

**13. SERIES 2008 BOND REFUNDING OPPORTUNITY**

In their capacity as our financial advisors, Davenport & Company continuously monitors the County's debt portfolio for possible refunding opportunities that will produce annual debt service savings.

Most recently, our Series 2008 bonds were identified by Davenport for potential refunding. Proceeds from these bonds, issued in 2008, were used to finance the "Southampton County Wastewater & Infrastructure Project," which included construction of the new wastewater treatment plant, interceptor pump station on Route 58, a gravity sewer extension along Camp Parkway, a waterline extension along Southampton Parkway, and acquisition of 4.04 acres of improved property on Old Bridge Road now utilized by our Department of Public Utilities.

The original par amount was \$32,060,000 with an all-in true interest cost of 5.4444%. The current amount outstanding is \$30.105 million with a final maturity date of October 1, 2038. Based on a conservative estimate (current market rate + 25 basis points), this refunding is expected to save an annual average of approximately \$260,000 in debt service, a cumulative savings of almost \$5.9 million over the life of the loan.

Davenport & Company is recommending that the 2008 bonds be refunded with new bonds issued through the Virginia Resources Authority's (VRA) Summer Pool Financing Program (VPFP). When VRA issues VPFP bonds, the interest rates obtained are based on VRA's "AAA/AA" rating, which is then passed through to the underlying borrowers, plus VRA's on-going annual administration fee of 0.125% of the outstanding loan balance. Current market rates for 20-year AAA/AA municipal bonds are hovering at or near 3.5%. VRA anticipates selling the Summer Pool bonds on or around July 19<sup>th</sup> with closing on or near August 6<sup>th</sup>.

In anticipation of Davenport's recommendation, our bond counsel, McGuire Woods, has prepared the attached resolution (yellow sheets) authorizing and approving the issuance, award and sale of water and sewer system revenue refunding bonds. The resolution further authorizes the County Administrator or Chief Financial Officer to take such further actions as they deem necessary regarding the issuance and sale of the Bonds and the execution, delivery and performance of the Financing Agreement (blue sheets) along with necessary closing documents and certificates.

**MOTION REQUIRED:**

**If the Board is so inclined, a motion is required to adopt the attached resolution (yellow sheets).**

Series 2008 VRA						Series 2018 Preliminary Numbers Current Market Plus 25 bps						Savings		
Fiscal Year	Principal		Interest*		Total	Principal		Interest*		Total				
2019	\$	-	\$	1,521,606	\$	1,521,606	\$	-	\$	888,518	\$	888,518	\$	633,088
2020		875,000		1,502,234		2,377,234		925,000		1,192,591		2,117,591		259,644
2021		915,000		1,459,416		2,374,416		960,000		1,153,538		2,113,538		260,878
2022		960,000		1,411,369		2,371,369		1,005,000		1,103,184		2,108,184		263,184
2023		1,010,000		1,360,888		2,370,888		1,060,000		1,050,269		2,110,269		260,619
2024		1,060,000		1,309,694		2,369,694		1,115,000		994,534		2,109,534		260,159
2025		1,110,000		1,255,519		2,365,519		1,170,000		935,981		2,105,981		259,537
2026		1,170,000		1,195,213		2,365,213		1,230,000		874,481		2,104,481		260,731
2027		1,235,000		1,130,578		2,365,578		1,295,000		809,778		2,104,778		260,800
2028		1,300,000		1,063,581		2,363,581		1,360,000		741,744		2,101,744		261,837
2029		1,365,000		994,284		2,359,284		1,425,000		670,378		2,095,378		263,906
2030		1,440,000		921,356		2,361,356		1,495,000		603,028		2,098,028		263,328
2031		1,510,000		844,656		2,354,656		1,545,000		546,122		2,091,122		263,534
2032		1,590,000		764,050		2,354,050		1,600,000		493,050		2,093,050		261,000
2033		1,675,000		679,159		2,354,159		1,655,000		437,813		2,092,813		261,347
2034		1,760,000		589,850		2,349,850		1,710,000		379,650		2,089,650		260,200
2035		1,850,000		495,178		2,345,178		1,765,000		317,734		2,082,734		262,444
2036		1,950,000		394,716		2,344,716		1,830,000		252,575		2,082,575		262,141
2037		2,055,000		288,834		2,343,834		1,895,000		184,703		2,079,703		264,131
2038		2,160,000		177,400		2,337,400		1,965,000		113,156		2,078,156		259,244
2039		2,275,000		60,147		2,335,147		2,035,000		38,156		2,073,156		261,991
Total	\$	29,265,000	\$	19,419,728	\$	48,684,728	\$	29,040,000	\$	13,780,984	\$	42,820,984	\$	5,863,744

**Estimated Net Present Value Savings: \$4,331,702 (14.80%)**

\*Prior and projected interest expense includes estimated .125% VRA Administration Fee.

Note: Assumes that the 2018 maturity is not refunded.

Incorporates current market rates and SLGS as of 6/18/2018

## Sources

	Total
Par Amount	\$29,040,000
Net Premium/OID	1,359,324
<b>Total Sources</b>	<b>\$30,399,324</b>

## Uses

	Total
Escrow Deposits	
Cash Deposit	\$0.83
SLGS Purchases	29,873,645
Estimated VRA Cost of Issuance	197,000
Estimated Local Cost of Issuance	110,879
Underwriter's Discount*	217,800
<b>Total Uses</b>	<b>\$30,399,324</b>

\*Assumes Underwriter's Discount of \$7.50 per bond

## Municipal Advisor Disclaimer

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COUNTY OF SOUTHAMPTON, VIRGINIA  
BOARD OF SUPERVISORS

At a regular meeting of the Board of Supervisors of the County of Southampton, Virginia, held on June 25, 2018, the following persons were present or absent as shown:

PRESENT:

ABSENT:

On motion of \_\_\_\_\_, seconded by \_\_\_\_\_, the following Resolution was approved by a majority of the members of the Board of Supervisors present by a roll call vote, the votes being recorded as follows:

MEMBER

VOTE

**RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, AWARD AND SALE OF WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS OF THE COUNTY OF SOUTHAMPTON, VIRGINIA, AND SETTING FORTH THE FORM, DETAILS AND PROVISIONS FOR THE PAYMENT THEREOF**

**WHEREAS**, the Board of Supervisors (the "**Board**") of the County of Southampton, Virginia (the "**County**") has determined that it is necessary and desirable to issue Water and Sewer System Revenue Refunding Bonds (collectively, the "**Bond**"), and to use the proceeds thereof, along with other available funds, if any (i) to refund all or a portion of the County's outstanding Water and Sewer System Revenue Bond, Series 2008 (the "**Prior Bond**") and (ii) to pay the costs of issuance of the Bond (collectively, the "**Plan of Refunding**");

**WHEREAS**, the County has applied to the Virginia Resources Authority ("**VRA**") for the purchase of the Bond, and VRA has indicated its willingness to purchase such Bond from the proceeds of one or more series of its Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2018B (collectively, the "**VRA Bonds**"), in accordance with the terms of a Local Bond Sale and Financing Agreement to be dated as of June 25, 2018 (the "**Financing Agreement**"), between VRA and the County, or such other financing agreement that may be entered into in connection with a separate series of the Bonds;

**WHEREAS**, the Financing Agreement is expected to provide that the County will select which components of the Prior Bond to be refunded if the refunding of such bonds achieves an aggregate net present value debt service savings of not less than 3.00% of the refunded par amount of the Prior Bond (the "**Targeted Savings**");

**WHEREAS**, VRA has advised the County that the sale date of the VRA Bonds is tentatively scheduled for July 19, 2018, but may occur, subject to market conditions, at any time between July 1, 2018, and August 31, 2018 (the "**VRA Sale Date**"), and that VRA's objective is to pay the County a purchase price for the Bond that in VRA's judgment reflects its market value (the "**Purchase Price Objective**") taking into consideration the Targeted Savings, the components of the Prior Bond selected for refunding, and such factors as the purchase price received by VRA for the VRA Bonds, the issuance costs of the VRA Bonds (consisting of the underwriters' discount and other costs incurred by VRA) (collectively, the "**VRA Costs**") and other market conditions relating to the sale of the VRA Bonds;

**WHEREAS**, the Bond will be secured by a pledge of the Net Revenues (as defined in the Financing Agreement) derived by the County from the ownership and operation of its water and sewer facilities (as more particularly defined in the Financing Agreement, the "**System**"); and

**WHEREAS**, the Financing Agreement will provide that the terms of the Bond may not exceed the parameters set forth below in Section 3 and the form of Financing Agreement has been filed in the County's records.

**NOW, THEREFORE, IN FURTHERANCE OF THE PUBLIC PURPOSE FOR WHICH THE COUNTY OF SOUTHAMPTON, VIRGINIA WAS CREATED, BE IT RESOLVED THAT:**

**1. Authorization of Bond and Use of Proceeds.** Pursuant to the Constitution and statutes of the Commonwealth of Virginia (the "Commonwealth"), including the Public Finance Act of 1991 (the "Act"), the Board hereby determines that it is in the best interest of the County to contract a debt and to issue the Bond and to award and sell the Bond to or at the direction of VRA, all pursuant to the Act and the terms of this Resolution and the Financing Agreement. The Board hereby finds that the issuance of the Bond will promote the health, safety, welfare, morals and propriety of the citizens served by the County and will promote the governmental purposes of the Act. Accordingly, the Board hereby authorizes the issuance, award and sale of the Bond in accordance with the terms of this Resolution, the Act and the Financing Agreement. The Bond shall be known as the "County of Southampton, Virginia, Water and Sewer System Revenue Refunding Bond, Series 2018" or such other designation as the County Administrator may approve. The Board hereby covenants that the proceeds from the issuance and sale of the Bond shall be used, together with other available funds, if any, to pay the costs of the Plan of Refunding. The Bond shall be delivered to or upon the order of VRA upon VRA's payment of the purchase price set forth in the Financing Agreement. Subject to the County Administrator of the County's (the "**County Administrator**") determination of what will be in the County's best interests, the Bond may be sold to VRA in connection with any sale date of the VRA Bonds occurring prior to June 30, 2019.

**2. Authorization of Financing Agreement.** The form of the Financing Agreement on file with the County is hereby approved. The County Administrator or the Chief Financial Officer of the County (the "**Chief Financial Officer**") are each authorized and directed to execute the Financing Agreement in substantially such form, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the officer executing the Financing Agreement, whose approval shall be evidenced conclusively by the execution and delivery thereof.

**3. Details of Bond.** (a) The Bond, may be issued in one or more series, and the Bond of each series shall be issued as a single bond in fully registered form and shall be dated the date required by VRA, which may be prior to the date of issuance of the Bond.

(b) The Bond shall be issued and sold to or at the direction of VRA on terms that VRA shall determine subject to VRA's Purchase Price Objective and market conditions described in the Recitals hereof; provided, however, that (i) the County shall not refund any components of the Prior Bond unless the Targeted Savings is achieved in the aggregate, (ii) the Bond shall be payable in principal installments ending no later than the last fiscal year in which a principal component of the refunded Prior Bond matures, and (iii) the Bond shall be subject to prepayment upon the terms set forth in the Financing Agreement.

(c) Subject to the parameters in subsection (b), the County further authorizes the Chief Financial Officer to accept the final terms presented by VRA, including the final principal amount and the amortization schedule (including the principal installment dates and amounts) of the Bond.

(d) The actions of the Chief Financial Officer in determining the final terms of the Bond shall be conclusive, and no further action shall be necessary on the part of the Board.

(e) As set forth in the Financing Agreement, the County agrees to pay such Supplemental Interest and other charges as provided therein, including such amounts as may be necessary to maintain or replenish any VRA Reserve. The principal of and premium, if any, and interest on the Bond shall be payable in lawful money of the United States of America.

**4. Pledge of Net Revenues.** (a) The Bond shall be a limited obligation of the County and, except to the extent payable from the proceeds of the sale of the Bond or the income, if any, derived from the investment thereof, is payable exclusively from the Net Revenues of the System. The County hereby renews its pledge of the Net Revenues to pay the principal of and premium, if any, and interest on the Bond pursuant to the terms of the Master Indenture and the Financing Agreement.

(b) In addition, as further security for the payment of the Bond, the Board hereby covenants and agrees to undertake non-binding obligations to appropriate such amounts as may be requested from time to time, if any, in order to pay the debt service thereon. Such moral obligation and support pledge of the County in connection with the Bond is hereby made to the fullest degree and in such manner as is consistent with the Constitution and laws of the Commonwealth of Virginia, provided, however, that such pledge shall not be deemed to be a lending of the credit of the County to VRA or to any other person or otherwise deemed to be a pledge of the faith and credit or the taxing power of the County, and such pledge shall not bind or obligate the Board to appropriate funds for the purposes described herein or in the Bond or any of the other documents relating to the Bonds.

(c) Neither the Commonwealth nor any of its political subdivisions, including the County, shall be obligated to pay the principal of or premium, if any, or interest on the Bond or other costs incident to it except from the revenues and any other money or property pledged for such purpose, and neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions, including the County, is pledged to the payment of the principal of or premium, if any, or interest on the Bond or other costs incident to it. The issuance of the Bond does not directly, indirectly or contingently obligate the Commonwealth or any of its political subdivisions, including the County, to levy any taxes for the payment of the Bond.

**5. Form of Bond.** The Bond shall be in substantially the form attached as Exhibit A to the Financing Agreement and on file in the County's records, with such variations, insertions or deletions as may be approved by the County Administrator or the Chief Financial Officer. There may be endorsed on the Bond such legend or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

**6. Execution and Delivery of Bond.** The Board hereby authorizes and directs the County Administrator or the Chief Financial Officer to execute the Bond and then to deliver the Bond to or at the direction of VRA upon payment of the purchase price therefor.

**7. Tax Compliance Agreement.** Such officers of the County as may be requested are authorized and directed to execute and deliver a non-arbitrage certificate and tax compliance agreement (the "**Tax Compliance Agreement**") in a form to be approved by the officers of the



County executing such document, whose approval shall be evidenced conclusively by the execution and delivery thereof.

**8. Arbitrage Covenants.** The County covenants that it shall neither take nor omit to take any action the taking or omission of which will cause the VRA Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations issued pursuant thereto (the "**Code**"), or otherwise cause interest on the VRA Bonds to be includable in the gross income of the registered owner thereof under existing law. Without limiting the generality of the foregoing, the County shall comply with any provision of the Tax Compliance Agreement that may require the County at any time to rebate to the United States any part of the earnings derived from the investment of the gross proceeds of the Bond, unless the County receives an opinion of nationally recognized bond counsel that such compliance is not required, or is no longer required, to prevent interest on the VRA Bonds from being included in the gross income for federal income tax purposes of the registered owners thereof under existing law. The County shall pay any such required rebate from legally available funds.

**9. Official Statement.** The County authorizes and consents to the inclusion of necessary information with respect to the County contained in VRA's Preliminary Official Statement and VRA's Official Statement in final form, both prepared in connection with the sale of the VRA Bonds. If appropriate, such disclosure documents shall be distributed in such manner and at such times as any of them shall determine. The Chief Financial Officer is authorized and directed to take whatever actions are necessary or appropriate to aid VRA in ensuring compliance with Securities and Exchange Commission Rule 15c2-12.

**10. SNAP Investment Authorization.** The Board hereby authorizes the Chief Financial Officer to utilize the State Non-Arbitrage Program of the Commonwealth or any successor program (collectively, "**SNAP**") in connection with the investment of the proceeds of the Bond, if the Chief Financial Officer determines that the utilization of SNAP is in the best interests of the County. The County acknowledges the Treasury Board of the Commonwealth is not and shall not be in any way liable to the County in connection with SNAP, except as otherwise provided in the Contract.

**11. Redemption of Prior Bond.** The Chief Financial Officer is authorized and directed to take all proper steps to call for redemption such portions of the Prior Bond as shall be refunded on the date the Bond is issued and to prepare and deliver any such notices and correspondence necessary therefor.

**12. Escrow Agreement.** If needed, the County Administrator is authorized and directed to execute an escrow agreement (the "**Escrow Agreement**") between any and all parties as may be necessary, for purposes of providing for the redemption and defeasance of the refunded component of the Prior Bond. The Escrow Agreement shall be in a form approved by the County Administrator, in collaboration with the County's bond counsel, the execution thereof by the County Administrator to constitute conclusive evidence of the County Administrator's approval of the Escrow Agreement.

**13. Evidence of Approval.** The approval or determination of all of the details and provisions of the Bond, the Financing Agreement and all other documents executed under the

authority of this Resolution shall be evidenced conclusively by the execution and delivery of the Bond, the Financing Agreement and such other document by the officer or officers authorized hereby.

**14. Further Actions; Authorized Representative.** The Board hereby authorizes and directs the County Administrator and the Chief Financial Officer and such officers and agents of the County as may be designated by either of them to take such further actions as they deem necessary regarding, the issuance and sale of the Bond and the execution, delivery and performance of the Financing Agreement and closing documents and certificates. All such actions previously taken by such officers and agents are ratified and confirmed. The Board hereby designates the County Administrator and the Chief Financial Officer of the County as the County's authorized representatives for purposes of the Financing Agreement. The authorization granted in this Resolution to the County Administrator and Chief Financial Officer may be carried out by such other officer as any of the named officers may designate in writing. When this Resolution authorizes the County Administrator or the Chief Financial Officer to act, it shall be sufficient for either the act.

**15. Public Finance Act.** The Board hereby elects pursuant to Section 15.2-2601 of the Code of Virginia of 1950, as amended, to issue the Bond under the Act without regard to the requirements, restrictions or other provisions contained in any charter or special or local act.

**16. Filing of Resolution.** The Board hereby directs counsel to the County to file a certified copy of this Resolution with the Southampton Circuit Court pursuant to Section 15.2-5126 of the Code of Virginia of 1950, as amended.

**17. Effective Date.** This Resolution shall take effect upon adoption.

**LOCAL BOND SALE AND FINANCING AGREEMENT**

**between**

**VIRGINIA RESOURCES AUTHORITY**

**and**

**COUNTY OF SOUTHAMPTON, VIRGINIA**

**Dated as of June 25, 2018**

**Virginia Resources Authority  
Infrastructure and State Moral Obligation Revenue Bonds  
(Virginia Pooled Financing Program)  
Series 2018B**

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## LOCAL BOND SALE AND FINANCING AGREEMENT

This **LOCAL BOND SALE AND FINANCING AGREEMENT** is dated as of June 25, 2018, and is between the **VIRGINIA RESOURCES AUTHORITY**, a public body corporate and a political subdivision of the Commonwealth of Virginia ("VRA"), and the **COUNTY OF SOUTHAMPTON, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the "Local Government").

A. VRA intends to issue its Related Series of VRA Bonds, as hereinafter defined, and to use a portion of the proceeds thereof to acquire from the Local Government the Local Bond, as hereinafter defined.

B. VRA and the Local Government wish to set forth herein certain terms, conditions and provisions related to the purchase of the Local Bond, the application of the proceeds thereof, the payment of the debt service thereon and the security therefor, and the use and maintenance of the Related Financed Property, as hereinafter defined.

**NOW, THEREFORE**, VRA and the Local Government agree as follows:

### ARTICLE I DEFINITIONS

**Section 1.1 Definitions.** Each capitalized term contained in this Agreement has the meaning set forth below:

**"2008 Financing Agreement"** means the 2008 Financing Agreement dated as of December 1, 2008 between VRA and the Local Government.

**"2008 Local Bond"** means the Local Government's Water and Sewer System Revenue Bond, Series 2008.

**"2008B VRA Bonds"** means VRA's Infrastructure Revenue Bonds (Virginia Pooled Financing Program), Senior and Subordinate Series 2008B (Non-AMT).

**"2018B Acquisition Fund"** has the meaning set forth in the Related Supplemental Series Indenture.

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

**"Agreement"** means this Local Bond Sale and Financing Agreement dated the date first written above, between VRA and the Local Government, as modified, altered, amended or supplemented in accordance with the terms hereof.

**"Annual Budget"** means the budget of the System for each Fiscal Year.

**"Business Day"** means any day on which commercial banking institutions are generally open for business in New York, New York and Richmond, Virginia.

**"Call Date"** means November 1, 2018.

**"Closing Date"** means August 15, 2018, or such other date as may be determined by VRA.

**"Commonwealth"** means the Commonwealth of Virginia.

**"Consulting Engineer"** means the Local Engineer or the Outside Engineer.

**"Effective Date"** means June 25, 2018.

**"Escrow Agreement"** means the Escrow Agreement dated the Closing Date between VRA and U.S. Bank National Association, as escrow agent.

**"Event of Default"** has the meaning set forth in Section 10.1.

**"Existing Parity Bonds"** has the meaning set forth in Section 2.2(n).

**"Financing Parameters"** means the parameters established by the governing body of the Local Government regarding the terms and conditions of the Local Bond, which may include a maximum par amount, maximum "true" interest cost or targeted savings.

**"Fiscal Year"** means the 12-month period beginning July 1 of one year and ending on June 30 of the following year, or if the Local Government has established another 12-month period as its annual accounting period such other 12-month period.

**"Government Obligations"** means direct obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America.

**"Local Account"** means the local account established for the Local Bond within the 2018B Acquisition Fund.

**"Local Authorization"** means the resolution adopted on June 25, 2018, by a majority of the members of the governing body of the Local Government approving (i) the transactions contemplated by and authorizing the execution and delivery of the Local Bond Documents and (ii) the execution, issuance and sale of the Local Bond subject to the Financing Parameters.

**"Local Bond"** means the Local Government's Water and Sewer System Revenue Refunding Bond, Series 2018, issued in the original principal amount set forth in Schedule 1.1, as such bond may be amended or modified.

**"Local Bond Documents"** means this Agreement and the Local Tax Document.

**"Local Engineer"** means an officer or employee of the Local Government so designated in writing by a Local Representative, which officer or employee (i) is licensed as a professional engineer in Virginia, (ii) has recognized standing and experience in the design and construction of facilities similar to the Project and (iii) is subject to VRA's reasonable approval.



**"Local Government"** means the County of Southampton, Virginia.

**"Local Representative"** means (i) the chair or vice chair of the governing body of the Local Government, (ii) the chief executive officer of the Local Government and (iii) any other official or employee of the Local Government authorized by resolution of the governing body of the Local Government to perform the act or sign the document in question.

**"Local Tax Document"** means the Nonarbitrage Certificate and Tax Compliance Agreement dated the Closing Date, between the Local Government and VRA, as modified, altered, amended and supplemented.

**"Master Indenture"** means the Master Indenture of Trust dated as of December 1, 2003, between VRA and the Trustee, as modified, altered, amended and supplemented in accordance with its terms.

**"Net Revenues Available for Debt Service"** means the Revenues less amounts necessary to pay Operation and Maintenance Expenses.

**"Operation and Maintenance Expenses"** means the costs of operating and maintaining the System determined under generally accepted accounting principles, exclusive of (i) interest on any debt payable from Revenues, (ii) depreciation and other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring either annually or biannually, depending on the customary practice of performing operation and maintenance, or reserves therefor, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

**"Outside Engineer"** means a firm of independent consulting engineers with recognized standing in the field of water and sewer engineering and licensed as professional engineers in Virginia that the Local Government designates in writing, subject to VRA's reasonable approval.

**"Parity Bonds"** means the bonds and other obligations of the Local Government secured by a pledge of Revenues on a parity with the lien of the pledge of Revenues that secures the Local Bond.

**"Parity Debt"** means any of the Local Government's Parity Bonds, including the Local Bond.

**"Proceeds Requested"** means an amount necessary to provide for the escrow related to the Refunded 2008B VRA Bonds, subject to the Financing Parameters, plus local costs of issuance, or such other amount requested in writing by the Local Government and approved by VRA prior to the Sale Date.

**"Project"** means the project described in Exhibit B.

**"Project Budget"** means the budget for the Project set forth in Schedule 1.1.

**"Project Costs"** means the costs of the Project to the extent such costs are included in the definition of "cost" set forth in Section 62.1-199 of the Act, and includes the refunding of

obligations of VRA or the Local Government issued to finance or refinance "costs" set forth in Section 62.1-199 of the Act.

**"Purchase Price"** has the meaning set forth in Schedule 1.1 and represents the amount received by the Local Government from the sale of the Local Bond to VRA. The Purchase Price of the Local Bond will be determined by adding to or subtracting from the portion of the par amount of the Local Bond the Local Government's share of the net original issue premium or discount on the Related Series of VRA Bonds and by subtracting from the par amount of the Local Bond the Local Government's share of VRA's expenses as set forth in Section 3.2 and the Local Government's share of the deposit on the Closing Date to any applicable VRA Reserve. It is acknowledged that the Purchase Price does not include any accrued interest on the Local Bond from its dated date to the Closing Date.

**"Qualified Independent Consultant"** means an independent professional consultant having the skill and experience necessary to provide the particular certificate, report or approval required by the provision of this Agreement in which such requirement appears, including without limitation an Outside Engineer, and an independent certified public accountant or firm of independent certified public accountants; provided, however, all Qualified Independent Consultants are subject to the reasonable approval of VRA.

**"Refunded 2008B VRA Bonds"** means the portion of the 2008B VRA Bonds allocated to the 2008 Local Bond to be refunded as agreed to in writing by the Local Government and VRA prior to the Sale Date.

**"Registrar"** means the officer or employee of the Local Government designated under the Local Authorization to maintain the registration books for the Local Bond.

**"Related Financed Property"** means the land, building, equipment and other property, the acquisition, construction, renovation, or equipping of which was financed and refinanced by the Local Bond as part of the Project.

**"Related Portion of VRA Bonds"** means the portion of the Related Series of VRA Bonds allocable to the Local Bond (as determined by VRA), including any bonds issued by VRA to refund such Related Series of VRA Bonds in whole or in part.

**"Related Series of VRA Bonds"** means the Virginia Resources Authority Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2018B (or such other series of Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program that is specified in Schedule 1.1), in the original aggregate principal amount set forth in Schedule 1.1, and, unless the Local Government receives notice to the contrary from VRA, any bonds issued by VRA to refund the Related Series of VRA Bonds in whole or in part.

**"Related Supplemental Series Indenture"** means the Forty-Second Supplemental Series Indenture of Trust dated as of August 1, 2018, between VRA and the Trustee, as modified, altered, amended and supplemented in accordance with its terms and those of the Master Indenture.

**"Revenue Fund"** has the meaning set forth in the Master Indenture.

**"Revenues"** means (i) all rates, fees, rentals, charges and other income properly allocable to the System under generally accepted accounting principles or resulting from the Local Government's ownership or operation of the System and all rights to receive the same, whether now existing or hereafter coming into existence (including amounts appropriated for and paid under Section 5.6 below, exclusive of user and other deposits subject to refund until such deposits have become the Local Government's property, (ii) the proceeds of any insurance covering business interruption loss relating to the System, (iii) interest on any money or securities related to the System held by or on behalf of the Local Government and (iv) any other income from other sources now or hereafter pledged or specifically made available by or on behalf of the Local Government to or for the payment of Operation and Maintenance Expenses or debt service on Parity Debt.

**"Sale Date"** means August 1, 2018, or such other date specified in Schedule 1.1.

**"Subordinate Debt"** means obligations of the Local Government secured by a pledge of Revenues expressly made subordinate to the pledge securing the Local Bond and any other Parity Bonds, and any obligations to make deposits related to reserve funds, rebate funds and similar funds or accounts established for the benefit of the Local Bond or any other Parity Bonds.

**"Supplemental Interest"** has the meaning set forth in Section 6.1.

**"System"** means all plants, systems, facilities, equipment or property owned operated or maintained by the Local Government and used in connection with the supply, treatment, storage or distribution of water and the and the collection and treatment of wastewater, as the same may exist from time to time, and includes the Related Financed Property.

**"Trustee"** means U.S. Bank National Association, Richmond, Virginia, as trustee under the Master Indenture and the Related Supplemental Series Indenture, or its successors serving in such capacity.

**"Verification Agent"** means a firm or individual engaged by VRA to provide the Verification Report.

**"Verification Report"** means the report of the Verification Agent.

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

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

**"VRA Bonds"** means the Related Series of VRA Bonds and any additional bonds issued under the Master Indenture.

**"VRA Reserve"** means any one or more of the Capital Reserve Fund, the Infrastructure Debt Service Reserve Fund, the Operating Reserve Fund, a CRF Credit Facility or an Infrastructure Revenue DSRF Facility, each as defined in the Master Indenture.

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

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

(b) Words importing the redemption or calling for redemption of the Local Bond do not refer to or connote the payment of the Local Bond at its stated maturity.

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

(d) The headings and table of contents as used in this Agreement are solely for convenience of reference and do not constitute a part of this Agreement and do not affect its meaning, construction or effect.

## **ARTICLE II REPRESENTATIONS**

**Section 2.1 Representations by VRA.** VRA represents to the Local Government as follows:

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

(b) VRA has full right, power and authority to (i) issue, sell and deliver the Related Series of VRA Bonds, (ii) direct the Trustee to use a portion of the proceeds of the Related Series of VRA Bonds to purchase the Local Bond from the Local Government as contemplated under the Related Supplemental Series Indenture and this Agreement and (iii) carry out and consummate all other transactions contemplated by this Agreement.

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

**Section 2.2 Representations by Local Government.** The Local Government represents to VRA as follows:

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

(b) The Local Government has full right, power and authority to (i) adopt the Local Authorization and execute and deliver the Local Bond Documents and all related documents, (ii) issue, sell and deliver its Local Bond to the Trustee, (iii) own and operate the the

System, (iv) undertake the Project and (v) carry out and consummate all of the transactions contemplated by the Local Authorization, the Local Bond and the Local Bond Documents.

(c) The Local Authorization authorized the execution and delivery of this Agreement and this Agreement is in substantially the same form as presented to the Local Government's governing body at its meeting at which the Local Authorization was adopted. The Local Authorization was filed in the Circuit Court of the County of Southampton on [\_\_\_\_], 2018.

(d) The Local Government has obtained all governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the Effective Date for the Local Government's (i) adoption of the Local Authorization, (ii) execution and delivery of the Local Bond Documents and the Local Bond, (iii) performance of its obligations under the Local Bond Documents and the Local Bond, (iv) the undertaking of the Project and (v) the operation and use of the System. The Local Government knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations or approvals not required to be obtained by the Effective Date cannot be obtained as required in the future.

(e) The Local Government has executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of the Local Government enforceable against the Local Government in accordance with its terms.

(f) When executed and delivered in accordance with the Local Authorization and this Agreement, the Local Bond will have been executed and delivered by duly authorized officials of the Local Government and will constitute a legal, valid and binding limited obligation of the Local Government enforceable against the Local Government in accordance with its terms.

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

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

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

(j) The Local Government reasonably expects that, unless otherwise permitted by the terms of the Local Bond Documents or approved by VRA, the Local Government will own, operate and control the System at all times during the term of the Local Bond.

(k) Except as set forth in Exhibit C, there are not pending nor, to the best of the Local Government's knowledge, threatened against the Local Government, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature (i) affecting the creation, organization or existence of the Local Government or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the approval, execution, delivery or performance of the Local Authorization or the Local Bond Documents or the issuance or delivery of the Local Bond, (iii) in any way contesting or affecting the validity or enforceability of the Local Bond, the Local Authorization, the Local Bond Documents or any agreement or instrument relating to any of the foregoing, (iv) in which a judgment, order or resolution may have a material adverse effect on the Local Government or its business, assets, condition (financial or otherwise), operations or prospects or on its ability to perform its obligations under the Local Authorization, the Local Bond Documents or the Local Bond or (v) affecting the Project.

(l) The financial statements, applications and other information that the Local Government furnished to VRA in connection with this Agreement fairly and accurately portray the Local Government's financial condition, as of their dates, and there has been no material adverse change in the financial condition of the Local Government since the date of the financial statements provided to VRA in connection with this Agreement.

(m) Nothing that would constitute an Event of Default hereunder has occurred and is continuing, and no event or condition exists that with the passage of time or the giving of notice, or both, would constitute an Event of Default hereunder.

(n) A list of all Parity Debt that is outstanding on the date of this Agreement is attached as Exhibit J (the "Existing Parity Bonds").

(o) Except for the Existing Parity Bonds, there is no indebtedness of the Local Government secured by a pledge of Revenues prior to or on a parity with the lien of the pledge of Revenues that secures the Local Bond.



**Section 2.3    Representations Remade as of the Sale Date.** (a) It shall be a condition precedent of VRA's obligation to sell the Related Series of VRA Bonds that the Local Government's representations and warranties set forth in Section 2.2 be true and accurate in all respects on the Sale Date.

(b) If prior to the Sale Date, any representation or warranty set forth in Section 2.2 becomes untrue or inaccurate, then the Local Government shall notify VRA within one Business Day of becoming aware of such facts, and VRA, in its sole and absolute discretion, shall determine whether to sell VRA Bonds on behalf of the Local Government, which series of VRA Bonds (if any) to sell on behalf of the Local Government and any additional conditions precedent to the sale of such VRA Bonds or the purchase of the Local Bond.

### **ARTICLE III PURCHASE OF THE LOCAL BOND**

**Section 3.1    Purchase of the Local Bond.** (a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth or incorporated herein, VRA shall purchase, solely from the proceeds of the Related Series of VRA Bonds, all, but not less than all, of the Local Bond from the Local Government, and the Local Government shall, subject to the Financing Parameters, sell and deliver to VRA the Local Bond for the Purchase Price. The Local Government acknowledges that the Purchase Price is determined by VRA, is subject to VRA's Purchase Price Objective (as defined below) and market conditions as described below, and is expected to be substantially equal to the Proceeds Requested. The Local Government shall issue the Local Bond pursuant to the Local Authorization and in substantially the form of Exhibit A to this Agreement. As a condition of VRA entering into this Agreement, the Local Government shall deliver to VRA a copy of the Local Authorization as adopted prior to the date hereof.

(b) The Local Government acknowledges that VRA has advised the Local Government that its objective is to pay the Local Government the Purchase Price for its Local Bond which in VRA's judgment reflects the market value of the Local Bond ("Purchase Price Objective"), taking into consideration the Financing Parameters, the purchase price received by VRA for the Related Series of VRA Bonds, the underwriters' discount and other issuance costs of the Related Series of VRA Bonds and other market conditions relating to the sale of the Related Series of VRA Bonds. The Local Government further acknowledges that VRA has advised it that such factors may result in the Local Bond having a value other than par and that in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, the Local Government may need to issue the Local Bond with a par amount that is greater or less than the Proceeds Requested. The Local Government shall not issue the Local Bond if doing so would violate any Financing Parameter. The Local Government shall issue the Local Bond at a par amount that provides, to the fullest extent practicable given VRA's Purchase Price Objective, a Purchase Price at least equal to the Proceeds Requested, all in accordance with the Local Authorization. The Local Government acknowledges that the Purchase Price will be less than the Proceeds Requested if any Financing Parameter prevents VRA from generating a Purchase Price substantially equal to the Proceeds Requested, based upon VRA's Purchase Price Objective.

**Section 3.2 Issuance Expenses.** VRA shall pay, or cause to be paid, from the proceeds of the Related Series of VRA Bonds all expenses incident to the performance of VRA's obligations under and the fulfillment of the conditions imposed by this Agreement in connection with the issuance, sale and delivery of the Related Series of VRA Bonds and the purchase of the Local Bond on the Closing Date, including, but not limited to: (i) the cost, if any, of preparing and delivering the Related Series of VRA Bonds; (ii) the cost of preparing, printing and delivering the Preliminary Official Statement and the Official Statement for the Related Series of VRA Bonds and any amendment or supplement thereto; (iii) the fees and expenses of the financial advisor(s) and bond counsel to VRA; and (iv) all other costs and expenses incurred by VRA. The Local Government shall pay all expenses of the Local Government incident to the issuance, sale and delivery of the Local Bond, including, but not limited to the fees and disbursements of the financial advisor, counsel and bond counsel to the Local Government from the Purchase Price or other funds of the Local Government.

**Section 3.3 Schedule 1.1.** VRA shall complete Schedule 1.1, which shall set forth, among other things, the principal amount, interest rates, payment schedule and Purchase Price with respect to the Local Bond and the principal amount of the Related Series of VRA Bonds on or after the Sale Date. VRA shall deliver the completed Schedule 1.1 to the Local Government and shall attach Schedule 1.1 to this Agreement. Upon delivery to the Local Government, the completed Schedule 1.1 shall become a part of this Agreement the same as if it were a part hereof on the Effective Date.

**Section 3.4 Conditions Precedent to Purchase of the Local Bond.** VRA shall not be required to cause the Trustee to purchase the Local Bond unless:

(a) VRA has received the following, all in form and substance satisfactory to VRA:

(1) Certified copies of the Local Authorization and all other ordinances and resolutions of the Local Government relating to the Local Bond Documents and the Local Bond, if any.

(2) A certificate of the appropriate officials of the Local Government dated the Closing Date as to the matters set forth in Section 2.2 and Section 2.3 (to the extent applicable), including appropriate certifications regarding the Local Bond Documents, and such other matters as VRA may reasonably require.

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

(4) An opinion of counsel to the Local Government in substantially the form attached as Exhibit F.

(5) An opinion of bond counsel to the Local Government in form and substance reasonably satisfactory to VRA.



(6) Evidence that the Local Government has complied with the insurance provisions set forth in Section 8.1 and Section 8.2.

(7) The executed Local Bond and original executed counterparts of the Local Tax Document.

(8) [Intentionally Omitted]

(9) [Intentionally Omitted]

(10) [Intentionally Omitted]

(11) [Intentionally Omitted]

(12) [Intentionally Omitted]

(13) [Intentionally Omitted]

(14) Evidence that the Local Government has satisfied all conditions precedent to the issuance of the Local Bond as a "Parity Bond" under the financing documents for the Existing Parity Bonds.

(15) A copy of a Verification Report that verifies the sufficiency of the funds deposited under the Escrow Agreement to pay the principal of and premium, if any, and interest on the Refunded 2008B VRA Bonds to and including the Call Date.

(16) Such other documentation, certificates and opinions as VRA may reasonably require as set forth in Schedule 1.1.

(b) The initial purchasers of the Related Series of VRA Bonds have paid in full and VRA has accepted the purchase price for the Related Series of VRA Bonds on the Closing Date. It is understood that the sole source of funds to pay the Purchase Price is a portion of the proceeds of the Related Series of VRA Bonds.

#### **ARTICLE IV USE OF PURCHASE PRICE**

##### **Section 4.1 Deposit of Purchase Price; Investment of Amounts in Local Account.**

(a) On the Closing Date, VRA shall cause the Trustee to deposit the Purchase Price into the Local Account and to apply the Purchase Price and the earnings thereon as set forth in the Related Supplemental Series Indenture, this Agreement and the Local Tax Document.

(b) The Local Government acknowledges and consents to the investment of the Purchase Price and the earnings thereon allocable to pay the Local Government's related costs of issuance, if any in Virginia SNAP.

**Section 4.2 Agreement to Accomplish Project.** (a) The Local Government shall undertake the Project as described in Exhibit B and in accordance with the Project Budget. The Local Government shall maintain complete and accurate books and records of the Project Costs and permit VRA or the Trustee through their duly authorized representatives to inspect such books and records at any reasonable time.

(b) The Local Government shall cause the deposit of a portion of the proceeds of the Local Bond under the Escrow Agreement and other available funds, if any, in an amount sufficient when invested to pay the principal of and premium, if any, and accrued interest on the Refunded 2008B VRA Bonds to and including the Call Date as verified in the Verification Report.

(c) If upon payment of all related costs of issuance, there is a balance remaining in the Local Account, the Trustee shall disburse any remaining balance to the Local Government by October 1, 2018 to partially pay or reimburse interest on the Local Bond or in such other manner that is permitted under the Act and will not, in the opinion of a nationally-recognized bond counsel delivered to VRA and the Trustee, have an adverse effect on the tax status of the Related Series of VRA Bonds.

**Section 4.3 Disbursement of Purchase Price and Earnings.** Except as provided in Section 4.2(c), the Local Government shall apply the amounts in the Local Account solely and exclusively to the payment or reimbursement of the Local Government for the Project Costs. Not more frequently than once per calendar month, the Trustee shall disburse amounts from the Local Account to the Local Government or as directed by the Local Government upon the Trustee's receipt of the following:

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

(b) Receipts, vouchers, statements, bills of sale or other evidence of payment of the related Project Costs.

Following VRA's approval of each such requisition and accompanying invoice(s) and certificate(s), which approval will not unreasonably be withheld, the Trustee shall pay the requisition from the Local Account in accordance with the instructions in such requisition.

**The Local Government agrees that any amounts disbursed to it or for its account from the Local Account will be (i) immediately applied to reimburse the Local Government for Project Costs it has already paid or (ii) actually spent to pay Project Costs not later than five banking days after receipt.**

**Section 4.4 No Sufficiency Warranty by VRA; Local Government Required to Complete Project.** VRA makes no warranty, either express or implied, that the Purchase Price will be sufficient to pay all or any particular portion of the Project Costs.

## **ARTICLE V PLEDGE AND SECURITY**

**Section 5.1    Pledge.** Subject to the Local Government's right to apply Revenues to the payment of Operation and Maintenance Expenses and the Local Government's obligation to apply Revenues to the payment of the Prior Bonds, if any, the Revenues are hereby pledged to secure the payment of the principal of and premium, if any, and interest on the Local Bond and the payment and performance of the Local Government's obligations under this Agreement on a parity with the Existing Parity Bonds. This pledge shall be valid and binding from and after the date the Local Government executes this Agreement. The Revenues, as received by the Local Government, shall immediately be subject to the lien of this pledge without any physical delivery of them or further act. Except as stated above, the lien of this pledge shall have priority over all other obligations and liabilities of the Local Government payable from Revenues, and the lien of this pledge shall be valid and binding against all parties having claims of any kind against the Local Government regardless of whether such parties have notice of this pledge. Until the occurrence and continuation of an Event of Default, the Local Government may, after the application each month of Revenues to the payment of the Operation and Maintenance Expenses and debt service on the Prior Bonds and the Local Bond, the Existing Parity Bonds and any Parity Bond, use the Revenues for any lawful purpose.

**Section 5.2    Rate Covenant.** (a) The Local Government shall fix and collect rates, fees and other charges for the use of and for services furnished or to be furnished by its System, and will from time to time revise such rates, fees and other charges so that in each Fiscal Year the Net Revenues Available for Debt Service will equal at least 100% of the amount required during the Fiscal Year to pay the principal of and interest on the Local Bond and all other Parity Bonds.

(b) If, for any reason, the Net Revenues Available for Debt Service are insufficient to satisfy the covenant set forth in subsection (a), the Local Government shall (i) on its demand, pay to VRA a rate maintenance penalty fee in an amount of \$5,000, and (ii) within 90 days adjust and increase its rates, fees and other charges or reduce its Operation and Maintenance Expenses so as to provide sufficient Net Revenues Available for Debt Service to satisfy such requirement.

(c) On or before the last day of each Fiscal Year, the Local Government shall review the adequacy of its rates, fees and other charges for the next Fiscal Year, and, if such review indicates the Local Government's rates, fees and other charges will be insufficient to satisfy the rate covenant in subsection (a), the Local Government shall promptly take appropriate action to increase its rates, fees and other charges or reduce its Operation and Maintenance Expenses to cure any deficiency.

**Section 5.3    Annual Budget of the System.** The Local Government shall adopt, prior to the first day of each Fiscal Year, a budget for such Fiscal Year. The Local Government shall ensure that the adopted budget contains the information required to be included in the preliminary budget. Such budget as approved by the Local Government's governing body is referred to in this Agreement as the Annual Budget. The Local Government may at any time during any Fiscal Year amend the Annual Budget for such Fiscal Year so long as such

amendment does not result in an Event of Default. The Local Government shall promptly submit to VRA, in an electronic format, a copy of the Annual Budget and any amendments thereto.

**Section 5.4 Qualified Independent Consultant's Report.** (a) If at the end of any Fiscal Year, the Local Government is not in compliance with the rate covenant made by the Local Government in Section 5.2(a), within 210 days after the end of such Fiscal Year, the Local Government shall obtain a report from the Qualified Independent Consultant. The Local Government shall ensure that the report gives advice and makes recommendations as to the proper maintenance, repair, replacement and operation of the System for the next ensuing Fiscal Year and estimating the costs thereof as to the rates, fees, and other charges which should be established by the Local Government to satisfy the rate covenant in Section 5.2(a). The Local Government shall promptly furnish a copy of such report to VRA and, subject to Section 5.4(b), take measures to implement the recommendations of the Qualified Independent Consultant within 90 days of obtaining such report.

(b) If the Local Government determines that the Qualified Independent Consultant's recommendations are impractical or inappropriate, the Local Government may in lieu thereof adopt other procedures which the Local Government believes will bring it into compliance with the rate covenant made by the Local Government in Section 5.2(a) when such measures have been implemented and become fully effective. Such alternative plan shall be filed with VRA not later than 30 days after receipt of the Qualified Independent Consultant's report along with a detailed explanation of the Local Government's reason for rejecting the Qualified Independent Consultant's recommendations. Notwithstanding anything herein to the contrary, VRA reserves the right, in its sole discretion, to reject such alternate procedures and, to the extent permitted by law, require the Local Government to comply with the Qualified Independent Consultant's recommendations.

**Section 5.5 [Intentionally Omitted]**

**Section 5.6 Support Agreement.** (a) No later than March 15 of each year beginning March 15, 2019, the County Administrator of the Local Government (the "County Administrator") shall notify VRA in writing of the amount by which Net Revenues Available for Debt Service is expected in the next ensuing Fiscal Year to be insufficient to (i) satisfy the Rate Covenant and (ii) pay any amounts due under this Agreement (collectively, the "Annual Deficiency Amount").

(b) The Local Government hereby directs the County Administrator to include the Annual Deficiency Amount in the budget submitted to the governing body of the Local Government (the "Board") for the next ensuing Fiscal Year. The County Administrator shall deliver to VRA within ten days after the adoption of the Local Government's budget for each Fiscal Year, but not later than July 15 of each year, a certificate stating whether the Board has approved and included an amount equal to the Annual Deficiency Amount for transfer to the System in the adopted Local Government budget for such Fiscal Year.

(c) If at any time there is a failure of the Local Government to make a payment of principal of or interest on the Local Bond to pay any amounts due under this

Agreement, the County Administrator shall request an appropriation from the Board in an amount sufficient to cover the payment default.

(d) The Local Government agrees that the Board will consider each request for appropriation made pursuant to subsection (c) above at its next regularly scheduled meeting at which it is possible to satisfy any applicable notification requirement. The Local Government shall notify VRA promptly after such meeting as to whether the amount so required was appropriated. If the Board shall fail to make such appropriation, the County Administrator shall add the amount of such requested appropriation to the Annual Deficiency Amount reported to the Board for the next Fiscal Year.

(e) The Local Government shall pay to the Trustee the amount of any appropriation made pursuant to subsection (c) of this Section. The Local Government and VRA acknowledge that any amounts appropriated pursuant to this Section are pledged to secure the payment of principal of and premium, if any, and interest on the Local Bond and amounts due under this Agreement, as the case may be.

(f) The Board hereby undertakes a non-binding obligation to appropriate such amounts as may be requested from time to time pursuant to subsections (b) and (c) above, to the fullest degree and in such manner as is consistent with the Constitution and laws of the Commonwealth of Virginia. The Board, while recognizing that it is not empowered to make any binding commitment to make such appropriations in future Fiscal Years, hereby states its intent to make such appropriations in future Fiscal Years, and hereby recommends that future Boards do likewise.

(g) Nothing continued in this Section is or shall be deemed to be a lending of the credit of the Local Government to VRA or to any other person, and nothing herein contained is or shall be deemed to be a pledge of the faith and credit or the taxing power of the Local Government. Nothing contained in this Section shall bind or obligate the Board to appropriate funds for the purposes described herein, nor shall any provision of this Section give VRA or any other person any legal right to enforce the terms hereof against the Local Government or the Board.

**Section 5.7    [Intentionally Omitted]**

**Section 5.8    [Intentionally Omitted].**

## **ARTICLE VI PAYMENT AND REDEMPTION OF LOCAL BOND**

**Section 6.1    Payment of Local Bond and Related Amounts.**

(a) Until the principal of and premium, if any, and interest on the Local Bond and all other amounts payable under this Agreement have been paid in full, the Local Government shall pay the Trustee or VRA, as applicable, the following amounts:

(1) to the Trustee, the amounts required by the Local Bond on such dates and in such manner as provided for in the Local Bond – the term "interest," as used

in the Local Bond and this Agreement, includes Supplemental Interest, when and if payable;

(2) to the Trustee, on VRA's demand, or to VRA, any amounts payable under the Local Tax Document, including without limitation the costs of any rebate calculation agent;

(3) to VRA, on its demand, a late payment penalty in an amount equal to 5.0% of the payment on the Local Bond not paid within 10 days after its due date;

(4) to the Trustee, the Local Government's share (as determined by VRA) of the annual fees and expenses of the Trustee, less the Local Government's share of the net earnings on the Revenue Fund, Infrastructure Revenue Debt Service Fund and Moral Obligation Debt Service Fund established under the Master Indenture (as determined by VRA), and the Local Government shall pay such amounts no later than 15 days after VRA or the Trustee sends to the Local Government a written bill for them; and

(5) to VRA, the reasonable costs and expenses, including reasonable attorneys' fees, if any, incurred by VRA in connection with (i) an Event of Default or default by the Local Government under this Agreement (ii) any amendment to or discretionary action that VRA undertakes at the request of the Local Government under this Agreement, any other document related to the Related Series of VRA Bonds or the Local Bond or (iii) any claim, lawsuit or other challenge to the Local Bond, the VRA Bonds or this Agreement that arises, at least in part, out of the Local Government's authorization of its issuance of the Local Bond, and the Local Government shall pay such amounts no later than 15 days after VRA or the Trustee sends to the Local Government a written bill for them.

(b) If any failure of the Local Government to pay all or any portion of any required payment of the principal of or premium, if any, or interest on the Local Bond results in a withdrawal from or a drawing on any VRA Reserve, the interest rates applicable to the Local Bond shall be increased to interest rates sufficient to reimburse the VRA Reserve for any foregone investment earnings on the funds withdrawn therefrom and pay any interest, fees or penalties assessed as a result of the withdrawal from or drawing on the VRA Reserve. The increment of interest payable pursuant to the increase in rates shall be referred to as "Supplemental Interest." The Local Government's obligation to pay Supplemental Interest shall commence on the date of the withdrawal or drawing of funds from the VRA Reserve occasioned by the Local Government's failure to pay a required payment or portion thereof as described above (the "Supplemental Interest Commencement Date"). The Local Government's obligation to pay Supplemental Interest shall terminate on the date on which the Local Government makes all payments required but outstanding since the date of the initial failure to pay (the "Supplemental Interest Termination Date"). From the Supplemental Interest Commencement Date to the Supplemental Interest Termination Date, Supplemental Interest shall be due and payable on the regularly scheduled interest payment dates provided for in the Local Bond. As soon as reasonably possible after the Supplemental Interest Commencement Date and before the next regularly scheduled interest payment date provided for in the Local Bond, VRA shall deliver to the Local Government a certificate as to the increase in interest rates and the amount of



Supplemental Interest. The certificate shall set forth in reasonable detail the basis for the increase in interest rates and the manner of calculation of the increase and the amount of Supplemental Interest. Such certificate shall be conclusive (absent manifest error) as to the interest rate increase and amount of Supplemental Interest set forth therein. In determining the interest rate increase and the amount of Supplemental Interest, VRA may use any reasonable averaging and attribution methods.

(c) The Local Government shall pay the amounts described above and make payments as scheduled under the Local Bond despite any amount being withdrawn from or drawn on a VRA Reserve pursuant to the Master Indenture.

## **Section 6.2 Defeasance and Redemption of Local Bond.**

(a) The Local Government shall not defease or redeem the Local Bond (in whole or in part), except as provided in this Section 6.2.

(b) The Local Government shall satisfy the following conditions prior to the defeasance and redemption of the Local Bond:

(1) The Local Government shall provide to VRA not less than 60 days' prior written notice of the deposit of the funds described in (2), (3) and (4) below.

(2) The Local Government shall deposit with the Trustee an amount sufficient for VRA to establish an escrow of cash and non-callable, non-prepayable Government Obligations the principal of and interest on which will be sufficient (without reinvestment) to cause the defeasance under Article XII of the Master Indenture of the portion of the Related Portion of VRA Bonds corresponding to the portion of the Local Bond to be defeased or prepaid (the "Allocated Portion"). The defeasance of the Allocated Portion may be either to maturity or an earlier redemption date as determined by the Local Government.

(3) The Local Government shall deposit with VRA cash in an amount sufficient, as determined by VRA, to pay for a verification report required for the defeasance of the Allocated Portion under Article XII of the Master Indenture, any costs incurred by VRA in connection with the redemption, refunding and defeasance of the Allocated Portion, all amounts overdue or then due on the Local Bond (including, without limitation, any Supplemental Interest) and all amounts overdue, due or to become due under Section 6.1(a) of this Agreement.

(4) The Local Government shall deposit with VRA cash in an amount equal to the present value of interest that would be paid on the principal of the Allocated Portion at a rate equal to 0.125%, payable semiannually, to the maturity dates of the Allocated Portion or, if earlier, the redemption date or dates of the Allocated Portion. Present value shall be determined by using a discount rate equal to the true interest cost of the Related Portion of VRA Bonds.

(c) VRA will determine which Related Portion of VRA Bonds will be designated as the Allocated Portion and the amounts to be deposited under subsection (b)(2) and

(3) above using such reasonable allocation and estimation methods as may be selected by VRA, and VRA's determinations shall be conclusive (absent manifest error).

(d) The Local Government acknowledges that no funds in any VRA Reserve will be available to the Local Government for the defeasance or redemption of the Local Bond.

**Section 6.3 Payments and Rights Assigned.** The Local Government hereby consents to VRA's assignment to the Trustee of VRA's rights under this Agreement and the Local Bond. The Local Government also hereby acknowledges and consents to the reservation by VRA of the right and license to enjoy and enforce VRA's rights under the Local Bond and this Agreement so long as no Event of Default (as defined in the Master Indenture) with respect to the Related Series of VRA Bonds has occurred and is continuing. Even though VRA will be the registered owner of the Local Bond, the Local Government shall pay directly to the Trustee all amounts payable by the Local Government under the Local Bond and this Agreement (except for those amounts specifically indicated as payable to VRA under Section 6.1 or Section 11.8, which the Local Government shall pay directly to VRA).

**Section 6.4 Obligations Absolute and Unconditional.** The obligation of the Local Government to make the payments required by the Local Bond and this Agreement from the sources pledged therefor shall be absolute and unconditional. The Local Government shall pay all such amounts without abatement, diminution or deduction (whether for taxes or otherwise) regardless of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Local Government may have or assert against VRA, the Trustee or any other person.

## **ARTICLE VII OPERATION AND USE COVENANTS**

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

**Section 7.2 Additions and Modifications.** At its own expense the Local Government from time to time may make any renewals, replacements, additions, modifications or improvements to the System that the Local Government deems desirable, provided that any such renewal, replacement, addition, modification or improvement does not (i) materially reduce the value of the System or (ii) negatively affect the structural or operational integrity of any part of the System. The Local Government shall ensure that all such renewals, replacements, additions, modifications or improvements comply with all applicable federal, state and local laws, rules, regulations, orders, permits, authorizations and requirements. All such renewals, replacements, additions, modifications and improvements shall become part of the System.

**Section 7.3 Permits.** The Local Government shall, at its sole cost and expense, obtain all permits, consents and approvals required by local, state or federal laws, ordinances, rules, regulations or requirements in connection with the acquisition, construction, equipping,



occupation, operation or use of the System. The Local Government shall, upon request, promptly furnish to VRA and the Trustee copies of all such permits, consents and approvals.

**Section 7.4 Use.** The Local Government shall comply with all lawful requirements of any governmental authority regarding the System, whether now existing or subsequently enacted, whether foreseen or unforeseen or whether involving any change in governmental policy or requiring structural, operational or other changes to the System, irrespective of the cost of making the same.

**Section 7.5 Inspection and Local Government's Books and Records.** The Local Government shall permit VRA, the Trustee and their duly authorized representatives and agents such reasonable rights of access to the System as may be necessary to determine whether the Local Government is in compliance with the requirements of this Agreement, and the Local Government shall permit such parties, at all reasonable times and upon reasonable prior notice to the Local Government, to examine and copy the Local Government's books and records that relate to the System.

**Section 7.6 [Intentionally Omitted]**

**Section 7.7 Sale or Encumbrance.** No part of the System shall be sold, exchanged, leased, mortgaged, encumbered or otherwise disposed of except (i) with the written consent of VRA or (ii) as provided in any one of the following subsections:

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

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

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

(d) The Local Government may otherwise sell or dispose of property constituting part of the System if there is filed with VRA a certificate of the Consulting Engineer stating that such property is not necessary or useful to the operation of the System. The proceeds to be received from any such sale or disposition shall be applied first to cure any default that may exist in the payment of the principal of or interest on the Local Bond.

**Section 7.8 Collection of Revenues.** The Local Government shall use its best efforts to collect all rates, fees and other charges due to it, including, without limitation, the perfection

of liens on premises served by the System for the amount of all delinquent rates, fees and other charges where such action is permitted by law. The Local Government shall, to the full extent permitted by law, prevent access to the services and facilities of the System to users, of the System who are delinquent beyond any customary grace periods in the payment of rates, fees and other charges due to the Local Government.

**Section 7.9 No Free Service.** Except as otherwise required by law or as described on Exhibit H, the Local Government shall not permit connection with or the use of the System, or furnish any services afforded by the System, without making a charge therefor based on the Local Government's uniform schedule of rates, fees and charges.

**Section 7.10 No Competing Service.** To the extent permitted by law, the Local Government agrees not to provide, grant any franchise to provide or give consent for anyone else to provide, any services which would compete with the System.

**Section 7.11 Mandatory Connection.** To the extent permitted by law, the Local Government shall adopt and enforce rules and regulations, consistent with applicable laws, requiring the owner, tenant or occupant of each lot or parcel of land which is served or may reasonably be served by the System and upon which lot or parcel a building shall have been constructed for residential, commercial or industrial use, to connect such building to the System, provided, however, that such rules and regulations may permit the continued use of private water or sewage disposal systems approved by the applicable board of health or health officer by any such building already in existence at the time the services of the System become available to it upon such conditions as may be specified in such rules and regulations or until such time as such approved private water or sewage disposal system shall cease to be approved or shall require major repairs to continue to be approved, at which time such building shall be required to connect to the System.

**Section 7.12 Lawful Charges.** The Local Government shall pay when due all taxes, fees, assessments, levies and other governmental charges of any kind whatsoever (collectively, the "Governmental Charges") which are (i) assessed, levied or imposed against the System or the Local Government's interest in it, or (ii) incurred in the operation, maintenance, use and occupancy of the System. The Local Government shall pay or cause to be discharged, or shall make adequate provision to pay or discharge, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon all or any part of the System or the Revenues (collectively, the "Mechanics' Charges"). The Local Government, however, after giving VRA 10 days' notice of its intention to do so, at its own expense and in its own name, may contest in good faith any Governmental Charges or Mechanics' Charges. If such a contest occurs, the Local Government may permit the same to remain unpaid during the period of the contest and any subsequent appeal unless, in VRA's reasonable opinion, such action may impair the lien on Revenues granted by this Agreement, in which event, such Governmental Charges or Mechanics' Charges promptly shall be satisfied or secured by posting with the Trustee or an appropriate court a bond in form and amount satisfactory to VRA. Upon request, the Local Government shall furnish to VRA proof of payment of all Governmental Charges and Mechanics' Charges the Local Government is required to pay under this Agreement.

**Section 7.13 [Intentionally Omitted]**

**Section 7.14 Engineering Services.** The Local Government shall retain or employ a Consulting Engineer to provide engineering services covering the operation of the System.

## **ARTICLE VIII INSURANCE, DAMAGE AND DESTRUCTION**

**Section 8.1 Insurance.** The Local Government shall maintain or cause to be maintained insurance against such risks as are customarily insured against by systems similar in size and character to the System, including, without limitation:

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

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

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

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

The Local Government shall provide annually to VRA a certificate or certificates of the respective insurers evidencing the fact that the insurance required by this Section is in force and effect.

**Section 8.2 Requirements of Policies.** All insurance required by Section 8.1 shall be maintained with generally recognized responsible insurance companies selected by the Local Government and reasonably acceptable to VRA. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other utility systems of like size and character to the System. If any such insurance is not maintained with an insurer licensed to do business in Virginia or placed under the requirements of the Virginia Surplus Lines Insurance Law, Chapter 48, Title 38.2, Code of Virginia of 1950, as amended, or any successor statute, the Local Government shall provide evidence reasonably satisfactory to VRA that such insurance is enforceable under Virginia law.

In lieu of obtaining any of the policies of insurance required by Section 8.1, the Local Government may adopt alternative risk management programs which it determines to be reasonable, including, without limitation, to self-insure in whole or in part, individually or in

connection with other units of local government or other institutions, to participate in programs of captive insurance companies, to participate with other units of local government or other institutions in mutual or other cooperative insurance or other risk management programs, to participate in State or Federal insurance programs, to take advantage of State or Federal laws now or hereafter in existing limiting liability, or to establish or participate in other alternative risk management programs, all as may be reasonable and appropriate risk management by the Local Government and that provide comparable coverages required by such sections. In addition, any insurance coverage pursuant to this Article may be pursuant to a program whereby the Local Government self-insures against certain losses up to a stated loss amount, and retains excess coverage from an insurer meeting the requirements of this Article.

Any self-insurance plan or alternative risk management program maintained by the Local Government with respect to the Improvements will be a Qualified Self-Insurance Plan. A "Qualified Self-Insurance Plan" means any plan or program of self-insurance regarding which the Local Government shall have received an opinion of an Insurance Consultant that the Local Government has established an adequate, actuarially sound program for the funding of reserves for such self-insurance. The Local Government agrees to comply with such program unless a change therein is recommended by the Insurance Consultant. The Local Government agrees to cause the Insurance Consultant to review any Qualified Self-Insurance Plan at least annually and to make written recommendations as to what funding levels are adequate to protect against the risks covered by the plan. The Local Government agrees to follow such recommendations.

**Section 8.3 Notice of Damage, Destruction or Condemnation.** In case of (i) any damage to or destruction of any material part of the System, (ii) a taking of all or any part the System or any right in it under the exercise of the power of eminent domain, (iii) any loss of the System because of failure of title or (iv) the commencement of any proceedings or negotiations which might result in such a taking or loss, the Local Government shall notify VRA in writing within ten Business Days of the occurrence describing generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

**Section 8.4 Damage and Destruction.** If all or any part of the System is destroyed or damaged by fire or other casualty, and the Local Government shall not have exercised its option, if such option is available, to redeem the outstanding Local Bond pursuant to Section 6.2, the Local Government shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage or destruction, with such alterations and additions as the Local Government may determine and which will not impair the capacity or character of the System for the purposes for which it then is being used or is intended to be used. The Local Government may apply so much as may be necessary of the net proceeds of insurance received on account of any such damage or destruction to payment of the cost of such restoration, either on completion or as the work progresses. If such net proceeds are not sufficient to pay in full the cost of such restoration, the Local Government shall pay so much of the cost as may be in excess of such net proceeds.

**Section 8.5 Condemnation and Loss of Title.** If title to or the temporary use of all or any part of the System shall be taken under the exercise of the power of eminent domain or lost because of failure of title, and the Local Government shall not have exercised its option, if such option is available, to redeem the outstanding Local Bond pursuant to Section 6.2, the Local

Government shall cause the net proceeds from any such condemnation award or from any title insurance to be applied to the restoration of the System to substantially its condition before the exercise of such power of eminent domain or failure of title. If such net proceeds are not sufficient to pay in full the cost of such restoration, the Local Government shall pay so much of the cost as may be in excess of such net proceeds.

## **ARTICLE IX SPECIAL COVENANTS**

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

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

**Section 9.3 Financial Records and Statements.** The Local Government shall maintain proper books of record and account in which proper entries shall be made in accordance with generally accepted government accounting standards, consistently applied, of all its business and affairs. The Local Government shall have an annual audit of the financial condition of the Local Government made by an independent certified public accountant, within 180 days after the end of each Fiscal Year. The annual audit shall include a supplemental schedule demonstrating whether the Local Government satisfied the rate covenant set forth in Section 5.2. The Local Government shall furnish to VRA, in an electronic format, a copy of such report immediately after it is accepted by the Local Government. Such report shall include statements in reasonable detail, certified by such accountant, reflecting the System's operations and changes in the financial position thereof for the Fiscal Year.

**Section 9.4 Certification as to No Default and Tax Compliance.** The Local Government shall deliver to VRA, within 180 days after the close of each Fiscal Year, a certification in substantially the form attached as Exhibit G and signed by a Local Representative.

**Section 9.5 Further Assurances.** The Local Government shall to the fullest extent permitted by law pass, make, do, execute, acknowledge and deliver such further resolutions, acts,



deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming the rights and collateral, if any, assigned or pledged by this Agreement, or as may be required to carry out the purposes of this Agreement. The Local Government shall at all times, to the fullest extent permitted by law, defend, preserve and protect the pledges made under this Agreement and all rights of VRA under this Agreement against all claims and demands of all persons, including without limitation the payment of certain costs of VRA as described in Section 6.1(a)(5).

**Section 9.6 Assignment by Local Government.** The Local Government shall not assign its rights and obligations under the Local Bond or this Agreement, or both, without the prior written consent of VRA.

**Section 9.7 Continuing Disclosure.** (a) For purposes of this Section 9.7, the following terms and phrases have the following meanings:

**"Annual Financial Information"** with respect to any Fiscal Year for the Local Government means the following:

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

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

**"Dissemination Agent"** means any person, reasonably acceptable to VRA, whom the Local Government contracts in writing to perform its obligations as provided in subsection (i) of this Section.

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

**"Material Local Government"** means the Local Government if the aggregate outstanding principal amount of the Local Bond and any other of the Local Government's local bonds purchased with proceeds of the VRA Bonds represent 15% or more of the outstanding aggregate principal amount of the local bonds purchased with proceeds of the VRA Bonds.

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

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

(b) The Local Government shall Make Public or cause to be Made Public:

(1) Within seven months after the end of the Local Government's Fiscal Year (commencing with the Fiscal Year in which the Closing Date occurs), Annual Financial Information for such Fiscal Year as of the end of which the Local Government constitutes a Material Local Government. Annual Financial Information may be set forth in the documents Made Public or may be included in a document Made Public by specific reference to any document available to the public on the internet website of the Municipal Securities Rulemaking Board ("MSRB") or filed with the SEC. If the document referred to is a final official statement, then it must be available from the MSRB.

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

(c) For purposes of this Section, information and notices shall be deemed to have been "Made Public" if transmitted to VRA, to the Trustee and to the MSRB in an electronic format as prescribed by the MSRB.

(d) The Local Government shall also notify VRA of the occurrence of any of the following events that may from time to time occur with respect to the Local Bond, such notice to be given in a timely manner not in excess of five Business Days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancement maintained with respect to the Local Bond reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other notices or determinations with respect to the Local Bond that could affect the tax status of the Related Series of VRA Bonds, or other events with respect to the Local Bond that could affect the tax status of the Related Series of VRA Bonds;

- (7) modifications to rights of holders;
- (8) bond calls and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Local Bond;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Local Government;
- (13) the consummation of a merger, consolidation, or acquisition involving the Local Government or the sale of all or substantially all of the assets of the Local Government, 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 action, other than pursuant to its terms;
- (14) appointment of a successor or additional trustee for the Local Bond, if any, or the change of name of a trustee; and
- (15) the failure of the Local Government on or before the date required by this Agreement to provide Annual Financial Information to the persons and in the manner required by this Agreement.

(e) Additionally, upon request of VRA, the Local Government shall certify in writing that it has made all filings and disclosures under this Section or any similar undertaking pursuant to the Rule.

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

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

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



(h) The Local Government may from time to time disclose certain information and data in addition to that required under this Section. Notwithstanding anything in this Agreement to the contrary, the Local Government shall not incur any obligation to continue to provide, or to update, such additional information or data.

(i) The Local Government may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation to cause to be Made Public the information described in this Section and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. It is not necessary for purposes of this Article that the Dissemination Agent have any agency relationship with the Local Government for purposes of state law.

(j) All documents Made Public under this Section shall be accompanied by identifying information as prescribed by the MSRB.

**Section 9.8 Other Indebtedness.** The Local Government shall pay when due all amounts required by any other indebtedness of the Local Government and perform all of its obligations in connection with all other indebtedness of the Local Government.

**Section 9.9 Additional Indebtedness.** The Local Government shall not incur any indebtedness or issue any bonds, notes or other evidences of indebtedness secured by a pledge of Revenues, except Parity Bonds or Subordinate Debt issued in accordance with the terms and conditions of this Section 9.9.

(a) The Local Government may issue Parity Bonds to (i) pay the cost of the acquisition or construction of improvements, extensions, additions or replacements to equipment or betterments of and any property, rights or easements deemed by the Local Government to be necessary, useful or convenient for the System or to refund Subordinate Debt, (ii) refund some or all of the Local Bond (subject to the conditions of Section 6.2) or any other Parity Bond or (iii) effect some combination of (i) and (ii), provided in each case the following conditions are satisfied. Before any Parity Bond is issued or delivered, the Local Government shall deliver to VRA the following in form and substance satisfactory to VRA and dated as of the date of issuance of such Parity Bond:

(1) Certified copies of all resolutions and ordinances of the Local Government authorizing the issuance of the Parity Bond.

(2) A certificate of a Local Representative setting forth the purposes for which the Local Government is issuing the Parity Bond and the manner in which the Local Government will apply the proceeds from the issuance and sale of the Parity Bond.

(3) If the Parity Bond is authorized for any purpose other than the refunding of the Local Bond or other Parity Bond, a certificate including supporting documentation of a Qualified Independent Consultant to the effect that (i) the improvements or property which the proceeds from the issuance of the Parity Bond will finance or refinance will be a part of, or are necessary, useful or convenient for, the System, (ii) the funds available to the Local Government from the issuance of the Parity Bond and other specified sources will be sufficient to pay the estimated cost of such

improvements or property (or refinancing the same), (iii) the period of time which will be required to complete such improvements or property, and (iv) (A) the failure to make such improvements or acquire or construct such property will result in an interruption or reduction, or the continuance of an interruption or reduction, of Revenues, or (B) during the first two complete Fiscal Years following the completion of the improvements or the acquisition or construction of the property (or refinancing the same), the projected Net Revenues Available for Debt Service will satisfy the rate covenant of Section 5.2 (excluding payments under the Support Agreement). In providing this certificate, the Qualified Independent Consultant may take into consideration future System rate increases, provided that such rate increases have been duly approved by the Local Government's governing body and any other person and entity required to give approval for the rate increase to become effective. In addition, the Qualified Independent Consultant may take into consideration additional future Revenues to be derived under then existing contractual agreements entered into by the Local Government and from reasonable estimates of growth in the Local Government's customer base. In providing the certification in subsection (iv)(B) above, the Qualified Independent Consultant shall include supporting documentation.

(4) If the Parity Bond is authorized solely to refund any Local Bond or other Parity Bonds either (i) a certificate or report of a Qualified Independent Consultant that the refunding Parity Bond will have annual debt service requirements in each of the years the Local Bond or the other Parity Bonds to be refunded (the "Refunded Bonds") would have been outstanding that is lower than the annual debt service requirements in each such year on the Refunded Bonds, or (ii) a certificate of a Qualified Independent Consultant to the effect that in its opinion, during the first two complete Fiscal Years following the issuance of the refunding Parity Bond, the projected Net Revenues Available for Debt Service will satisfy the rate covenant of Section 5.2. In providing the certificate described in clause (ii), the Qualified Independent Consultant may take into account the positive factors described in the last two sentences of subsection (a)(3) of this Section.

(5) If requested by VRA, an opinion of a nationally-recognized bond counsel, subject to customary exceptions and qualifications, approving the form of the resolution authorizing the issuance of the Parity Bond and stating that its terms and provisions conform with the requirements of this Agreement, that the certificates and documents delivered to VRA constitute compliance with the provisions of this Section, and that the issuance of the Parity Bond will have no adverse effect on the exclusion of the interest on the Related Series of VRA Bonds from gross income for federal income tax purposes and not cause interest on the Related Series of VRA Bonds to become a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

(b) If the Local Government is unable or unwilling to satisfy the conditions set forth in subsection (b) to the issuance and delivery of any issue of Parity Bonds, VRA may determine, in its sole discretion, to waive any or all of such conditions.

**Section 9.10 Litigation; Material Change.** The Local Government shall promptly notify VRA of (i) the existence and status of any litigation that County Attorney or general counsel to the Local Government determines is not reasonably certain to have a favorable outcome and which individually or in the aggregate could have a material adverse effect on the financial condition or operations of the System or its ability to perform its payment and other obligations under this Agreement or the Local Bond or (ii) any change in any material fact or circumstance represented or warranted in this Agreement.

## **ARTICLE X DEFAULTS AND REMEDIES**

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

(a) The failure to pay any installment of principal of or premium, if any, on the Local Bond when due (whether at maturity, by mandatory or optional redemption, by acceleration or otherwise).

(b) The failure to pay any installment of interest (including Supplemental Interest) on the Local Bond when due.

(c) The failure to make any other payment or deposit required by this Agreement within 15 days after its due date.

(d) The Local Government's failure to perform or observe any of the other covenants, agreements or conditions of the Local Bond or this Agreement and the continuation of such failure for a period of 60 days after written notice specifying such failure and requesting that it be cured is given to the Local Government by VRA, or, in the case of any such failure which cannot with diligence be cured within such 60-day period, the Local Government's failure to proceed promptly to commence to cure the failure and thereafter to prosecute the curing of the failure with diligence.

(e) Any warranty, representation or other statement by or on behalf of the Local Government contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement or in connection with the issuance and sale of the Local Bond is false and misleading in any material respect.

(f) Any bankruptcy, insolvency or other similar proceeding shall be instituted by or against the Local Government under any federal or state bankruptcy or insolvency law and, if instituted against the Local Government, is not dismissed within 60 days after filing.

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

(h) An order or decree shall be entered, with the Local Government's consent or acquiescence, appointing a receiver or receivers of the System or any part of it or of the

Revenues, or if such order or decree, having been entered without the Local Government's consent or acquiescence, shall not be vacated or discharged or stayed on appeal within 60 days after its entry.

(i) The occurrence of a default by the Local Government under the terms of any debt secured by a pledge of Revenues and the failure to cure such default or obtain a waiver thereof within any period of time permitted thereunder.

**Section 10.2 Acceleration.** Upon the occurrence and continuation of an Event of Default, VRA may, by notice in writing delivered to the Local Government, declare the entire unpaid principal of and interest on the Local Bond due and payable. Upon any such declaration, the Local Government shall immediately pay to the Trustee the entire unpaid principal of and accrued interest on the Local Bond, but only from the collateral and other funds specifically pledged hereby. VRA may in its discretion waive an Event of Default and its consequences and rescind any acceleration of maturity of principal of and interest on the Local Bond.

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

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

## **ARTICLE XI MISCELLANEOUS**

**Section 11.1 State Aid Intercept.** The Local Government acknowledges that VRA is treating the Local Bond as a "local obligation" within the meaning of Section 62.1-199 of the Act, including amendments thereto taking effect as of July 1, 2011, which in the event of a nonpayment thereunder authorizes VRA or the Trustee to file an affidavit with the Governor that such nonpayment has occurred pursuant to Section 62.1-216.1 of the Act. In purchasing the Local Bond, VRA is further relying on Section 62.1-216.1 of the Act, providing that if the Governor is satisfied that such nonpayment has occurred, the Governor will immediately make an order directing the Comptroller to withhold all further payment to the Local Government of all funds, or of any part of them, appropriated and payable by the Commonwealth to the Local Government for any and all purposes, and the Governor will, while the nonpayment continues, direct in writing the payment of all sums withheld by the Comptroller, or as much of them as is necessary, to VRA, so as to cure, or cure insofar as possible, such nonpayment.

**Section 11.2 Successors and Assigns.** This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

**Section 11.3 Amendments.** VRA and the Local Government shall have the right to amend from time to time any of this Agreement's terms and conditions, provided that all amendments shall be in writing and shall be signed by or on behalf of VRA and the Local Government.

**Section 11.4 Limitation of Local Government's Liability.** Notwithstanding anything in the Local Bond or this Agreement to the contrary, the Local Government's obligations hereunder and under the Local Bond are not its general obligations, but are limited obligations payable solely from the Revenues which are specifically pledged for such purpose. Neither the Local Bond nor this Agreement shall be deemed to create or constitute a debt or a pledge of the faith and credit of the Local Government and the Local Government shall not be obligated to pay the principal of or premium, if any, or interest on the Local Bond or other costs incident to them except from the Revenues and other funds pledged for such purpose. In the absence of fraud or intentional misconduct, no present or future director, official, officer, employee or agent of the Local Government shall be liable personally to VRA in respect of this Agreement or the Local Bond or for any other action taken by such individual pursuant to or in connection with the financing provided for in this Agreement or the Local Bond.

**Section 11.5 Applicable Law.** This Agreement shall be governed by Virginia law.

**Section 11.6 Severability.** If any clause, provision or section of this Agreement shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or section shall not affect the remainder of this Agreement which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Agreement. If any agreement or obligation contained in this Agreement is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of VRA and the Local Government, as the case may be, only to the extent permitted by law.

**Section 11.7 Notices.** Unless otherwise provided for herein, all demands, notices, approvals, consents, requests, opinions and other communications under the Local Bond or this Agreement shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class registered or certified mail, postage prepaid, addressed (a) if to the Local Government, at the address specified for notices on the signature page; (b) if to VRA, at 1111 East Main Street, Suite 1920, Richmond, Virginia 23219, Attention: Executive Director; or (c) if to the Trustee, at 1021 East Cary Street, 18<sup>th</sup> Floor, Richmond, Virginia 23219, Attention: Corporate Trust Department. A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given by any party named in this Section shall also be given to each of the other parties named. VRA, the Local Government and the Trustee may designate, by notice given hereunder, any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

**Section 11.8 Right to Cure Default.** If the Local Government fails to make any payment or to perform any act required by it under the Local Bond or this Agreement, VRA or

the Trustee, without prior notice to or demand upon the Local Government and without waiving or releasing any obligation or default, may (but shall be under no obligation to) make such payment or perform such act. All amounts so paid by VRA or the Trustee and all costs, fees and expenses so incurred shall be payable by the Local Government as an additional obligation under this Agreement, together with interest thereon at the rate of 15% per year until paid. The Local Government's obligation under this Section shall survive the payment of the Local Bond.

**Section 11.9 Term of Agreement.** This Agreement is effective as of the Effective Date. Except as otherwise specified, the Local Government's obligations under the Local Bond and this Agreement shall expire upon payment in full of the Local Bond and all other amounts payable by the Local Government under this Agreement.

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

[Signature Pages Follow]

**WITNESS** the following signatures, all duly authorized.

**VIRGINIA RESOURCES AUTHORITY**

By: \_\_\_\_\_  
Stephanie L. Hamlett, Executive Director



**COUNTY OF SOUTHAMPTON, VIRGINIA**

By: \_\_\_\_\_  
Michael Johnson  
County Administrator

Address for Notices:

P.O. Box 400  
Courtland, Virginia 23837  
Attention: County Administrator

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

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

By: \_\_\_\_\_  
Patricia A. Welling, Vice President and  
Corporate Municipal Trust Manager

**EXHIBIT A**

**FORM OF LOCAL BOND**

[To be provide by the Local Government]

## **EXHIBIT B**

### **DESCRIPTION OF THE PROJECT**

To provide funds to refund all or a portion of the 2008 Local Bond, together with related costs of issuance.

**EXHIBIT C**

**PENDING OR THREATENED ACTIONS, SUITS, PROCEEDINGS, OR  
INVESTIGATIONS**

[To be provide by the Local Government]

**EXHIBIT D**  
**FORM OF REQUISITION**

Requisition No.

Date:

U.S. Bank National Association, as Trustee  
Attention: Corporate Trust Department  
1021 East Cary Street  
18<sup>th</sup> Floor  
Richmond, Virginia 23219

Virginia Resources Authority  
1111 East Main Street  
Suite 1920  
Richmond, Virginia 23219  
Attention: Executive Director

This Requisition, including Schedule 1 and Schedule 2 hereto, is submitted in connection with the Local Bond Sale and Financing Agreement dated as of June 25, 2018 (the "Financing Agreement") between the Virginia Resources Authority and the County of Southampton, Virginia (the "Local Government"). Unless otherwise defined in this Requisition, each capitalized term used herein has the meaning given it under Article I of the Financing Agreement. The undersigned Local Representative hereby requests payment of the following amounts from the Local Account established for the Local Government in the 2018B Acquisition Fund established under the Forty-Second Supplemental Series Indenture.

Payee (including wiring instructions if receiving electronic payment):

Address:

Amount to be paid:

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

Attached on Schedule 2 are the wire instructions for this requisition, and also attached hereto is an invoice (or invoices) relating to the items for which payment is requested.

The undersigned certifies that the amounts requested by this Requisition will be applied in accordance with the Local Tax Document and solely and exclusively to the payment, or the reimbursement of the Local Government for its payment, of Project Costs

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

---

Local Representative



SCHEDULE 1

Form to Accompany Requisition

Requisition # \_\_\_\_\_  
Recipient: County of Southampton, Virginia – VRA 2018B  
Local Representative: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

<u>Cost Category</u>	<u>Total Project Cost</u>	<u>Previous Disbursements</u>	<u>Disbursement This Period</u>	<u>Disbursements to Date</u>	<u>Remaining Balance</u>
	\$	\$	\$	\$	\$
TOTALS	\$	\$	\$	\$	\$

## SCHEDULE 2

### Wire Instructions for Requisition

[To be provided by the Local Government]

## **EXHIBIT E**

### **OPERATING DATA**

*Description of Local Government.* A description of the Local Government including a summary description of the System.

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

*Financial Information and Operating Data.* Financial information for the System as of the end of the preceding fiscal year, including a description of revenues and expenditures, largest users, a summary of rates, fees and other charges of the System, and a historical summary of debt service coverage.

**EXHIBIT F**

**FORM OF OPINION OF COUNSEL TO THE LOCAL GOVERNMENT**

[Print on the Letterhead of Counsel for the Local Government]

August 15, 2018

Board of Supervisors  
County of Southampton, Virginia

Virginia Resources Authority  
Richmond, Virginia

**\$[\_\_\_\_\_]  
County of Southampton, Virginia  
Water and Sewer System Revenue Refunding Bond  
Series 2018**

Ladies and Gentlemen:

I have acted as counsel to the County of Southampton, Virginia (the "Local Government"), in connection with the issuance and sale by the Local Government of its \$[\_\_\_\_\_] Water and Sewer System Refunding Bond (the "Local Bond"), the net proceeds of which will be applied to finance the Project (as defined in the hereafter defined Financing Agreement) and in such capacity, I have examined, among other things, the following documents:

- (a) a certified copy of the Local Authorization, authorizing the issuance and sale of the Local Bond to Virginia Resources Authority ("VRA") to finance the Project;
- (b) a copy of the Local Bond Sale and Financing Agreement (the "Financing Agreement") dated as of June 25, 2018, and between the Local Government and VRA; and
- (c) a copy of the Local Tax Document and the Support Agreement.

The documents referred to in clauses (b) and (c) above are referred to collectively as the "Local Bond Documents."

I have also examined such other records and proceedings of the Local Government and conducted such investigations as I deemed appropriate and necessary for purposes of this opinion.

Unless otherwise defined, each capitalized term used in this opinion has the same meaning given to such term in the Financing Agreement.

As to questions of fact material to the opinions and statements set forth herein, I have relied upon representations of the Local Government set forth in the Local Bond Documents and other certificates and representations by persons including representatives of the Local Government. Whenever an opinion or statement set forth herein with respect to the existence or absence of facts is qualified by the phrase "to the best of my knowledge" or a phrase of similar import, it is intended to indicate that during the course of my representation of the Local Government in connection with the Local Bond Documents no information has come to my attention that should give me current actual knowledge of the existence or absence of such facts. Except to the extent expressly set forth herein, I have not undertaken any independent investigation of the existence or absence of such facts, and no inference as to my knowledge or the existence or absence of such facts should be drawn from the fact of my representation or any other matter.

Based upon such examination and assuming the authorization, execution, delivery and enforceability of all documents by parties other than the Local Government, I am of the opinion that:

1. The Local Government is a duly created and validly existing political subdivision of the Commonwealth and is vested with the rights and powers conferred upon it by Virginia law.

2. The Local Government has full right, power and authority to (i) adopt the Local Authorization and execute and deliver the Local Bond Documents and all related documents, (ii) undertake the Project and (iii) carry out and consummate all of the transactions contemplated by the Local Authorization and the Local Bond Documents, including owning and operating the System.

3. The Local Bond Documents were duly authorized by the Local Authorization and the Financing Agreement is in substantially the same form as presented to the Governing Body at its meeting at which the Local Authorization was adopted.

4. All governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the date hereof have been obtained for (i) the Local Government's adoption of the Local Authorization, (ii) the execution and delivery of the Local Bond Documents and the Local Bond, (iii) the Local Government's performance of its obligations under the Local Bond Documents and the Local Bond, and (iv) to the best of my knowledge, the operation and use of the System. I know of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations or approvals cannot be obtained as required in the future.

5. The Financing Agreement has been executed and delivered by duly authorized officials of the Local Government and constitutes a legal, valid and binding obligation of the Local Government enforceable against the Local Government in accordance with its terms. The Local Bond has been executed and delivered by duly authorized officials of the Local Government and will constitute a legal, valid and binding limited obligation of the Local Government enforceable against the Local Government in accordance with its terms.

The obligations of the Local Government under the Financing Agreement and the Local Bond, and the enforceability of such obligations, may be limited or otherwise affected by (i) bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally, (ii) principles of equity, whether considered at law or in equity, (iii) the exercise of sovereign police powers of the Commonwealth, and (iv) rules of law which may limit the enforceability on public policy grounds of any obligations of indemnification undertaken by the Local Government.

6. The issuance of the Local Bond and the execution and delivery of the Local Bond Documents and the performance by the Local Government of its obligations thereunder are within the powers of the Local Government and will not conflict with, or constitute a breach or result in a violation of (i) any federal or Virginia constitutional or statutory provision, (ii) to the best of my knowledge, any agreement or other instrument to which the Local Government is a party or by which it is bound or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Local Government or its property.

7. The Local Government, to the best of my knowledge, is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument under and subject to which any indebtedness for borrowed money has been incurred. To the best of my knowledge, no event or condition has happened or existed, or is happening or existing, under the provisions of any such instrument, including but not limited to the Financing Agreement, which constitutes, or which, with notice or lapse of time, or both, would constitute an event of default thereunder.

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

9. Except as set forth in the Financing Agreement, there are not pending nor, to the best of my knowledge, threatened against the Local Government, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature (i) affecting the creation, organization or existence of the Local Government or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the approval, execution, delivery or performance of the Local Authorization or the Local Bond Documents or the issuance or delivery of the Local Bond, (iii) in any way contesting or affecting the validity or enforceability of the Local Bond, the Local Authorization, the Local Bond Documents or any agreement or instrument relating to any of the foregoing, (iv) in which a judgment, order or resolution may have a material adverse effect on the Local Government or its business, assets, condition

(financial or otherwise), operations or prospects or on its ability to perform its obligations under the Local Authorization, the Local Bond Documents or the Local Bond, or (v) affecting the undertaking of the Project.

Very truly yours,



## EXHIBIT G

### FORM OF CERTIFICATION AS TO NO DEFAULT AND TAX COMPLIANCE

[DATE]

[Insert Name]  
Compliance & Financial Analyst  
Virginia Resources Authority  
1111 East Main Street, Suite 1920  
Richmond, VA 23219

Dear [Mr./Ms.] \_\_\_\_\_:

In accordance with Section 9.4 of the Local Bond Sale and Financing Agreement dated as of June 25, 2018 (the "Financing Agreement") between Virginia Resources Authority and the County of Southampton, Virginia (the "Local Government"), I hereby certify that, during the fiscal year that ended June 30, \_\_\_\_\_, and through the date of this letter:

1. [No event or condition has happened or existed, or is happening or existing, which constitutes, or which, with notice or lapse of time, or both, would constitute, an Event of Default as defined in Section 10.1 of the Financing Agreement.] [If an Event of Default has occurred, please specify the nature and period of such Event of Default and what action the Local Government has taken, is taking or proposes to take to rectify it].
2. [The ownership and status of all or a portion of the Related Financed Property has not changed since the Closing Date.] [If untrue, please describe.]
3. [Neither the Related Financed Property nor any portion thereof is being used by a Nongovernmental Person pursuant to a lease, an incentive payment contract or a take-or-pay or other output-type contract.] [If untrue, please describe.]
4. [Neither the Related Financed Property nor any portion or function thereof is being used pursuant to or is otherwise subject to a Service Contract that does not satisfy the requirements of Revenue Procedure 2017-13.] [If untrue, please describe.]
5. [Other than as may be described in paragraphs 2, 3 and 4 above, neither the Related Financed Property nor any portion or function thereof nor any portion of the Proceeds is being used for a Private Business Use.] [If untrue, please describe.]
6. [The Local Government has not used or permitted the use of any Proceeds of the Local Bond directly or indirectly to make a loan to an ultimate borrower other than itself within the meaning of Section 4.3 of the Local Tax Document.] [If untrue, please describe.]

7. [Other than any amounts described in the Local Tax Document (as defined in the Financing Agreement), between VRA and the Local Government and amounts that may constitute or be on deposit in a Bona Fide Debt Service Fund, there neither have been nor are now any moneys, securities, obligations, annuity contracts, residential rental property, AMT Bonds, investment-type property, Sinking Funds, Pledged Funds, or other Replacement Proceeds accumulated or held or pledged as security by the Local Government or any other Substantial Beneficiary of the Local Bond as security for or the direct or indirect source of the payment of the principal of or interest on the Local Bond.] [If untrue, please describe.]
8. [The Local Government is in compliance with the recordkeeping requirements of Section 4.9 of the Local Tax Document.] [If untrue, please describe.]
9. [Other than as may be described above, the Local Government is not in default of any of its obligations under the Local Tax Document.] [If untrue, please describe.]
10. Unless otherwise defined herein, each capitalized term used herein has the meaning set forth in the Local Tax Document.

Sincerely,

[Insert Name]  
Local Representative

**EXHIBIT H**  
**DESCRIPTION OF SPECIAL USE ARRANGEMENTS**

[To be provided by the Local Government]

**EXHIBIT I**  
**FORM OF ANNUAL BUDGET**

[DATE]

Executive Director  
Virginia Resources Authority  
1111 East Main Street, Suite 1920  
Richmond, VA 23219

Ladies and Gentlemen:

Pursuant to the Financing Agreement[s] between Virginia Resources Authority and the [Local Government], dated as of [add dates of all outstanding Financing Agreements], a copy of the fiscal year [20xx] annual budget is enclosed. Such annual budget provides for the satisfaction of the rate covenant as demonstrated below.

<b>Revenues</b>	<b>Operation &amp; Maintenance Expenses</b>	<b>Net Revenues Available for Debt Service</b> (Revenues – O&M Expenses)	<b>Debt Service</b>	<b>*Coverage</b> (Net Revenues Available for Debt Service/Debt Service)
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Unless otherwise defined herein, the capitalized terms used in this Certificate shall have the meanings set forth in the Financing Agreement.

Very truly yours,

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT J**

**EXISTING PARITY BONDS**

[To be provided by the Local Government]

**SCHEDULE 1.1**

**FINAL TERMS**

**ADDITIONAL CONDITIONS PRECEDENT TO PURCHASE OF LOCAL BOND:**

N/A

**ADDITIONAL CONDITIONS PRECEDENT TO FIRST REQUISITION OF PROCEEDS  
OF LOCAL BOND:**

N/A



## **PROJECT BUDGET**

## **INTEREST RATES AND PAYMENT SCHEDULE FOR LOCAL BOND**

## **Virginia Pooled Financing Program (“VPFP”) Frequently Asked Questions**

*1. Who is eligible to borrow through the VPFP?*

Pursuant to Section 62.1-197 et seq. of the Code of Virginia of 1950, as amended (the “VRA Act”), any county, city, town, municipal corporation, authority, district, commission, or political subdivision created by the General Assembly or pursuant to the Constitution and laws of the Commonwealth of Virginia can borrow funds from VRA through the VPFP.

*2. What are the benefits of borrowing through the VPFP?*

There are many value-added benefits to borrowing through the VPFP, including: “AAA/AA” interest rates, reliable and consistent capital market access, custom-tailored loan structures, economies of scale through shared issuance costs, loan terms up to 30 years, a straightforward and administratively easy loan process, and a highly customer service-oriented VRA staff to assist you from loan application through loan closing.

*3. What types of projects are eligible for financing through the VPFP?*

Under the VRA Act, the General Assembly has authorized VRA to finance capital projects in 18 different areas: public safety, transportation, wastewater, flood prevention and dam safety, solid waste, water, former federal facility development, brownfield remediation, airports, land conservation and recreation, broadband, parks and recreation, local government buildings, energy, site acquisition and development for economic and community development, administrative and operations systems, oyster restoration, and defective drywall correction and restoration. Loan authorization is subject to credit approval by VRA. Project eligibility is subject to approval by VRA, with the advice of VRA’s bond counsel, and VRA may recommend different financing programs for certain types of projects.

*4. Is capitalized interest available?*

Yes, subject to certain limitations under the VRA Act and IRS regulations.

*5. What is the maximum loan term?*

Project financing is available for up to 30 years through the VPFP, based on the useful life of the asset(s) being financed.

*6. Can a borrower refinance existing debt?*

Yes, if the existing debt financed a qualified project under the VRA Act. See question 3 for a list of eligible projects.

*7. When are loan funds available?*

Loan funds are available for disbursement on and after the closing date of the VPFP bond issuance, upon completion and submission of a loan requisition and supporting invoice

documentation. VPFP bonds are issued, at a minimum, each spring and fall with funds available typically in early June and early December.

*8. How are VPFP loans funded?*

VRA obtains funds for borrowers through the issuance and sale of VPFP bonds in the public debt markets. VRA issues bonds, at a minimum, each spring and fall using a senior and junior lien structure under the VPFP master indenture of trust. VRA issues two types of bonds under the VPFP: Infrastructure Revenue Bonds (senior lien) and State Moral Obligation Bonds (junior lien). The senior-lien Infrastructure Revenue Bonds represent approximately 70% of the total bonds issued in each VPFP bond transaction and have a first lien on 100% of the borrower loan repayments. This structure provides approximately 1.43x coverage for all of the Infrastructure Revenue Bonds.

The junior-lien State Moral Obligation Revenue Bonds represent approximately 30% of the bonds issued in each VPFP bond transaction and have a legal claim to the remaining loan repayments, after payment of the VPFP Infrastructure Revenue Bonds. This structure generates 1.00x coverage for all of the State Moral Obligation Bonds. In addition, all of the State Moral Obligation Bonds are supported by the moral obligation of the Commonwealth of Virginia, whereby the Commonwealth has pledged to refill any draws on the Capital Reserve Fund established under the master indenture of trust. The Capital Reserve Fund is pledged only to support the State Moral Obligation Bonds.

*9. Where are loan proceeds invested during the construction / drawdown period?*

While not mandatory, VPFP loan proceeds are typically invested in the Virginia State Non-Arbitrage Program ("SNAP") during the project construction period. Please click [HERE](#) for more information on SNAP. VPFP borrowers have the ultimate determination on the investment of loan proceeds during the construction / drawdown period, subject to IRS regulations, as applicable.

*10. What costs are associated with borrowing through the VPFP?*

Fees associated with borrowing through the VPFP include: (1) an upfront fee, payable at closing and equal to 0.125% of the par amount of the loan, and (2) an on-going annual administration fee of 0.125% based on the outstanding loan balance and payable semi-annually. VRA does not assess an upfront fee when refunding existing VRA debt obligations for debt service savings.

VPFP borrowers share the costs of issuance related to the bond issue and include: VRA bond counsel fees, VRA financial advisor fees, printing of the final official statement, electronic posting of the preliminary and final official statement, rating agency fees, trustee and trustee counsel fees, and verification agent fees, if applicable.

After loan closing, VPFP borrowers are assessed annual trustee fees and arbitrage rebate calculation fees, if applicable.

*11. How are interest rates set for VPFP loans?*

When VRA issues VPFP bonds, the interest rates obtained based on the program's "AAA/AA" ratings are passed through to the underlying borrower loans, plus VRA's on-going annual administration fee of 0.125% of the outstanding loan balance.

*12. Are interest rates fixed for the life of the loan?*

Yes, interest rates on VPFP loans are fixed for the life of the loan.

*13. What are the payment dates for VPFP loans?*

Local loan payments are made 30 days in advance of VRA VPFP payments, which are made each May 1<sup>st</sup> and November 1<sup>st</sup>. VPFP local loan principal is paid annually on each October 1<sup>st</sup> and interest is paid semi-annually on each April 1<sup>st</sup> and October 1<sup>st</sup>.

*14. How are credit decisions made with respect to the VPFP?*

VRA has an internal credit committee, which meets weekly to discuss and authorize loan requests made by borrowers. The credit committee reviews the in-depth credit analysis completed by VRA staff regarding the loan request within the context of loan underwriting guidelines, which have been approved by VRA's Portfolio Risk Management Committee of the Board of Directors and the VRA Board of Directors. A complete list of VRA's loan underwriting guidelines can be found by visiting: <http://www.buyvrabonds.com/overview.shtml>

*15. What are the security options for VPFP loans?*

VPFP loans are secured through local obligations, which are typically evidenced by local bonds or financing leases. Local bonds may be issued and secured as general obligation local bonds, revenue local bonds, or double barrel local bonds (consisting of a revenue pledge, supplemented by an additional general or moral obligation pledge of a borrower).

Financing leases include real estate or equipment collateral.

All local obligations are subject to review and approval of VRA and its bond counsel.

*16. Can loans be prepaid or redeemed?*

VPFP bonds are typically issued with an optional redemption provision beginning ten years after issuance. VPFP borrower loans carry the same redemption provisions as the corresponding VPFP bonds. VRA does research on an on-going basis to determine if any of the various outstanding VRA bond issues are showing savings. When we find that one or more bond maturities are showing savings, we offer the ability to advance refund VPFP loans, subject to IRS regulations as applicable.

*17. Does a borrower have to be rated by one of the major rating agencies to participate in the VPFP?*

Borrowers are not required to have public debt ratings as a prerequisite to borrow from the VPFP; however, where the participation of an unrated borrower has the potential to impact the existing public debt rating of the VPFP due to loan size or certain other conditions, VRA reserves

the right to require that a borrower obtain a rating from Moody's and/or Standard & Poor's as a condition of loan approval.

*18. Is continuing disclosure required of VPFP borrowers?*

VRA requires annual submission of certain borrower documents for loan monitoring purposes, such as comprehensive annual financial reports and insurance certificates among others; however, continuing disclosure is only required if a borrower's aggregate outstanding debt in the VPFP is equal to or greater than 15% of the total loan obligations outstanding in the program, resulting in the borrower being considered a "material obligor" under the master indenture of trust. There are currently no "material obligors" in the VPFP.

*19. What are the current VPFP ratings?*

VPFP Infrastructure Revenue Bonds are rated "Aaa" by Moody's and "AAA" by Standard & Poor's. VPFP State Moral Obligation Bonds are rated "Aa2" by Moody's and "AA" by Standard & Poor's.

*20. Are VPFP official statements and continuing disclosure documents available?*

VPFP official statements and continuing disclosure documents can be accessed by visiting:  
<http://emma.msrb.org/IssuerView/IssuerDetails.aspx?cusip=92817Q>

*21. Is there a maximum or minimum amount that can be borrowed?*

The authorization of a VPFP loan is primarily driven by a borrower's debt capacity and project affordability. There is no specific loan maximum to the extent a borrower's VPFP debt exposure does not have an impact on VRA's program ratings or significantly impair the moral obligation debt capacity extended to VRA by the Commonwealth of Virginia.

Due to the costs associated with issuing bonds in the public debt markets, VPFP loans of less than \$500,000 may not provide the most cost effective means of financing. Please contact VRA about your specific project needs for more details.

*22. Where are the applications for the VPFP located?*

Online applications and downloadable application materials can be found by visiting <http://www.virginiaresources.org/pooledfinancing.shtml> or by contacting Peter D'Alema, Director of Program Management at 804-616-3446 or [pdalema@virginiaresources.org](mailto:pdalema@virginiaresources.org), Kim Adams, Program Manager at 804-616-3449 or [kadams@virginiaresources.org](mailto:kadams@virginiaresources.org), or Jon Farmer, Financial Analyst at 804-616-3447 or [jfarmer@virginiaresources.org](mailto:jfarmer@virginiaresources.org).

*23. What are the application deadlines for VPFP transactions?*

Application deadlines for the VPFP can be found by visiting:  
<http://www.virginiaresources.org/pooledfinancing.shtml>

The VPFP application deadline for the spring pooled transaction is typically the first Friday in February, and the VPFP application deadline for the fall pooled transaction is typically the first Friday in August.

*24. How long is the process between loan application and loan closing?*

VPFP loans typically close within 120 days of the application deadline.

*25. What is the general process between loan application and loan closing?*

The primary activities between VPFP loan application and loan closing typically include:

- Upon receipt of a VPFP application, VRA coordinates a due diligence conference call or meeting with the borrower's financing team (i.e. local bond counsel, local financial advisor, etc.). The due diligence conference call will discuss the project to be financed and VRA's financing schedule for the transaction.
- VRA staff will then complete the credit analysis related to the borrower's loan request and make a security recommendation to VRA's credit committee, and if applicable, VRA's Board of Directors.
- Subject to loan approval by VRA's credit committee, a term sheet will be provided to the borrower related the funding request.
- The borrower's local bond counsel will draft a resolution / ordinance, authorizing the borrower to participate in the VPFP financing.
- Upon approval of the authorizing resolution / ordinance by the borrower's governing body, the borrower will enter into the primary financing document related to the VPFP loan (typically in the form of a Local Bond Sale and Financing Agreement or Local Lease Acquisition Agreement and Financing Lease).
- VRA sells the VPFP bond issue on a negotiated or competitive basis in the public bond markets and allocates the proceeds of the bond issue to the local loan participants within the loan pool. Interest rates are fixed through the final maturity once the bond sale is completed.
- VRA staff and its financing team coordinate the VRA and local loan closings within two to four weeks of bond pricing.
- Loan proceeds are available for disbursement to localities as of the VPFP closing date.

*26. Whom may I contact with a specific question about my potential project?*

Loan inquiries can be submitted by visiting <http://www.virginiaresources.org/projectfinancing.shtml> or by contacting Peter D'Alema, Director of Program Management at 804-616-3446 or [pdalema@virginiaresources.org](mailto:pdalema@virginiaresources.org), Kim Adams, Program Manager at 804-616-3449 or [kadams@virginiaresources.org](mailto:kadams@virginiaresources.org), or Jon Farmer, Financial Analyst at 804-616-3447 or [jfarmer@virginiaresources.org](mailto:jfarmer@virginiaresources.org).