NEW ISSUE
BOOK-ENTRY ONLY

Ratings: Moody's: "[___]"
Standard & Poor's: "[___]"
Fitch: "[___]"
(See "Ratings" herein)

In the opinion of Bond Counsel, under current law [for bonds that are tax-exempt bonds] interest on the Series 2019 Bonds is not included in gross income for Federal income tax purposes, and is not an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations. Bond Counsel is of the further opinion that interest on the Series 2019 Bonds is excludable from gross income of the holders thereof for purposes of income taxation by the Commonwealth of Virginia. A holder may be subject to other tax consequences as described in the Section herein "TAX MATTERS."

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COUNTY OF SPOTSYLVANIA, VIRGINIA

WATER AND SEWER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2019[A][B (TAXABLE)]

Dated: Date of Delivery **Due: December 1, as shown on the inside cover**

This Official Statement has been prepared by the County of Spotsylvania, Virginia (the "County"), to provide information on its Water and Sewer System Revenue and Refunding Bonds, Series 2019[A][B (Taxable)] (the "Bonds"), the security therefor, the County and other relevant information. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series 2019 Bonds, a prospective investor should read this Official Statement in its entirety.

Security	The Series 2019 Bonds are limited obligations of the County, payable solely from net revenues derived from the County's water and sewer system and other funds pledged for their payment under the terms of the Agreement of Trust (as hereinafter defined). See "SECURITY FOR THE SERIES 2019 BONDS." The principal of and premium, if any, and interest on the Series 2019 Bonds do not constitute a debt of the Commonwealth of Virginia or any of its political subdivisions other than the County. Neither the Commonwealth of Virginia nor any political subdivision thereof, including the County, will be obligated to pay the principal of or premium, if any, or interest on the Series 2019 Bonds or other costs incident thereto except from the revenues pledged for such purposes. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof, including the County, is pledged to the payment of the principal of or premium, if any, or interest on the Series 2019 Bonds.
Issued Pursuant to	Agreement of Trust dated as of July 1, 1997 between the County and U.S. Bank National Association, as successor Trustee, as previously supplemented and amended and as further supplemented by a Ninth Supplemental Agreement of Trust dated as of November 1, 2019 (collectively, the "Agreement of Trust").
Purpose	Series 2019 Bond proceeds will be used to (a) finance a program of capital improvements to the County's water and sewer system, (b) refund in advance of its stated maturity date the County's Water and Sewer System Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bond")[insert other series of bonds to be refunded, if any (the "Refunded Bonds")], and (c) pay the costs issuing the Series 2019 Bonds.
Interest Payment Dates	June 1 and December 1, commencing December 1, 2019
Redemption	See inside cover
Denominations	$5,000 and integral multiples thereof
Sale Date and Time	10:45 A.M. Eastern Time, November __, 2019
Regular Record Date	The 15th day of the month preceding each interest payment date
Closing/Delivery Date	On or about November __, 2019
Registration	Book-entry only through the facilities of The Depository Trust Company, New York, New York
Trustee	U.S. Bank National Association (successor to SunTrust Bank), Richmond, Virginia
Bond Counsel	Haneberg Hurlbert PLC, Richmond, Virginia
Financial Advisor	PFM Financial Advisors, LLC, Arlington, Virginia

The Series 2019 Bonds are offered for delivery when, as and if issued, subject to the approving legal opinion of Haneberg Hurlbert PLC, Bond Counsel, as described herein. Certain legal matters will be passed upon for the County by the County Attorney, Karl R. Holsten, Esquire.

Dated: November __, 2019

* Preliminary, subject to change.

$________________*

COUNTY OF SPOTSYLVANIA, VIRGINIA

WATER AND SEWER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2019[A][B (TAXABLE)]

Maturity (December 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP No.
2020	$	%	%	%	
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					

* Preliminary, subject to change.

Optional Redemption.

Optional Redemption

Series 2019 Bonds maturing on or before December 1, 2029,* are not subject to redemption prior to maturity. Series 2019 Bonds maturing on or after December 1, 2030,* are subject to redemption prior to maturity at the option of the County on or after December 1, 2029,* in whole or in part (in any multiple of $5,000) at any time, upon payment of 100% of the principal amount of the Series 2019 Bonds to be redeemed plus interest accrued to the date fixed for redemption.

Mandatory Redemption.

The Series 2019 Bonds maturing on December 1, 20__,* are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date on December 1 in years and amounts, as follows:

Year	Amount*	Year	Amount*

* Preliminary, subject to change.

COUNTY OF SPOTSYLVANIA, VIRGINIA

COUNTY BOARD OF SUPERVISORS

Paul D. Trampe, Chair
Gary F. Skinner, Vice Chair
Greg Benton
Kevin Marshall
Timothy McLaughlin
David Ross
Chris Yakabouski

COUNTY OFFICIALS

Ed Petrovitch, *County Administrator*
Karl R. Holsten, *County Attorney*
Mark L. Cole, *Deputy County Administrator*
[INSERT AUTHORIZED FINANCE OFFICER]
Benjamin L. Loveday, P.E., *Director of Utilities and Public Works*
Larry K. Pritchett, *Treasurer*
Deborah F. Williams, *Commissioner of the Revenue*
Dr. S. Scott Baker, *School Superintendent*

BOND COUNSEL

HANEBERG HURLBERT PLC,
1111 East Main Street, Suite 2010
Richmond, Virginia 23219

FINANCIAL ADVISOR

PFM FINANCIAL ADVISORS, LLC
4350 North Fairfax Drive, Suite 580
Arlington, Virginia 23219

AUDITORS

CHERRY BEKAERT, LLP
1121 Heatherstone Drive
Fredericksburg, Virginia 22401

The Series 2019 Bonds will be exempt from registration under the Securities Act of 1933. As obligations of a political subdivision of the Commonwealth of Virginia, the Series 2019 Bonds will also be exempt from registration under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Series 2019 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Series 2019 Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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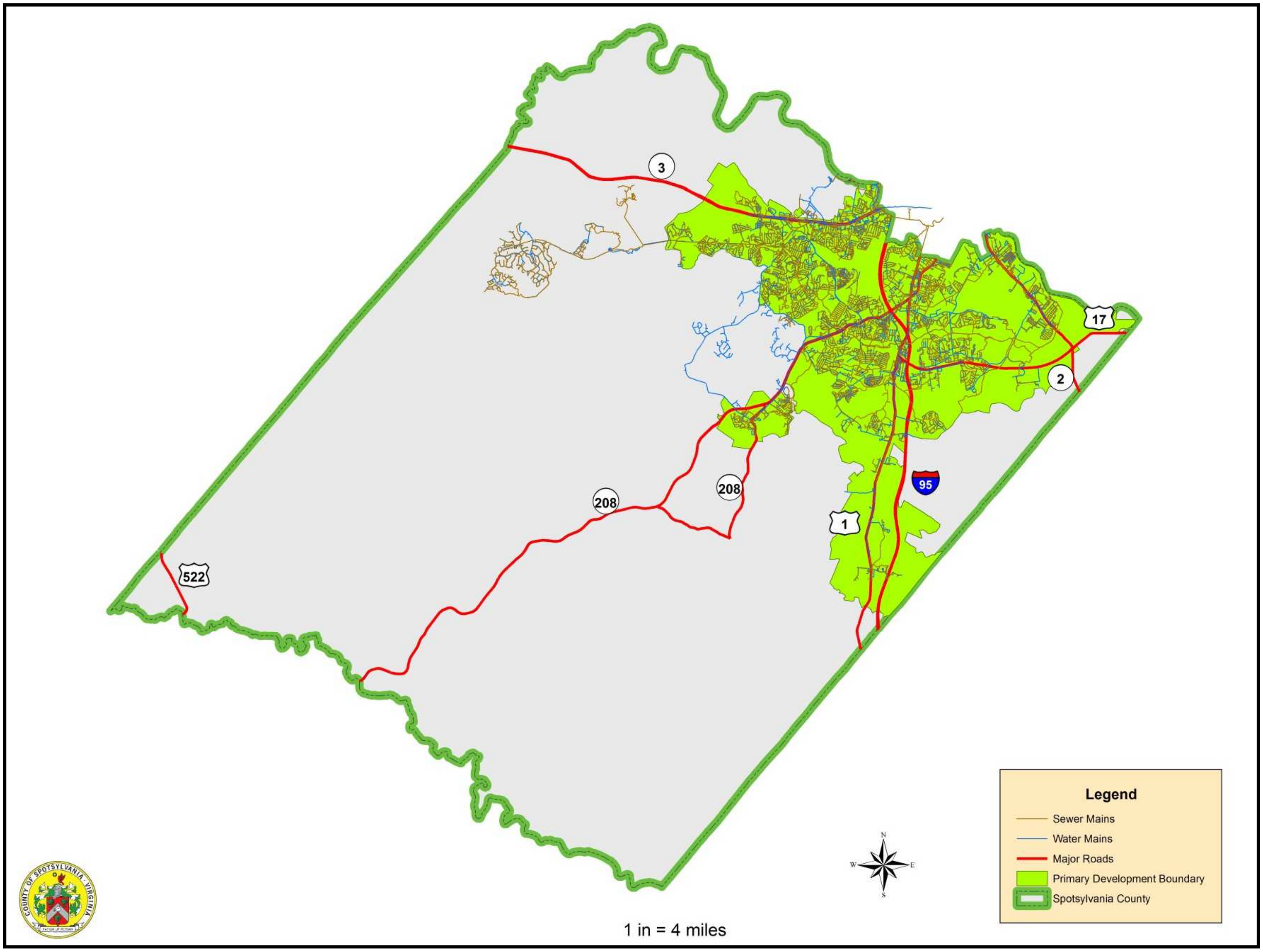
MAP OF COUNTY



OFFICIAL STATEMENT

$_________________*
COUNTY OF SPOTSYLVANIA, VIRGINIA
WATER AND SEWER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2019[A][B (TAXABLE)]

SECTION ONE: INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices hereto, is to furnish information in connection with the sale by the County of Spotsylvania, Virginia (the "County"), of its $_________________* Water and Sewer System Revenue and Refunding Bonds, Series 2019[A][B (Taxable)] (the "Bonds"). Financial and other information contained in this Official Statement has been prepared by the County from its records (except where other sources are noted). This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the County.

Certain capitalized terms used in this Official Statement are defined in Appendix A -- "Definitions of Certain Terms."

THE ISSUER

The issuer of the Series 2019 Bonds is the County of Spotsylvania, Virginia, located in the northeastern part of Virginia, 55 miles north of Richmond and 55 miles south of Washington, D.C. According to the U.S. Census Bureau, the County's estimated population in 2018 was 134,238.

THE SERIES 2019 BONDS

The Series 2019 Bonds will consist of $_________________* Water and Sewer System Revenue and Refunding Bonds, Series 2019, dated the date of their delivery and maturing on December 1 in the years and in the amounts set forth on the inside cover of this Official Statement. The Series 2019 Bonds will be issued in authorized denominations of $5,000 and multiples thereof and will be held by The Depository Trust Company, New York, New York ("DTC"), or by its nominee as securities depository with respect to the Series 2019 Bonds.

Interest on each series of the Series 2019 Bonds will be payable on June 1 and December 1, commencing December 1, 2019, until the earlier of their maturity or redemption. As long as the Series 2019 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date. If such interest payment date is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on the interest payment date and no additional interest shall accrue.

The Series 2019 Bonds will be limited obligations of the County payable solely from Net Revenues derived from the System and other funds pledged for their payment under the terms of an Agreement of Trust dated as of July 1, 1997, between the County and U.S. Bank National Association (successor to SunTrust Bank), Richmond, Virginia, as trustee (the "Trustee"), as previously supplemented and amended (the "Master Agreement of Trust"), and as further supplemented by a Ninth Supplemental Agreement of Trust dated as of November 1, 2019 (the "Ninth Supplemental Agreement" and with the Master Agreement of Trust, the "Agreement of Trust").

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* Preliminary, subject to change.

The pledge of Net Revenues securing the Series 2019 Bonds will be on a parity with the pledge of Net Revenues securing [(i) Water and Sewer System Revenue Bonds, consisting of Series 2010A (Tax-Exempt Revenue and Refunding Bonds) and Series 2010B (Taxable Direct Build America Bonds) (the "Series 2010 Bonds") in the aggregate outstanding principal amount of $45,970,000, (ii) Water and Sewer System Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bond"), in the outstanding principal amount of $17,138,000, and (iii) Water and Sewer System Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds"), in the outstanding principal amount of $45,865,000].

[The Series 2010 Bonds, the Series 2015 Bonds,] the Series 2019 Bonds and any Additional Bonds that may be issued from time to time are herein referred to as the "Bonds."

Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other subdivision of the Commonwealth of Virginia, including the County, are pledged to the payment of principal of or premium, if any, or interest on the Bonds.

In the Agreement of Trust, the County has covenanted to fix, charge, collect and revise its rates, fees and other charges for the use of and for the services furnished by the System in each Fiscal Year (abbreviated herein from time to time as "FY") so as to produce revenues sufficient to pay the cost of operation and maintenance of the System, the cost of necessary replacements and improvements to the System and debt service on the Bonds and on any other indebtedness of the County secured by such revenues, and to provide certain reserves for such indebtedness. A more complete description of the security for the Bonds, including the Series 2019 Bonds, is provided in Section Two.

USE OF PROCEEDS

Proceeds of the Series 2019 Bonds will be used to (a) finance a program of capital improvements to the County's water and sewer system (b) refund in advance of its stated maturity date the Series 2013 Bond [insert other series of bonds to be refunded, if any (the "Refunded Bonds")], and (c) pay the costs of issuing the Series 2019 Bonds.

See the section herein entitled "Plan of Financing" for a more complete description of the project and the refunding to be undertaken with proceeds of the Series 2019 Bonds.

OPTIONAL REDEMPTION

Series 2019 Bonds maturing on or before December 1, 2029,* are not subject to redemption prior to maturity. Series 2019 Bonds maturing on or after December 1, 2030,* are subject to redemption prior to maturity at the option of the County on or after December 1, 2029,* in whole or in part (in any multiple of $5,000) at any time, upon payment of 100% of the principal amount of the Series 2019 Bonds to be redeemed plus interest accrued to the date fixed for redemption.

MANDATORY REDEMPTION

The Series 2019 Bonds maturing on December 1, 20__* and December 1, 20__,* are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date on December 1 in years and amounts set forth in the subsection "Description of the Bonds – Mandatory Redemption" in Section Two.

* Preliminary, subject to change.

DELIVERY

The Series 2019 Bonds are offered for delivery, when, as and if issued, subject to the approval of validity by Haneberg Hurlbert PLC, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the County by the County Attorney, Karl R. Holsten, Esquire.

RATINGS

The Series 2019 Bonds have been rated as shown on the cover page hereto by Moody's Investors Service, 99 Church Street, New York, New York 10007 (“Moody's”), Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041 (“Standard & Poor's”), and Fitch Ratings, One State Street Plaza, New York, New York 10004 (“Fitch”). A more complete description of the ratings is provided in the subsection “Ratings” in Section Five.

FINANCIAL ADVISOR

PFM Financial Advisors, LLC, Arlington, Virginia (the “Financial Advisor”), serves as Financial Advisor to the County. The Financial Advisor has advised the County in matters relating to the planning, structuring and issuance of the Series 2019 Bonds and has assisted in the review of this Official Statement, but the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting municipal securities. A portion of the Financial Advisor’s fee for services rendered with respect to the sale of the Series 2019 Bonds is contingent upon the issuance and delivery of the Series 2019 Bonds.

CONTINUING DISCLOSURE

The County has agreed to execute a Continuing Disclosure Agreement at closing to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”) by providing annual financial information and material event notices required by the Rule. See the subsection “Continuing Disclosure” in Section Five and Appendix D.

ADDITIONAL INFORMATION

Any questions concerning the content of this Official Statement should be directed to Ed Petrovitch, County Administrator, 9104 Courthouse Road, Spotsylvania, Virginia 22553 (540-507-7010) or [Insert Authorized Finance Officer], Spotsylvania County, 8800 Courthouse Road, Spotsylvania, Virginia 22553 (540-507-7599) or the County's Financial Advisor, PFM Financial Advisors, LLC (703-741-0175).

SECTION TWO: THE SERIES 2019 BONDS

AUTHORIZATION OF THE SERIES 2019 BONDS

The issuance of the Series 2019 Bonds was authorized by a resolution adopted by the Board of Supervisors of the County (the "Board") on September 10, 2019. The Series 2019 Bonds are being issued pursuant to Article VII of the Constitution of the Commonwealth of Virginia, the provisions of the Public Finance Act of 1991 (Chapter 26 of Title 15.2 of the Code of Virginia, 1950, as amended) and the Agreement of Trust.

PLAN OF FINANCING

A portion of the proceeds of the Series 2019 Bonds will be used to (a) finance a program of capital improvements to the County's water and sewer system (b) refund in advance of its stated maturity date the Series 2013 Bond ") [insert other series of bonds to be refunded, if any (the "Refunded Bonds")], and (c) pay the costs of issuing the Series 2019 Bonds.

ESTIMATED SOURCES AND USES

The County's estimates of the sources and applications of funds of the Series 2019 Bonds are as follows:

Sources of Funds	**Series 2019 Bonds**
Par Amount of Bonds	$__________*
Net Original Issue Premium	__________
Transfer of Debt Service Reserve Account for Series 2013 Bond [other series of bonds to be refunded]	__________
[Issuer Equity	__________]
Total Sources	$__________
Uses of Funds	
Deposit to Cost of Issuance Account	$__________
Deposit to Project Fund	__________
Deposit to Trustee for Payment of Series 2013 Bond [other series of bonds to be refunded]	__________
Underwriters' Discount	__________
Total Uses	$__________

* Preliminary, subject to change.

DESCRIPTION OF THE SERIES 2019 BONDS

The Series 2019 Bonds will be issued in fully registered form in the denominations of $5,000 and integral multiples thereof and will be held by DTC or its nominee, as securities depository with respect to the Series 2019 Bonds. See the subsection herein “Book-Entry System.” Purchases of beneficial ownership interests in the Series 2019 Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of bond certificates. The Series 2019 Bonds will be dated the date of issuance, will bear interest at the rates per annum set forth on the inside cover page hereof, calculated on the basis of a 360-day year of twelve 30-day months, payable on December 1, 2019, and semi-annually on June 1 and December 1 of each year thereafter (each an “Interest Payment Date”), and will mature on December 1 in the years and in the principal amounts set forth on the inside cover page hereof.

As long as the Series 2019 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each Interest Payment Date. If the book-entry system is discontinued, bond certificates will be delivered as described in the Agreement of Trust, and Beneficial Owners (as defined below in the subsection “Book-Entry System”) will become registered owners of the Series 2019 Bonds (“Bondholders”). Interest on the Series 2019 Bonds shall be payable on each Interest Payment Date by check or draft mailed to the registered owner at his address at it appears on the registration books kept by the Trustee on the 15th day of the month preceding an Interest Payment Date. If such Interest Payment Date is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on the Interest Payment Date and no additional interest shall accrue.

Optional and Mandatory Redemption

Optional Redemption.

Series 2019 Bonds maturing on or before December 1, 2029,* are not subject to redemption prior to maturity. Series 2019 Bonds maturing on or after December 1, 2030,* are subject to redemption prior to maturity at the option of the County on or after December 1, 2029,* in whole or in part (in any multiple of $5,000) at any time, upon payment of 100% of the principal amount of the Series 2019 Bonds to be redeemed plus interest accrued to the date fixed for redemption.

Mandatory Redemption.

The Series 2019 Bonds maturing on December 1, 20__,* are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date on December 1 in years and amounts, as follows:

Year	Amount*	Year	Amount*

* Preliminary, subject to change.

Manner of Redemption

If less than all of the Series 2019 Bonds are called for redemption, the Series 2019 Bonds to be redeemed shall be selected by the County's chief financial officer in such a manner as is determined to be in the best interest of the County.

If less than all of the Series 2019 Bonds of a particular maturity are called for redemption, the Series 2019 Bonds to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, by the Trustee by lot in such manner as the Trustee in its discretion may determine. In either case, (a) the portion of any Bond to be redeemed shall be in the principal amount of $5,000 or some multiple thereof and (b) in selecting Series 2019 Bonds for redemption, each Bond shall be considered as representing that number of Series 2019 Bonds which is obtained by dividing the principal amount of such bond by $5,000.

If less than all of the Series 2019 Bonds of a particular maturity are called for redemption, the particular Series 2019 Bonds to be redeemed will be selected on a pro-rata basis. With respect to such Series 2019 Bonds called for redemption, "pro rata" is determined, in connection with any mandatory sinking fund redemption or any optional redemption in part, by multiplying the principal amount of such maturity to be redeemed on the applicable redemption date by a fraction, the numerator of which is equal to the principal amount of the Series 2019 Bond of such maturity owned by the registered owner, and the denominator of which is equal to the total amount of the Series 2019 Bonds of such maturity then outstanding immediately prior to such redemption date, and then rounding the product down to the next lower integral multiple of $5,000; provided that the portion of any Series 2019 Bonds to be redeemed are required to be in authorized denominations and all Series 2019 Bonds of a maturity to remain outstanding following any redemption are required to be in authorized denominations. Notwithstanding the foregoing, if the Series 2019 Bonds are in book-entry form at the time of such redemption, the County will instruct DTC to instruct the DTC participants to select the specific Series 2019 Bonds for redemption by lot within maturities among Bondholders, and the County shall not have any responsibility to ensure that DTC or the DTC participants properly select such Series 2019 Bonds for redemption. The provisions of this paragraph differ from the redemption provisions described below in the "Book-Entry System."

Notice of Redemption

The Trustee will give written notice of the call for redemption, identifying the Series 2019 Bonds or portions thereof to be redeemed, to be sent by facsimile or electronic transmission, registered or certified mail or overnight delivery not less than 30 nor more than 60 days prior to the redemption date, to DTC or its nominee as the registered owner thereof. The County shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Series 2019 Bonds. If no qualified securities depository is the registered owner of the Series 2019 Bonds, notice of redemption shall be mailed to the registered owners of the Series 2019 Bonds.

At the direction of the County, the Trustee may give a notice of redemption prior to a deposit of redemption moneys if such notice states that the redemption is to be funded with the proceeds of a refunding bond issue and is conditioned on the deposit of such proceeds. Provided that moneys are deposited on or before the redemption date, such notice shall be effective when given. If such proceeds are not available on the redemption date, such Series 2019 Bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the Series 2019 Bonds called for redemption at the place or places of payment, such Series 2019 Bonds shall be paid and redeemed.

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants (as hereinafter defined) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

During the period that DTC or the DTC nominee is the registered holder of the Bonds, the County will not be responsible for mailing notices of redemption to the beneficial owners of the Bonds. See the subsection "Book-Entry System" below.

Book-Entry System

The information in this subsection concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

Neither the County nor the Paying Agent has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Bond Resolution.

The County may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series 2019 Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal to accept delivery of and payment of the purchase price for the Series 2019 Bonds. All expenses in connection with the assignment and printing of CUSIP numbers shall be paid by the County.

SECURITY FOR THE SERIES 2019 BONDS

General

The Bonds (consisting of the Series 2019 Bonds, [the Series 2015 Bonds, the Series 2010 Bonds,] and any Additional Bonds) will be equally and ratably secured by the Agreement of Trust. The Series 2019 Bonds will be limited obligations of the County payable (except to the extent payable from the proceeds of the Series 2019 Bonds or the income, if any derived from the investment thereof) solely from Net Revenues derived from the ownership or operation of the System, certain reserves, income from investments and proceeds of insurance.

Under the Agreement of Trust, the County pledges to the Trustee for the payment of the principal of and interest on the Bonds the Net Revenues derived from the operation of the System and all amounts held under the Agreement of Trust in the Revenue Fund (except the Operating Account), the Bond Fund, the Debt Service Reserve Fund (provided that each Series Debt Service Reserve Account secures only its related Series of Bonds) and the Surplus Fund, subject only to the County's right to make application of such Net Revenues to other purposes, including application to the payment of any Parity Debt, as set forth in the Agreement of Trust.

The Agreement of Trust does not convey or mortgage the System. The County has covenanted not to lease, sell, encumber or otherwise dispose of any part of the System except in the limited circumstances provided in the Agreement of Trust. See "Particular Covenants" in Appendix B.

THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND THE INTEREST ON THE BONDS WILL NOT BE DEEMED TO CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA OR ANY OTHER POLITICAL SUBDIVISION, INCLUDING THE COUNTY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY COUNTY, CITY, TOWN OR OTHER SUBDIVISION OF THE COMMONWEALTH, INCLUDING THE COUNTY, ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

Rate Covenant

The Agreement of Trust requires that the County fix, charge, collect and revise the rates, fees and other charges for the use of and for the services furnished by the System, so that in each Fiscal Year the County will be able to meet each of the following two independent requirements (the "Rate Covenant"):

(a) Revenues will be sufficient to pay the aggregate sum of: Operating Expenses, the amount required to be deposited in the Bond Fund in such Fiscal Year, the amount required to be deposited in the Parity Debt Fund in such Fiscal Year, the amount required to be deposited in the Subordinate Debt Fund in such Fiscal Year, and any amount necessary to be deposited in any Series Debt Service Reserve Account to restore the amount on deposit therein to the amount of the related Series Debt Service Reserve Requirement.

(b) Net Revenues will be sufficient to equal the sum of (1) 115% of the Annual Debt Service with respect to Senior Debt for such Fiscal Year and (2) 100% of Annual Debt Service with respect to Subordinate Debt for such Fiscal Year.

The Series 2019 Bonds, [the Series 2015 Bonds, the Series 2010 Bonds,] and any Additional Bonds will all constitute "Senior Debt." Currently, there is no "Subordinate Debt" outstanding. See Appendix B for definitions of "Annual Debt Service," "Senior Debt" and "Subordinate Debt."

Debt Service Reserve Fund

The Agreement of Trust requires the County to maintain a Debt Service Reserve Fund for each Series Debt Service Reserve Account created for any series of the Bonds, each of which shall be established in the Debt Service Reserve Fund and funded, if required, in an amount (the "Series Debt Service Reserve Requirement") equal to the maximum principal and interest due on such series of the Bonds in the current or any future Fiscal Year. There will be no Series Debt Service Reserve Requirement for the Series 2019 Bonds.

BONDHOLDERS' REMEDIES IN THE EVENT OF DEFAULT

In the case of an Event of Default under the Agreement of Trust (see "Events of Default and Remedies on Default" in Appendix B), the Trustee may, and if requested by the registered owners of not less than 25% in aggregate principal amount of Bonds, including the Series 2019 Bonds and any additional Series of Bonds then outstanding, upon indemnification by the Bondholders as provided in the Agreement of Trust shall, proceed to protect and enforce its rights and the rights of the registered owners of the Bonds by declaring the entire unpaid principal of and interest on the Bonds due and payable or by instituting a mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any agreement contained in the Agreement of Trust. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") permits a municipality such as the County, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is "specifically authorized, in its capacity as a municipality or by name, to be a debtor...." Bankruptcy Code, § 109(c)(2). Current Virginia statutes do not expressly authorize the County or municipalities generally to file for bankruptcy under Chapter 9, although it is unclear if the lack of express authorization under state law would be a successful defense to a claim that federal bankruptcy law preempts any Commonwealth of Virginia limitation on the exercise by the County of rights under the Bankruptcy Code. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the County.

Bankruptcy proceedings by the County could have adverse effects on registered owners of the Bonds, including, (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the County after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the registered owners of the Bonds, such creditors will have the benefit of their original claims or the "indubitable equivalent" thereof, although such plan may not provide for payment of the Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

ADDITIONAL SERIES OF BONDS

As set forth in the Agreement of Trust, the County may issue, subject to certain restrictions, one or more Series of Additional Bonds or Parity Debt, equally and ratably secured with the Series 2010 Bonds, the Series 2015 Bonds and the Series 2019 Bonds, (a) to pay the cost of acquiring, constructing, improving, extending, expanding or equipping the System, (b) to pay the cost of planning or investigating the feasibility of acquiring, constructing, improving, extending, expanding or equipping the System, (c) to refund any Series of Bonds or other County obligations secured by or payable from Net Revenues or (d) any combination thereof. In addition, the County may at any time issue one or more series of bonds having a lien on Net Revenues of the System that are subordinate to the lien securing the Bonds, so long as the County remains in compliance with the Rate Covenant under the Agreement of Trust. See "Issuance of Additional Bonds" in Appendix B.

In the case of a Series of Bonds or Parity Debt issued to pay the cost of acquiring, constructing, improving, extending, expanding or equipping the System, the Series of Bonds or Parity Debt may be issued only upon receipt by the Trustee of various certificates and opinions, including the following:

(a) if (1) the original principal amount of such Series of Bonds or Parity Debt exceeds $10,000,000 and (2) the Project does not consist solely of a purchase of water and/or wastewater capacity or construction bids have not already been obtained in connection with a Project, a written statement of a Consulting Engineer setting forth such Consulting Engineer's (i) estimate of the Cost of such Project (including all financing and related costs) and the date on which such Project will be completed and (ii) opinion that the proceeds of such Series of Bonds or Parity Debt, together with any other moneys available for such purpose, will be sufficient to pay the Cost of such Project; provided, however, that if the Consulting Engineer is not an Independent Consulting Engineer such statement shall be reviewed and approved by an Independent Consulting Engineer; and

(b) either (1) a certificate of a Qualified Independent Consultant stating that based on the County's financial records for any 12 consecutive months of the last 24 months (the "Test Period") prior to the issuance of such Series of Bonds or Parity Debt the County would have been able to meet the Rate Covenant, taking into account (i) the maximum Annual Debt Service on the proposed Series of Bonds or Parity Debt in the current or any future Fiscal Year and (ii) the rates, fees and other charges which are in effect and any future changes therein as have been approved by the Board at the time of the delivery of the proposed additional Series of Bonds or Parity Debt or (2) a written statement of a Qualified Independent Consultant which projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the Project and which demonstrates that, on the basis of such projection, the County can comply with the Rate Covenant, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the proposed Series of Bonds or Parity Debt and any future changes therein as has been approved by the Board at the time of the delivery of the proposed additional Series of Bonds or Parity Debt; provided, however, that a Qualified Independent Consultant may not take into account for the purposes of such projection Connection Fees which exceed in any year the actual average number of customers paying Connection Fees during the three prior Fiscal Years times the amount of each Connection Fee expected to be assessed.

In the case of a Series of Bonds or Parity Debt issued to refund outstanding Bonds, the Series of Bonds or Parity Debt may be issued only upon receipt by the Trustee of various certificates and opinions, including the following:

(1) A written determination by a Qualified Independent Consultant or other evidence satisfactory to the Trustee that the proceeds (excluding accrued interest) of such Bonds, together with any other moneys deposited with the Trustee for such purpose and the investment income to be earned on moneys held for the payment or redemption of the Indebtedness to be refunded, will be sufficient (without reinvestment) to pay either (A) the principal of and the premium, if any, on the Indebtedness to be refunded and the interest which will accrue on such Indebtedness to the respective redemption or maturity dates or (B) the principal and interest on the refunding Bonds to a date certain, at which time such proceeds, moneys and earnings will be sufficient to pay the principal of and the premium, if any, on the Indebtedness to be refunded and the interest which will accrue on such Indebtedness to the respective redemption or maturity dates; and

(2) Either (A) a written determination by a Qualified Independent Consultant or other evidence satisfactory to the Trustee that after the issuance of such Bonds and the provision for payment or redemption of all Indebtedness to be refunded, the Annual Debt Service requirements for each Fiscal Year in which there will be Outstanding Bonds of any Series not to be refunded will be not more than what the Annual Debt Service requirements for such Fiscal Year would have been on all Bonds Outstanding immediately prior to the issuance of such Bonds, including the Indebtedness to be refunded, and that the final maturity of any Series of Bonds being refunded has not been extended or (B) a certificate as described in paragraph (b) above.

See "Issuance of Additional Bonds" in Appendix B.

SECTION THREE: THE SYSTEM

GENERAL

Prior to 1971, water and sewer services for the County were provided through a service authority, a sanitary district and the City of Fredericksburg. In 1975, the County established a Department of Utilities as an enterprise fund and took over the assets of the service authority and the sanitary district. The Department became financially self-supporting in 1981. The Department is managed by the Director of Utilities and Public Works, who reports to the County Administrator, with ultimate authority resting with the Board. The Department has a staff of approximately 125 employees, who are responsible for operating and maintaining the System. The System currently provides service to over 31,000 residential and non-residential connections located primarily in the northern sections of the County. The County's waterworks also provides the City of Fredericksburg, Virginia with water and up to 1.5 million gallons per day ("MGD") of wastewater treatment.

The System currently serves three general service areas:

Primary Service Area. This service area incorporates the Massaponax Creek, Hazel Run, and Deep Run watersheds, where the majority of water and sewer facilities are located.

Secondary Service Area. This service area incorporates the Lower Ni and Lower Po River watersheds, with moderate water service provided to this area, primarily to the Courthouse and Thornburg communities. Moderate sewer facilities are located here consisting of small collection/treatment facilities located only in the Courthouse and Thornburg areas.

Resource Protection Area. The remainder of the service area, which drains to existing and future water supply sources. Water service in this area is limited to those in the Golin Run and Motts Run watersheds, as well as the Fawn Lake area. Sewer facilities located in this area are limited to pump station/force main systems in the Golin Run, Motts Run and Fawn Lake areas.

The water system consists of raw water supplies (including the Motts Run Reservoir, the Ni River Reservoir, the Hunting Run Reservoir, and the Rappahannock River), two water treatment plants (each a "WTP") (consisting of the Ni River WTP and the Motts Run WTP), approximately 563 miles of transmission and distribution mains and eight finished water storage tanks. The sewer system consists of three wastewater treatment plants (each a "WWTP") and approximately 553 miles of sewer mains, transmission, collection and pumping facilities.

WATER SYSTEM

As of December 1, 2018, the County provided water service to 29,379 residential customers, representing approximately 57% of the County's population, and to 1,991 non-residential customers. Since March 2000, the County also has supplied water to the City of Fredericksburg. See "Agreement with City of Fredericksburg," below. Potable water demands of its customers are met through production from the County's Ni River Reservoir, the jointly-owned (by the City of Fredericksburg and the County) Motts Run Reservoir and the Rappahannock River.

There are currently two County-owned WTPs. The Motts Run WTP is located at the Motts Run Reservoir and has a current capacity of 15.0 MGD and averages 8.95 MGD. The Ni River WTP is located at the Ni River Reservoir and has a current capacity of 6.0 MGD and averages 1.2 MGD. The Ni plant is limited by permit to the 5.05 MGD yield from the reservoir.

The water transmission and distribution system currently serves most of the Primary Service Area, the Courthouse and Thornburg communities in the Secondary Service Area and a few areas in the Resource Protection Area. This system is comprised of approximately 563 miles of polyvinyl chloride, cast iron, and ductile iron pipe, ranging in size from 6 to 36 inches. Water is supplied to the County's distribution system in five separate pressure zones from elevated and ground storage tanks ranging in size from 100,000 to 2,000,000 gallons.

In accordance with the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, the Utilities Department performed a vulnerability assessment. The Department has made and is continuing to implement recommendations contained in the vulnerability assessment.

Annual water use for the last five Fiscal Years is summarized in the table below, which shows average daily demand and maximum daily demand, measured in MGD increments.

WATER USE (MGD)

Fiscal Year	Average Daily Demand	Maximum Daily Demand
2014	9.96	13.00
2015	9.67	13.03
2016	10.12	13.00
2017	10.10	13.20
2018	10.20	14.40

SEWER SYSTEM

Sewer services in the County range from comprehensive systems in the Primary Service Area to local collection and treatment facilities in the Massaponax and Thornburg areas. As of December 31, 2018, service was provided to 28,505 residential and 1,744 non-residential customers. There are a total of three WWTPs within the System, with two serving the majority of the Primary Service Area and one serving the Thornburg area.

The largest treatment plant is the Massaponax WWTP, with a capacity of 9.4 MGD with a daily average treated flow of approximately 7.5 MGD. Another major wastewater treatment plant, known as the FMC WWTP, is located in the Deep Run watershed. This plant was purchased by the County in the early 1980s, modified to accept domestic sewage and has a current plant capacity of 4.0 MGD, with the City of Fredericksburg having a reserved capacity of 1.5 MGD, and a daily average treated flow of approximately 2.1 MGD. The Thornburg WWTP serves a small area near the I-95/Route 606 interchange. This plant has a capacity of 0.345 MGD and cannot be expanded. In fiscal year 2018, the Thornburg WWTP treated an average of 0.075 MGD.

The sewer transmission, collection and pump station system is comprised of approximately 553 miles of gravity sewer lines. The System includes 47wastewater pumping stations.

AGREEMENT WITH CITY OF FREDERICKSBURG

The County and the City of Fredericksburg have entered into two utility agreements. In the 1995 Agreement, the City granted to the County a one-half ownership interest in approximately 23 acres of Motts Run Reservoir, on which the County has constructed the Motts Run WTP to serve both the County and the City. In return, the County has agreed to reserve certain permanent capacity rights in the Motts Run WTP for the City.

Pursuant to the 1997 Agreement, the City agreed to abandon the Arthur L. Cossey Water Treatment Plant when the County's new Motts Run WTP was completed, to purchase all of its water from the County and granted the County a one-half ownership interest in the 224-acre Motts Run Reservoir for use as a raw water supply. In return, the County agreed to reserve additional permanent capacity rights in its water system for the City. The Arthur L. Cossey Water Treatment Plant is now closed, and the City purchases all of its water needs from the County.

There are no other wholesale customers of water from the System.

OPERATIONS AND MAINTENANCE PROCEDURES

Water Treatment. The Ni River WTP produces drinking water with quality conforming to the requirements of its Virginia Department of Health ("VDH") permit and the federal Safe Drinking Water Act for surface water supplies. Processes utilized include conventional coagulation, clarification, sand/carbon filtration, fluoridation and disinfection with chloramines. The reliability of the source, the 750 million gallon capacity Ni Reservoir, is controlled by a reservoir management program, County ownership of a buffer easement surrounding the shoreline and a reservoir sampling and monitoring program meeting or exceeding VDH standards.

The Motts Run WTP also produces drinking water with quality conforming to Virginia and federal drinking water standards. Processes utilized include coagulation, ballasted flocculation, clarification, sand/carbon filtration, fluoridation and disinfection with chloramines. Reliability of the three sources, Hunting Run, Motts Run Reservoir and the Rappahannock River, is controlled by reservoir and river protection management programs by the County and the City of Fredericksburg.

After meeting all process requirements, but before it is distributed, the water from each WTP is tested according to state and federal standards. The County carries out an annual flushing and sampling program each spring to insure that distribution piping dead-ends are cleaned periodically and that piping is not conducive to post-disinfection bacterial growth.

The WTPs are managed by a Manager of Water Treatment and staffed with over 20 full-time employees. This includes two Chief Operators, eight Lead Shift Operators and 11 Plant Operators (Class I, II and III). The County ensures that all operators obtain the highest license possible through experience, training programs, and career advancement ladders. These efforts are in place to ensure proper management succession for seamless and efficient ongoing plant operations.

Wastewater Treatment. All three of the County's wastewater treatment facilities provide a combination of secondary and tertiary treatment in order to comply with the strict discharge requirements associated with the Chesapeake Bay. Analytical testing of the discharge, to assure that water is discharged in conformance with Virginia Pollutant Discharge Elimination System (VPDES) permit requirements, is conducted in the County's central laboratory. The laboratory is staffed by three full-time technicians who conduct daily analyses for conventional pollutants.

When fully staffed, the wastewater treatment division consists of 29 full-time employees. The division is managed by a Manager of Wastewater Treatment who holds a Class I license. At the present time, there are a total of 11 Class I operators, two Class II operators, and seven Class III operators. Additionally, seven operators are pursing Class III licenses. The composting operation is also directed by the waste water division. This includes a manager and three operators. Requirements for acquiring wastewater operators' licenses are similar to those required for water plant operators.

SYSTEM OPERATING DATA

Water and Sewer Rates

The current monthly water and sewer rates, and administrative fees, as well as the rates and fees adopted through fiscal year 2020 are as set forth below. All of these rates have been established by ordinances approved by the Board. The next three-year cycle of rates is planned for consideration by the Board in the Spring of 2020.

WATER

	Effective July 1, 2017	Effective July 1, 2018	Effective July 1, 2019
ALL RESIDENTIAL			
CHARGE/1000 GAL. 1-2,000 GAL	$1.22	$1.22	$1.23
CHARGE/1000 GAL. 2,001-7,500 GAL	$6.32	$6.51	$6.71
CHARGE/1000 GAL. 7,501-10,000 GAL	$8.32	$8.57	$8.83
CHARGE/1000 GAL. 10,000 GAL +	$10.31	$10.62	$10.94
COMMERCIAL**			
CHARGE/1000 GAL. 1-2,000 GAL	$1.22	$1.22	$1.23
CHARGE/1000 GAL. 2,001-7,500 GAL	$6.32	$6.51	$6.71
CHARGE/1000 GAL. 7,501-10,000 GAL	$8.32	$8.57	$8.83
CHARGE/1000 GAL. 10,000 GAL +	$10.31	$10.62	$10.94

**Commercial rates are applied on a graduated basis, with the cutoffs for each level of use established by the size of the pipe delivering water to the commercial user. The cutoffs for incremental rates for commercial water usage in excess of 2,000 gallons range from between 7,500 – 10,000 gallons for the smaller commercial users with 5/8 inch pipe (shown in the table above), to between 57,000 – 150,000 gallons for larger commercial users with 6 or 8 inch pipe.

RESIDENTIAL IRRIGATION			
CHARGE/1000 GAL. 1-2,000 GAL	$4.09	$4.09	$4.13
CHARGE/1000 GAL. 2,001-7,500 GAL	$20.48	$21.10	$21.73
CHARGE/1000 GAL. 7,501-8,500 GAL	$26.45	$27.24	$28.06
CHARGE/1000 GAL. 8,500 GAL +	$32.83	$33.82	$34.83
NONRESIDENTIAL IRRIGATION**			
CHARGE/1000 GAL. 1-2,000 GAL	$2.23	$2.23	$2.25
CHARGE/1000 GAL. 2,001-7,500 GAL	$9.19	$9.47	$9.75
CHARGE/1000 GAL. 7,501-8,500 GAL	$10.49	$10.80	$11.12
CHARGE/1000 GAL. 8,500 GAL +	$12.85	$13.24	$13.63

**Nonresidential irrigation rates are applied on a graduated basis, with the cutoffs for each level of use established by the size of the pipe delivering water to the nonresidential user. The cutoffs for incremental rates for nonresidential irrigation water usage range from between 2,000 – 8,500 gallons for the smaller nonresidential users with 5/8 or 5/8x3/4 inch pipe (shown in the table above), to between 20,000 – 23,500 gallons for larger nonresidential with 2 inch pipe. The 1-2,000 gallon price reflected in this table is not available for larger nonresidential irrigation users with 3/4 inch or larger pipe. Such users are charged the next highest rate for each gallon used, up to the applicable incremental cutoff for the next highest price.

DEBT SERVICE CHARGE – WATER			
MONTHLY FEE PER RESIDENTIAL METER EQUIV. UNIT	$6.13	$6.36	$6.59

SEWER

	Effective July 1, 2017	Effective July 1, 2018	Effective July 1, 2019
ALL RESIDENTIAL SERVICES			
CHARGE/ 1000 GAL. 1-2,000 GAL	$2.33	$2.33	$2.35
CHARGE/ 1000 GAL. 2,001-7,500 GAL	$5.40	$5.56	$5.72
CHARGE/ 1000 GAL. 7,501 GAL +	$5.78	$5.96	$6.14
DEBT SERVICE CHARGE – SEWER			
MONTHLY FEE PER RESIDENTIAL METER EQUIV. UNIT	$6.13	$6.36	$6.59

SYSTEM ADMINISTRATIVE FEE

Each bill for sewer only, water only, irrigation or water and sewer service will include an administrative fee as set forth on the following table.

	Effective July 1, 2017	Effective July 1, 2018	Effective July 1, 2019
BILLING FEE			
MONTHLY FIXED FEE	$5.63	$6.03	$6.53

Source: Director of Utilities and Public Works, Spotsylvania County.

Water and Sewer Service Availability, Connection and Meter Fees

Availability fees become due upon the introduction of a new meter or new or altered service for any residential or non-residential property or irrigation system. Connection fees become due upon connection to an existing service line or extending a service line. Meter fees become due upon installation of a water meter.

The water and sewer service availability, connection and meter fees, all of which were effective July 1, 2019, are as follows:

WATER AVAILABILITY FEES

Meter Size (inches)	Residential	Nonresidential Domestic & Process Water Server	Irrigation Water Service
5/8 or 5/8 x 3/4	$ 4,920	$ 4,920	$ 4,920
3/4	5,800	5,800	9,840
1	8,660	8,660	19,700
1 1/2	14,370	14,370	49,230
2	18,410	18,410	73,860
3	N/A	29,540	N/A
4	N/A	39,400	N/A
6	N/A	70,050	N/A
Greater than 6	N/A	Determined by County Administrator	N/A

WATER CONNECTION AND METER FEES

Meter Size (inches)	Connection Fee	Meter Fee
5/8 or 5/8 x 3/4	$1,290	$330
3/4	1,540	350
1	1,900	370
1 1/2	2,610	460
2	2,970	620
Greater than 2" and compound meters	125% of actual costs	125% of actual costs

SEWER AVAILABILITY FEES

Meter Size (inches)	Residential	Nonresidential Domestic and Process Water Server
5/8 or 5/8 x 3/4	$ 4,920	$ 4,920
¾	5,730	5,730
1	7,680	7,680
1 ½	13,010	13,010
2	14,960	14,960
3	N/A	22,990
4	N/A	30,190
6	N/A	51,830
8	N/A	73,530
Greater than 8	N/A	Determined by County Administrator

SEWER CONNECTION FEES

Nominal Lateral Size (inches)	Sewer Connection Fee
4	$2,220
6	2,525
Greater than 6"	125% of actual costs

Billing and Collection Procedures

Billing for water and sewer customers is done on a monthly basis. Meters are read using electronic meter reading devices. Bills are due upon receipt with a grace period of 25 days after the bill date. If payment is not received within the 25-day period, a penalty of 10% is applied to the account. If payment is not received within 25 days of the second bill date, service is disconnected. A $25 reconnection fee is assessed, which must be paid in addition to the delinquent bill before service is restored. Approximately 0.93% of customers are disconnected for nonpayment each month. During Fiscal Year 2018, total collections were 98% of total billings.

Largest Accounts

The following table lists the ten largest accounts (other than the City of Fredericksburg) of the System during the Fiscal Year ended June 30, 2018:

Customer	Type of Business	Fiscal Year 2018 Billing	% of Total System Operating Revenue
Horning Brothers*	Apartment Building	$233,626	0.82%
Greens of Salem Run	Apartment Building	205,570	.72
Mid America Apartments LP	Apartment Building	180,511	0.54
Spotsylvania Regional Hospital	Hospital	180,163	0.54
Salem Run Apartments LP	Apartment Building	173,689	0.52
Breezewood Apt Assoc LP	Apartment Building	159,814	0.48
HH Hunt / Abberly Southpoint	Apartment Building	89,083	0.27
Kilburn Crossing 220 LLC	Apartment Building	88,822	0.27
Trio Healthcare LLC	Healthcare	77,873	0.23
MCP-Randle Assoc LP	Apartment Building	63,123	0.19

*formerly Brittany Limited Partnership

Source: Finance Department, Spotsylvania County, Virginia

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SUMMARY OF
REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
WATER AND SEWER ENTERPRISE FUND

The following schedule sets forth the revenues and expenses of the System for the five Fiscal Years ended June 30, 2018. The financial data for the Fiscal Years ended June 30, 2014 through June 30, 2018 have been derived from the audited financial statements of the County. The financial data set forth below should be read in conjunction with the financial statements for the Fiscal Year ended June 30, 2018, and notes thereto in the report of Cherry Bekaert, LLP, independent auditors, which are included as Appendix E.

Fiscal Year Ended June 30(1)

	2014(2)	2015	2016	2017	2018
Net position at beginning of year	$238,298,611	$239,044,896	$244,967,175	$252,797,290	$252,016,716
Operating revenues:					
Charges for Services					
(Water and Sewer)	26,648,567	28,534,124	30,151,900	30,999,078	31,798,760
Miscellaneous	1,776,812	1,798,149	1,641,448	1,546,660	1,591,721
Total operating revenues	$28,425,379	$30,332,273	$31,793,348	$32,545,738	$33,390,481
Operating expenditures:					
Personal service	6,072,802	6,210,982	6,370,243	6,625,246	6,667,033
Fringe benefits	3,073,674	2,714,328	2,864,860	3,362,633	3,062,464
Depreciation	10,079,272	10,413,910	10,822,434	11,297,870	11,581,953
Other	7,816,643	8,854,821	7,939,994	8,285,681	10,401,209
Total operating expenditures	$27,042,391	$28,194,041	$27,997,531	$29,571,430	$31,712,659
Operating income (loss)	$1,382,988	$2,138,232	$3,795,817	$2,974,308	$1,677,822
Interest and fiscal charges	(5,960,167)	(5,391,528)	(5,282,917)	(4,314,853)	(4,678,028)
Interest income	378,430	253,225	789,837	318,441	455,718
Other non-operating	518,709	543,099	591,440	672,129	766,255
Total non-operating revenues (expenditures)	($5,063,028)	($4,595,204)	($3,901,640)	($3,324,283)	($3,456,055)
Net income before operating transfers	($3,680,040)	($2,456,972)	($105,823)	($349,975)	($1,778,233)
Other capital contributions	2,516,100	4,510,612	1,958,615	3,838,791	4,267,116
Connection fees	3,776,270	3,672,370	6,135,752	5,706,980	7,011,600
Operating transfers in (out)	364,969	196,269	(158,429)	137,365	(597,794)
Change in net position	$2,977,299	$5,922,279	$7,830,115	$9,333,161	$8,902,689
Net position at end of year	$241,275,910	$244,967,175	$252,797,290	$262,130,451	$260,919,405

Source: Audited financial statements of the County for Fiscal Years 2014-2018

(1) The attached financial statements, and the statements from which these numbers are taken, are the County's general purpose financial statements, which show all County funds, many of which are not legally available for payment of the Bonds. Only revenues in the Utilities Enterprise Fund are available for payment of the Bonds.

(2) Net position at the beginning of Fiscal Year 2014 resulted from the implementation of GASB No. 65, *Items Previously Reported as Assets and Liabilities*. Under the new standard, bond issuance costs are expensed as incurred.

(3) Net position at the beginning of Fiscal Year 2015 resulted from the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* Under the new standards, the VRS pension liability is accrued and reported.

(4) Net position at the beginning of Fiscal Year 2018 resulted from the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Under the new standards, an actuarial analysis is required for all OPEB plans and they are required to be reported on the balance sheet as long-term liabilities. Previously, OPEB liabilities were required only to be disclosed in the Notes to Financial Statements.

The following schedule sets forth the budgeted revenues and expenses of the System for the Fiscal Years ending June 30, 2019 and 2020.

Fiscal Year Ended June 30

	2019 (Amended Budget)	2020 (Adopted Budget)
Net position at beginning of year	$260,919,405	$277,347,274
Operating revenues:		
Charges for Services		
(Water and Sewer)	32,324,962	34,135,209
Miscellaneous	1,700,913	1,633,287
Total operating revenues	$34,025,875	$35,768,496
Operating expenditures:		
Personal service	7,552,775	7,735,890
Fringe benefits	3,865,042	3,443,564
Depreciation (1)	-	-
Other	9,529,121	9,599,276
Total operating expenditures	$20,946,938	$20,778,730
Operating income (loss)	$13,078,937	$14,989,766
Interest and fiscal charges	(4,906,523)	(5,787,726)
Interest income	280,000	325,000
Other non-operating	503,478	494,344
Total non-operating revenues (expenditures)	($4,123,045)	($4,968,382)
Net income before operating transfers	$8,955,892	$10,021,384
Other capital contributions	5,066,962	5,347,412
Connection fees	3,621,970	3,621,970
Operating transfers in (out)	(1,216,955)	55,900
Change in net position	$16,427,869	$19,046,666
Net position at end of year	$277,347,274	$296,393,940

Source: Finance Department, Spotsylvania County, Virginia

(1) Depreciation is not budgeted.

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Management Discussion

The County has maintained a strong financial position for the System with rate adjustments occurring generally on an annual basis. Rate structures are evaluated every three years to ensure adequate system funding is collected to maintain, improve, and expand water and sewer infrastructure, as appropriate. Additionally, utilities financial are evaluated annually to ensure overall compliance with the County's fiscal policies applicable to utilities funds.

Selected comments on the financial results include:

- Increases in Charges for Services have resulted annually due to annual rate increases that began in Fiscal Year 2011 as well as due to additional customer connections.

- Cash available in the utilities operating and capital funds has allowed the completion of capital projects for each year since 2010 without the issuance of new money water/sewer debt. The increase in the budgeted debt service for Fiscal Year 2020 associated with the new money 2019 water/sewer bonds is reflected in "Interest and fiscal charges."

- Depreciation is not budgeted as part of the annual budget, which should be taken into consideration when reviewing the budget figures for Fiscal Years 2019 and 2020 on the preceding page.

- The County's typical water and sewer user uses approximately 4,300 gallons of water per month, and pays approximately $55.00 for combined water and sewer service each month. The next three-year cycle of rates is planned for consideration by the Board in the Spring of 2020.

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ANNUAL DEBT SERVICE

Upon issuance of the Series 2019 Bonds, the County will have no outstanding bonded indebtedness and any other obligations secured by the Net Revenues of the System other than the Series 2010 Bonds, the Series 2015 Bonds and the Series 2019 Bonds. The County has no outstanding general obligation bonds incurred for costs related to the System.

The following table sets forth the amount required for the payment of principal of (either at maturity or by mandatory redemption) and interest on the obligations payable from Net Revenues of the System.

DEBT SERVICE REQUIREMENTS ON OUTSTANDING SYSTEM-RELATED LONG-TERM DEBT AND SERIES 2019 BONDS

Fiscal	Outstanding Debt		Series 2019 Bonds		Total Debt Service		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	$5,903,000	$4,732,225					
2021	6,111,000	4,486,716					
2022	6,383,000	4,209,117					
2023	6,650,000	3,916,094					
2024	6,937,000	3,608,874					
2025	7,233,000	3,298,453					
2026	7,522,000	2,973,292					
2027	5,270,000	2,613,119					
2028	5,457,000	2,398,926					
2029	5,657,000	2,176,764					
2030	5,845,000	1,951,122					
2031	6,052,000	1,718,175					
2032	6,272,000	1,471,569					
2033	4,670,000	1,220,587					
2034	4,819,000	1,037,517					
2035	4,977,000	848,382					
2036	3,815,000	647,642					
2037	3,955,000	479,691					
2038	1,750,000	305,573					
2039	1,815,000	207,363					
2040	1,880,000	105,506					
2041							
2042							
2043							
2044							
2045							
Total	$108,973,000	$44,406,707					

Note: Some of the columns and rows may not add exactly because of the effect of rounding.

WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT PLAN

The Board annually adopts a five-year Capital Improvement Plan for the System (the "CIP"), approving the first year of the CIP for implementation and the remaining four years for planning purposes. The projects set forth in the CIP provide for expansion and improvements to the System. The adopted CIP for Fiscal Years 2020 - 2024 contemplates the following sources and uses of funds:

	FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**Total**
Uses	$33,585,000	$46,585,000	$33,860,040	$25,044,073	$23,398,643	$162,472,756
Sources:						
Use of (Transfer to) Fund Balance	$1,205,618	$3,318,130	$4,258,098	$21,527	$156,533	$8,959,906
Connection Fees	3,621,970	3,621,970	3,621,970	3,621,970	3,621,970	18,109,850
Other Sources[(1)]	5,497,412	15,569,900	15,519,972	10,845,576	6,920,140	54,353,000
Revenue Bonds	23,260,000	24,075,000	10,460,000	10,555,000	12,700,000	81,050,000
Total	$33,585,000	$46,585,000	$33,860,040	$25,044,073	$23,398,643	$162,472,756

[(1)] Includes the City of Fredericksburg's portion of several large shared wastewater projects.

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SECTION FOUR: THE COUNTY OF SPOTSYLVANIA, VIRGINIA

Located in the northeastern section of Virginia, Spotsylvania County is bounded on the north by the Rappahannock and Rapidan Rivers, on the south by the North Anna River, on the west by Orange County, and on the east by Caroline County. The City of Fredericksburg borders the County to the northeast. The County is approximately 55 miles north of Richmond, Virginia and 55 miles south of Washington, D.C.

The County was formed in 1721 from sections of the Counties of Essex, King William and King and Queen. It was named for Alexander Spotswood, who was Royal Colonial Governor of Virginia from 1710 to 1722. A fort had been built at the falls of the Rappahannock River in 1676 and settlement started around 1700. Germanna was established as the first county seat in 1722. It had been settled in 1714 by a colony of Germans who were brought to the area by Governor Spotswood. The county seat was moved to Fredericksburg in 1732, to "Old Court House" in 1788, and to Spotsylvania in 1839, where it has remained.

Government

The Board of Supervisors (the "Board") is the governing body of the County. The Board is comprised of seven members elected from seven voting districts in the County: Battlefield, Berkeley, Chancellor, Courtland, Lee Hill, Livingston and Salem. Each member is elected for a four-year term. The Board members select from among themselves a Chair and a Vice-Chair for one-year terms. The Board is elected to staggered terms, with three members elected in one election cycle and the remaining four members elected in a different election cycle. Terms of four current members expire on December 31, 2021. Terms of the remaining three current members expire on December 31, 2019.

The County functions under a traditional form of government with a County Administrator. Under this form of government, the elected officials include the members of the Board, the Treasurer, the Commissioner of the Revenue, the Sheriff, the Clerk of the Circuit Court and the Commonwealth's Attorney. Mental Health/Mental Retardation Services are provided by the Community Services Board. The Health Department and the Court System are under the control of the Commonwealth of Virginia. All other functions of the County government are managed by department directors that in turn report to the County Administrator. The County Administrator also serves as head of the Social Services Administrative Board.

The County Administrator is appointed by the Board to act as the Board's agent in the administration and operation of the departments and agencies. All departments directly responsible to the Board report to the County Administrator, and he or she acts as the Board's liaison to all other departments and agencies. The County Administrator serves at the pleasure of the Board, carries out its policies and directs business procedures.

CERTAIN COUNTY ADMINISTRATIVE AND FINANCIAL STAFF MEMBERS

Edward Petrovitch, E.M.B.A., County Administrator, was appointed County Administrator in June 2019. Prior to his appointment as County Administrator, he served as Interim County Administrator beginning in April 2019, and prior to that appointment, he served as Deputy County Administrator beginning in March 2015. Mr. Petrovitch was initially hired by the County in August 2006, serving as Deputy Director of Utilities until July 2008, when he was promoted to Director of Utilities. Prior to his employment with the County, he was employed by Fairfax County Water Authority for 29 years. In his tenure with Fairfax County Water Authority he held several positions of increasing responsibility and last served as the Manager of Water Production and Quality. He holds a Bachelor of Science degree and an Executive Master degree in Business Administration from Virginia Commonwealth University. He is a life member of the Beta Gamma Sigma Honor Society for accredited business school graduates. His professional affiliations include the American Water Works Association and the Water Environment Federation. He also served as an adjunct professor for Germanna Community College, where he taught courses in strategic planning and quality management.

Karl R. Holsten, Esq., County Attorney, was appointed to his current position on September 27, 2016 after serving as either a Deputy County Attorney or the Interim County Attorney for a total of three years. He earned a Bachelor of Arts (Political Science) degree and a Juris Doctor degree from the University of Richmond. After graduating from law school, Mr. Holsten worked in the City Attorney's office for the City of Richmond for approximately 10 years, rising to the position of Senior Assistant City Attorney, before joining the Spotsylvania County Attorney's Office in 2013 as a Deputy County Attorney.

Mark L. Cole, Deputy County Administrator, was appointed effective January 2, 2013. Prior to this appointment, he was a Program Manager and Systems Analyst for a major defense contractor for more than 27 years. From 1980 to 1985 he served as an officer in the United States Navy and continued to serve in the Navy Reserve before retiring as a Commander in 2004. He is currently a member of the Virginia House of Delegates and previously served as a member of the Spotsylvania County Board of Supervisors. He holds Bachelor degrees in Computer Science and Civil Engineering Technology from Mary Washington College and Western Kentucky University, and is a member of the American Legion and the Veterans of Foreign Wars.

Benjamin L. Loveday, P.E., Director of Utilities and Public Works, was appointed in was appointed in August, 2018, after serving as Deputy Director of Utilities for approximately two years. He earned a Bachelor of Science in Civil Engineering from Virginia Tech and a Graduate Certificate in Public Administration from the University of Virginia. Mr. Loveday is a registered Professional Engineer in Virginia with over 15 years of experience in both the private and public sectors. His experience includes land development engineering, solid waste program management, construction administration, utility engineering, and public services program management. Mr. Loveday is an active member of the American Water Works Association and Solid Waste Association of North America (SWANA). He currently serves as President of SWANA's Virginia Section.

[INSERT BIO FOR AUTHORIZED FINANCE OFFICER]

Larry K. Pritchett, Treasurer, has served as Treasurer since January 1988. He was an accountant with the County from July 1974 to January 1975 and from July 1978 to January 1979 served as Interim County Administrator. He also served as Finance Officer of the County from February 1975 to December 1987. He holds an Associate degree in Business Administration from Germanna Community College and a Bachelor of Science degree in Accounting from Virginia Polytechnic Institute and State University. He is a member and past president of the Virginia Treasurers Association, and is a member of the National Association of County Treasurers and Finance Officers. He holds the certification of Master Governmental Treasurer and the Treasurer's Office is accredited through the Virginia Treasurers Association and the Weldon Cooper Center for Public Service of the University of Virginia.

Deborah F. Williams, Commissioner of Revenue, has served in that capacity since January 1, 1996. Prior to this date, Ms. Williams was the Assistant to the Commissioner and Meals Tax Administrator for eight years. She holds a Bachelor of Science degree in Education from Radford University. She is currently a member of the Northern Virginia League of Commissioners of the Revenue, the Virginia Association for Local Executive Constitutional Officers, the Virginia Association of Assessing Officers, the International Association of Assessing Officers and the Commissioners of the Revenue Association. In 1998, she received certification as a Certified Commissioner of the Revenue by the University of Virginia, Weldon Cooper Center for Public Service and the Division of Continuing Education.

Dr. S. Scott Baker, Superintendent of Schools, was appointed as the Superintendent effective July 1, 2012. Dr. Baker has a Bachelor of Science (English) degree from Radford University; a Master of Education degree from Virginia Commonwealth University; and a Doctorate of Education in Administration and Supervision from the University of Virginia. He has spent 20 years in Virginia public schools as a teacher, principal and administrator. Prior to his appointment as Superintendent, he served for one year as the Assistant Superintendent of Instruction in Spotsylvania. Previously, he served in Hanover County as an assistant principal, principal, and the Director of Curriculum and Instruction, and as a teacher of special education, theatre, and English in other Virginia localities.

ECONOMIC AND RELATED DATA

Population Figures

The following table presents County population figures for selected years:

Year	Population
1960	13,819
1970	16,424
1980	34,435
1990	57,403
2000	91,504
2010	122,397
2011	124,516
2012	125,808
2013	127,385
2014	128,804
2015	129,944
2016	131,271
2017	132,802
2018	134,238
2019	135,000

Sources: U.S. Census Bureau for years 2018 and prior; Spotsylvania County Planning Department for 2019 estimate.

Income Profile

Median Household Income

	2013	2014	2015	2016	2017
Spotsylvania County	$73,112	$75,714	$76,181	$81,065	$85,743
Commonwealth of Virginia	$62,745	$64,923	$66,263	$68,127	$71,518

Sources : U.S. Census Bureau. Latest information available.

Per Capita Income

	2013	2014	2015	2016	2017
Spotsylvania County + City of Fredericksburg	$43,583	$44,655	$46,368	$47,318	$48,823
Commonwealth of Virginia	$48,666	$50,528	$52,687	$53,323	$55,105

Source: U.S. Bureau of Economic Analysis. Latest information available.

Construction Activity

The following data is presented to illustrate construction activity in the County:

Building Permits and Value

	Number				Value[4]			
Fiscal Year	Commercial[1]	Residential[2]	Accessory Permits[3]	Total	Commercial	Residential	Accessory Permits	Total
2010	220	333	2,235	2,788	$54,529,522	$70,470,927	$22,079,952	$147,080,401
2011	270	306	2,433	3,009	59,986,060	78,912,739	37,700,809	176,599,608
2012[5]	242	348	2,262	2,852	401,143,105	74,834,821	29,749,534	505,727,460
2013[5]	290	464	2,314	3,068	404,014,490	102,557,927	23,016,560	529,588,977
2014	298	429	2,384	3,111	57,939,747	99,272,843	23,497,438	180,710,028
2015	304	442	2,250	2,996	74,394,943	112,494,521	39,905,998	226,795,462
2016[6]	390	510	2,689	3,589	268,671,597	131,377,317	47,341,882	447,390,796
2017	310	640	2,805	3,755	93,178,917	169,340,263	69,390,729	331,909,909
2018	309	715	2,999	4,023	536,842,341	186,182,287	108,333,303	831,357,931
2019[7]	250	586	2,461	3,297	140,753,683	156,047,040	28,650,033	325,450,756

Source: Code Compliance Department, Spotsylvania County.
(1) Commercial includes all new construction, renovations, additions, accessories, tenant build-outs, and site plans.
(2) Residential includes all dwelling unit permits for single family dwellings, townhouses, apartments, singlewides, doublewides, and triplewides.
(3) Accessory permits include all commercial and residential trade work (mechanical, electrical, plumbing), fire permits, residential accessories, over-the-counter permits, and all miscellaneous permit transactions.
(4) Values are taken from permit applications as provided by the applicants. These values do not represent the value assigned by Spotsylvania's Assessment Office.
(5) There were multiple site plans for which the stated values were unusually large. Additionally, there were a number of large commercial building/renovation projects for which the stated value of each project was $3 million or more.
(6) Includes submissions of several large commercial applications with sizeable stated values, including a substantial site plan for the 900,000 sq. ft. Lidl grocery distribution center.
(7) Fiscal Year 2019 data through April 2019. Includes submission of one large commercial application with a stated value of $500 million.

Housing

The following data is presented to illustrate the character of housing in the County:

Housing Units By Type of Structure

	1990[1]		2000[1]		2010[2]		2018[2]	
Type of Structure	Number	%	Number	%	Number	%	Number	%
Single Family:								
Detached(3)	18,355	90.2%	28,804	86.5%	37,141	86.4%	40,711	82.1%
Attached(4)	1,313	6.5	2,522	7.6	2,730	6.3	4,357	8.8
Multi Family:								
Apartments(5)	682	3.3	1,983	5.9	3,136	7.3	4,505	9.1
Total	**20,350**	**100.0%**	**33,309**	**100.0%**	**43,342**	**100.0%**	**49,573**	**100.0%**

Source: Planning Department and Assessment Office, Spotsylvania County.
(1) As of April 1 for 1990 and 2000.
(2) As of December 31 for 2010 and 2018.
(3) Includes trailers, manufactured homes and mobile homes.
(4) Consists of duplexes and townhouses.
(5) Represents the total number of apartments and condominiums (age-restricted included) and assisted living housing units per County building permit data.

BUSINESS AND LABOR

The County's primary economic development mission is to attract new businesses and capital investment, and to provide a supportive climate for the growth of existing businesses in order to stimulate the creation of jobs and tax revenues. The County has implemented numerous new initiatives and specific programs to accomplish this mission:

- The Department of Economic Development and Tourism (EDT) and the County's Economic Development Authority (EDA) continue to jointly embark on a vigorous effort to better understand and track trends in the local economy, as well as evaluate the potential for future growth of new and existing industries. These County organizations which are responsible for economic development have also conducted new strategic planning efforts. These activities are a reflection of a larger initiative by the County's Board of Supervisors to take better advantage of the County's opportunities and to evaluate the return on investment of resources in various government-sponsored development activities.

- The County remains a partner with the Fredericksburg Regional Alliance (FRA), a public-private partnership which promotes and markets the region while focusing on targeted industries; assesses and forwards leads to localities from the Virginia Economic Development Partnership (VEDP); and works in many other ways to create and promote opportunities for business growth in the region. In Fall 2015, FRA partnered with the University of Mary Washington and the Fredericksburg Regional Chamber of Commerce in establishing the Center for Economic Research enabling the Fredericksburg Region to join Virginia's other three major metropolitan areas along the "Urban Crescent" in providing local university research services related to the region's economy. FRA is one of four regions in Virginia with universities in their communities that provide excellent research products dealing with our regions' economies.

- Since 1999, Spotsylvania along with Stafford County and the City of Fredericksburg has leveraged resources to enhance tourism growth for the region. In 2005, a more formal relationship emerged to form the Greater Fredericksburg Tourism Partnership (GFTP) via a Memorandum of Understanding (MOU) to set forth shared responsibilities and cooperatively market the region's tourism products. This collaboration is working to increase travel-related employment, taxable sales, and related economic benefits in each of the participating localities. As set forth in the MOU, Spotsylvania, Stafford, and the City intend to continue contributing staff, in-kind services, and direct financial support to the comprehensive regional tourism effort. The localities combine to produce a first-rate Visitor Guide, successful print and electronic advertising, a robust regional website (www.VisitFred.com), and regional events and group tourism offerings to enhance visitors' experiences.

Economic Development Programs:

- As adopted in the County's Comprehensive Plan, the employment center land use area is envisioned to be the primary location for new office and industrial development within the County, with the focus on larger scale office complexes, industrial users, and business parks. The Route 1 corridor south of Massaponax to the Thornburg interchange (I-95 Exit 118) is envisioned to be an economic driver for the County. Growth continues to occur in the employment center land use area at Exit 126 with idX Corporation (aka idX Impressions); PAE Systems; HDT Expeditionary Systems; Patriot3, RPI Group; Flatter & Associates; E-Labs; Universal Dynamics (aka Unadyn Corporation); Alorica; Children's Hospital of Richmond (aka The Children's Clinic of Fredericksburg); W. J. Vakos Corporate Headquarters; Publix Grocery Stores; Dovetail Cultural Resources Group; Lidl US grocery distribution center; new residential units; hotels; and restaurants locating in this area. The Thornburg area is enriched by the location of Dominion Raceway and Entertainment Center; Camping World, one of the largest RV retailers in the country; upgraded hotels; new restaurants; and additional retail options. Construction is underway to build a new I-95 overpass on Route 606 at Exit 118 and provide improvements to interstate ramps, Mudd Tavern Road east of I-95 and Mallard Road. Construction began in October 2017 and is scheduled for completion in September 2019. High-end, mixed-use office parks with the extension of infrastructure continue to comprise the area between exits 118 and 126.

- The County continues to execute a Targeted Industries Program designed to expedite the review and approval of site and building plans involving targeted businesses. Under this program, the County works closely with a business or developer to reduce the potential for delays in the permitting process and to complete the process to allow the business to begin operations as quickly as possible.

- The County participates in the Virginia Business Ready Sites Program (VBRSP) administered by the Virginia Economic Development Partnership. The VBRSP is a discretionary program established to help Virginia localities develop and market their existing industrial or commercial sites to prospective businesses, thus enhancing the Commonwealth's infrastructure and promoting its competitive environment. Through this public-private partnership program, localities apply for funding to identify marketable properties containing a minimum of 100 contiguous acres. Grant funds were used for site assessment and development potential on three viable sites in 2017-2018. To enhance Virginia's economic competiveness, the Commonwealth has identified over 500 sites, including several in the County, to be evaluated over a three-month period for site readiness.

- GO Virginia is a statewide economic development initiative intended to create more higher-paying jobs in Virginia through business-led, regional collaboration. The state is split into 9 GO Virginia regions, each with its own Regional Council and a Fiscal Year 2020 funding level of approximately $650,000 to allocate to qualified projects. Through an application process, applicants must meet certain economic growth and diversification requirements. The County is included in Region 6 which includes Caroline, Fredericksburg, King George, and Stafford along with Northern Neck and Middle Peninsula communities. There are two approved projects to date: PamunkeyNet in the Middle Peninsula and a multi-tenant office building in Montross, Virginia.

- The County was designated three Opportunity Zones by the U.S. Department of Treasury. Opportunity zones are an important federal tool to spur vitality in economic growth in communities across Virginia. The Federal Tax Cuts and Jobs Act of 2017 allows investors to receive tax benefits on currently unrealized capital gains by investing those gains in census tracts designated as Opportunity Zones. The designations are effective until December 31, 2028.

- The Economic Development Incentives Program is used to attract new business and support the expansion of existing businesses and retain industry. The program has contributed to increased capital investment and job creation since its initial creation in 1995. Continued collaboration with State officials ensures the County is using all available resources to maintain and grow the business community.

- Technology and Tourism Zone Programs serve both new and existing qualified businesses. The Technology Zone covers the County's primary settlement district encompassing the County's fully-serviced business corridors to encourage growth in Spotsylvania's high-technology sector. Qualifying businesses located within the Technology and Tourism zones are afforded local tax rebates on Business, Professional and Occupational License and Machinery and Tools taxes, and are placed in the County's Targeted Industries Program.

- There are four census tracts designated by the Small Business Administration as Qualified HUBZones that offer businesses an advantage when applying for federal contracts. Two adjacent HUBZones are located in the northern portion of the County on the Route 3 corridor, and the remaining two adjoining tracts are located near Lake Anna.

- The County continues to attract businesses that provide a diverse economic base with above average annual salaries. Industrial properties have historically been strong throughout the County and manufacturing properties have seen robust activity for new and renewed leases. Retail sales, services, and jobs continue to be stabilized in the County and region. Nationwide major retail store closings have not materially impacted the County or surrounding areas.

- Efforts continue to target military and defense contractors as a professional sector based on Spotsylvania's highly-accessible location within proximity of three regional military bases. Federal spending is no longer expected to drive the Washington metropolitan region's economic growth, but professional and business services will be the major source of growth. Available office space in Spotsylvania continues to be sought out by technology, professional and medical service companies.

Business Retention Program and Activities:

The County has a Business Retention Program to connect new and existing businesses with the right resources and assistance with workforce, state and federal financing programs and processes and protocols that will improve the overall business climate to increase growth and investment opportunities in the County. Following are examples of the County's business retention activities:

- The Business Walk Program allows staff visitations to numerous businesses in a short amount of time to gather industry information, foster business growth, and help identify issues that businesses may be facing.

- The County continues to support the annual Modern Day Marine Expo. The Expo is the singular Marine Corps industry event where defense companies from all over the world gather annually at Quantico, Virginia, to display their latest technologies, equipment and services.

- The County continues to sponsor and participate in the annual Quantico Area Industrial Security Council meeting. This meeting provides a forum through which education and training is provided to security professionals providing security in the Quantico, Virginia area. The group currently has over 400 members.

- The County manages SpotsyBusiness.com, an interactive, online guide for new and expanding Spotsylvania businesses. This unique website walks businesses through the steps to register with the County by directing them to the correct forms that will need to be completed for their specific kind of business.

- The County partners with local and State organizations and agencies to host and promote learning opportunities for local businesses. These classes and seminars help to educate local business owners and managers on ways to grow their businesses.

- The "Made in Spotsy" program highlights local businesses that produce goods in Spotsylvania. This online web listing provides a place for local producers to list their information and promote their business, as well as gives other business and individuals an easy-to-access list of locally made products.

- The County assists and participates in new business grand openings and expansions of existing businesses by helping to promote and arrange speakers for Chamber-organized ribbon cutting events On a continuing basis, EDT serves as a liaison between federal and state government and local businesses, providing information and technical assistance in a variety of areas including funding, government contracting and specialized workforce training. The Department maintains an active membership and/or dialogue with numerous regional organizations including the Virginia Economic Development Partnership, the Virginia Employment Commission, and the Virginia Tourism Corporation, the Fredericksburg Regional Alliance, the Chamber of Commerce, the Greater Fredericksburg Regional Tourism Partnership, the International Economic Development Council and others. EDT also maintains relationships with local military bases and numerous institutions of higher learning that are in regional proximity to the County.

Tourism:

One of the primary markets due to its relative size and importance within the local economy is tourism. According to the Virginia Tourism Corporation 2017 report, Spotsylvania County ranked 17^{th} out of 134 counties and incorporated cities within the Commonwealth for tourism expenditures, continuing to remain within the top 20 in the state. The tourism "industry" is actually a cluster of industries. Tourism provides revenue for the County through sales to visitors who come for various attractions, accommodations, shopping, dining, and to experience recreation and entertainment. The County estimates that over 750,000 people stayed overnight in the County in

2017 and more than 1 million visits were recorded at local attractions, including the Civil War battlefields, Lake Anna and other popular visitor sites and special events. According to the Virginia Tourism Corporation, visitors to the County in 2017 generated approximately $285 million in overall economic value, up from $275 million in 2016. Following are examples of the many tourism opportunities available in Spotsylvania:

- Virginia Renaissance Faire – The Faire currently is held at the Lake Anna Winery for four weekends each year, averaging 20,000 visitors each season. The primary activity of the cast consists of presenting a series of events that will both educate and entertain audiences.

- Trolley Tours – The popular Trolley Wine Tour occurs on Sundays during the summer is usually fully booked, and includes increased retail sales for the wineries. The five-hour tour begins and ends at Spotsylvania Towne Center with visits to four Spotsylvania wineries. The trolley company also offers tours to groups requesting a special tour during the week.

- Virginia Youth Soccer Association (VYSA) – VYSA, a nonprofit devoted to promoting youth soccer in Virginia and D.C., at the Publix Sportsplex, is situated on 80 acres in Spotsylvania. The facility boasts eight Federation International Football Association (FIFA) regulation fields including a small stadium. VYSA hosted the 2017/2018 U.S. Youth Soccer Region 1 Championships. The Championships used 4,000 hotel rooms in the region from Alexandria to Glen Allen and provided ample opportunities for tourism exposure and retail sales for the County.

- The County continues to grow in the Agritourism Industry with the addition of breweries and wineries to our inventory. Lake Anna Winery, Wilderness Run Vineyard, Mattaponi Winery are large farm wineries that grow much of their own grapes or fruit. Eden Try Winery is a boutique winery that grows only a small amount of grapes with all production and bottling being done elsewhere, and the product is sold only onsite at special occasions. Bacchus Winery is a micro-winery that purchases grape juice and creates the wine in their facility. Additionally, multiple breweries exist in the County, Maltese and 1781 Breweries have expanded and have seen increased visitation, also offering events that draw large crowds.

- A. Smith Bowman Distillery is located in the Bowman Center and continues to win awards for their special blends of bourbon. They have added an additional still and several new staff members. John J. Bowman Single Barrel Virginia Straight Bourbon Whiskey was recognized as the world's best bourbon by Whiskey Magazine in 2017, and Abraham Bowman Port Finished Bourbon received the same reward in 2016. Visits to the distillery continue to increase and plans are in place to continue to market the distillery as a destination to out-of-state markets in 2019.

- Lake Anna State Park continues to expand their program offerings and to host events that draw large crowds such as Iron Man competitions, Lake Anna Brewfest, and a wine festival. Two 16-person lodges were recently dedicated and opened at the park, and work has been completed on several yurts which will became available for use in the Spring of 2019.

- Shannon Air Museum continued to see an increase in visitation and has expanded the gift shop and seating area for the Robin's Nest Café. Location of the Spotsylvania Kids History Camp in April 2018. The Virginia Aeronautical Historical Society is now headquartered at Shannon Air Museum. October 25-26 there will be special events at the airport to include the Tuskegee Air Museum and the Berlin Air Drop plane during their annual Fall Festival that brings large crowds to the airfield, including local school groups.

- The Spotsylvania Arts Festival debuted in August 2018 and was a success with over 30 artists from around the nation selling, demonstrating, and displaying their work for two days on the County's historic courthouse lawn. Food vendors and music rounded out the event with a steady crowd attending both days of the Festival. The County was awarded the 2018 Virgo Award for Niche Tourism by the Virginia Association of Destination Marketing Organizations for the Arts Festival.

The following is a list of the principal private employers illustrating the diversification of business within the County.

Principal Private Non-Retail Employers
(as of December 2018)

Name	Nature of Business	Approximate Employees
Spotsylvania Regional Medical Center	Hospital	500-999
CVS, Inc.	Pharmacy Distribution Center	250-499
Lidl US Operations	Grocery Distribution Center	250-499
United Parcel Service	Courier and Messenger Services	100-249
Kaeser Compressors, Inc.	Air Compressor Manufacturing	250-499
PMC Services, LLC	Direct Mail Services	100-249
Richmond Fitness, Inc.	Fitness and Recreational Sports Center	100-249
PAE National Security Solutions, LLC	Government Services & Support	100-249
Rappahannock Electric Co-Op	Electric Utility	100-249
Compass Counseling Services	Social Assistance	100-249
Trussway	Manufacturing of Building Trusses	100-249
Rappahannock Goodwill Industries	Rehabilitation Services	100-249
Sentara Healthcare	Healthcare	100-249
Carriage Hill Health & Rehab	Healthcare	100-249
Simmons Building Company	Bedding Manufacturing	100-249

Source: Virginia Employment Commission, as of 4th quarter 2018.

Additional major private, non-retail employers located in the surrounding area (but not located in the County) include:

Name	Nature of Business	Employee Range
GEICO	Insurance Customer Service Center	1,000+
Mary Washington Hospital	Health Care/Hospital	1,000+
McLane Mid-Atlantic	Distributor for Convenience Stores	500-999
Medicorp Health System	Health Care Services	500-999
YMCA	Social Advocacy Organization	500-999
Stafford Hospital Center	Hospital	500-999
Snowden Services	Health Care	250-499
Minnieland Private Day School	Child Care	250-499
Mantech Advanced Systems, Inc.	Technology Services	250-499

Source: Virginia Employment Commission, as of 4th quarter 2018.

Unemployment Rate

The following table illustrates the unemployment rate for the County, the Commonwealth of Virginia and the United States for selected years.

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Spotsylvania County	5.6%	7.0%	6.7%	6.1%	5.8%	5.4%	4.6%	4.1%	3.7%	3.0%
Commonwealth of Virginia	6.7	7.1	6.6	6.1	5.7	5.2	4.5	4.1	3.7	3.0
United States	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9

Source: Spotsylvania and Commonwealth data from Virginia Employment Commission.
United States data from Bureau of Labor Statistics.

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SECTION FIVE: MISCELLANEOUS

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2019 Bonds will be subject to the approving opinion (the "Bond Opinion") of Haneberg Hurlbert PLC, Bond Counsel, which will be furnished at the expense of the County upon delivery of the Series 2019 Bonds, substantially in the form attached hereto as Appendix C. The Bond Opinion will be limited to matters relating to authorization and validity of the Series 2019 Bonds and to the tax status of interest thereon as described in the section "Tax Matters." Bond Counsel has not been engaged to investigate the financial resources of the County or its ability to provide for payment of the Series 2019 Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Series 2019 Bonds.

Certain matters will be passed on for the County by Karl R. Holsten, Esq., County Attorney.

TAX MATTERS

Opinion of Bond Counsel

Opinion of Bond Counsel. [For those Series 2019 Bonds that are issued as tax-exempt bonds] In the opinion of Bond Counsel, under current law, interest, [including accrued original issue discount ("OID")], on the Series 2019 Bonds (a) is not included in gross income for Federal income tax purposes, and (b) is not an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations. Bond Counsel is also of the opinion that interest on the Series 2019 Bonds is exempt from income taxation by the Commonwealth of Virginia. [Except as discussed below regarding OID,] no other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the County as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Series 2019 Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for Federal income tax purposes. The County has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2019 Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2019 Bonds. Failure by the County to comply with such covenants, among other things, could cause interest, [including accrued OID,] on the Series 2019 Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue.

[*Original Issue Discount.* The initial offering prices of each maturity of the Series 2019 Bonds maturing in the years 20__ and 20__ (the "OID Bonds"), will be less than their stated principal amount. In the opinion of Bond Counsel, under current law, the difference between the stated principal amount and the initial offering price of each maturity of OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of such Series 2019 Bonds is sold will constitute OID. The offering prices set forth on the inside cover of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of such Series 2019 Bonds are sold.

Under the Code, for purposes of determining the holder's adjusted basis in an OID Bond, OID treated as having accrued while the holder holds the Series 2019 Bond will be added to the holder's basis. OID will accrue on a constant yield-to-maturity method. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond.

Prospective purchasers of the OID Bonds should consult their own tax advisors with respect to the calculation of accrued OID and the state and local tax consequences of owning or disposing of such Series 2019 Bonds.]

Original Issue Premium. Series 2019 Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for Federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Series 2019 Bonds while so held. Purchasers of such Series 2019 Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Series 2019 Bonds.

Other Tax Matters. In addition to the matters addressed above, prospective purchasers of the Series 2019 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2019 Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Series 2019 Bonds also should consult their own tax advisors as to the status of interest on the Series 2019 Bonds under the tax laws of any state other than Virginia.

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for Federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the County as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Service or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

There are many events which could affect the value and liquidity or marketability of the Series 2019 Bonds after their issuance, including but not limited to public knowledge of an audit of the Series 2019 Bonds by the Service, a general change in interest rates for comparable securities, a change in Federal or state income tax rates, Federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Series 2019 Bonds who purchase Series 2019 Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations, and purchasers of the Series 2019 Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Series 2019 Bonds.

LITIGATION

The County Attorney is of the opinion that there is no litigation pending or, to the best of his information, knowledge and belief, threatened against the County in either Virginia or Federal courts that would in any way affect the validity of the Series 2019 Bonds or the ability of the County to make payments on the Series 2019 Bonds or to own and operate the System and collect the revenues of the System and apply such revenues in accordance with the Agreement of Trust.

The County and its employees have been named from time to time as defendants in claims that which are being defended by the County Attorney and associated counsel. The County's potential liability is protected partially by sovereign immunity, indemnification agreements and insurance policies. In addition, the County Attorney is aware of potential claims that are unasserted at this time. The County Attorney is of the opinion that none of the litigation currently pending or threatened can reasonably be expected to have a material adverse effect on the financial condition of the County or the System.

SALE AT COMPETITIVE BIDDING

The Bonds will be offered for sale at competitive bidding at 10:45 a.m. Eastern Time, November __, 2019. After the Bonds have been awarded, the County will issue an Official Statement in final form. A copy of the Official Notice of Sale and the Official Bid Form is attached as Appendix F. The County will deem the Official Statement final as of its date, and the Official Statement in final form will be a "Final Official Statement" within the meaning of Rule 15c2-12. The Official Statement in final form will include, among other matters, the identity of the winning bidder, the expected selling compensation to such winning bidder and other information on the interest rates and offering prices for yields of the Bonds, all as supplied by the winning bidder.

FINANCIAL ADVISOR

PFM Financial Advisors, LLC, Arlington, Virginia (the "Financial Advisor"), serves as Financial Advisor to the County. The Financial Advisor has advised the County in matters relating to the planning, structuring and issuance of the Series 2019 Bonds and has assisted in the review of this Official Statement, but the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is not engaged in the business of underwriting municipal securities. A portion of the Financial Advisor's fee for services rendered with respect to the sale of the Series 2019 Bonds is contingent upon the issuance and delivery of the Series 2019 Bonds.

RELATIONSHIP OF PARTIES

Haneberg Hurlbert PLC, Bond Counsel, also serves from time to time as counsel to the Trustee in transactions unrelated to the issuance of the Series 2019 Bonds.

RATINGS

As set forth on the cover page of this Official Statement, Moody's, Standard & Poor's and Fitch have assigned ratings of "[___]," "[___]" and "[___]," respectively, to the Series 2019 Bonds.

Such ratings reflect only the view of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, 99 Church Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2019 Bonds.

CONTINUING DISCLOSURE

To assist the Underwriters in complying with the provisions of the Rule, the County has agreed to execute a Continuing Disclosure Agreement (the "CDA") at closing, substantially in the form of Appendix D attached hereto, in order to provide certain annual financial information and material event notices required by the Rule. Such information will be filed through the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board and may be accessed through the Internet at emma.mrsb.org. Prior to July 1, 2009, filings by the County were made through the then existing national recognized municipal securities information repositories. As described in Appendix D, the CDA requires the County to provide only limited information at specific times, and the information provided may not be all the information necessary to value the Series 2019 Bonds at any particular time. The County may from time to time disclose certain information and data in addition to that required by the CDA. If the County chooses to provide any additional information, the County will have no obligation to continue to update such information or to include it in any future disclosure filing. The County has not failed in the last five years to comply in all material respects with any previous continuing disclosure undertakings under Rule 15c2-12.

Failure by the County to comply with the CDA is not an event of default under the Series 2019 Bonds or the Agreement of Trust. The sole remedy for a default under the CDA is to bring an action for specific performance of the County's covenants thereunder, and no assurance can be provided as to the outcome of any such proceeding.

ADDITIONAL INFORMATION

Any question concerning the content of this Official Statement should be directed to Ed Petrovitch, County Administrator, 9104 Courthouse Road, Spotsylvania, Virginia 22553 (540-507-7010), or to the County's Financial Advisor, PFM Financial Advisors, LLC (703-741-0175).

SUMMARIES AND DESCRIPTIONS

The summaries or descriptions in this Official Statement, including Appendix B, of provisions of the Series 2019 Bonds, the Agreement of Trust and other documents and agreements are brief outlines of certain provisions thereof and do not purport to be complete statements of such provisions. Reference is made to the Series 2019 Bonds, the Agreement of Trust and such other documents and agreements for complete information. Copies of the Agreement of Trust are on file with the Trustee and at the office of the County Administrator.

This Official Statement and any advertisement of the Series 2019 Bonds are not to be construed as a contract with the purchasers of the Series 2019 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of these estimates will be realized.

APPROVAL OF OFFICIAL STATEMENT

So far as any statements made in this Official Statement and the appendices attached involve matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The distribution of this Preliminary Official Statement has been duly authorized by the Board. This Preliminary Official Statement is in a form deemed final as of its date within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule.

COUNTY OF SPOTSYLVANIA, VIRGINIA

By: ____

Edward Petrovitch
County Administrator

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

APPENDIX A

"Account" shall mean any of the various Accounts created within a Fund under the Agreement of Trust.

"Agreement of Trust" shall mean the Agreement of Trust as supplemented or amended by one or more Supplemental Agreements.

"Annual Budget" shall mean the budget by that name referred to in the Agreement of Trust.

"Annual Debt Service" shall mean the amount of payments required to be made for principal of and interest on any specified Indebtedness, including mandatory sinking fund redemptions and payments pursuant to agreements with providers of credit enhancement or liquidity support with respect to such Indebtedness, to reimburse such providers for debt service payments made, and to pay credit enhancement or liquidity support fees, with respect to such Indebtedness, scheduled to come due within a specified Fiscal Year, net of actual subsidy payments received as a credit with respect to each interest payment pursuant to Section 6431 of the Code, or any successor provision. For purposes of calculating Annual Debt Service, the following assumptions are to be used to calculate the principal and interest due in such specified Fiscal Year:

(a) In determining the principal amount due in the Fiscal Year, payment shall be assumed to be made in accordance with any amortization schedule established for such Indebtedness (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization), including any scheduled redemption of such specified Indebtedness on the basis of accreted value and, for such purpose, the redemption payment shall be deemed a principal payment;

(b) If any of the specified Indebtedness constitutes Tender Indebtedness, then Annual Debt Service on the options or obligations of the holders of such Indebtedness to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which owners of such Indebtedness may or are required to tender such Indebtedness, except that any such option or obligation to tender Indebtedness shall be ignored and not treated as a principal maturity if (1) such Indebtedness is rated in one of the two highest long-term rating categories (without regard to any rating refinement or gradation by numerical modifier or otherwise) by a Rating Agency or such Indebtedness is rated in the highest short-term note or commercial paper rating categories by a Rating Agency and (2) any obligation the County may have, other than its obligation on such Indebtedness, to reimburse any extender of a credit, or liquidity facility or a bond insurance policy, or similar arrangement, shall either be subordinated to the obligation of the County on such Indebtedness or shall have been incurred under and shall have met the tests and conditions for the issuance of such specified Indebtedness set forth in the Agreement of Trust;

(c) If any of the specified Indebtedness constitutes Variable Rate Indebtedness, the interest rate on such Indebtedness shall be assumed to be 110% of the greater of (1) the daily average interest rate on such Indebtedness during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Indebtedness shall have been Outstanding or (2) the rate of interest on such Indebtedness on the date of calculation;

(d) If any of the specified Indebtedness constitutes Balloon Indebtedness, then, for purposes of determining the annual amount payable on account of principal of and interest on such Indebtedness, such Indebtedness that is or would be Balloon Indebtedness shall be treated as if the principal amount of such Indebtedness were to be amortized in substantially equal annual installments of principal and interest over a term of 30 years; and the interest rate used for such computation shall be the rate quoted in the 30-year revenue bond index published by The Bond Buyer no more than two weeks prior to the date of calculation, or if that index is no longer published, another similar index selected by the County, or if the County fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Indebtedness on the date of issuance, or if there are no such Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States of America ranked by assets;

(e) Indebtedness that is no longer Outstanding pursuant to the Agreement of Trust or otherwise shall be disregarded and not included in the calculation of Annual Debt Service;

(f) For any Indebtedness for which a binding commitment, letter of credit or other credit arrangement providing for the extension of such Indebtedness beyond its original maturity date exists, the computation of the annual amount payable on account of principal and interest on such Indebtedness shall, at the option of the County, be made on the assumption that such Indebtedness will be amortized in accordance with such credit arrangement; and

(g) Except for Hedge Agreements, Interest Liability Swaps are to be disregarded in calculating the Series Debt Service Reserve Requirement. Upon incurrence of a Hedge Agreement, all calculations, including for the annual amount on account of principal and interest on Indebtedness subject to the Hedge Agreement, shall be made using the Hedge Fixed Rate for the applicable period and such Indebtedness shall not be considered as Variable Rate Indebtedness for such period.

"Authorized Representative of the County" shall mean such person or persons as may be designated to act on behalf of the County by a certificate executed by the County Administrator and on file with the Trustee.

"Authorized Utilities Representative" shall mean such person or persons as may be designated to act on behalf of the Department of Utilities of the County by a certificate executed by the Director of Utilities and on file with the Trustee.

"Balloon Indebtedness" shall mean indebtedness 25% or more of the principal of which matures on the same date and such indebtedness is not required to be amortized by payment or redemption prior to such date. If any indebtedness consists partially of Variable Rate Indebtedness and partially of indebtedness bearing interest at a fixed rate, the portion constituting Variable Rate Indebtedness and the portion bearing interest at a fixed rate shall be treated as separate issues for purposes of determining whether any such indebtedness constitutes Balloon Indebtedness.

"Board" shall mean the Board of Supervisors of the County, the governing body of the County.

"Bond Anticipation Notes" shall mean any notes issued in anticipation of the issuance of Bonds.

"Bond Counsel" shall mean an attorney or firm of attorneys nationally recognized on the subject of municipal bonds.

"Bond Fund" shall mean the Bond Fund established in the Agreement of Trust.

"Bondholders" or **"holders"** of Bonds shall mean the registered owners of Bonds.

"Bonds" shall mean any bonds, notes or other obligations issued from time to time pursuant to the Agreement of Trust, including Bond Anticipation Notes, but not including Parity Debt and Subordinate Debt.

"Business Day" shall mean a day on which banking business is transacted, but not including a Saturday, Sunday or legal holiday, or any day on which banking institutions are authorized by law to close in the city in which the Trustee has its principal corporate trust office.

"Connection Fees" shall mean all nonrecurring fees that the County collects from developers, builders or others to compensate the County for providing System capacity and to connect to the System facilities related to any installation of and expansion to the System.

"Code" shall mean the Internal Revenue Code of 1986, as amended, including applicable regulations, rulings and revenue procedures promulgated or applicable thereunder.

"Commonwealth" shall mean the Commonwealth of Virginia.

“Construction Fund” shall mean the Construction Fund established in the Agreement of Trust.

“Consulting Engineer” shall mean (a) an Independent Consulting Engineer or (b) the designated person(s) within the Department of Utilities of the County or of any successor department who is (1) an engineer experienced in the field of water or sanitary sewer engineering (as appropriate) and (2) licensed and registered as a professional engineer in the Commonwealth.

“Contracted Services” shall mean (a) services rendered or facilities provided to the County in respect to the System or (b) the performance of functions for or on behalf of the County that are similar to those performed by the System, from a specific project or system, pursuant to a contract, lease, service agreement or another similar arrangement.

“Cost” or **“Cost of a Project”** shall mean the Cost of a Project as set forth in the Agreement of Trust.

“Cost of Contracted Services” shall mean the payments to be made by the County for Contracted Services under service agreements as set forth in the Agreement of Trust, which may consist of any of the following three components: a Debt Service Component, an Operating Component, and a Remaining Component, as designated by the County Administrator or his designee for each service agreement.

“Debt Service Component” shall have the meaning set forth in the definition of “Cost of Contracted Services.”

“Debt Service Reserve Fund” shall mean the Debt Service Reserve Fund established in the Agreement of Trust.

“Event of Default” shall mean any of the events enumerated in the Agreement of Trust.

“Fiscal Year” shall mean the twelve-month period beginning on July 1 of one year and ending on June 30 of the following year, or such other fiscal year of twelve months as may be selected by the County.

“Fund” shall mean the Revenue Fund, Bond Fund, Parity Debt Fund, Debt Service Reserve Fund, Subordinate Debt Fund, Renewal, Replacement and Expansion Fund or any other fund created under the Agreement of Trust.

“Government Certificates” shall mean certificates representing proportionate ownership of Government Obligations, which Government Obligations are held by a bank or trust company organized under the laws of the United States of America or any of its states in the capacity of custodian of such certificates.

“Government Obligations” shall mean (a) bonds, notes and other direct obligations of the United States of America, (b) securities unconditionally guaranteed as to the timely payment of principal, if applicable, and interest by the United States of America or (c) bonds, notes and other obligations of any agency of the United States of America unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

“Hedge Agreement” shall mean an interest rate swap, cap, collar, floor, forward or other hedging agreement, arrangement or security however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on all or a portion of any Bonds where (a) interest on such Bonds or such portion of such Bonds is payable at a variable rate of interest for any future period of time or is calculated at a varying rate per annum and (b) a fixed rate is specified by the County in such agreement, or such Bonds, taken together with such agreement, results in a net fixed rate payable by the County for such period of time (the “Hedge Fixed Rate”), assuming the County and the party(ies) with whom the County has entered into the agreement make all payments required to be made by the terms of the agreement, provided that no such agreement may be entered into by the County unless any termination or similar payment which may be payable by the County thereunder is expressly subordinated to the obligation of the County on the Bonds.

“Indebtedness” shall mean Senior Debt and Subordinate Debt.

“Independent Consulting Engineer” shall mean an independent engineer, who is not employed by the County, experienced in the field of water or sanitary sewer engineering (as appropriate) and licensed and registered as a professional engineer in the Commonwealth.

“Interest Account” shall mean the Interest Account in the Bond Fund established in the Agreement of Trust.

“Interest Liability Swap” shall mean a contract pursuant to which a party (the “Counterparty”) has agreed to make payments to the County during a particular period equal to the interest payable on specified Bonds or on a specified nominal amount at the actual rate or rates or, if on a nominal amount at a stated rate or rates, payable thereon and, in consideration therefor, the party obligated on the Bonds or otherwise executing the agreement agrees to make payments to the Counterparty equal to the interest required to be paid on the specified Bonds or stated to be due on the nominal amount during the period calculated as if the specified Bonds or nominal amount bore an assumed rate of interest specified in the contract.

“Letter of Representations” shall mean the Blanket Letter of Representations dated January 15, 1997, from the County to the Securities Depository and any amendments thereto or successor agreements between the County and any successor Securities Depository, relating to a book-entry system to be maintained by the Securities Depository with respect to the Series 2019 Bonds. Notwithstanding any provision of the Agreement of Trust, the Trustee may enter into any such amendment or successor agreement without the consent of Bondholders.

“Moody's” shall mean Moody's Investors Service, New York, New York, or its successors.

“Net Proceeds” shall mean the gross proceeds from any insurance recovery or recovery in any condemnation proceeding remaining after payment of attorneys' fees, fees and all other expenses incurred in collection of such gross proceeds.

“Net Revenues” shall mean Revenues less Operating Expenses.

“Operating Account” shall mean the Operating Account in the Revenue Fund established in the Agreement of Trust.

“Operating Component” shall have the meaning set forth in the definition of “Cost of Contracted Services.”

“Operating Expenses” shall mean all current expenses directly or indirectly attributable to the ownership or operation of the System, including reasonable and necessary usual expenses of administration, operation, maintenance and repair, costs for billing and collecting the rates, fees and other charges for the use of or the services furnished by the System, amounts to reimburse the County for administrative expenses incurred in connection with the System, insurance and surety bond premiums, legal, engineering, auditing and financial advisory expenses, expenses and compensation of the Trustee, Operating Components, and deposits into a self-insurance program as described in the Agreement of Trust. Operating Expenses shall not include any allowance for depreciation, Debt Service Components, Remaining Components, deposits or transfers to the Bond Fund, the Parity Debt Fund, the Debt Service Reserve Fund, the Subordinate Debt Fund, the Renewal, Replacement and Expansion Fund or the Surplus Fund or expenditures for capital improvements to and extensions of the System.

“Opinion of Counsel” shall mean an opinion of any attorney or firm of attorneys acceptable to the Trustee, who may be counsel for the County but shall not be an employee of either the County or the Trustee.

“Outstanding” shall mean, when used as descriptive of obligations, that such obligations have been authorized, issued, authenticated and delivered under the Agreement of Trust and have not been canceled or surrendered to the Trustee for cancellation, deemed to have been paid as provided in the Agreement of Trust, have had other obligations issued in exchange therefor or had their principal become due and moneys sufficient for their payment deposited with the Trustee as provided in the Agreement of Trust.

In determining whether holders of a requisite aggregate principal amount of the Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the Agreement of Trust, words referring to or connoting “principal of” or “principal amount of” Outstanding Bonds shall be deemed also to be references to, to connote and to include the accreted value of Bonds of any Series as of the immediately preceding interest compounding date for such Bonds. Bonds that are owned by the County shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

“Parity Debt” shall mean (a) the outstanding principal amount of the County's $2,180,000 Water and Sewer System Revenue Refunding Bonds, Series of 1993, (b) any Debt Service Component that the County is required, or has elected, to treat as payable on a parity with the Bonds with respect to the pledge of Net Revenues and (c) any other indebtedness incurred by the County pursuant to the Agreement of Trust that the County is required, or has elected, to treat as payable on a parity with the Bonds with respect to the pledge of Net Revenues.

“Parity Debt Fund” shall mean the Parity Debt Fund established in the Agreement of Trust.

“Principal Account” shall mean the Principal Account in the Bond Fund established in the Agreement of Trust.

“Project” shall mean (a) the acquisition, construction or equipping of any water or wastewater facilities, structures or buildings which are to become part of the System, including any improvement, extensions, additions, replacements, equipment and appurtenances to or for the benefit of the System, and (b) any water or wastewater treatment capacity or service (which service is required to be capitalized or which the County could properly elect to capitalize if it were a Federal taxpayer) which is to be acquired by the County and which capacity or service is to become part of the System.

“Public Finance Act” shall mean the Public Finance Act of 1991, Chapter 5.1, Title 15.1 of the Virginia Code or any successor provision of law.

“Qualified Independent Consultant” shall mean an independent professional consultant having the skill and experience necessary to provide the particular certificate, report or approval required by the provision of the Agreement of Trust or any Supplemental Agreement in which such requirement appears, including an Independent Consulting Engineer and an independent certified public accountant.

“Rate Covenant” shall mean the obligation of the County to fix, charge and collect rates, fees and other charges for the use of and the services furnished by the System sufficient to meet the two requirements of Section 601 of the Agreement of Trust.

“Rating Agency” or **“Rating Agencies”** shall mean Fitch Investors Service, Inc., Moody's or Standard & Poor's, or any of them, and their successors. The County may appoint any nationally recognized securities rating agency in addition to or as a replacement for Fitch Investors Service, Inc., Moody's or Standard & Poor's.

“Rebate Amount Certificate” shall have the meaning set forth in the Agreement of Trust.

“Remaining Component” shall have the meaning set forth in the definition of “Cost of Contracted Services.”

“Renewal, Replacement and Expansion Fund” shall mean the Renewal, Replacement and Expansion Fund established in the Agreement of Trust.

“Reserve Determination Date” shall mean (a) each interest payment date for the Bonds or (b) any other date established in writing by an Authorized Representative of the County for the valuation of obligations on deposit in any Series Debt Service Reserve Account.

“Revenue Fund” shall mean the Revenue Fund established in the Agreement of Trust.

“Revenues” shall mean all moneys received as rates, fees and other charges for, or payments in respect of, the use of and for the services furnished by the System, including Connection Fees and investment earnings that are deposited in the Revenue Fund. Revenues shall not include customer deposits. Revenues shall not include customer deposits, and shall not be deemed to include any credit to which the County is entitled pursuant to Section 6431 of the Code or any successor provision.

“Securities Depository” shall mean The Depository Trust Company, a corporation organized and existing under the laws of the State of New York, and any other securities depository for the Bonds appointed pursuant to the Agreement of Trust, and their successors.

“Senior Debt” shall mean Bonds and Parity Debt.

“Series” or **“Series of Bonds”** shall mean a separate series of Bonds issued under the Agreement of Trust and a Supplemental Agreement.

“Series 2019 Cost of Issuance Account” shall mean the Series 2019 Cost of Issuance Account established in the Agreement of Trust.

“Standard and Poor's” shall mean Standard & Poor's Ratings Group, a Division of McGraw-Hill, Inc., New York, New York, or its successors.

“Subordinate Debt” shall mean any bonds, notes or other obligations issued in connection with the System (a) which are expected to be paid from Net Revenues and designated by the County as Subordinate Debt or (b) which have pledged to their payment Net Revenues as a subordinate lien pledge after the pledge of Net Revenues to Senior Debt, including any Debt Service Component and Remaining Component that the County is required, or has elected, to treat as Subordinate Debt.

“Subordinate Debt Fund” shall mean the Subordinate Debt Fund established in the Agreement of Trust.

“Supplemental Agreement” shall mean any Supplemental Agreement supplementing or modifying the provisions of the Agreement of Trust entered into by the County and the Trustee pursuant to the Agreement of Trust.

“Surplus Fund” shall mean the Surplus Fund established in the Agreement of Trust.

“System” shall mean all plants, systems, facilities, equipment or property owned, operated or maintained by the County from time to time, together with all future extensions, improvements, enlargements and additions thereto, and all replacements thereof, used in connection with the collection, treatment or disposal of sanitary sewage and the supply, treatment, storage or distribution of water.

“Tender Indebtedness” shall mean any indebtedness a feature of which is an option or obligation on the part of the holders of such indebtedness to tender all or a portion of such indebtedness to a fiduciary for mandatory purchase or redemption prior to the stated maturity date of such indebtedness, which may include Variable Rate Indebtedness with such a feature.

“Term Bonds” shall mean any Bonds stated to mature on a specified date and required to be redeemed in part prior to maturity according to a sinking fund schedule.

“Trustee” shall mean U.S. Bank National Association, Richmond, Virginia, or its successors serving as such hereunder.

“Trustee's Fees and Expenses” shall mean an initial acceptance fee and annual administrative fees plus expenses in accordance with the fee schedule set forth in a letter from the Trustee to the County dated June 15, 1997.

“Utility Transfers” shall mean annual transfers from the Surplus Fund to the County's general fund, as may be approved by the Board, (a) as payments in lieu of taxes and (b) as payments in an aggregate amount up to 10% of the increase of retained earnings of the System for the immediately preceding Fiscal Year over the next previous Fiscal Year, as shown on the County's audited financial statements. Utility Transfers are to compensate the County's general fund for loss of revenues because the System is owned by the County and is not a private entity.

“Variable Rate Indebtedness” shall mean any indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate, provided that (a) the maximum interest rate on such indebtedness and the maximum rate payable to any liquidity provider with respect to such indebtedness shall be specified at the time of issuance of such indebtedness, (b) any such liquidity provider shall be rated by a Rating Agency in one of the two highest short-term rating categories of such Rating Agency, (c) any accelerated principal payments or any interest in excess of the bond interest rate due to such liquidity provider shall be subordinate to the payment of debt service on Bonds and (d) any two or more series of Bonds which are issued on the same date, the interest on which when such series are considered in the aggregate shall be a fixed or constant rate shall not be considered Variable Rate Indebtedness.

“Virginia Code” shall mean the Code of Virginia of 1950, as amended.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT OF TRUST

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT OF TRUST

The following is a brief summary of certain provisions contained in the Agreement of Trust and does not purport to be a complete statement of all of the provisions of the Agreement of Trust. Reference is made to the Agreement of Trust in its entirety for complete information on its terms and the terms of the Bonds, the security provisions and the application of Revenues. See also the sections entitled "Description of the Bonds" and "Security for the Bonds" contained in the Official Statement.

General; Application of Proceeds of Bonds

The Agreement of Trust authorizes the issuance of the Bonds by the County, establishes the form and details of the Bonds and makes provision for their execution, authentication, delivery, registration and exchange. All capitalized terms used in this summary have the meaning set forth in the Official Statement and in Appendix B, unless otherwise indicated.

The Bonds and the payment of principal, premium, if any, and interest required to be made on them are not obligations of the Trustee, and the Trustee has no responsibility or liability to make such payments, except that the Trustee is required under the Agreement of Trust and the Bonds to make payments from Net Revenues and certain funds established under the Agreement of Trust.

The Agreement of Trust provides that the proceeds from the purchase of the Bonds be deposited with the Trustee and used to pay the Costs of a Project, to make a deposit to the Interest Account in the Bond Fund in the amount equal to accrued interest on a Series of Bonds, if any, to make a deposit to the Debt Service Reserve Fund for such Series of Bonds, and to pay certain costs of issuance of such Series of Bonds. The Trustee will disburse moneys from the Construction Fund from time to time to or for the account of the County upon the Trustee's receipt of a written requisition in the form prescribed under the Agreement of Trust.

Payment of Bonds and Other Obligations

The Trustee shall promptly pay when due the principal of and interest on the Bonds at the places, on the dates and in the manner provided in the Agreement of Trust and in the Bonds and all other amounts required under the Agreement of Trust, but only to the extent that moneys are on deposit in the Bond Fund or the Construction Fund or other moneys are available under the Agreement of Trust.

Issuance of Additional Bonds

The Agreement of Trust permits the County to issue additional Bonds (a) to pay the Cost of a Project, (b) to pay the costs of planning or investigating the feasibility of acquiring, constructing, improving, extending or expanding the System, (c) to refund any Indebtedness secured by or payable from Net Revenues, including any Bonds, or (d) a combination of such purposes. Each Series of Bonds and Parity Debt will be secured by Net Revenues. Before the issuance and authorization of any additional Bonds or Parity Debt by the County certain conditions specified in the Agreement of Trust must be met, including certain assurances of the sufficiency of System Revenues to pay operation and maintenance expenses of the System and debt service on all Indebtedness.

Among the required conditions set forth in the Agreement of Trust permitting the issuance of additional Bonds are:

(a) in the case of additional Bonds issued to pay the Cost of a Project, the following:

(1) If (A) the original principal amount of such Series of Bonds exceeds $10,000,000 and (B) the Project does not consist solely of a purchase of water and/or wastewater capacity or construction bids have not been obtained in connection with a Project, a written statement of a Consulting Engineer setting forth such Consulting Engineer's (i) estimate of the Cost of such Project (including all financing and related

costs) and the date on which such Project will be completed and (ii) opinion that the proceeds of such Bonds, together with any other moneys available for such purpose, will be sufficient to pay the Cost of such Project; provided, however, that if the Consulting Engineer is not an Independent Consulting Engineer such statement shall be reviewed and approved by an Independent Consulting Engineer.

(2) Evidence that upon issuance of such Bonds each Series Debt Service Reserve Account within the Debt Service Reserve Fund will contain the applicable Series Debt Service Reserve Requirement; and

(3) Either (A) a certificate of a Qualified Independent Consultant stating that based on the County's financial records for any 12 consecutive months of the last 24 months (the "Test Period") prior to the issuance of such Bonds the County would have been able to meet the Rate Covenant, taking into account the (i) maximum Annual Debt Service on the proposed additional Series of Bonds in the current or any future Fiscal Year and (ii) the rates, fees and other charges which are in effect and any future changes therein as have been approved by the Board at the time of the delivery of the proposed additional Series of Bonds or (B) a written statement of a Qualified Independent Consultant which projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the Project and which demonstrates that, on the basis of such projection, the County can comply with the Rate Covenant, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds and any future changes therein as have been approved by the Board at the time of the delivery of the proposed additional Series of Bonds; provided, however, that a Qualified Independent Consultant may not take into account for the purposes of such projection Connection Fees which exceed in any year the actual average number of customers paying Connection Fees during the three prior Fiscal Year times the amount of each Connection Fee expected to be assessed.

(b) in the case of additional Bonds issued to refund any Indebtedness, the following:

(1) Evidence that the County has made provision as required by the Agreement of Trust for the payment or redemption of all Indebtedness to be refunded;

(2) A written determination by a Qualified Independent Consultant or other evidence satisfactory to the Trustee that the proceeds (excluding accrued interest) of such Bonds, together with any other moneys deposited with the Trustee for such purpose and the investment income to be earned on moneys held for the payment or redemption of the Indebtedness to be refunded, will be sufficient (without reinvestment) to pay either (A) the principal of and the premium, if any, on the Indebtedness to be refunded and the interest which will accrue on such Indebtedness to the respective redemption or maturity dates or (B) the principal and interest on the refunding Bonds to a date certain, at which time such proceeds, moneys and earnings will be sufficient to pay the principal of and the premium, if any, on the Indebtedness to be refunded and the interest which will accrue on such Indebtedness to the respective redemption or maturity dates; and

(3) Either (A) a written determination by a Qualified Independent Consultant or other evidence satisfactory to the Trustee that after the issuance of such Bonds and the provision for payment or redemption of all Indebtedness to be refunded, the Annual Debt Service requirements for each Fiscal Year in which there will be Outstanding Bonds of any Series not to be refunded will be not more than what the Annual Debt Service requirements for such Fiscal Year would have been on all Bonds Outstanding immediately prior to the issuance of such Bonds, including the Indebtedness to be refunded, and that the final maturity of any Series of Bonds being refunded has not been extended or (B) a certificate as described in subsection (a)(3) above.

Parity Debt

The County may incur or refinance Parity Debt provided that the documents providing for the Parity Debt specify the amounts and due dates of Annual Debt Service with respect to the Parity Debt and the requirements of clauses (1) and (3) of paragraph (a) or the requirements of paragraph (b) above, as appropriate, have been met as if the Parity Debt was an additional Series of Bonds. Parity Debt will be secured by the pledge of Net Revenues under the Agreement of Trust on a parity with Bonds issued under the Agreement of Trust, except Parity Debt will not be secured by money in the Bond Fund or the Debt Service Reserve Fund.

Subordinate Debt

The County may at any time issue Subordinate Debt and pledge Net Revenues thereto so long as rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of such Subordinate Debt.

Rate Covenant

The Agreement of Trust contains a rate covenant as described in the section entitled "Security for the Bonds -- Rate Covenant" in the Official Statement.

Establishment of Funds and Accounts

The Agreement of Trust establishes the following Funds and Accounts to be held as indicated:

(a) County of Spotsylvania Water and Sewer System Construction Fund to be held by the Trustee;

(b) County of Spotsylvania Water and Sewer System Revenue Fund, in which there shall be established an Operating Account, to be held by the County; provided, however, that upon an Event of Default, the County shall transfer the Revenue Fund to the Trustee;

(c) County of Spotsylvania Water and Sewer System Bond Fund, in which there shall be established an Interest Account and a Principal Account, and a separate subaccount in each such Account with respect to each Series of Bonds issued hereunder, to be held by the Trustee;

(d) County of Spotsylvania Water and Sewer System Parity Debt Fund, in which there shall be established separate Accounts and subaccounts as designated by the County for Parity Debt, to be held by the County; provided, however, that upon an Event of Default, the County shall transfer the Parity Debt Fund to the Trustee;

(e) County of Spotsylvania Water and Sewer System Debt Service Reserve Fund, in which there shall be established Series Debt Service Reserve Accounts for each Series of Bonds which has a Series Debt Service Reserve Requirement, to be held by the Trustee;

(f) County of Spotsylvania Water and Sewer System Subordinate Debt Fund, to be held by the County;

(g) County of Spotsylvania Water and Sewer System Renewal, Replacement and Expansion Fund, to be held by the County;

(h) County of Spotsylvania Water and Sewer System Surplus Fund, to be held by the County; and

(i) County of Spotsylvania Water and Sewer System Series 2019 Arbitrage Rebate Fund to be held by the County.

Construction Fund. The Trustee will use all moneys in the Series 2019 Cost of Issuance Account and the Series 2019 Cost of Issuance Account in the Construction Fund to pay the costs of issuing the Series 2019 Bonds. The Trustee shall make payments from the Series 2019 Cost of Issuance Account and the Series 2019 Cost of Issuance Account upon receipt of requisitions signed by an Authorized Representative of the County, providing certain required information with respect to the use of the amounts being requisitioned.

Revenue Fund. The County shall collect and deposit all Revenues in the Revenue Fund at least weekly. All subsidy payments received by the County as credits on any Bonds pursuant to Section 6431 of the Code or any successor provision shall be promptly deposited in the appropriate subaccount of the Interest Account within the Bond Fund pursuant to (a)(1) below. Moneys in the Revenue Fund shall be used only in the manner and priority set forth below.

The County shall pay Operating Expenses, including any Operating Component, as they become due from moneys on deposit in the Revenue Fund and, as necessary, from moneys on deposit in the Operating Account. The County shall transfer from the Revenue Fund to the Operating Account an amount, if any, such that the balance in the Operating Account will be equal to not less than one-sixth of the Operating Expenses to be paid during the Fiscal Year in accordance with the Annual Budget. After retaining such amount in the Operating Account, the County shall transfer from the Revenue Fund, not later than the 25th day of each month, moneys in the following order of priority:

(a) to the Trustee for deposit in the Bond Fund, an amount sufficient to make the following deposits:

(1) first, to the subaccount established for each Series of Bonds in the Interest Account, such amount, if any, as may be required to make the total amount on deposit therein equal to one-sixth of the amount of interest which will become due on the respective Series of Bonds within the next succeeding six months multiplied by the sum of one plus the number of complete months since the last interest payment date for such Series of Bonds; and

(2) then, to the subaccount established for each Series of Bonds in the Principal Account, such amount, if any, as may be required to make the total amount on deposit therein equal to one-twelfth of the amount of principal of the respective Series of Bonds maturing or subject to mandatory sinking fund redemption within the next succeeding 12 months multiplied by the sum of one plus the number of complete months since the last principal payment date for such Series of Bonds;

provided, however, that for any Series of Bonds, the deposits described in (1) and (2) above may be changed in any Supplemental Agreement of Trust and, if the period between the dated date and the first interest payment date is other than six months or the period between the dated date and the first principal payment date is less than 12 months, respectively, then such monthly transfers to the Interest Account or the Principal Account, as appropriate, shall be increased or decreased so as to provide the required amount when due;

(b) to the Parity Debt Fund, an amount with respect to any Parity Debt such that if the same amount is transferred to the Fund each succeeding month preceding the next payment debt on the Parity Debt, there will be on deposit in the Fund an amount equal to the payment due on the Parity Debt on such payment date. If any Parity Debt is payable other than on a monthly basis, the County may provide for monthly deposits to the Parity Debt Fund to amortize such amounts;

(c) to the Trustee for deposit in the Debt Service Reserve Fund, such amount, if any, necessary to increase the amount on deposit in each Series Debt Service Reserve Account to the amount required to reflect the applicable Series Debt Service Reserve Requirement, including amounts necessary to reimburse the provider of any credit facility for draws on such facility;

(d) to the Subordinate Debt Fund such amount, if any, of principal of and interest on Subordinate Debt coming due in the next succeeding month and any deposit to the debt service reserve funds, if any, established in connection with such Subordinate Debt; provided, however, that if any Subordinate Debt is payable other than on a monthly basis, the County may provide for monthly deposits to the Subordinate Debt Fund to amortize such amounts;

(e) to the Renewal, Replacement and Expansion Fund, equal monthly payments over a period of 60 months until the balance in such Fund equals $500,000 and thereafter, such amounts as shall be necessary to maintain such Fund at an amount equal to $500,000; and

(f) to the Surplus Fund, any amount remaining in the Revenue Fund.

If the County fails to transfer to the Trustee the amounts required by Subsections (a) and (c) above, the Trustee shall give notice of such failure to the County Administrator and the Director of the Department of Utilities, if any, within 10 days of such failure.

Notwithstanding anything in the Agreement of Trust to the contrary, at any time the County is required to make transfers pursuant to subsections (a) and (b) above, and there are insufficient moneys in the Revenue Fund to make all required transfers pursuant to such subsections, the County shall make the transfers ratably from moneys available in the Revenue Fund.

Bond Fund. The Trustee shall pay when due the principal of and interest on the Bonds from the Principal Account and the Interest Account, respectively.

The Trustee shall provide for redemption of any Term Bonds in accordance with the schedules set forth in the Supplemental Agreement for such Bonds; provided, however, that on or before the 70th day next preceding any such sinking fund payment date, the County may:

(a) deliver to the Trustee for cancellation Term Bonds required to be redeemed on such sinking fund payment date in any aggregate principal amount desired; or

(b) instruct the Trustee to apply a credit against the County's next sinking fund redemption obligation for any such Term Bonds that previously have been redeemed (other than through the operation of the sinking fund) and canceled but not theretofore applied as a credit against any sinking fund redemption obligation.

Upon the occurrence of any of the events described in subsections (a) or (b) above, the Trustee shall credit against the County's sinking fund redemption obligation on the next sinking fund payment date the amount of such Term Bonds so delivered or previously redeemed. Any principal amount of such Term Bonds in excess of the principal amount required to be redeemed on such sinking fund payment date shall be similarly credited in such order as may be determined by the County Administrator against future payments from the Revenue Fund to the Principal Account within the Bond Fund and shall similarly reduce the principal amount of the Term Bonds of the applicable Series to be redeemed on the next sinking fund payment date. Within seven days of receipt of such Term Bonds or instructions to apply as a credit, any amounts remaining in the Principal Account in excess of the amount required to fulfill the remaining required sinking fund redemption obligation on the next sinking fund payment date shall either (1) be used to redeem Bonds or (2) be transferred to the County for deposit to the Revenue Fund.

In the event the balance in the Principal Account or the Interest Account is insufficient for the purposes thereof, the County shall transfer to the Trustee for deposit in such Accounts such amounts as may be necessary therefor from available moneys in the Surplus Fund and then from the applicable Series Debt Service Reserve Account.

Parity Debt Fund. The County shall pay when due payments on any Parity Debt to such person designated for such purpose by an Authorized Representative of the County. The County may pay Debt Service Components from the Parity Debt Fund. In the event the balance on deposit in the Parity Debt Fund is insufficient for the purposes thereof, the County may transfer for deposit in such Fund such amounts as may be necessary therefor from available moneys in the Surplus Fund.

Debt Service Reserve Fund. The Trustee shall use moneys in the Series Debt Service Reserve Accounts to make transfers to the Bond Fund to the extent necessary to pay when due the principal of (whether at maturity or by mandatory sinking fund redemption) and interest on the applicable Series of Bonds if the amounts on deposit therein are insufficient therefor.

On or within five days after each Reserve Determination Date, the Trustee shall determine if the balance on deposit in each Series Debt Service Reserve Account was, as of the Reserve Determination Date, at least equal to the applicable Series Debt Service Reserve Requirement.

In the event the amount on deposit in a Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, the Trustee shall transfer moneys to such Series Debt Service Reserve

Account to restore such Series Debt Service Reserve Requirement from available moneys in the Revenue Fund. In the event the amount on deposit in a Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement after such transfer from the Revenue Fund, the County shall transfer to the Trustee from available moneys in the Surplus Fund such amount as may be necessary to restore the Series Debt Service Reserve Account to the amount of such Series Debt Service Reserve Requirement. To the extent such moneys are still insufficient to restore the amount on deposit in such Series Debt Service Reserve Account to the amount of the applicable Series Debt Service Reserve Requirement, then the County shall transfer to the Trustee from any legally available moneys the amount of such deficiency as soon as practicable and in any event within one year by depositing one-twelfth of the required amount each month.

In the event the amount on deposit in a Series Debt Service Reserve Account exceeds the applicable Series Debt Service Reserve Requirement, the Trustee (a) shall, prior to the completion of a Project, transfer and deposit such excess in the Construction Fund, and (b) thereafter transfer such excess to the Bond Fund to be deposited, as directed by an Authorized Representative of the County, in the Interest Account or the Principal Account to the extent amounts in such accounts are less than the amounts required to be paid on the next interest payment date and principal payment date, respectively, and otherwise transfer any remaining excess to the Revenue Fund.

In lieu of or in addition to cash or investments, at any time the County may cause to be deposited to the credit of any Series Debt Service Reserve Account any form of credit facility, in the amount of all or a portion of the Series Debt Service Reserve Requirement, irrevocably payable to the Trustee as beneficiary for the holders of the respective Series of Bonds, provided that the Trustee has received evidence satisfactory to it that (a) the provider of the credit facility has a credit rating in one of the two highest credit rating categories by two Rating Agencies, (b) the obligation of the County to pay the fees of and to reimburse the provider of the credit facility is subordinate to its obligation to pay debt service on the respective Series of Bonds, (c) the term of the credit facility is at least 24 months, (iv) the only condition to a drawing under the credit facility is insufficient amounts in the applicable Funds and Accounts held by the Trustee with respect to such Series of Bonds when needed to pay debt service on such Series or the expiration of the credit facility and (e) the provider of the credit facility shall notify the County and the Trustee at least 24 months prior to expiration of the credit facility. If (1) the County receives such expiration notice and the provider of such credit facility does not extend its expiration date, (2) the County receives notice of the termination of the credit facility or (3) the provider of such credit facility no longer has a credit rating in one of the two highest credit rating categories by two Rating Agencies, the County shall (A) provide a substitute credit facility that meets the requirements set forth in the foregoing sentences, (B) deposit the Series Debt Service Reserve Requirement to the respective Series Debt Service Reserve Account (i) in equal monthly installments over the next succeeding 12 months, in the case of receipt of an expiration notice, (ii) prior to the termination date in the case of receipt of a termination notice, or (iii) immediately in the case of such reduction in credit rating or (C) instruct the Trustee to draw on such credit facility in the amount of the Series Debt Service Reserve Requirement (i) 12 months prior to expiration of the credit facility in the case of receipt of an expiration notice, (ii) prior to the termination date in the case of receipt of a termination notice, or (iii) immediately in the case of such reduction in credit rating and deposit such drawing to the Series Debt Service Reserve Account.

If a disbursement is made pursuant to any credit facility, the County shall either (a) reinstate the maximum limits of such credit facility or (b) deposit to the credit of the applicable Series Debt Service Reserve Account moneys in the amount of the disbursement made under such credit facility from available moneys in the Revenue Fund and then from available moneys in the Surplus Fund. To the extent such moneys are still insufficient, then the County shall transfer to the Trustee from any legally available moneys the amount of such deficiency as soon as practicable and in any event within one year by depositing one-twelfth of the required amount each month.

Amounts, if any, released from the Series Debt Service Reserve Account upon deposit to the credit of such Account of a credit facility pursuant to the preceding paragraph shall, upon designation by an Authorized Representative of the County, accompanied by an Opinion of Bond Counsel that such use will not adversely affect the exclusion from gross income of interest on the respective Series of Bonds, be transferred (a) to the Principal Account with respect to such Series of Bonds and used to pay principal of or to redeem such Bonds or (b) to the Construction Fund, and used for payment of the Cost of a Project with respect to such Series.

Subordinate Debt Fund. The County shall pay when due any obligations, including deposits to any debt service reserve funds, related to Subordinate Debt from the Subordinate Debt Fund. The County may pay Remaining Components from the Subordinate Debt Fund. In the event the balance in the Subordinate Fund is insufficient for the purposes thereof, the County may transfer for deposit in such Fund such amounts as may be necessary therefor from available moneys in the Surplus Fund.

Renewal, Replacement and Expansion Fund. The County may use moneys in the Renewal, Replacement and Expansion Fund solely to pay the cost of repairs and replacements to the System and the cost of acquisition or construction of improvements, extensions, additions or replacements required to be charged to a capital account by generally accepted accounting principles and which constitute or will constitute a part of the System.

Surplus Fund. The County shall use moneys in the Surplus Fund as needed in the following priority:

(a) To pay Operating Expenses for which the balance in the Revenue Fund, as certified by an Authorized Utilities Representative, may be insufficient;

(b) To make transfers for deposit in the Bond Fund, the Parity Debt Fund and the Subordinate Debt Fund to the extent and in the manner provided above;

(c) To make transfers to the Trustee for deposit in the Series Debt Service Reserve Account to make up a deficiency in any Series Debt Service Reserve Requirement to the extent and in the manner provided above;

(d) To pay the Cost of completing any Project;

(e) To pay Utility Transfers;

(f) To purchase, for cancellation, Bonds at or below their redemption price on the next date at which Bonds may be redeemed;

(g) To redeem Bonds at the earliest practicable date; and

(h) To make deposits, as necessary, to the Arbitrage Rebate Fund pursuant to the provisions of any Supplemental Agreement.

When the balances in the Bond Fund, the Debt Service Reserve Fund and the Surplus Fund are sufficient to redeem all Bonds then Outstanding, the balances in the Bond Fund and the Debt Service Reserve Fund may, at the direction of the County, be retained in such Funds and held for redemption of all Bonds then Outstanding at the earliest practicable date and for no other purpose.

Pledge of Certain Funds and Accounts

Net Revenues in the Revenue Fund are pledged equally and ratably to the payment of principal of and interest on all Senior Debt, subject only to the right of the County to make application thereof to other purposes as provided in the Agreement of Trust. Moneys in the Construction Fund, the Revenue Fund (except the Operating Account), the Bond Fund and the Debt Service Reserve Fund are pledged (except as provided in the next sentence hereof) equally and ratably to the payment of the principal of and interest on all Bonds, subject only to the right of the County to make application thereof, or to direct the Trustee to make application thereof, to other purposes as provided in the Agreement of Trust. The lien and trust created in the Agreement of Trust are for the benefit of the Bondholders and for their additional security until all the Bonds have been paid; provided, however, that the moneys in the Construction Fund and each Series Debt Service Reserve Account shall only secure the applicable Series of Bonds which provided such moneys, and moneys in any account of the Bond Fund relating to a particular Series of Bonds shall only secure such Bonds. Moneys in the Parity Debt Fund, the Subordinate Debt Fund, the Renewal, Replacement and Expansion Fund and the Surplus Fund are not pledged to the Bonds.

Investment of Moneys

Any moneys held in the Funds and Accounts shall be invested and reinvested by or at the written direction of the County Treasurer or his designee, in Investment Obligations, subject to the limitations stated herein.

"Investment Obligations" shall mean any of the following which are at the time legal investments for public funds under the Investment of Public Funds Act (Chapter 18, Title 2.1 of the Virginia Code) or any subsequent provisions of law applicable to such investments:

(a) Government Obligations;

(b) Government Certificates;

(c) bonds, notes and other evidences of indebtedness of the Federal National Mortgage Association, the Federal Home Loan Bank, the Farm Credit System, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association and the Resolution Funding Corp.;

(d) bonds and notes of the Commonwealth and securities unconditionally guaranteed as to the timely payment of principal and interest by the Commonwealth, so long as such obligations are rated by Moody's and Standard and Poor's in one of the two highest rating categories of such Rating Agencies;

(e) commercial paper with a maturity of 270 days or less, which complies with the requirements of Section 2.1-328.1 of the Virginia Code, or any successor provision of law, so long as such commercial paper is rated at the time of purchase, "Prime-1" or better by Moody's and "A-1" or better by Standard and Poor's;

(f) bankers acceptances, if permitted by Section 2.1-328.4 of the Virginia Code, or any successor provision of law, with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A" or better by Standard and Poor's;

(g) savings accounts, time deposits, certificates of deposit and other interest bearing accounts of any (1) national bank located within the Commonwealth or (2) state-chartered bank, provided that such funds are secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law, but only to the extent such funds are fully insured by the Federal Deposit Insurance Corporation or any other Federal insurance agency, and provided that no deposits made under this subsection shall be made for a period in excess of five years;

(h) savings accounts and certificates of deposit of (1) savings institutions which are under supervision of the Commonwealth and (2) Federal institutions located within the Commonwealth organized under the laws of the United States of America and under Federal supervision, but only to the extent that such accounts and certificates are fully insured by the Federal Deposit Insurance Corporation or any other Federal insurance agency, unless such deposits in excess of the amount insured shall be fully collateralized (A) by eligible collateral as defined in Section 2.1-360(e) of the Virginia Code or any successor provision of law, (B) by Government National Mortgage Association Pass-through Certificates, (C) by Federal National Mortgage Association Guaranteed Pass-through Certificates, (D) by Federal Home Loan Mortgage Corporation Participation Certificates or (E) as provided by the Virginia Security for Public Deposits Act or any successor provision of law, provided that no deposits made under this subsection shall be made for a period in excess of five years; and

(i) units representing beneficial interests in investment pools created pursuant to the Government Non-Arbitrage Investment Act (Article 7.1, Chapter 14, Title 2.1 of the Virginia Code) or any successor provision of law.

Any moneys held in the Bond Fund and the Debt Service Reserve Fund shall be separately invested and reinvested by the Trustee at the direction of the County Administrator or his designee in investments described in Subsections (a), (b), (c), (g), (h) and (i) of this Section, so long as they are authorized for investment of public sinking funds by Section 2.1-327 of the Virginia Code or any successor provisions of law applicable to such investments.

Any moneys held in the Revenue Fund, Parity Debt Fund, Subordinate Debt Fund, Renewal, Replacement and Expansion Fund and Surplus Fund, or any Account in any such Funds may be jointly invested with moneys held in any of the same such Funds or Accounts and with other moneys of the County so long as the County

Administrator or his designee keeps accurate and complete records of such Funds and Accounts and of the earnings with respect to each such Fund and Account.

Any investments described in subsections (a) and (b) of this Section may be purchased pursuant to an overnight, term or open repurchase agreement in accordance with the provisions of the Agreement of Trust.

Investments in a money market or other fund, investments of which fund are exclusively in obligations or securities described in subsections (a), (b) and (c) of this Section, shall be considered investments in obligations described in subsections (a), (b) and (c) of this Section; provided that such funds are registered under the Securities Act of the Commonwealth.

Moneys held in the following Funds and Accounts shall be invested in obligations described in this Section of the following maturities:

(1) Construction Fund - not later than the dates on which such moneys will be needed to pay the Cost of a Project;

(2) Revenue Fund - not later than the last dates on which such moneys will be needed to be transferred to any other Fund or Account (or if investment obligations are transferred, not later than maturities for investment obligations for the applicable Fund or Account);

(3) Bond Fund, Parity Debt Fund and Subordinate Debt Fund - not later than the dates on which such moneys will be needed to pay principal of or interest on Bonds, Parity Debt and Subordinate Debt, respectively;

(4) Series Debt Service Reserve Accounts within the Debt Service Reserve Fund - not later than the earlier of five years from the date of acquisition of the investment or the final maturity of the applicable Series of Bonds; and

(5) Renewal, Replacement and Expansion Fund and Surplus Fund - not later than the earlier of five years from the date of acquisition of the investment or the final maturity of the Bonds.

Unless otherwise provided in a Supplemental Agreement, earnings on Investment Obligations shall accrue to the Fund or Account in which such Investment Obligations are on deposit, or, at the written direction of an Authorized Representative of the County, shall be transferred to and deposited in the Revenue Fund. Notwithstanding the foregoing, earnings from the investments of the Parity Debt Fund, the Subordinate Debt Fund and the Surplus Fund shall be transferred to and deposited in the Revenue Fund.

In computing the amount in any Fund or Account, except for the Debt Service Reserve Fund, obligations purchased as an investment of money therein shall be valued at cost or fair market value, whichever is lower, plus accrued interest. Investments in the Debt Service Reserve Fund shall be valued at least semiannually at the fair market value thereof, plus accrued interest.

Particular Covenants

Covenants with Credit Banks, Insurers, etc. The County may make such covenants and agreements in a Supplemental Agreement as it may determine to be appropriate with any insurer, credit bank or other financial institution that shall agree to insure or to provide credit or liquidity support that shall enhance the security or the value of any Bonds. Such covenants and agreements may be set forth in the applicable Supplemental Agreement and shall be binding on the County and all the Bondholders the same as if such covenants were set forth in full in the Agreement of Trust.

Operation and Maintenance. The County shall establish and enforce reasonable rules and regulations governing the use of and the services furnished by the System, maintain and operate the System in an efficient and economical manner, maintain the same in good repair and sound operating condition and make all necessary repairs, replacements and renewals.

<u>Free Service</u>. The County shall not permit connections to or use of the System or provide any services of the System without making a charge therefor in accordance with the County's schedule of rates, fees and charges for the System other than those connections, uses or services already in existence; provided, however, the County may accept proffers and other forms of payment in lieu of cash payments that the County deems are in its best interests to accept.

<u>Sale or Encumbrance of System</u>. (a) Neither the System nor any integral part thereof shall be leased, sold or otherwise disposed of without an Independent Consulting Engineer's certification that such disposition will not have a negative impact on the overall viability of the System unless the proceeds of such disposition, together with any other legally available moneys are sufficient to pay the principal of and premium, if any, and interest on all Bonds then Outstanding and the proceeds are used for such purpose. The County shall not create or suffer to be created any lien or charge upon the System or any part thereof or any lien or charge upon Net Revenues and other moneys pledged herein ranking equally with or prior to the lien and charge of the Bonds, except as provided in the Agreement of Trust. Notwithstanding anything in the Agreement of Trust to the contrary, the County may acquire items of personal property constituting part of the System under lease purchase agreements or similar financing arrangements entered into in the ordinary course of business which may be subject to purchase money security interests or other liens in an aggregate amount not to exceed $1,000,000.

(b) Notwithstanding the provisions of subsection (a) above, the County may sell, transfer or otherwise dispose of all or substantially all of the System for purposes of consolidating the System with or merging the System into one or more regional water and/or sewer systems of which the County is a participating member jurisdiction if: (1) the successor entity assumes in writing all of the Indebtedness then Outstanding, (2) the successor entity covenants in writing to comply with the Rate Covenant, (3) the County obtains an opinion of Bond Counsel, subject to the customary exceptions and qualifications, substantially to the effect that the assumption by the successor entity of all of the Indebtedness then Outstanding shall not have an adverse effect on the tax-exempt status of the interest on any such Indebtedness the interest on which was excludable from gross income for purposes of Federal income taxation when issued and (4) the ratings on the Indebtedness then Outstanding will not adversely be effected by such assumption.

<u>Insurance</u>. The County shall continuously maintain insurance with recognized responsible commercial insurance companies against such risks as are customary for public bodies owning and operating similar systems, including (a) insurance against loss or damage to the System, (2) public liability insurance against liability for bodily injury, including death resulting therefrom, and from damage to property, including loss of use thereof, arising out of the ownership or operation of the System and (3) workers' compensation insurance with respect to the System.

In lieu of insurance written by commercial insurance companies, the County may maintain a program of self insurance or participate in group risk financing programs, including sponsored insurance programs, risk pools, risk retention groups, purchasing groups and captive insurance companies, and in state or Federal insurance programs; provided, however, that the County shall obtain and maintain on file a favorable written opinion of a Qualified Independent Consultant that such alternative is reasonably acceptable under all the circumstances.

<u>Damage, Destruction, Condemnation and Loss of Title</u>. If all or any part of the System is destroyed or damaged by fire or other casualty, condemned or lost by failure of title, the County shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage, destruction, condemnation or loss of title with such alterations and additions as the County may determine and which will not impair the capacity or character of the System for the purpose for which it is then being used; or is intended to be used provided, however, that the County may, in the alternative, prepay in whole or in part all Bonds then Outstanding with the Net Proceeds and any other funds that may be available for such purpose and provided, further, that such prepayment is in accordance with the terms of the Agreement of Trust and pursuant to the appropriate optional redemption provisions for each Series of Bonds then Outstanding. The County may apply so much as may be necessary of the Net Proceeds received on account of any such damage, destruction, condemnation or loss of title 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 County shall pay so much of the cost as may be in excess of such Net Proceeds. Any balance of such Net Proceeds remaining after payment of the cost of such restoration shall be deposited in the Revenue Fund.

Records and Accounts; Inspections and Reports. (a) The County shall keep proper books of records and accounts, separate from any of its other records and accounts, showing complete and correct entries of all transactions relating to the System, and the Trustee shall have the right at all reasonable times to inspect the System and all records, accounts and data relating thereto. The County shall also cause a certified audit to be made at the end of each Fiscal Year.

(b) The County shall cause an Independent Consulting Engineer at least once every five years to inspect the System and make a written report thereof.

Service Agreements. The County may enter into service agreements for the benefit of the System, provided that such agreements shall specify the items payable as the Debt Service Component, Operating Component or Remaining Component of the Cost of Contracted Services and provided, further, that the County shall not enter into any service agreements that would create Debt Service Components unless the County satisfies the certain tests of the Agreement of Trust.

Events of Default and Remedies on Default

Each of the following events shall be an "Event of Default" upon the conditions and subject to the limitations provided in the Agreement of Trust: (a) default by the County in the due and punctual payment of the principal of or premium, if any, on any Bond (whether at maturity, by acceleration, call for redemption or otherwise), (b) default by the County in the due and punctual payment of the interest on any Bond, (c) subject to certain provisions, failure of the County to observe or perform any other covenants, conditions or agreements under the Agreement of Trust or in the Bonds, (d) failure promptly to repair, replace or reconstruct any substantial part of the System the destruction or damage of which has impaired the efficient operation of or substantially adversely effected the generation of Revenues by the System, and (e) failure of the County generally to pay its debts as they become due and certain events of bankruptcy, assignment, dissolution, liquidation or reorganization by or against the County.

Certain of the County's obligations other than the obligation to make all payments on the Bonds may be suspended if by reason of force majeure, as defined in the Agreement of Trust, the County is unable to carry out such obligations.

Upon the occurrence and continuation of an Event of Default, the Trustee may (and if requested by the holders of not less than 25% in aggregate principal amount of Bonds then Outstanding shall) by written notice to the County, declare the entire unpaid principal of the Bonds due and payable and, thereupon, the entire unpaid principal of and premium, if any, and accrued interest on the Bonds shall forthwith become due and payable, but only from Net Revenues and other moneys specifically pledged for payments of Bonds.

Upon the occurrence and continuation of an Event of Default, the Trustee may (and if requested by the holders of not less than 25% in aggregate principal amount of Outstanding Bonds and if indemnified in accordance with prevailing industry standards shall) proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any covenant or agreement contained in the Agreement of Trust.

Supplemental Agreements

The County and the Trustee may, without the consent of, or notice to, any of the Bondholders, enter into Supplemental Agreements as shall not be inconsistent with the intent of the terms and provisions hereof for any one or more of the following purposes:

(a) To cure any ambiguity, formal defect or omission in the Agreement of Trust;

(b) To grant to or confer upon the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Bondholders;

(c) To add to the covenants and agreements of the County in the Agreement of Trust other covenants and agreements to be observed by the County;

(d) To modify, amend or supplement the Agreement of Trust in such manner as required to permit the County to comply with the provisions of the Code relating to the rebate to the United States of America of earnings derived from the investment of the proceeds of Bonds, provided that such modification, amendment or supplement does not materially adversely affect the holders of all Outstanding Bonds;

(e) To modify, amend or supplement the Agreement of Trust in such manner as may be required by a Rating Agency to maintain its rating on the Bonds, provided that such modification, amendment or supplement does not materially adversely affect the holders of all Outstanding Bonds;

(f) To modify, amend or supplement the Agreement of Trust to implement any covenants or agreements in connection with an insurer, credit bank or other financial institution that shall agree to insure or to provide credit or other liquidity support to enhance the security or the value of any Bonds, as provided in the Agreement of Trust;

(g) To authorize the issuance of and to secure one or more Series of Bonds as provided in the Agreement of Trust; and

(h) To modify, amend or supplement the Agreement of Trust in any manner that the Trustee concludes is not materially adverse to the holders of all Outstanding Bonds.

In addition, subject to the terms and provisions contained in the Agreement of Trust, the holders of not less than a majority in aggregate principal amount of Outstanding Bonds shall have the right from time to time, notwithstanding anything in the Agreement of Trust to the contrary, to consent to the execution by the County and the Trustee of such other agreements or agreements supplemental thereto as shall be deemed necessary or desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Agreement of Trust and any Supplemental Agreements; provided, however, that nothing in the Agreement of Trust shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bond, (b) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (c) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Agreements, (d) a reduction in the principal amount of or premium, if any, on any Bond or the rate of interest thereon or (e) an extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any Bond, without the consent of the holders of all of the Outstanding Bonds.

If at any time the County shall request the Trustee to enter into any such Supplemental Agreement, the Trustee shall cause notice of the proposed execution of such Supplemental Agreement to be sent by registered or certified mail to the registered owner of each Bond at his address as it appears on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Agreement and shall state that a copy thereof is on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within 90 days or such longer period as shall be prescribed by the County following the giving of such notice, the holders of not less than a majority in aggregate principal amount of Outstanding Bonds, or in the case of (a) through (e) in the preceding paragraph, the holders of all Outstanding Bonds, shall have consented to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety thereof, or to enjoin or restrain the Trustee or the County from executing such Supplemental Agreement or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Agreement as in this Section permitted and provided, the Agreement of Trust shall be and be deemed to be modified and amended in accordance therewith.

The County and the Trustee may enter into a Supplemental Agreement pursuant to (g) above and in accordance with Article III of the Agreement of Trust without compliance with this Section.

Notwithstanding anything in the Agreement of Trust to the contrary, the County and the Trustee may enter into any Supplemental Agreement upon receipt of the consent of the holders of all Outstanding Bonds.

Discharge of Agreement of Trust

If (a) all Bonds shall have become due and payable in accordance with their terms or otherwise as provided in the Agreement of Trust or have been duly called for redemption or irrevocable instructions to call the Bonds or to pay them at maturity have been given by the County to the Trustee, and (b) the Trustee holds cash or obligations that are either noncallable direct obligations of the United States of America or noncallable obligations, timely payment of which is guaranteed by the United States of America, the principal of and the interest on which at maturity will be sufficient (1) to redeem in accordance with the relevant Section of the Agreement of Trust all Bonds that have been called for redemption, or for which irrevocable instructions for call for redemption have been given, on the date set for such redemption, (2) to pay at maturity all Bonds not irrevocably called for redemption, (3) to pay interest accruing on all Bonds prior to their redemption or payment at maturity, (4) to make all payments required by the terms of any Supplemental Agreement and (5) to pay the Trustee's fees and expenses and any other fees and expenses for which the County is responsible under the Agreement of Trust, then the Trustee shall, at the expense of the County, cancel and discharge the Agreement of Trust and execute and deliver to the County such instruments in writing as shall be necessary to cancel the lien thereof, and assign and deliver to the County any property at the time subject to the Agreement of Trust that may then be in its possession, except moneys or securities in which such moneys are invested which are held by the Trustee for the payment of principal of or premium, if any, or interest on the Bonds.

Bonds for the payment or redemption of which cash or noncallable direct obligations of the United States of America the principal of and premium, if any, and interest on which will be sufficient therefor shall have been deposited with the Trustee (whether upon or prior to the date of their maturity or their redemption date) shall be deemed to be paid and no longer Outstanding; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving thereof.

APPENDIX C

FORM OF BOND COUNSEL OPINION

PROPOSED FORM OF SERIES 2019 BOND COUNSEL OPINION

Set forth below is the proposed form of opinion of bond counsel. It is preliminary and subject to change prior to delivery of the Series 2019 Bonds.

Board of Supervisors
County of Spotsylvania, Virginia

County of Spotsylvania, Virginia
$_________________* Water and Sewer System Revenue and Refunding Bonds
Series 2019[A][B (Taxable)]

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the County of Spotsylvania, Virginia (the "County"), of its $_________________* Water and Sewer System Revenue and Refunding Bonds, Series 2019[A][B)Taable)] (the "Series 2019 Bonds"). The Series 2019 Bonds are being issued to (a) finance a program of capital improvements to the County's water and sewer system, (b) fund a debt service reserve account, (c) refund in advance of its stated maturity date the County's Water and Sewer System Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bond") ") [insert other series of bonds to be refunded, if any (the "Refunded Bonds")], and (d) pay the costs of issuing the Series 2019 Bonds. Reference is made to the form of the Series 2019 Bonds for information concerning their details, including payment and redemption provisions, and the proceedings pursuant to which they are issued.

The Series 2019 Bonds are issued under and are equally and ratably secured by an Agreement of Trust dated as of July 1, 1997, between the County and U.S. Bank National Association (successor to SunTrust Bank), Richmond, Virginia, as trustee (the "Trustee"), as previously supplemented and amended (the "Agreement of Trust"), as supplemented by a Ninth Supplemental Agreement of Trust dated as of November 1, 2019 (the "Ninth Supplemental Agreement"). All capitalized terms used but not defined herein have the same meaning as defined in the Agreement of Trust.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the County as to certain facts relevant to our opinion. In rendering the following opinions, we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified copies.

Based on the foregoing, we are of the opinion that:

1. The Series 2019 Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the Public Finance Act of 1991, and constitute valid and binding limited obligations of the County payable as to principal and interest solely from certain net revenues of the System and other moneys pledged by the Agreement of Trust to secure payment of the Series 2019 Bonds. The Series 2019 Bonds and the interest thereon do not constitute a pledge of the faith and credit of the Commonwealth of Virginia or of any political subdivision thereof, including the County.

2. The County is required to fix, revise, charge and collect rates, fees and other charges for the use of and the services furnished by the System, so that such rates, fees, charges and other revenues of the System will be sufficient at all times to pay the cost of operating, maintaining and repairing the System, the cost of replacements and improvements to the System and the principal of and interest on the Bonds, including the Series 2019 Bonds and all other indebtedness that may be payable from revenues of the System, as the same become due, and to provide certain reserves therefor, all as provided in the Agreement of Trust.

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* Preliminary, subject to change.

3. The Agreement of Trust has been duly authorized, executed and delivered by the County, constitutes a valid and binding agreement of the County, pledges to the Trustee as security for payment of the principal of and interest on the Series 2019 Bonds certain net revenues derived from the ownership or operation of the System, moneys in certain funds created by the Agreement of Trust, income from investments and proceeds of insurance, and is enforceable against the County in accordance with its terms.

4. The Ninth Supplemental Agreement is authorized and permitted by the Agreement of Trust and complies with its terms, has been duly authorized, executed and delivered by the County, constitutes a valid and binding agreement of the County, and is enforceable against the County in accordance with its terms.

5. The rights of the holders of the Series 2019 Bonds and the enforceability of such rights, including the enforcement by the Trustee of the obligations of the County under the Agreement of Trust and the Ninth Supplemental Agreement, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity. The enforceability of any indemnity provision in the Agreement of Trust or the Ninth Supplemental Agreement may be limited by principles of public policy or applicable securities laws.

6. [For Bonds that are tax exempt bonds] Under current law, interest on the Bonds (a) is not included in gross income for Federal income tax purposes, and (b) is not an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations. The opinion set forth in the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for Federal income tax purposes. Failure by the County to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

7. Under current law, interest on the Series 2019 Bonds is exempt from income taxation by the Commonwealth of Virginia.

Our services as bond counsel to the County have been limited to delivering the foregoing opinions based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2019 Bonds and the tax status of the interest thereon for purposes of federal and Commonwealth of Virginia law. We express no opinion herein as to the financial resources of the County, its ability to provide for payment of the Series 2019 Bonds or the accuracy or completeness of any information, including the County's Preliminary Official Statement dated November __, 2019, and its Official Statement dated November __, 2019, that may have been relied upon by anyone in making the decision to purchase Series 2019 Bonds.

The opinions expressed herein are for your benefit and the benefit of your successors and assigns and may not, without our prior written consent, be distributed to or relied upon by any other person. Our opinions are expressed as of the date hereof, and we do not assume any obligation to update or supplement our opinions to reflect any fact or circumstance subsequently arising or any change in law subsequently occurring. Our opinions expressed herein are limited to the matters expressly stated, and no opinion is implied or may be inferred beyond such matters.

Very truly yours,

APPENDIX D

CONTINUING DISCLOSURE AGREEMENT

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT dated as of November __, 2019 (the "Disclosure Agreement"), is executed and delivered by the Board of Supervisors of Spotsylvania County, Virginia, on behalf of Spotsylvania County, Virginia (the "County"), in connection with the issuance of its $[_________________] Water and Sewer System Revenue and Refunding Bonds, Series 2019[A][B (Taxable)] (the "Bonds"). The County hereby covenants and agrees as follows:

Section 1. Purpose. This Disclosure Agreement is being executed and delivered by the County for the benefit of the holders of the Bonds (the "Bondholders") and in order to assist the original purchasers of the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") by providing certain annual financial information and event notices required by the Rule.

Section 2. Annual Disclosure. (a) The County shall provide annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) audited financial statements of the County and the System, prepared in accordance with generally accepted accounting principles; and

(ii) the financial information and operating data with respect to the County and the County's water and sewer system of the type described under the captions "Water System," "Sewer System" and "System Operating Data" (including "Water and Sewer System Rates," "Water and Sewer Service Availability, Connection and Meter Fees," and "Largest Accounts") and "Annual Debt Service" contained in the County's Official Statement dated November __, 2019, prepared in connection with the Bonds.

If the financial statements filed pursuant to Section 2(a)(i) are not audited, the County shall file such statements as audited when available.

(b) The County shall file annually with the Municipal Securities Rulemaking Board ("MSRB") the financial information and operating data described in subsection (a) above (collectively, the "Annual Disclosure") within 270 days after the end of the County's fiscal year, commencing with the County's fiscal year ending June 30, 2019.

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) The County shall file with the MSRB in a timely manner notice specifying any failure of the County to provide the Annual Disclosure by the date specified.

Section 3. Event Disclosure. The County shall file with the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

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

(d) unscheduled draws on any credit enhancement reflecting financial difficulties;

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

(f) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) modifications to rights of Bondholders, if material;

(h) bond calls, if material, and tender offers;

(i) defeasance of all or any portion of the Bonds;

(j) release, substitution, or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the County;

(m) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, 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, if material;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence by the County of a Financial Obligation (as hereinafter defined), if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect Bondholders, if material. "Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "Financial Obligation" does not include municipal securities at to which a final official statement has been otherwise provided o the MSRB under the Rule; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

Section 4. Termination. The obligations of the County hereunder will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

Section 5. Amendment. The County may modify its obligations hereunder without the consent of Bondholders, provided that this Disclosure Agreement as so modified complies with the Rule as it exists at the time of modification. The County shall within a reasonable time thereafter file with the MSRB a description of such modification(s).

Section 6. Defaults. (a) If the County fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Agreement, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the County, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the County's covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the County to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Agreement (i) shall not be deemed to constitute an event of default under the Bonds or the resolution providing for the issuance of the Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

Section 7. Filing Method. Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access (EMMA) system pursuant to procedures promulgated by the MSRB.

Section 8. Additional Disclosure. The County may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the County shall not incur any obligation to continue to provide, or to update, such additional information or data.

Section 9. Counterparts. This Disclosure Agreement may be executed in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10. Governing Law. This Disclosure Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

BOARD OF SUPERVISORS OF
SPOTSYLVANIA COUNTY, VIRGINIA

By: ____
Chairman

By: ____
County Administrator

APPENDIX E

AUDITED BASIC FINANCIAL STATEMENTS

Note: The attached financial statements are the County's general purpose financial statements, which show all County funds, many of which are not legally available for payment of the Bonds. Only revenues in the Utility Enterprise Fund are available for payment of the Bonds.

APPENDIX F

NOTICE OF SALE

[TO BE PROVIDED]