDMENTS 26
SECTION 11.3 [INTENTIONALLY OMITTED] 26
SECTION 11.4 APPLICABLE LAW 26
SECTION 11.5 SEVERABILITY 26
SECTION 11.6 NOTICES 26
SECTION 11.7 RIGHT TO CURE DEFAULT 26

SECTION 11.8 HEADINGS....26
SECTION 11.9 TERM OF AGREEMENT....27
SECTION 11.10 COUNTERPARTS....27

Exhibit A Lease Payment Schedule
Exhibit B-1 Description of Project
Exhibit B-2 Description of Real Estate
Exhibit C Project Budget
Exhibit D Form of Requisition
Exhibit E [intentionally omitted]
Exhibit F Operating Data
Exhibit G Opinion of Counsel to the Locality
Exhibit H Opinion of Bond Counsel to the Locality
Exhibit I Application of Principal, Earnings and Rebate Subaccounts

FINANCING LEASE

THIS FINANCING LEASE (this "Agreement") is made as of June 1, 2002, between the **VIRGINIA RESOURCES AUTHORITY**, a public body corporate and a political subdivision of the Commonwealth of Virginia ("VRA" or "Lessor"), and the **COUNTY OF FAUQUIER, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the "Locality" or "Lessee").

A. VRA intends to issue its Infrastructure Revenue Bonds (Pooled Loan Bond Program), Series 2002A (the "Series 2002A VRA Bonds"), and to use a portion of the proceeds thereof to make a loan to the Locality in the original principal amount of $6,900,000 (the "Loan"), the repayment of which is secured pursuant to this Agreement.

B. VRA and the Locality wish to set forth in this Agreement the terms and conditions of the Loan to the Locality.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, VRA and the Locality covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 **Definitions**. The capitalized terms contained in this Agreement shall have the meanings set forth below unless the context otherwise requires:

"Act" means the Virginia Resources Authority Act, Chapter 21, Title 62.1 of the Code of Virginia of 1950, as amended.

"Agreement" means this Financing Lease dated as of June 1, 2002, between VRA and the Locality, as modified, altered, amended or supplemented.

"Capital Reserve Fund" means the Capital Reserve Fund established under Section 7.1 of the Master Indenture to provide credit support for the Series 2002A VRA Bonds and the other VRA Bonds.

"Consulting Engineer" means (i) the Local Engineer or (ii) such other firm of independent consulting engineers experienced and of recognized standing in the field of water engineering and licensed as professional engineers in Virginia as the Locality may designate from time to time in a written notice to VRA, which firm shall be subject to VRA's reasonable approval.

"CRF Credit Facility" shall have the meaning set forth in the Master Indenture.

"CRF Credit Provider" shall have the meaning set forth in the Master Indenture.

"Earnings Subaccount" means the subaccount by that name established within the Local Account.

"Event of Default" shall have the meaning set forth in Section 10.1.

"Fifth Supplemental Series Indenture" means the Fifth Supplemental Series Indenture of Trust dated as of June 1, 2002, between VRA and the Trustee, as modified, altered, amended and supplemented in accordance with its terms and those of the Master Indenture.

"Fiscal Year" means the twelve-month period beginning July 1 of one year and ending on June 30 of the following year or such other twelve-month period established by the Locality as its annual accounting period.

"Lease" shall mean the Lease, dated as of the date hereof, between the Locality and VRA.

"Local Account" means the Local Account established for this Agreement within the Series 2002A Acquisition Fund.

"Local Lease Documents" means, collectively, this Agreement, the Lease, the Local Lease Acquisition Agreement and the Local Tax Document.

"Local Lease Acquisition Agreement" means the Local Lease Acquisition Agreement dated the Series 2002A Sale Date, between VRA and the Locality.

"Local Engineer" means any employee of the Locality licensed as a professional engineer in Virginia and with recognized standing and experience in the field of public safety facilities that the Locality may designate from time to time in a written notice to VRA, which employee shall be subject to VRA's reasonable approval.

"Local Representative" means the Chairman or County Administrator of the Locality or any other official or employee of the Locality authorized by resolution of the Locality to perform the act or sign the document in question.

"Local Resolution" means the resolution adopted on _____, 2002, by a majority of the members of the governing body of the Locality approving the transactions contemplated by and authorizing the execution and delivery of the Local Lease Documents.

"Local Tax Document" means the Nonarbitrage Certificate and Tax Compliance Agreement, dated the Series 2002A Closing Date, between the Locality and VRA, as modified, altered, amended and supplemented.

"Master Indenture" means the Master Indenture of Trust dated as of March 1, 2000, between VRA and the Trustee, as modified, altered, amended and supplemented.

"Principal Subaccount" means the subaccount by that name established within the Local Account.

"Project" means the particular project described in Exhibit B-1.

"Project Budget" means the budget for the financing of the Project set forth in Exhibit C.

"Project Costs" means the costs of the Project to the extent such costs are included in the definition of "cost" set forth in Section 62.1-199 of the Act, and includes the refunding of obligations of VRA or the Locality used to finance "costs" set forth in Section 62.1-199.

"Purchase Price" means $_____ which represents the amount received by the Locality from VRA in connection with the execution and delivery of this Agreement.

"Real Estate" shall mean the real estate described in Exhibit B-2 attached hereto and all improvements thereon.

"Rebate Subaccount" means the subaccount by that name established within the Local Account.

"Rental Payments" means the rental payments due to VRA from the Locality pursuant to Exhibit A, including, but not limited to, Supplemental Interest.

"Series 2002A Acquisition Fund" shall have the meaning set forth in the Fifth Supplemental Series Indenture.

"Series 2002A Closing Date" means June __, 2002.

"Series 2002A Sale Date" means May 21, 2002.

"Series 2002A VRA Bonds" means the Virginia Resources Authority Infrastructure Revenue Bonds (Pooled Loan Bond Program), Series 2002A, in the original aggregate principal amount of $_____, and, unless the Locality receives notice to the contrary from VRA, any bonds issued to refund the Series 2002A VRA Bonds in whole or in part.

"Supplemental Interest" shall have the meaning set forth in Section 6.1.

"Trustee" means First Union National Bank, Richmond, Virginia, or its successors surviving in such capacity.

"Virginia SNAP" means the Commonwealth of Virginia State Non-arbitrage Program.

"VRA" means the Virginia Resources Authority, a public body corporate and a political subdivision of the Commonwealth of Virginia.

"VRA Bonds" means the Series 2002A VRA Bonds and any additional Series of Bonds issued under the Master Indenture.

Section 1.2 **Rules of Construction**. The following rules shall apply to the construction of this Agreement unless the context requires otherwise:

(a) Singular words shall connote the plural number as well as the singular and vice versa.

(b) Words importing the redemption or calling for redemption of the this Agreement shall not be deemed to refer to or connote the payment of this Agreement at its stated maturity.

(c) All references in this Agreement to particular Articles, Sections or Exhibits are references to Articles, Sections or Exhibits of this Agreement unless otherwise indicated.

(d) The headings and table of contents as used in this Agreement are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

ARTICLE II

REPRESENTATIONS

Section 2.1 **Representations by VRA**. VRA makes the following representations as the basis for its undertakings under this Agreement:

(a) VRA is a duly created and validly existing public body corporate and a political subdivision of the Commonwealth of Virginia vested with the rights and powers conferred upon it under the Act.

(b) VRA has full right, power and authority to (i) issue, sell and deliver the Series 2002A VRA Bonds, (ii) direct the Trustee to use a portion of the proceeds of the Series 2002A VRA Bonds to enter into this Agreement as contemplated under the Fifth Supplemental Series Indenture and this Agreement, and (iii) carry out and consummate all other transactions contemplated by this Agreement.

(c) This Agreement has been duly authorized, executed and delivered by VRA and constitutes a legal, valid and binding obligation of VRA enforceable against VRA in accordance with its terms.

Section 2.2 **Representations by Locality**. The Locality makes the following representations as the basis for its undertakings under this Agreement and the other Local Lease Documents.

(a) The Locality is a duly created and validly existing Virginia "local government" (as defined in Section 62.1-199 of the Act) and is vested with the rights and powers conferred upon it by Virginia law.

(b) The Locality has full right, power and authority to (i) adopt the Local Resolution and execute and deliver the Local Lease Documents and all related documents, (ii) lease the Real Estate to VRA pursuant to the Lease and to lease the Real Estate from VRA

pursuant to this Agreement, (iii) own, operate and undertake the Project, and (iv) carry out and consummate all of the transactions contemplated by the Local Resolution and the Local Lease Documents.

(c) The Local Lease Documents were duly authorized by the Local Resolution and are in substantially the same forms as presented to the Locality's governing body at its meeting at which the Local Resolution was adopted.

(d) All governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of each of the Series 2002A Sale Date and the Series 2002A Closing Date have been obtained for (i) the Locality's adoption of the Local Resolution, (ii) the execution and delivery of the Local Lease Documents, (iii) the Locality's performance of its obligations under the Local Lease Documents and (iv) the undertaking, operation and use of the Project. The Locality knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations or approvals cannot be obtained as required in the future.

(e) Each of the Local Lease Documents has been executed and delivered by duly authorized officials of the Locality and constitutes the legal, valid and binding obligation of the Locality enforceable against the Locality in accordance with its terms.

(f) The execution and delivery of the Local Lease Documents and the performance by the Locality of its obligations thereunder are within the powers of the Locality and will not conflict with, or constitute a breach or result in a violation of, (i) to the best of the Locality's knowledge, any Federal, or Virginia constitutional or statutory provision, including the Locality's charter or articles of incorporation, if any, (ii) any agreement or other instrument to which the Locality is a party or by which it is bound or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Locality or its property.

(g) The Locality is not in default in the payment of the principal of or interest of any of its indebtedness for borrowed money and is not in default under any instrument under and subject to which any indebtedness for borrowed money has been incurred. No event or condition has happened or existed, or is happening or existing, under the provisions of any such instrument, including but not limited to the Local Lease Documents, which constitutes, or which, with notice or lapse of time, or both, would constitute an event of default thereunder.

(h) The Locality (i) to the best of the Locality's knowledge, is not in violation of any existing law, rule or regulation applicable to it in any way which would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Lease Documents and (ii) is not in default under any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the Locality is a party or by which it is bound or to which any of its assets is subject, which would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Lease Documents. The execution and delivery by the Locality of the Local Lease Documents and the compliance with the terms and conditions thereof will not conflict with or result in a breach of or constitute a default under any of the forgoing.

(i) Except as may otherwise be approved by VRA or permitted by the terms of the Local Lease Documents, the Project at all times is and will be owned by the Locality and will not be operated or controlled by any other entity or person.

(j) There are not pending nor, to the best of the Locality's knowledge, threatened against the Locality, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature, (i) affecting the creation, organization or existence of the Locality or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the approval, execution, delivery and/or performance of the Local Resolution and/or the Local Lease Documents, (iii) in any way contesting or affecting the validity or enforceability of the Local Resolution, the Local Lease Documents or any agreement or instrument relating to any of the foregoing, (iv) in which a judgment, order or resolution may have a material adverse effect on the Locality or its business, assets, condition (financial or otherwise), operations or prospects or on its ability to perform its obligations under the Local Resolution or the Local Lease Documents, or (v) the undertaking, operation and use of the Project.

(k) No material adverse change has occurred in the Locality's financial condition as indicated in the financial statements, applications and other information furnished to VRA.

(l) No Event of Default has occurred and is continuing.

ARTICLE III

ACQUISITION AND LEASE OF REAL ESTATE

Section 3.1 **Lease to Locality**. In order to effectuate the purposes of this Agreement, the Locality shall make, execute, acknowledge and deliver, or cause to be made, executed, acknowledged and delivered, all contracts, deeds and other agreements in the name of the Locality and, in general, to do or cause to be done all such other things as may be requisite or proper for the construction and equipping of the Project, the lease of the Real Estate to VRA pursuant to the Lease and the fulfillment of the obligations of the Locality under this Agreement.

VRA hereby leases to the Locality and the Locality hereby rents from VRA, the Real Estate and the Project on the terms and conditions set forth in this Agreement. The Locality shall be entitled to possession of the Real Estate and the Project and the Locality may retain possession of the Real Estate and the Project as long as there shall not have occurred an Event of Default or an event of non-appropriation pursuant to Section 6.1 hereof.

During the term of this Agreement title to the Real Estate and the Project shall be deemed to be in the Locality subject to the rights of VRA under this Agreement. To secure all obligations of the Locality hereunder, the Locality hereby grants to the Lessor a security interest in and to all of the Locality's right, title and interest in and to all personal property and fixtures constituting a portion of the Project including substitutions and replacements therefor, and all proceeds (cash and otherwise), including the proceeds of insurance. The Locality agrees that

with respect to such property VRA shall have all the rights and remedies of a secured party under the Virginia Uniform Commercial Code.

Section 3.2 **Lease Term**. The term of this Agreement shall commence on the date of the execution and delivery of this Agreement and, subject to the provisions of Section 6.1, shall continue until the earlier of (i) June 1, 2023 (provided that all of the rental payments specified in Exhibit A have been paid in full) or (ii) the date on which payment is made upon exercise of the option to purchase pursuant to Section 5.2.

Section 3.3 **Conditions Precedent**. VRA shall not be required to cause the Trustee to deliver this Agreement unless VRA has received the following, all in form and substance satisfactory to VRA:

(a) Certified copies of the Local Resolution and all other ordinances and resolutions of the Locality relating to this Agreement.

(b) A certificate of appropriate officials of the Locality as to the matters set forth in Section 2.2 and such other matters as VRA may reasonably require.

(c) A certificate of the Consulting Engineer giving the Consulting Engineer's estimate of the construction portion of the total Project Costs to be financed with the proceeds of this Agreement, which estimate must be in an amount and otherwise compatible with the financing plan described in the Project Budget.

(d) A certificate of the Consulting Engineer to the effect that the Purchase Price and funds available from the other sources specified in the Project Budget will be sufficient to pay the estimated construction portion of the total Project Costs, and specifying the date the Locality is expected to complete the Project.

(e) A certificate of the Consulting Engineer to the effect that (i) all governmental permits, licenses, registrations, certificates, authorizations and approvals for the undertaking, operation and use of the Project required to have been obtained as of the Series 2002A Closing Date have been obtained and (ii) the Consulting Engineer knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations and approvals for the undertaking, operation and use of the Project cannot be obtained as required in the future.

(f) Evidence that the Locality has complied with the insurance provisions set forth in Sections 8.1 and 8.2.

(g) Evidence that the Locality has performed and satisfied all of the terms and conditions contained in this Agreement to be performed and satisfied by it as of such date.

(h) A certificate of counsel to the Locality in substantially the form attached as Exhibit G.

(i) An opinion of bond counsel to the Locality, in substantially the form attached as Exhibit H.

(j) Original executed counterparts of the Local Lease Documents.

(k) [A completed survey of the Real Estate, in form and substance satisfactory to VRA.] [Any other real estate items?]

(l) Such other documentation, certificates and opinions as VRA may reasonably require.

Section 3.4 **Transfer Upon Termination**. After all payments have been made pursuant to Section 5.1 or prepayment has been made pursuant to Section 5.2, the Locality shall be deemed to have acquired all of VRA's right, title and interest in the Real Estate, the Project and the Lease. In such event, and upon request, VRA will execute and deliver to the Locality an appropriate instrument assigning, transferring and conveying to the Locality all of VRA's right, title and interest in the Lease, the Project and the Real Estate free from any lien, encumbrance or security interest except such as may be created or permitted by the Locality, but without other warranties, and shall enter into an appropriate instrument terminating this Agreement.

Section 3.5 **Disclaimer of Warranty**. The Real Estate is being acquired and the Project constructed and equipped at the Locality's request and by the Locality. VRA MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION OR FITNESS OF THE REAL ESTATE FOR THE LOCALITY'S PURPOSES.

Section 3.6 **Obligations of the Locality Unconditional**. Except as otherwise provided in this Agreement, including without limitation Section 3.7, the obligation of the Locality to make all payments pursuant to this Agreement and to observe and perform all other covenants, conditions and agreements under the Local Lease Documents shall be absolute and unconditional, irrespective of any rights of setoff, recoupment or counterclaim the Locality otherwise might have against VRA, and the Locality shall not suspend or discontinue any such payments or fail to observe and perform any of its other covenants, conditions and agreements under the Local Lease Documents.

Section 3.7 **Appropriation of Rental Payments by Locality**. The Locality reasonably believes that sufficient funds can be obtained to make all payments required under the term of this Agreement. While recognizing that it is not empowered to make any binding commitment beyond the current fiscal year, the Locality hereby states that it is its current intention to make sufficient annual appropriations during the term of this Agreement to make such payments. Notwithstanding anything in this Agreement to the contrary, the Locality's obligations to pay the cost of performing its obligations under this Agreement, including, without limitation, its obligations to make all payments required under this Agreement, shall be subject to and dependent upon annual appropriations being made from time to time by the governing body of the Locality and, subsequently, by the Locality for such purpose. The Locality hereby directs the County Administrator or other officer charged with the responsibility for preparing the Locality's budget to include in the budget for each fiscal year during which this Agreement is in effect a request that the Locality appropriate in the fiscal year the amount of the rental payments and all amounts required to be paid under this Agreement during such fiscal year.

Section 3.8 **No Assignment**. Except as permitted herein or contemplated by the Local Lease Documents, the Locality covenants that it will not assign this Agreement or any interest herein, without the prior written consent of VRA.

Section 3.9 **Title to Real Estate**. This Agreement is intended for security. For purposes of laws governing taxation, title to the Real Estate and the Project will be deemed to be in the Locality at all times, subject to reversion to VRA upon the occurrence of an Event of Default.

Section 3.10 **Net Lease**. This Agreement is intended to be a net lease to VRA. The Locality shall comply with and pay the cost of all repairs, replacements and renewals, the cost of insurance, all utility and other charges and all taxes (local, state and federal) which may now or hereafter be imposed upon the ownership, leasing, rental, sale, purchase, possession or use of the Real Estate and the Project. If the Locality fails to pay such costs, charges or taxes when due, VRA, after giving the Locality notice and a reasonable opportunity to cure, shall have the right, but shall not be obligated, to pay the same. If VRA pays any such costs, charges or taxes for which the Locality is responsible or liable under this Agreement, VRA shall be entitled to be reimbursed promptly therefor by the Locality in accordance with the provisions of Section 11.7 hereof.

ARTICLE IV

USE OF PURCHASE PRICE

Section 4.1 **Deposit of Purchase Price; Investment of Amounts in Local Account**. (a) On the Series 2002A Closing Date, VRA shall cause the Trustee to deposit the Purchase Price into the Principal Subaccount of the Local Account and to apply the Purchase Price and the earnings thereon as set forth in the Fifth Supplemental Series Indenture, this Agreement and the Local Tax Document. An excerpt of the provisions of the Fifth Supplemental Series Indenture relevant to the application of the Purchase Price and the Local Account is attached as Exhibit I to this Agreement. The Locality agrees with and consents to this application of the Purchase Price and the earnings thereon.

(b) The Locality acknowledges and consents to the investment of the Purchase Price and the earnings thereon in Virginia SNAP.

Section 4.2 **Agreement to Accomplish Project**. (a) The Locality agrees to cause the Project to be acquired, constructed, expanded, renovated, equipped or financed as described in Exhibit B-1 and in accordance with the Project Budget and the plans, specifications and designs prepared by the Consulting Engineer and approved by the Locality. The Locality shall use its best efforts to complete the Project by the date set forth in the certificate delivered under Section 3.3(d). All plans, specifications and designs shall be approved by all applicable regulatory agencies. The Locality agrees to maintain complete and accurate books and records of the Project Costs and permit VRA or the Trustee through their duly authorized representatives to inspect such books and records at any reasonable time.

(b) When any Project consisting in whole or in part of the acquisition, construction, rehabilitation or equipping of a portion of the Project (i.e., a "new money" Project or portion of a Project) has been completed, the Locality shall promptly deliver to VRA and the Trustee a certificate signed by a Local Representative and by the Consulting Engineer stating (i) that the Project has been completed substantially in accordance with this Section and in substantial compliance with all material applicable laws, ordinances, rules and regulations, (ii) the date of such completion, and (iii) that all certificates of occupancy or other material permits then necessary for the Project's use, occupancy and operation have been issued or obtained.

(c) If, upon the completion of the Project, there remain in the Principal and/or Earnings Subaccounts amounts that will not be necessary to pay Project Costs, the Locality shall provide to VRA and the Trustee a certificate to such effect and shall undertake the rebate estimation or calculation described in Section 5.2(c)(2) of the Fifth Supplemental Series Indenture (as excerpted in Exhibit I to this Agreement). Amounts estimated to be necessary to pay the Locality's rebate requirement will be transferred to the Rebate Subaccount. The Trustee will then apply any remaining balance at the direction of the Locality in such manner as will not, in the opinion of Bond Counsel delivered to VRA and the Trustee, have an adverse effect on the tax-exempt status of either the Series 2002A Bonds or this Agreement.

Section 4.3 **Disbursement of Purchase Price and Earnings**. The Purchase Price deposited in the Principal Subaccount and the earnings from the Principal Subaccount on deposit in the Earnings Subaccount shall be disbursed to or for the account of the Locality and into the Rebate Subaccount at the direction of the Trustee in accordance with the terms of this Agreement, the Fifth Supplemental Series Indenture (See Exhibit I) and the Local Tax Document; provided that under no circumstances will any amounts be disbursed from the Earnings Subaccount until the Principal Subaccount has been depleted. The Locality agrees that amounts in the Principal and Earnings Subaccounts will be applied solely and exclusively to the payment or reimbursement of the Locality for the Project Costs and to fund the Rebate Subaccount in accordance with the Fifth Supplemental Series Indenture (See Exhibit I) and the Local Tax Document. The Locality further agrees, upon the request of the Trustee or VRA, to exhibit to the Trustee or VRA receipts, vouchers, statements, bills of sale or other evidence of payment of the Project Costs. Disbursements shall be made by the Trustee to the Locality not more frequently than once each calendar month (unless otherwise agreed by VRA, the Trustee and the Locality) upon receipt by the Trustee of the following:

(a) A requisition (upon which the Trustee and VRA shall be entitled to rely) signed by a Local Representative and containing all information called for by, and otherwise being in the form of, Exhibit D;

(b) If any requisition includes an item for payment for labor or to contractors, builders or materialmen,

(1) a certificate, signed by the Consulting Engineer, stating that such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the Project; and

(2) a certificate, signed by a Local Representative, stating that no notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable under the requisition to any of the persons, firms or corporations named in it has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition.

(c) If any requisition includes an item for payment of the cost of acquisition of any lands or easements, rights or interests in or relating to lands, there shall also be attached to such requisition:

(1) a certificate, signed by the Consulting Engineer, stating that such lands, easements, rights or interests are being acquired and are necessary or convenient for the construction of the Project; and

(2) a certificate, signed by a Local Representative, stating that upon payment therefor the Locality will have title in fee simple to, or easements, rights or interests sufficient for the purposes of, the Project over and through the subject lands.

Upon receipt of each such requisition and accompanying certificate or certificates, the Trustee shall make payment in accordance with such requisition first from the Principal Subaccount until the balance therein is exhausted and then from the Earnings Subaccount to the extent permitted under the Fifth Supplemental Series Indenture (see Exhibit I) and the Local Tax Document. The Locality acknowledges and agrees that certain amounts in the Earnings Subaccount be transferred to the Rebate Subaccount in accordance with the Fifth Supplemental Series Indenture (see Exhibit I) and the Local Tax Document. Such amounts will be transferred into the Rebate Subaccount, and subsequently transferred therefrom, to satisfy the Locality's rebate obligations with respect to this Agreement as provided under the Local Tax Document.

The Locality agrees that any amounts disbursed to it or for its account (other than transfers to the Rebate Subaccount) from either the Principal Subaccount or the Earnings Subaccount of the Local Account will be (i) immediately applied to reimburse the Locality for Project Costs it has already incurred and paid or (ii) actually spent to pay Project Costs not later than 5 banking days after receipt.

Section 4.4 **Permits**. The Locality shall at its sole cost and expense apply for and obtain all permits, consents and approvals required by local, state or federal laws, ordinances, rules, regulations or requirements in connection with the acquisition, construction, equipping, occupation, operation or use of the Project. The Locality shall, upon request, promptly furnish to VRA and the Trustee copies of all such permits, consents and approvals.

Section 4.5 **Construction Contractors**. Each general construction contractor employed in the accomplishment of the Project shall be required in the construction contract to furnish a performance bond and a payment bond each in an amount equal to one hundred percent of the particular contract price. Such bonds shall list the Locality, VRA and the Trustee as beneficiaries. Neither VRA nor the Trustee shall make any claims or exercise any rights under such bonds unless and until an Event of Default occurs hereunder. Each contractor shall be

required to maintain during the construction period covered by the particular construction contract builder's risk insurance, workmen's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Consulting Engineer.

Section 4.6 **Engineering Services**. The Locality shall retain or employ a Consulting Engineer to provide engineering services covering the supervision and inspection of any Project consisting in whole or in part of acquisition, construction, rehabilitation or equipping of a portion of the Project.

Section 4.7 **Locality Required to Complete Project**. If the Purchase Price is not sufficient to pay in full the cost of the Project, the Locality will complete the Project at its own expense from lawfully available and appropriated funds and shall not be entitled to any reimbursement therefor from VRA or any abatement, diminution or postponement of its payments under this Agreement.

Section 4.8 **Payments and Rights Assigned**. The Locality consents to VRA's assignment to the Trustee of VRA's rights under this Agreement. The Locality also acknowledges and consents to the reservation by VRA of the right and license to enjoy and enforce VRA's rights under this Agreement so long as no Event of Default (as defined in the Master Indenture) with respect to the Series 2002A VRA Bonds shall have occurred and be continuing. The Locality agrees to pay directly to the Trustee all amounts payable by the Locality under this Agreement (except for those amounts due under Section 11.7, which are payable directly to VRA).

ARTICLE V

PAYMENT AND REDEMPTION

Section 5.1 **Payment of Rental Payments and Related Amounts**. (a) Until all amounts payable pursuant to this Agreement have been paid in full, the Locality agrees to pay the Trustee or VRA the following amounts as provided below:

(1) To the Trustee, all amounts specified in Exhibit A on such dates as provided in Exhibit A. The term "interest," as used in Exhibit A, shall include Supplemental Interest, when and if payable.

(2) With respect to any deficiency in the Capital Reserve Fund that is not caused by a default in Rental Payments, commencing with the first day of July, 2002, and continuing on the first day of each month thereafter until the deficiency is eliminated, to the Trustee, an amount equal to the Locality's share (as determined by VRA) of one-fifth of the amount of any deficiency in the amount on deposit in the Capital Reserve Fund as determined on the immediately preceding Reserve Determination Date. On and immediately after the Series 2002A Closing Date, the Capital Reserve Fund will contain no bond proceeds or other funds and will be funded exclusively by CRF Credit Facilities.

(3) To the Trustee, on VRA's demand, any amounts payable under the Local Tax Document.

(4) To VRA on its demand, a late payment penalty in an amount equal to two and one-half percent (2-1/2%) of any Rental Payment not paid within ten days after its due date.

(5) To the Trustee, the Locality's share (as determined by VRA) of the annual fees and expenses of the Trustee, less the Locality's share of earnings on the Revenue Fund and Debt Service Fund established under the Master Indenture. Any such payment will be due and payable no later than fifteen days after VRA sends to the Locality a written bill for it.

(6) The Locality shall pay to VRA the reasonable costs and expenses, including reasonable attorneys' fees, if any, incurred by VRA in connection with an Event of Default or default by the Locality under this Agreement, or in connection with any amendment to or discretionary action that VRA undertakes at the request of the Locality under this Agreement or any other document related to the Series 2002A VRA Bonds or this Agreement. Any such payment will be due and payable no later than fifteen days after VRA sends to the Locality a written bill for it.

(b) If any failure of the Locality to pay all or any portion of any Rental Payment results in a withdrawal from the Capital Reserve Fund and/or a drawing on any CRF Credit Facility, the interest rates applicable to the interest component of the Rental Payments as provided in Exhibit A shall be increased to interest rates sufficient to reimburse the Capital Reserve Fund for any foregone investment earnings on the funds withdrawn therefrom and/or pay any interest, fees or penalties assessed by the CRF Credit Provider as a result of the drawing on the CRF Credit Facility. The increment of interest payable pursuant to the increase in rates shall be referred to as "Supplemental Interest." The Locality's obligation to pay Supplemental Interest shall commence on the date of VRA's withdrawal of funds from the Capital Reserve Fund or the drawing on the CRF Credit Facility occasioned by the Locality's failure to pay a required payment or portion thereof as described above (the "Supplemental Interest Commencement Date"). The Locality's obligation to pay Supplemental Interest shall terminate on the date on which the Locality remedies such failure to pay by making all payments required but outstanding since the date of such failure to pay (the "Supplemental Interest Termination Date"). From the Supplemental Interest Commencement Date to the Supplemental Interest Termination Date, Supplemental Interest shall be due and payable on the regularly scheduled interest payment dates provided for in Exhibit A. As soon as reasonably possible after the Supplemental Interest Commencement Date and before the next regularly scheduled interest payment date provided for in Exhibit A, VRA shall deliver to the Locality a certificate as to the increase in interest rates and the amount of Supplemental Interest. The certificate shall set forth in reasonable detail the basis for the increase in interest rates and the manner of calculation of the increase and the amount of Supplemental Interest. Such certificate shall be conclusive (absent manifest error) as to the interest rate increase and amount of Supplemental Interest set forth therein. In determining the interest rate increase and the amount of Supplemental Interest, VRA may use any reasonable averaging and attribution methods.

(c) The Locality's obligations to pay the amounts described above and to make Rental Payments shall not be discharged in whole or in part by any transfer made by the Trustee from the Capital Reserve Fund or drawing on a CRF Credit Facility pursuant to the Master Indenture. The Locality will remain obligated to make Rental Payments.

Section 5.2 **Redemption, Prepayment and Refunding**. (a) Other than as set forth in subsections (b) and (c) below, the Locality may not defease, redeem, prepay, refund or purchase this Agreement without the written consent of VRA. Any defeasance, redemption, prepayment, refunding or purchasing this Agreement that is approved by VRA shall occur in such manner and in such amount, and shall be subject to such conditions as VRA shall determine.

(b) VRA will cancel and return this Agreement to the Locality upon satisfaction of the following conditions:

(1) The Locality will provide not less than 90 days' prior written notice of the deposit of the funds described in (2), (3) and (4) below.

(2) The Locality will deposit with the Trustee an amount sufficient for VRA to establish an escrow of cash and United States Treasury Securities—State and Local Government Series ("SLGs") the principal of and interest on which will be sufficient (without reinvestment) to cause the defeasance in full of the principal of and redemption premium, if any, and interest on the portion of the Series 2002A VRA Bonds allocable to the Rental Payments (as determined by VRA) (the "Related Series 2002A VRA Bonds") under Article XII of the Master Indenture. The defeasance of the Related Series 2002A VRA Bonds may be either to maturity or an earlier redemption date as determined by the Locality. The Locality acknowledges that no funds in the Capital Reserve Fund, if any, will be available to the Locality for any deposit under this subsection (b). The SLGs will have a yield not in excess of the arbitrage yield on the Series 2002A VRA Bonds.

(3) The Locality will deposit with VRA cash in an amount sufficient, as determined by VRA, to provide for the payment of the cost of the verification report required for the defeasance of the Related Series 2002A VRA Bonds under Article XII of the Master Indenture and all Rental Payments overdue or then due and amounts overdue, due or to become due under Section 5.1(a)(2)-(6) of this Agreement.

(4) The Locality will deposit with VRA cash in an amount equal the present value of interest as described in Exhibit A that would be paid under this Agreement at a rate equal to .10 of one percent, payable semiannually, to the end of this term of this Agreement or, if earlier, the redemption date of the Related Series 2002A VRA Bonds. Present value shall be determined by using a discount rate equal to the arbitrage yield on the Series 2002A VRA Bonds.

(c) VRA shall permit the defeasance, redemption, prepayment or purchase of this Agreement out of amounts remaining in the Local Account as described in Section 4.2(c); provided that any such defeasance, redemption or prepayment of this Agreement results in the

defeasance, redemption or prepayment of the corresponding principal amount and maturities of the Related Series 2002A VRA Bonds as determined by VRA.

ARTICLE VI

NON-APPROPRIATION

Section 6.1 **Non-appropriation; Termination of Agreement**. If, as a result of the failure of the Locality to appropriate moneys for such purposes, the Locality is unable to pay when due the Rental Payments and other payments to be paid under this Agreement, VRA shall have the right to terminate this Agreement upon giving thirty (30) days' written notice of the exercise of its rights pursuant to this Section, which notice shall specify the effective date for such termination; provided that such termination shall be effective not later than the date through which rent has been paid in accordance with the terms hereof.

Section 6.2 **Remedies of VRA**. If, as a result of the failure of the Locality to appropriate moneys for such purposes, the Locality is unable to pay when due the rental payments and other payments to be paid under this Agreement, VRA, with or without terminating this Agreement, may exclude the Locality from possession of the Real Estate and the Project and may sell its interest in, or lease or sublease the Real Estate in the manner provided for by Section 10.2(b) hereof. The Locality agrees to assist VRA in every reasonable way in reletting or selling its leasehold interest in the Real Estate and the Project pursuant to this Article VII.

Section 6.3 **Reinstatement**. Notwithstanding any termination of this Agreement in accordance with the provisions of Section 6.2, unless (i) VRA shall have sold its leasehold interest in the Real Estate and the Project, or (ii) VRA shall have entered into a firm bilateral agreement providing for the reletting of the Real Estate and the Project for a period of at least one year, if all overdue Rental Payments and all other sums payable under this Agreement and the other Local Lease Documents shall have been paid, this Agreement shall be fully reinstated, and the Locality shall be restored to the use, occupancy and possession of the Real Estate and the Project.

ARTICLE VII

OPERATION AND USE OF PROJECT

Section 7.1 **Maintenance**. At its own cost and expense the Locality shall operate the Project in a proper, sound and economical manner in compliance with all legal requirements and shall maintain the Project in good repair and operating condition and from time to time shall make all necessary repairs, renewals and replacements.

Section 7.2 **Additions and Modifications**. At its own expense the Project from time to time may make any additions, modifications or improvements to the Project which it deems desirable and which do not materially reduce the value of the Project or the structural or operational integrity of any part of the Project, provided that all such additions, modifications or

improvements comply with all applicable federal, state and local laws, rules, regulations, orders, permits, authorizations and requirements. All such renewals, replacements, additions, modifications and improvements shall become part of the Project.

Section 7.3 **Use of Project**. The Locality shall comply with all lawful requirements of any governmental authority regarding the Project, whether now existing or subsequently enacted, whether foreseen or unforeseen or whether involving any change in governmental policy or requiring structural, operational or other changes to the Project, irrespective of the cost of making the same.

Section 7.4 **Inspection of Project and Locality's Books and Records**. VRA, the Trustee and their duly authorized representatives and agents shall have such reasonable rights of access to the Project as may be necessary to determine whether the Locality is in compliance with the requirements of this Agreement and shall have the right at all reasonable times and upon reasonable prior notice to the Locality to examine and copy the Locality's books and records insofar as such books and records relate to the System.

Section 7.5 **Ownership of Project**. The Locality shall not construct, reconstruct or install any part of the Project on lands other than those which the Locality owns or can acquire title to or a perpetual easement over, in either case sufficient for the Locality's purposes, unless such part of the Project is lawfully located in a public street or highway or is a main, conduit, pipeline, main connection or facility located on land in which the Locality has acquired a right or interest less than a fee simple or perpetual easement and such lesser right or interest has been approved by written opinion of counsel to the Locality as sufficient for the Locality's purposes.

Section 7.6 **Sale or Encumbrance**. No part of the Project shall be sold, exchanged, leased, subleased, mortgaged, encumbered or otherwise disposed of except (i) with the written consent of VRA or (ii) as provided in any one of the following subsections:

(a) The Locality may grant easements, licenses or permits across, over or under parts of the Project for streets, roads and utilities as will not adversely affect the use of the Project.

(b) The Locality may sell or otherwise dispose of property constituting part of the Project if it uses the proceeds of such disposition and any other necessary funds to replace such property with property serving the same or a similar function.

(c) The Locality may sell or otherwise dispose of property constituting part of the Project with a "book value" (as determined in accordance with generally accepted accounting principles) that, when combined with the aggregate "book value" of all of the other such property sold or otherwise disposed of under this subsection during the Fiscal Year in question, will not cause the aggregate "book value" of all of such property sold or otherwise disposed of under this subsection in such Fiscal Year to exceed $125,000. The proceeds to be received from any such sale or disposition shall be applied first to cure any default that may exist in the payments due hereunder.

(d) The Locality may otherwise sell or dispose of property constituting part of the Project if there is filed with VRA a certificate of the Consulting Engineer stating that such

property is not necessary or useful to the operation of the Project. The proceeds to be received from any such sale or disposition shall be applied first to cure any default that may exist in Rental Payments.

Section 7.7 **Lawful Charges**. The Locality shall pay when due all taxes, fees, assessments, levies and other governmental charges of any kind whatsoever (collectively, the "Governmental Charges") which are (i) assessed, levied or imposed against the Project or the Locality's interest in it, or (ii) incurred in the operation, maintenance, use and occupancy of the Project. The Locality shall pay or cause to be discharged, or shall make adequate provision to pay or discharge, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon all or any part of the Project (collectively, the "Mechanics' Charges"). The Locality, however, after giving VRA ten days' notice of its intention to do so, at its own expense and in its own name, may contest in good faith any Governmental Charges or Mechanics' Charges. If such a contest occurs, the Locality may permit the same to remain unpaid during the period of the contest and any subsequent appeal unless, in VRA's reasonable opinion, such action may impair the lien granted by this Agreement, in which event, such Governmental Charges or Mechanics' Charges promptly shall be satisfied or secured by posting with the Trustee or an appropriate court a bond in form and amount satisfactory to VRA. Upon request, the Locality shall furnish to VRA proof of payment of all Governmental Charges and Mechanics' Charges the Locality is required to pay under this Agreement.

ARTICLE VIII

INSURANCE, DAMAGE AND DESTRUCTION

Section 8.1 **Insurance**. The Locality continuously shall maintain or cause to be maintained insurance against such risks as are customarily insured against by public bodies operating systems similar in size and character to the Project, including, without limitation:

(a) Insurance in the amount of the full replacement cost of the Project's insurable portions against loss or damage by fire and lightning, with broad form extended coverage endorsements covering damage by windstorm, explosion, aircraft, smoke, sprinkler leakage, vandalism, malicious mischief and such other risks as are normally covered by such endorsements (limited only as may be provided in the standard form of such endorsements at the time in use in Virginia). The determination of replacement cost shall be made, in conjunction with representatives of the Locality, by a recognized appraiser or insurer selected by the Locality and acceptable to VRA.

(b) Comprehensive general liability insurance with a combined single limit of $1,000,000 per year against liability for bodily injury, including death resulting therefrom, and for damage to property, including loss of its use, arising out of the ownership, maintenance, operation or use of the Project.

(c) Unless the Locality qualifies as a self-insurer under Virginia law, worker's compensation insurance.

Neither VRA nor the Trustee shall have any responsibility or obligation with respect to (i) the procurement or maintenance of insurance or the amounts or the provisions with respect to policies of insurance or (ii) the application of the proceeds of insurance.

The Locality shall provide, upon VRA's written request, a certificate or certificates of the respective insurers evidencing the fact that the insurance required by this Section is in force and effect.

Section 8.2 **Requirements of Policies**. All insurance required by Section 8.1 shall be maintained with generally recognized responsible insurance companies selected by the Locality and reasonably acceptable to VRA. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other utility systems of like size and character to the Project. If any such insurance is not maintained with an insurer licensed to do business in Virginia or placed under the requirements of the Virginia Surplus Lines Insurance Law, Article 5, Chapter 7.1, Title 38.1, Code of Virginia of 1950, as amended, or any successor statute, the Locality shall provide evidence reasonably satisfactory to VRA that such insurance is enforceable under Virginia law.

Section 8.3 **Notice of Damage, Destruction or Condemnation**. In case of (i) any damage to or destruction of any material part of the Project, (ii) a taking of all or any part of the Project or any right in it under the exercise of the power of eminent domain, (iii) any loss of the Project because of failure of title, or (iv) the commencement of any proceedings or negotiations which might result in such a taking or loss, the Locality shall give prompt notice to VRA describing generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

Section 8.4 **Damage and Destruction**. If all or any part of the Project is destroyed or damaged by fire or other casualty, and the Locality shall not have exercised its option, if such option is available, to prepay the obligations under this Agreement pursuant to Section 5.2, the Locality shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage or destruction, with such alterations and additions as the Locality may determine and which will not impair the capacity or character of the Project for the purpose for which it then is being used or is intended to be used. The Locality may apply so much as may be necessary of the Net Proceeds of insurance received on account of any such damage or destruction to payment of the cost of such restoration, either on completion or as the work progresses. If such Net Proceeds are not sufficient to pay in full the cost of such restoration, the Locality shall pay so much of the cost as may be in excess of such Net Proceeds.

Section 8.5 **Condemnation and Loss of Title**. If title to or the temporary use of all or any part of the Project shall be taken under the exercise of the power of eminent domain or lost because of failure of title, and the Locality shall not have exercised its option, if such option is available, to prepay the obligations under this Agreement pursuant to Section 5.2, the Locality shall cause the Net Proceeds from any such condemnation award or from title insurance to be applied to the restoration of the Project to substantially its condition before the exercise of such power of eminent domain or failure of title. If such Net Proceeds are not sufficient to pay in full the cost of such restoration, the Locality shall pay so much of the cost as may be in excess of such Net Proceeds.

ARTICLE IX

SPECIAL COVENANTS

Section 9.1 **Tax Covenants**. The Locality agrees that it will not directly or indirectly use or permit the use of any of the proceeds received pursuant to this Agreement or any other of its funds, in such manner as would, or enter into, or allow any other person or entity to enter into, any arrangement, formal or informal, that would, or take or omit to take any other action that would, cause the interest portion of Rental Payments made pursuant to this Agreement or any Series 2002A VRA Bond to be includable in gross income for federal income tax purposes or to become a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Locality agrees to perform all duties imposed upon it by the Local Tax Document. Insofar as the Local Tax Document imposes duties and responsibilities on the Locality, including the payment of any arbitrage rebate in respect of the interest portion of payments made pursuant to this Agreement or the Series 2002A VRA Bonds, they are specifically incorporated by reference into this Agreement. The Locality also consents to the calculation of any "rebate amount" to be paid with respect to the interest portion of payments made pursuant to this Agreement by a rebate calculation service selected by VRA.

Section 9.2 **Maintenance of Existence**. The Locality shall maintain its existence as a political subdivision under Virginia law, and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate or merge with or into another entity without VRA's prior written consent, which consent will not be unreasonably withheld.

Section 9.3 **Financial Records and Statements**. The Locality shall maintain proper books of record and account in which proper entries shall be made in accordance with generally accepted accounting principles, consistently applied, of all its business and affairs related to the Project. The Locality shall have an annual audit of the Project's financial condition made by an independent certified public accountant within 120 days after the end of each Fiscal Year and shall furnish to VRA copies of the report of such accountant immediately after such report is submitted to the Locality. Such report shall include statements in reasonable detail, certified by such accountant, reflecting the Project's financial position as of the end of such Fiscal Year and the result of the Project's operations and changes in the financial position of the Locality's funds for the Fiscal Year. The Locality shall also furnish to VRA a certificate or report of such accountant to the effect that, during the course of such accountant's regular examination of the Project's financial condition, nothing came to such accountant's attention which would constitute an Event of Default, or which with the giving of notice or lapse of time, or both, would constitute such an Event of Default.

Section 9.4 **Certificate as to No Default**. The Locality shall deliver to VRA, within 150 days after the close of each Fiscal Year, a certificate signed by a Local Representative stating that, during such year and as of the date of such certificate, no event or condition has happened or existed, or is happening or existing, which constitutes, or which, with notice or lapse of time, or both, would constitute, an Event of Default, or if such an event or condition has happened or existed, or is happening or existing, specifying the nature and period of such event or condition and what action the Locality has taken, is taking or proposes to take to rectify it.

Section 9.5 **[Intentionally Omitted]**.

Section 9.6 **[Intentionally Omitted]**.

Section 9.7 **Further Assurances**. The Locality shall to the fullest extent permitted by law pass, make, do, execute, acknowledge and deliver such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming the rights, Revenues and other funds pledged or assigned by this Agreement, or as may be required to carry out the purposes of this Agreement. The Locality shall at all times, to the fullest extent permitted by law, defend, preserve and protect the pledge of the Revenues and other funds pledged under this Agreement and all rights of VRA under this Agreement against all claims and demands of all persons.

Section 9.8 **[Intentionally Omitted]**.

Section 9.9 **Assignment by Locality**. The Locality may not assign its rights and obligations under this Agreement without the prior written consent of VRA.

Section 9.10 **[intentionally omitted]**

Section 9.11 **Continuing Disclosure**. (a) For purposes of this section, the following terms and phrases shall have the following meaning:

"Annual Financial Information" with respect to any Fiscal Year for the Locality means the following:

(i) the financial statements (consisting of at least a balance sheet and statement of revenues and expenses) of the Project, or, if not available, the financial statements (consisting of at least a balance sheet and a statement of revenues and expenses) of the Locality, which financial statements must be (A) prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the Locality after the date of this Agreement from changing such other principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable law) and (B) audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time (provided that if audited financial statements are not available for filing when required by this Section or the Rule (as defined herein), unaudited financial statements will be filed and audited financial statements will be filed as soon as possible thereafter); and

(ii) operating data of the type set forth in Exhibit F.

"Dissemination Agent" shall mean any person, reasonably acceptable to VRA, whom the Locality contracts in writing to perform its obligations as provided in subsection (i) of this section.

"Final Official Statement" shall have the meaning set forth in the Rule.

"Made Public" shall have the meaning set forth in subsection (c) of this Section.

"Material Locality" shall mean the Locality if the aggregate outstanding principal amount attributable to this Agreement and any other of the Locality's local bonds purchased with proceeds of the VRA Bonds represent ten percent (10%) or more of the outstanding aggregate principal amount of the local bonds purchased with proceeds of the VRA Bonds.

"Rule" means Rule 15c2-12, as it may be amended from time to time, under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" means the U.S. Securities and Exchange Commission.

(b) The Locality shall cause to be Made Public:

(1) Within seven months after the end of the Locality's Fiscal Year (commencing with the Fiscal Year in which the Series 2002A Closing Date occurs), Annual Financial Information for such Fiscal Year as of the end of which the Locality constitutes a Material Locality. Annual Financial Information may be set forth in the documents Made Public or may be included by reference in a document Made Public to any document previously filed with each NRMSIR (as defined in subsection (c) below), the Virginia SID (as defined in subsection (c) below), if any, the Municipal Securities Rulemaking Board ("MSRB") or the SEC. If the document referred to is a Final Official Statement, then it must be available from the MSRB.

(2) In a timely manner, notice of any failure by the Locality to cause to be Made Public Annual Financial Information pursuant to the terms of part (1) of this subsection.

(c) For purposes of this Section, information and notices shall be deemed to have been "Made Public" if transmitted as follows:

(1) In the case of Annual Financial Information, to VRA, to the Trustee and to:

(A) each nationally recognized municipal securities information repository ("NRMSIR") approved as such by the SEC from time to time, at its then current address, including the following NRMSIRs existing as of the date of this Agreement so long as such entities remain NRMSIRs:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
Email: NRMSIR@FTID.com

Standard & Poor's J. J. Kenny Repository
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

(B) any applicable state-based information depository that exists from time to time (the "Virginia SID") for the purpose of receiving information concerning municipal securities and is generally recognized as the state information depository for the Commonwealth of Virginia, at its then current address.

(2) In the case of information required by subsection (b)(2) of this Section, to VRA, to the Trustee and to:

(A) Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, Virginia 22314
Phone: (703) 797-6600; and

(B) the Virginia SID.

(d) the Locality shall also notify VRA as promptly as possible upon becoming aware of any of the following events that may from time to time occur with respect to this Agreement:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on any credit enhancement maintained with respect to this Agreement reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of interest attributable to this Agreement;

(7) modifications to rights of the holders of this Agreement;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of this Agreement; and

(11) rating changes.

(e) Notwithstanding anything in this Agreement to the contrary, the Locality need not comply with the provisions of subsections (a) through (d) above unless and until VRA has notified the Locality that it satisfied the objective criteria for a Material Locality as of the end of VRA's immediately preceding fiscal year.

(f) The obligations of the Locality under this Section will terminate upon the redemption, defeasance (within meaning of the Rule) or payment in full of all of the VRA Bonds.

(g) (1) If the Locality fails to comply with any covenant or obligation set forth in this Section, any holder (within the meaning of the Rule) of VRA Bonds then Outstanding may, by notice to the Locality, proceed to protect and enforce its rights and the rights of the other holders by an action for specific performance of the Locality's covenants or obligations set forth in this Section.

(2) Notwithstanding anything herein to the contrary, any failure of the Locality to comply with any disclosure obligation specified in this Agreement (i) shall not be deemed to constitute an Event of Default under this Agreement and (ii) shall not give rise to any right or remedy other than that described in part (1) of this subsection.

(h) The Locality may from time to time disclose certain information and data in addition to that required under this Section. Notwithstanding anything in this Agreement to

the contrary, the Locality shall not incur any obligation to continue to provide, or to update, such additional information or data.

(i) The Locality may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation to cause to be Made Public the information described in this Section, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

ARTICLE X

DEFAULTS AND REMEDIES

Section 10.1 **Events of Default**. Each of the following events shall be an "Event of Default":

(a) The failure to make any payment or deposit required by this Agreement when due.

(b) The Locality's failure to perform or observe any of the other covenants, agreements or conditions of this Agreement and the continuation of such failure for a period of sixty days after written notice specifying such failure and requesting that it be cured is given to the Locality by VRA, or, in the case of any such failure which cannot with diligence be cured within such sixty day period, the Locality's failure to proceed promptly to commence to cure the failure and thereafter to prosecute the curing of the failure with diligence.

(c) Any warranty, representation or other statement by or on behalf of the Locality contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement is false and misleading in any material respect.

(d) An order or decree shall be entered, with the Locality's consent or acquiescence, appointing a receiver or receivers of the Project or any part of it, or if such order or decree, having been entered without the Locality's consent or acquiescence, shall not be vacated or discharged or stayed on appeal within sixty days after its entry.

(e) Any proceeding shall be instituted, with the Locality's consent or acquiescence, for the purpose of effecting a composition between the Locality and its creditors or for the purpose of adjusting such creditors' claims under any federal or state statute now or hereafter enacted, if such claims are under any circumstances payable from the Revenues.

(f) Any bankruptcy, insolvency or other similar proceeding shall be instituted by or against the Locality under any federal or state bankruptcy or insolvency law now or hereinafter in effect and, if instituted against the Locality is not dismissed within sixty days after filing.

Section 10.2 **Remedies**. Upon the occurrence and continuation of an Event of Default, VRA may exercise one or more of the following remedies:

(a) by notice in writing delivered to the Locality declare all unpaid Rental Payments due and payable. Upon any such declaration, the Locality shall immediately pay to the Trustee all unpaid Rental Payments. VRA may in its discretion waive an Event of Default and its consequences and rescind any acceleration of payments hereunder; or

(b) Reenter and take possession of the Real Estate and the Project, with or without terminating this Agreement, exclude the Locality from possession and sell its leasehold interest in the Real Estate and the Project, or lease or sublease the Real Estate and the Project for the account of the Locality, holding the Locality liable for all Rental Payments and all other payments due up to the effective date of such selling, leasing or subleasing and for the difference between (i) the purchase price, rent or other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease and (ii) the Rental Payments and other amounts payable by the Locality hereunder; or

(c) Take whatever action at law or in equity may appear necessary or desirable to collect the Rental Payments then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Locality under this Agreement.

Section 10.3 **Other Remedies**. Upon the occurrence and continuation of an Event of Default, VRA may proceed to protect and enforce its rights by mandamus or other action, suit or proceeding at law on in equity for specific performance of any agreement contained in this Agreement. No remedy conferred by this Agreement is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to VRA under this Agreement or now or hereafter existing at law or in equity or by statute.

Section 10.4 **Delay and Waiver**. No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence in it, and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default under this Agreement shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent to it.

Section 10.5 **State Aid Intercept**. The Locality agrees that VRA may take any and all actions available to it under the laws of the Commonwealth of Virginia, including Section 62.1-216.1 of the Act, to secure payment of rental payments due hereunder, if payments shall not be made when the same shall become due and payable.

ARTICLE XI

MISCELLANEOUS

Section 11.1 **Successors and Assigns**. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 11.2 **Amendments**. VRA and the Locality shall have the right to amend from time to time any of this Agreement's terms and conditions, provided that all amendments shall be in a writing and shall be signed by or on behalf of VRA and the Locality.

Section 11.3 **[intentionally omitted]**.

Section 11.4 **Applicable Law**. This Agreement shall be governed by Virginia law.

Section 11.5 **Severability**. If any clause, provision or section of this Agreement shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or section shall not affect the remainder of this Agreement which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Agreement. If any agreement or obligation contained in this Agreement is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of VRA and the Locality, as the case may be, only to the extent permitted by law.

Section 11.6 **Notices**. Unless otherwise provided for herein, all demands, notices, approvals, consents, requests, opinions and other communications under this Agreement shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class registered or certified mail, postage prepaid, addressed (a) if to the Locality, 40 Culpeper Street, Warrenton, Virginia 20186, Attention: Assistant County Administrator; (b) if to VRA, at 707 East Main Street, Suite 1350, Richmond, Virginia 23219, Attention: Executive Director; or (c) if to the Trustee, at Corporate Trust Department (VA3279), 800 East Main Street, Lower Mezzanine, Richmond, Virginia 23219. A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given by any party named in this Section shall also be given to each of the other parties named. VRA, the Locality and the Trustee may designate, by notice given hereunder, any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

Section 11.7 **Right to Cure Default**. If the Locality shall fail to make any payment or to perform any act required by it under this Agreement, VRA or the Trustee, without prior notice to or demand upon the Locality and without waiving or releasing any obligation or default, may (but shall be under no obligation to) make such payment or perform such act. All amounts so paid by VRA or the Trustee and all costs, fees and expenses so incurred shall be payable by the Locality as an additional obligation under this Agreement, together with interest thereon at the rate of fifteen percent (15%) per year until paid.

Section 11.8 **Headings**. The headings of the several articles and sections of this Agreement are inserted for convenience only and do not comprise a part of this Agreement.

Section 11.9 **Term of Agreement**. This Agreement shall be effective upon its execution and delivery. Except as otherwise specified, the Locality's obligations under this Agreement shall expire upon payment in full of all amounts payable by the Locality under this Agreement.

Section 11.10 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

WITNESS the following signatures, all duly authorized.

VIRGINIA RESOURCES AUTHORITY

By:_____
Robert W. Lauterberg,
Executive Director

COUNTY OF FAUQUIER, VIRGINIA

By:_____
Chairman

The Trustee, by the execution hereof, accepts the duties imposed on it by this Agreement.

FIRST UNION NATIONAL BANK, as Trustee

By:_____

Its:_____

EXHIBIT A

LEASE PAYMENT SCHEDULE

EXHIBIT B-1

DESCRIPTION OF PROJECT

EXHIBIT B-2

DESCRIPTION OF REAL ESTATE

EXHIBIT C

PROJECT BUDGET

Sources

Loan Par Amount
Plus Premium
Plus Expected Earnings

Total Sources

Uses

VRA Issuance Costs
VRA Interest
Architectural/Engineering
Project Inspection
Legal and Administrative
Construction
Equipment
Contingency*

Total Uses

* Includes Earnings

EXHIBIT D

FORM OF REQUISITION

Requisition No.

Date:

First Union National Bank, as Trustee
Corporate Trust Department (VA3279)
800 East Main Street
Lower Mezzanine
Richmond, Virginia 23219

This Requisition is submitted in connection with the Financing Lease dated as of June 1, 2002 (the "Financing Lease") between the Virginia Resources Authority and the County of Fauquier, Virginia (the "Locality"). Unless otherwise defined in this Requisition, each capitalized term used herein shall have the meaning given it under Article I of the Financing Lease. The undersigned Local Representative hereby requests payment of the following amounts from the Local Account established for the Locality in the Series 2002A Acquisition Fund established under the Fifth Supplemental Series Indenture.

Payee:

Address:

Amount to be Paid:

Purpose (in reasonable detail) for which obligations(s) to be paid were incurred:

If requested, attached hereto is an invoice (or invoices) relating to the items for which payment is requested.

The undersigned certifies that (i) the amounts requested by this Requisition will be applied solely and exclusively to the payment, or the reimbursement of the Locality for its payment, of Project Costs of the construction portion of the Project, (ii) no notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable under the Requisition to any of the persons, firms or corporations named in it has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the Requisition, and (iii) this Requisition contains no items representing payment on account of any retained percentage entitled to be retained at this date.

If this Requisition includes payments for labor or to contractors, builders or materialmen, the attached Certificate of Consulting Engineer must be completed. If this Requisition includes payments for any lands or easements, rights or interest in or relating to lands, the attached Certificate of the Consulting Engineer must be completed and there must be attached to this Requisition a certificate signed by a Local Representative stating that upon payment therefor the Locality will have title in fee simple to, or easements, rights or interests sufficient for the purposes of the construction portion of the Project over or through such lands.

The Locality has agreed in the Financing Lease that any amounts it receives pursuant to this Requisition will be (i) immediately applied to reimburse the Locality for Project Costs it has already incurred and paid or (ii) actually spent to pay Project Costs not later than 5 banking days after receipt.

_____

Local Representative

CERTIFICATE OF CONSULTING ENGINEER

The undersigned Consulting Engineer for the Locality hereby certifies that (i) insofar as the amounts covered by this Requisition include payments for labor or to contractors, builders or materialmen, such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the Project, and (ii) insofar as the amounts covered by the Requisition include payments for land or easements, rights or interests in or relating to lands, such lands, easements, rights or interests are being acquired and are necessary or convenient for the construction of the construction portion of the Project.

Date: _____

_____

Consulting Engineer

EXHIBIT E

[INTENTIONALLY OMITTED]

EXHIBIT F

OPERATING DATA

Description of Locality. A description of the Locality including a summary description of the Project.

Debt. A description of the terms of the Locality's outstanding debt including a historical summary of outstanding debt and a summary of annual debt service on outstanding debt as of the end of the preceding fiscal year. The annual disclosure should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Locality and any unfunded pension liabilities.

Financial Information and Operating Data. Financial information and operating data respecting the Locality including a description of revenues and expenditures for its major funds and a summary of its tax policy, structure and collections as of the end of the preceding fiscal year.

EXHIBIT G

OPINION OF COUNSEL TO THE LOCALITY

SEE ATTACHED

EXHIBIT H

OPINION OF BOND COUNSEL TO THE LOCALITY

SEE ATTACHED

EXHIBIT I

APPLICATION OF PRINCIPAL, EARNINGS AND REBATE SUBACCOUNTS

The following is excerpted from the Fifth Supplemental Series Indenture of Trust dated as of June 1, 2002 (the "Fifth Supplemental Series Indenture"), between the Virginia Resources Authority ("VRA") and First Union National Bank, as trustee (the "Trustee").

Selected Definitions

"Available Construction Proceeds" shall have the meaning set forth in Section 148(f)(4)(C)(vi) of the Code.

"Bond Counsel" means McGuireWoods LLP or other counsel selected by VRA and satisfactory to the Trustee and nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions.

"Eighteen-Month Exception" means the exception from the Rebate Requirement provided under Treasury Regulations Section 1.148-7(d).

"Rebate Exceptions" means, collectively, the Small-Issuer Exception and the Spending Exceptions.

"Rebate Requirement" means, collectively, the requirements applicable to tax-exempt bonds under Section 148(f)(2) and (3) of the Code.

"Related Agreement" means the Financing Agreement dated as of June 1, 2002, between VRA and the Locality, or any other Financing Agreement or Financing Lease entered into by VRA in connection with the Series 2002A VRA Bonds.

"Related Local Bond" means the Local Bond or any other Local Bond purchased with the proceeds of the Series 2002A VRA Bonds.

"Series 2002A Closing Date" means June __, 2002.

"Six-Month Exception" means the exception from the Rebate Requirement provided under Section 148(f)(4)(B) of the Code.

"Small-Issuer Exception" means the exception from the Rebate Requirement provided under Section 148(f)(4)(D) of the Code.

"Spending Exceptions" means, collectively, the Six-Month Exception, the Eighteen-Month Exception and the Twenty-Four Month Exception.

"Twenty-Four Month Exception" means the exception from the Rebate Requirement provided under Section 148(f)(4)(C) of the Code.

Application of Subaccounts

(a) Purchase of Related Local Bonds. The deposit into each Principal Subaccount of the respective amounts described in Section 4.3 of the Fifth Supplemental Series Indenture shall be deemed the purchase of each of the Related Local Bonds.

(b) Disbursements and Transfers from Principal Subaccount. (1) Commencing on the Series 2002A Closing Date, each Related Locality may cause the Trustee to disburse amounts on deposit in the Principal Subaccount in accordance with Article IV of the Related Agreement.

(2) The Trustee shall transfer from each Principal Subaccount to the Related Earnings Subaccount all income and profits, if any, from the investment and reinvestment of amounts in the Principal Subaccount.

(c) Earnings Subaccount. (1) The Trustee shall notify the Related Locality and VRA when the balance to the credit of a Principal Subaccount shall have been reduced to zero ($0). The Related Locality may then withdraw from its Earnings Subaccount an amount not in excess of the balance therein if the Locality qualifies for any one of the Rebate Exceptions or if such withdrawal is necessary to qualify for one of the Spending Exceptions.

(A) In order to qualify for the Small-Issuer Exception, the Locality must deliver to the Trustee and VRA no later than the end of calendar year 2002 a letter from, or opinion of, nationally-recognized bond counsel to the Locality that the Related Local Bond will be treated as meeting the requirements of Section 148(f)(2) and (3) of the Code, pursuant to Section 148(f)(4)(D) of the Code.

(B) In order to determine if a Locality qualifies for either the Six-Month Exception or the Eighteen-Month Exception, VRA shall advise each Locality of the amount that has been disbursed from the Related Principal Subaccount and the Earnings Subaccount (i) six (6) months from the Series 2002A Closing Date, (ii) twelve (12) months from the Series 2002A Closing Date, and (iii) eighteen (18) months from the Series 2002A Closing Date.

(C) In order to determine if a Locality qualifies for the Two-Year Exception, VRA shall advise each Locality of the amount of the Available Construction Proceeds of the Local Bond (if any) that has been disbursed from the Related Principal Subaccount and the Earnings Subaccount (i) six (6) months from the Series 2002A Closing Date, (ii) twelve (12) months from Series 2002A Closing Date, (iii) eighteen (18) months from the Series 2002A Closing Date, and (iv) twenty-four (24) months from the Series 2002A Closing Date.

(2) If a Locality fails to qualify for one of the Spending Exceptions, or is otherwise subject to the Rebate Requirement, then prior to a withdrawal from its Earnings Subaccount and if so advised by VRA, the Locality shall promptly request from VRA an interim

computation or an estimate of such Locality's Rebate Requirement liability for purposes of determining what amount, if any, to the credit of the Earnings Subaccount may be subject to rebate. No disbursement shall be made from the Earnings Subaccount until the aforementioned calculation shall have been made. The amount in the Earnings Subaccount that may be subject to rebate shall be transferred to the Related Rebate Subaccount. Any remaining balance in the Earnings Subaccount may be disbursed to the Locality in accordance with Article IV of the Related Agreement.

(d) *Unexpended Proceeds*. If required under Article IV of each Related Agreement, a Locality will provide to VRA and the Trustee a certificate stating that certain amounts in the Related Principal and Earnings Subaccounts will not be necessary to pay Project Costs in accordance with the Related Agreement. Upon receipt of such certificate, the Locality will be required to undertake the rebate estimation or calculation described in subsection (c)(2) above and amounts estimated to be necessary to pay the Locality's Rebate Requirement will be transferred to the Related Rebate Subaccount. The Trustee shall then apply any remaining balance at the direction of the Locality in such manner as will not, in the opinion of Bond Counsel delivered to VRA and the Trustee, have an adverse effect on the tax-exempt status of either the Series 2002A VRA Bonds or the Related Local Bond.

(e) *Application of Rebate Subaccount*. The Trustee shall apply amounts in each Rebate Subaccount at the direction of VRA to satisfy VRA's and the Related Locality's Rebate Requirement liability under Section 148(f) of the Code with respect to the Series 2002A VRA Bonds and the Related Local Bond.

(f) *Agents*. VRA may fulfill any of its duties under this Section by or through investment managers, accountants, lawyers or other consultants retained by it.