

AMENDMENT TO FINANCING AGREEMENT

Between

VIRGINIA RESOURCES AUTHORITY,

**as Administrator of the
Virginia Water Facilities Revolving Fund**

AND

COUNTY OF ARLINGTON, VIRGINIA

**Virginia Resources Authority
Virginia Water Facilities Revolving Fund**

Loan No. C-515378-02 B

AMENDMENT TO FINANCING AGREEMENT

THIS AMENDMENT TO FINANCING AGREEMENT (this "Amendment") is made as of _____, 1 2013, between the **VIRGINIA RESOURCES AUTHORITY**, a public body corporate and a political subdivision of the Commonwealth of Virginia (the "Authority"), as Administrator of the **VIRGINIA WATER FACILITIES REVOLVING FUND**, and the **COUNTY OF ARLINGTON, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the "Borrower").

A. On June 21, 2007, the Borrower issued its Wastewater and Water System Revenue Bond, Series 2007B (the "Local Bond"), and sold the Local Bond to U.S. Bank National Association, as successor trustee (the "Trustee"), for the benefit of the Authority pursuant to a Financing Agreement dated as of June 1, 2007 (the "Financing Agreement"), between the Authority and the Borrower.

B. The Borrower and the Authority desire to amend the Financing Agreement as set forth herein.

C. The Authority and the Borrower, with the consent of the Department of Environmental Quality (the "Department"), hereby set forth certain amendments to the Financing Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the Authority and the Borrower, with the consent of the Department, covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The capitalized terms contained in this Amendment shall have the meanings set forth in the Financing Agreement except as defined in the recitals above or unless the context otherwise requires.

ARTICLE II

AMENDMENTS TO FINANCING AGREEMENT

Section 2.1 Amendments to Section 1.1 of the Financing Agreement.

(a) Section 1.1 of the Financing Agreement is amended by inserting the following after the definition of "Agreement":

"Allonge" means that certain Allonge to the Local Bond made by the Borrower in favor of the Trustee, on behalf of the Authority, and dated as of _____, 2013.

(b) Section 1.1 of the Financing Agreement is amended by deleting the definition of "Local Bond" and inserting the following therefor:

""Local Bond" means the bond in substantially the form attached to the Agreement as Exhibit A issued by the Borrower to the Trustee pursuant to the Agreement, as amended by the Allonge."

Section 2.2 Amendments to Section 6.1 of the Financing Agreement.

Section 6.1(a) of the Financing Agreement is amended to read as follows:

"(a) (i) The Local Bond shall be dated the date of its delivery to the Trustee. The Cost of Funds of the Local Bond shall be computed on the disbursed principal balance thereof from the date of each disbursement at the rate of three percent (3.00%) per annum from the date of each disbursement until September 1, 2013, and from that date to March 1, 2028, at the rate of two and seventy-seven one-hundredths percent (2.77%) per annum. The Cost of Funds of the Local Bond shall be allocated, until September 1, 2013, in accordance with the following: (i) two and eighty-one-hundredths percent (2.80%) per annum payable for the benefit of the Fund, and (ii) twenty one-hundredths percent (0.20%) per annum payable for the benefit of the Authority as an annual administrative fee. From and after September 1, 2013, the Cost of Funds of the Local Bond shall be allocated in accordance with the following: (x) two and fifty-seven one-hundredths percent (2.57%) per annum for the benefit of the Fund, and (y) twenty one-hundredths percent (0.20%) per annum payable for the benefit of the Authority as an annual administrative fee.

(ii) The Cost of Funds only on all amounts disbursed under the Local Bond shall be due and payable on September 1, 2007, March 1, 2008 and September 1, 2008. Commencing March 1, 2009, and continuing semi-annually thereafter on March 1 and September 1 in each year until September 1, 2013, principal and the Cost of Funds due under the Local Bond shall be payable in equal installments of \$2,588,151.87. Commencing on March 1, 2014, and continuing semi-annually thereafter on March 1 and September 1 in each year, principal and the Cost of Funds due under the Local Bond shall be payable in equal installments of \$[2,547,398.38], with a final installment of \$[2,547,398.28] due and payable on March 1, 2028, when, if not sooner paid, all amounts due hereunder and under the Local Bond shall be due and payable in full. Each installment shall be applied first to the payment of the Cost of Funds accrued and unpaid to the payment date and then to principal. If principal disbursements up to the maximum authorized amount of the Local Bond are not made, the principal amount due on the Local Bond shall not include such undisbursed amount. However, unless the Borrower and the Authority agree otherwise in writing, until

all amounts due hereunder and under the Local Bond shall have been paid in full, less than full disbursement of the maximum authorized amount of the Local Bond shall not postpone the due date of any semi-annual installment due on the Local Bond, or change the amount of such installment unless the principal amount due under the Local Bond is less than the amount of such installment."

Section 2.3 Amendment to Section 10.10 of the Financing Agreement.

Section 10.10 of the Financing Agreement is amended to read as follows:

"Section 10.10. Continuing Disclosure Obligations. (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 Borrower, means the following:

(i) the financial statements (consisting of at least a balance sheet and statement of revenues and expenses) of the System, or, if not available, the financial statements (consisting of at least a balance sheet and a statement of revenues and expenses) of the Borrower, 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 Borrower 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 G.

"Dissemination Agent" shall mean any person, reasonably acceptable to the Authority, whom the Borrower contracts in writing to perform its obligations as provided in subsection (b) of this Section.

"Leveraging Bonds" means the bonds and other evidences of indebtedness issued and sold by the Authority pursuant to the Virginia Resources Authority Act, Chapter 21, Title 62.1 of the Code of Virginia (1950), as amended, the Act, and any successor provisions of law, including without limitation the bonds and other evidences of indebtedness issued by the Authority under the Amended and Restated Master Indenture of Trust dated as of April 1, 2010, between the Authority and U.S. Bank National Association, as trustee, as supplemented and amended.

"Local Government" shall have the meaning set forth in Section 62.1-199 of the Code of Virginia of 1950, as amended.

"Local Obligations" shall mean any bonds, notes, debentures, interim certificates, bond, grant or revenue anticipation notes, leases or any other evidences of indebtedness of a Local Government evidencing a loan made by the Authority to a Local Government from the Fund or the proceeds of Leveraging Bonds.

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

"Material Local Government" shall mean a Local Government that satisfies a set of objective criteria established by the Authority at the time of sale of each series of Leveraging Bonds and based on the level of participation of each Local Government in the aggregate outstanding principal amount of all Local Obligations. For all Leveraging Bonds currently outstanding as of the date of this Agreement, a Material Local Government is any Local Government whose aggregate outstanding principal amount of Local Obligations represents twenty percent (20%) or more of the aggregate outstanding principal amount of all Local Obligations.

"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 Borrower shall Make Public or cause to be Made Public:

(1) Within 270 days after the end of the Borrower's Fiscal Year (commencing with the Fiscal Year in which the Closing Date occurs), Annual Financial Information for such Fiscal Year as of the end of which the Borrower constitutes a Material Local Government. 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 the SEC. If the document referred to is a final official statement within the meaning of the Rule, then it must be available from the Municipal Securities Rulemaking Board ("MSRB").

(2) In a timely manner, notice of any failure by the Borrower to Make Public or 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 to the Authority and to the MSRB for publication on its Electronic Municipal Market Access system ("EMMA").

(d) The Borrower shall also notify the Authority within five (5) business days of becoming aware of any of the following events that may from time to time occur with respect to the Local Bond:

- (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 reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations with respect to the tax status of the Local Bond, or other events affecting the tax status of the Local Bond;
- (7) modifications to rights of the holders of the Local Bond;
- (8) bond calls and tender offers;
- (9) defeasances of all or any portion of the Local Bond;
- (10) release, substitution, or sale of property securing repayment of the Local Bond;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Borrower^{*};

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower.

(13) the consummation of a merger, consolidation or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(14) appointment of a successor or additional trustee or the change in the name of a trustee.

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

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

(g) The Borrower may modify its continuing disclosure obligations in this Section without the consent of holders of the Leveraging Bonds provided that this Section as so modified complies with the Rule as it exists at the time of modification. The Borrower shall within a reasonable time thereafter send to the Authority and the MSRB through EMMA a description of such modification(s).

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

(2) Notwithstanding anything herein to the contrary, any failure of the Borrower to comply with any obligation regarding Annual Financial Information specified in this Section (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 (h)(1) of this Section.

(i) The Borrower 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 Borrower shall not incur any obligation to continue to provide, or to update, such additional information or data.

(j) The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation to Make Public the

Annual Financial Information, and may discharge any such Agent, with or without appointing a successor Dissemination Agent."

ARTICLE III

MISCELLANEOUS

Section 3.1 Successors and Assigns. This Amendment shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 3.2 Applicable Law. This Amendment shall be governed by the laws of the Commonwealth of Virginia.

Section 3.3 Ratification of Financing Agreement. All of the representations of the Borrower contained in Article II of the Financing Agreement are true and correct as of the date hereof. All terms of the Financing Agreement except as amended or modified by the terms of this Amendment are hereby reaffirmed, ratified and confirmed. This Amendment shall not be construed as and is not intended as a novation of the Local Bond.

Section 3.4 Severability. If any clause, provision or section of this Amendment 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 Amendment which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Amendment. If any agreement or obligation contained in this Amendment is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Authority and the Borrower, as the case may be, only to the extent permitted by law.

Section 3.5 Headings. The headings of the several articles and sections of this Amendment are inserted for convenience only and do not comprise a part of this Amendment.

Section 3.6 Term of Amendment. This Amendment shall be effective upon its execution and delivery, provided that the Local Bond previously or simultaneously has been executed and delivered. Except as otherwise specified, the Borrower's obligations under the Local Bond and this Amendment shall expire upon payment in full of the Local Bond and all other amounts payable by the Borrower under the Financing Agreement.

Section 3.7 Counterparts. This Amendment 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 INTENTIONALLY LEFT BLANK]

WITNESS the following signatures, all duly authorized.

**VIRGINIA RESOURCES AUTHORITY, as
Administrator of the Virginia Water Facilities
Revolving Fund**

By: _____
Suzanne S. Long, Executive Director

COUNTY OF ARLINGTON, VIRGINIA

By: _____
Title: County Manager

Pursuant to Section 12.2 of the Financing Agreement, the Department consents to the foregoing amendments to the Financing Agreement.

**DEPARTMENT OF ENVIRONMENTAL
QUALITY**

By: _____
Title: _____

The Trustee hereby acknowledges the aforementioned amendments to the Financing Agreement.

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

By: _____
Title: _____

ALLONGE DATED AS OF _____, 2013, ATTACHED TO
ARLINGTON COUNTY, VIRGINIA WASTEWATER AND
WATER SYSTEM REVENUE BOND, SERIES 2007B,
DATED JUNE 21, 2007,
PAYABLE TO U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE FOR VIRGINIA
RESOURCES AUTHORITY, AS ADMINSTRATOR OF THE VIRGINIA WATER
FACILITIES REVOLVING FUND

Pursuant to Resolution of the County Board of the County of Arlington, Virginia (the "Borrower"), adopted on [September 21, 2013]:

(a) The Cost of Funds on this Bond (R-1) is reduced from 3.00% per annum to 2.77% per annum beginning on September 1, 2013.

(b) The second paragraph of this Bond is hereby amended to read as follows:

"From June 21, 2007, until September 1, 2013, the outstanding principal balance of this Bond shall bear Cost of Funds at 3.00% per annum. From and after September 1, 2013, until payment of the entire principal amount, the outstanding principal balance of this Bond shall bear Cost of Funds at 2.77% per annum. Cost of Funds only on this Bond shall be due and payable on September 1, 2007, March 1, 2008 and September 1, 2008. Commencing March 1, 2009, and continuing semi-annually thereafter on March 1 and September 1 in each year through and including September 1, 2013, principal and Cost of Funds due on this Bond shall be payable in installments of \$2,588,151.87. Commencing on March 1, 2014, principal and Cost of Funds due on this Bond shall be payable in equal semi-annual installments of \$[2,547,398.38], with all such installments paid semi-annually on March 1 and September 1 in each year, with a final installment of \$2,547,398.28 due and payable on March 1, 2028, as shown on Schedule I attached hereto. Each installment shall be applied first to the Cost of Funds due and payable on this Bond and then to the principal."

IN WITNESS WHEREOF, the County Board of the County of Arlington, Virginia, has caused this Allonge to be signed by the manual signature of the County Manager, the seal of the Borrower to be affixed hereon and attested by the manual signature of the Clerk of the County Board, as of the date set forth above.

COUNTY OF ARLINGTON, VIRGINIA

By: _____
Barbara M. Donnellan
County Manager

[SEAL]

ATTEST:

Clerk, County Board

[Signature page to Allonge County of Arlington, Virginia
Wastewater and Water System Revenue Bond, Series 2007B]

Virginia Resources Authority, as Administrator of the Virginia Water Facilities Revolving Fund, and the Department of Environmental Quality hereby agree to the aforementioned amendments set forth in this Allonge.

APPROVED:

VIRGINIA RESOURCES AUTHORITY,
as Administrator for the Virginia Water
Facilities Revolving Fund

By _____

Title _____

DEPARTMENT OF ENVIRONMENTAL QUALITY

By _____

Title _____

U.S. Bank National Association, as Trustee, hereby acknowledges the aforementioned amendments set forth in this Allonge.

ACKNOWLEDGED:

U.S. BANK NATIONAL ASSOCIATION,
As Trustee

By _____

Title _____

[Signature page to Allonge County of Arlington, Virginia
Wastewater and Water System Revenue Bond, Series 2007B]