

**COMMONWEALTH OF VIRGINIA  
VIRGINIA PUBLIC BUILDING AUTHORITY  
Board of Directors Meeting  
August 8, 2007**

1:30 p.m.  
3<sup>rd</sup> Floor Conference Room  
James Monroe Building  
101 North 14<sup>th</sup> Street,  
Richmond, Virginia

**Members Present:** Sarah B. Williams, Chair  
Priscilla Burbank, Vice Chair  
David Von Moll  
J. Braxton Powell, Secretary/Treasurer

**Members Participating:  
Via Telephone Conference  
(Not Voting):**

Stephen Perkins

**Members Absent:**

Sharon M. McDonald  
Monique Nadeau-Langridge

**Others Present:**

Evelyn Whitley	Department of Treasury
Tracy L. Clemons, Sr.	Department of Treasury
Calvin Johnson, Jr.	Department of Treasury
Donald Ferguson, Esq.	Office of the Attorney General
Eric Ballou Esq.	Christian & Barton, L.L.P.
Megan Gililland	Christian & Barton, L.L.P.
Janet Lee (Via phone)	Public Resource Advisory Group (PRAG)

Treasury Staff and others were also in attendance.

**CALL TO ORDER**

With a quorum present, the Chair, Ms. Williams, called the meeting to order at 1:35 p.m.

**PUBLIC COMMENT**

Ms. Williams, asked if there were any members of the public present that wished to comment on Board activities. There was no public comment.

**APPROVAL OF MINUTES**

Mr. Von Moll made a motion to approve the minutes of the October 3, 2006 meeting. The motion was seconded by Mrs. Burbank and unanimously approved by the Board members present.

## **POST SALE ANALYSIS OF VPBA PUBLIC FACILITIES REVENUE BONDS, SERIES 2006B**

Mr. Clemons provided a brief summary of the results of the sale of the Authority's \$215,065,000 Public Facilities Revenue Bonds, Series 2006B (the "2006B Bonds"). The 2006B Bonds were sold on November 15, 2006 on a competitive basis, at a true interest cost of 4.074482% to Citigroup Global Markets. (Attachment C)

Mr. Clemons directed the Board's attention to the Cost of Issuance Summary for the Series 2006B Bonds (Attachment D). He noted that in response to the previous request by Ms. Nadeau-Langridge for additional information related to issuance costs, staff would be providing such summaries for all future financings. He provided a brief overview of the summary and informed the Board that any remaining surplus would be used to offset debt service. He then introduced Ms. Lee of PRAG (by phone) financial advisor, who reviewed the market conditions from the day of the 2006B sale.

## **CONSIDERATION OF ISSUANCE OF VPBA PUBLIC FACILITIES REVENUE BONDS, SERIES 2007A**

Mr. Clemons asked Mr. Johnson, the Authority's Analyst, to review the Preliminary Financing Summary for the proposed issuance of up to \$242,475,000 for the Virginia Public Facilities Revenue Bonds Series 2007A. The bonds would be issued to (i) finance certain capital projects for use by the Commonwealth, (ii) to provide funding for the Commonwealth's share of the cost of local and regional jail and juvenile detention construction projects, and (iii) to pay costs of issuing the 2007A bonds. Mr. Johnson noted that the slight difference between, the issuance amounts included on the Revised Preliminary Financing Summary and the POS, was due to an increase in bond size to include a newly authorized prison project needing funding earlier than anticipated. (Attachment A)

Mr. Ballou, of Christian & Barton, LLP, bond counsel, reviewed the bond resolution for the Board. Mr. Ballou explained that the resolution contained a not exceed amount of \$250,000,000. This was common practice on all financings to provide parameters that would grant adequate flexibility to allow staff to make necessary adjustments and proceed with sale within those parameters, if unforeseen changes in market conditions occurred prior to the sale date.

Mr. Ballou briefed the Board on the patent infringement lawsuit between Parity (the Authority's bidding platform) and Muni Auction LLC. He explained that the patent dispute involved the electronic system for competitive sales of municipal bonds. Mrs. Williams then asked if the case would effect the sale of the 2007A Bonds. Mr. Ballou, explained that this lawsuit would not effect the sale of those bonds.

Ms. Lee added that their firm had sold bonds through Parity, since the filing of the lawsuit. Parity had provided software that allowed them to bypass the disputed electronic platform. No problems occurred. Upon a motion made by Mrs. Burbank and seconded by Mr. Powell, the Board members present unanimously approved the resolution authorizing the issuance, sale and award of up to \$250,000,000 Public Facilities Revenue Bonds, Series 2007A. (Attachment B)

## **VARIABLE RATE UPDATE**

Mr. Clemons explained that the Authority's Variable Rate Policy requires that the Financial Advisor provide the Board with an annual update of that program. He directed the Board's attention to the Financial Advisor's Report of The Ongoing Monitoring and Reporting of the VPBA 2005D financing, and asked Ms. Lee to review the report. Ms. Lee provided a brief overview of the report describing the performance of the variable program to-date. She acknowledged that the variable rate bonds had performed as expected and over \$600,000 of interest savings had been realized since issuance, compared to fixed rates that would have been received on the sale date. Mr. Von Moll asked if there were any limitations to how much variable rate debt that could prudently be issued? Ms. Whitley explained that the Variable Rate policy allowed for up to 20% of the Authority's debt to be in the variable mode. Ms. Lee noted that the current market was quite volatile and suggested that the Authority wait for the volatility in the market to subside before issuing more variable rate debt. Ms. Whitley concurred and acknowledged that the variable program had allowed the Commonwealth to diversify, however, she was not comfortable with the interest rate exposure relative to the market's current volatility. She stated that staff would continue to monitor the market. (Attachment D)

## **OTHER BUSINESS**

### **Quarterly Delegation Reports/Cost of Issuance Summarizes**

Mr. Johnson informed the Board that there were no delegated items completed during the last 4 quarters ending 6/30/07. He directed the Board's attention to the cost of issuance summaries that were handed out prior to the meeting. He noted that by request of Board member Monique Nadeau-Lantridge, for more issuance cost information staff had provided the summaries of each issue completed during the last 2 years for the Boards review.

### **Consideration of Rescission of the VPBA 1994 Debt Issuance and Management Guidelines**

Mr. Clemons informed the Board that the structure established under the authority's original indenture was simplified with the establishment of its current 1997 Indenture, and a new set of guidelines was not deemed necessary under the simplified structure. Since all but one series of bonds issued under the prior indenture have been redeemed, the requirements of the guidelines have become obsolete. Upon a motion made by Mrs. Burbank, and seconded by Mr. Powell, the Board Members present unanimously rescinded the VPBA 1994 Debt Issuance and Management Guidelines.

## **ADJOURNMENT**

Having no other business to be brought before the Board, the meeting was adjourned at 2:10 p.m.

Respectfully submitted,

Tracy L. Clemons, Sr.

Assistant Secretary/Treasurer #2

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[\(ATTACHMENT A\)](#)

**PRELIMINARY FINANCING SUMMARY**

**Virginia Public Building Authority**  
**\$242,475,000\* Public Facilities Revenue Bonds, Series 2007A**  
**August 1, 2007**

**Title:** \$242,475,000\* Public Facilities Revenue Bonds, Series 2007A (the “2007A Bonds”).

**Issuer:** Virginia Public Building Authority (the “Authority”).

**Constitutional Reference:** Article X, Section 9(d).

**Legislative Reference:** Virginia Public Building Authority Act of 1981, Article 6, Chapter 22, of the *Code of Virginia* of 1950, as amended.

**Purpose:** The proceeds of the Bonds will be used to (i) finance certain capital projects for use by the Commonwealth of Virginia, (ii) to provide funding for the Commonwealth’s share of the cost of local and regional jail and juvenile detention construction projects, and (iii) to pay the costs of issuing of the Bonds. (*See attached project list.*)

**Security:** Payment Agreement between the Authority and the Treasury Board providing for certain amounts appropriated by the General Assembly to be paid to the Authority to make payments of debt service on the 2007A Bonds and all other bonds issued under the Master Indenture.

**Method of Sale:** Competitive.

**Sale Date:** September 26, 2007\*

**Dated Date:** October 10, 2007\*

**Delivery Date:** October 10, 2007\*

**Bond Structure:** Serial bonds maturing annually in years 2008 through 2027, paying current semiannual interest and annual principal and structured on a level debt basis.

**Payment Dates:** *Principal:* Annually on August 1, beginning August 1, 2008; with a final maturity of August 1, 2027\*.

*Interest:* Semi-annually on February 1 and August 1; beginning August 1, 2008

## PRELIMINARY FINANCING SUMMARY

**Virginia Public Building Authority**  
**\$242,475,000\* Public Facilities Revenue Bonds, Series 2007A**  
**August 1, 2007**

**Optional  
Redemption**

**Provision:** The 2007 Bonds may be redeemed, in whole or in part, prior to their respective maturities at the sole option of the Authority on or after August 1, 2017, at par plus accrued interest to the redemption date.

**Denomination:** \$5,000 or multiples thereof.

**Registration**

**Provisions:** Book-entry-only through the facilities of The Depository Trust Company.

**True Interest Cost:** Competitive Bid

**Expected Ratings:** Fitch Ratings: AA+  
Moody's Investors Service: Aa1  
Standard & Poor's: AA+

**Underwriter:** Competitive Bid

**Bond Counsel:** Christian & Barton, L.L.P., Richmond, Virginia

**Financial Advisor:** Public Resources Advisory Group, New York, NY

**Trustee:** The Bank of New York, New York, New York.

**Estimated Costs**

**Of Issuance:** \$235,000 excluding underwriters' discount

**(ATTACHMENT B)**

**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND AWARD OF PUBLIC FACILITIES REVENUE BONDS, SERIES 2007A, BY THE VIRGINIA PUBLIC BUILDING AUTHORITY**

**WHEREAS**, the Virginia Public Building Authority Act of 1981, Article 6, Chapter 22, Title 2.2, Code of Virginia of 1950, as amended (the “Act”), among other things, empowers the Virginia Public Building Authority to issue revenue bonds and refunding bonds to finance and refinance, respectively, the acquisition, construction, improvement, furnishing and equipping of various public facilities for use by the Commonwealth of Virginia (the “Commonwealth”) and its agencies and to finance the Commonwealth’s share of the costs of certain capital projects made pursuant to applicable Virginia law (together, the “Projects”) and to pay the costs of issuance of such bonds;

**WHEREAS**, the Authority has entered into (a) a Master Indenture of Trust, dated as of April 15, 1997 (the “Master Indenture”), with Signet Trust Company (predecessor in interest to The Bank of New York) as trustee (the “Trustee”), providing for the issuance from time to time of the Authority’s Public Facilities Revenue Bonds, and (b) a Payment Agreement, dated as of April 15, 1997, with the Treasury Board of the Commonwealth providing for certain amounts appropriated by the General Assembly to be paid to the Authority to make payments of debt service on all bonds issued under the Master Indenture;

**WHEREAS**, the Authority has determined to issue its Public Facilities Revenue Bonds, Series 2007A (the “Bonds”), and to sell the Bonds through a competitive bidding process, to (a) finance the acquisition, construction, improvement, rehabilitation, furnishing and equipping of various public facilities for use by the Commonwealth and its agencies, (b) pay the costs of certain regional and local jail and juvenile detention facility projects, and (c) pay costs of issuance of the Bonds, or any combination of the foregoing; and

**WHEREAS**, there have been presented to the Authority at this meeting and filed with its records drafts of the following documents:

(a) Preliminary Official Statement, to be dated the date of its distribution (the “Preliminary Official Statement”), with respect to the offering of the Bonds, describing, among other things, the Bonds, the Authority and the initial projects to be financed with the Bonds;

(b) Notice of Sale, to be dated the date of the Preliminary Official Statement (the “Notice of Sale”), setting forth the structure and terms of the sale of the Bonds and of the award by the Authority through a competitive bidding process, including a bid form;

(c) Twentieth Supplemental Indenture of Trust, draft to be dated as of September 15, 2007 (the “Twentieth Supplemental Indenture”), between the Authority and the Trustee, including the form of the Bonds, authorizing the issuance of the Bonds

and providing for the security therefor, all pursuant to the terms of the Master Indenture and the Projects anticipated to be financed with the proceeds of the Bonds; and

(d) The forms of Facilities Agreement and Amendment to Facilities Agreement with respect to the Projects or managing agents already the subject of prior facilities agreements (together, such facilities agreements and amendments, as applicable, the “2007A Facilities Agreements”), providing for certain matters regarding the operation and use of such projects; provided, however, that the departments, agencies and institutions of the Commonwealth amending a Facilities Agreement will be those acting as managing agents with respect to applicable Projects or prior Authority projects;

**NOW, THEREFORE, BE IT RESOLVED BY THE VIRGINIA PUBLIC BUILDING AUTHORITY THAT:**

**1. Preliminary Official Statement.** The Preliminary Official Statement, in substantially the form presented at this meeting with such completions, omissions, additions and changes as shall be approved by the State Treasurer (the Secretary/Treasurer of the Authority) or his staff in connection with the offering and sale of the Bonds and the financing of the Projects is approved and the distribution thereof is authorized. The Authority authorizes the State Treasurer to deem the Preliminary Official Statement final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”), and distribution of the Preliminary Official Statement shall constitute conclusive evidence that it has been deemed final as of its date, except for the omission of such pricing and other information as permitted by the Rule.

**2. Notice of Sale.** The Notice of Sale in substantially the form presented at this meeting, with such completions, omissions, additions and changes as shall be approved by the State Treasurer or his staff in connection with the offering and sale of the Bonds, including the receipt of bids electronically, is approved and the distribution and advertisement thereof is authorized.

**3. Issuance and Sale of Bonds.** Pursuant to the Act, the Authority authorizes the issuance of the Bonds in accordance with the Twentieth Supplemental Indenture and the sale thereof in accordance with the Notice of Sale, including the receipt of bids electronically; *provided, however,* that (a) the aggregate stated principal amount of the Bonds shall not exceed \$250,000,000; (b) the final stated maturity of the Bonds is not later than August 1, 2027; (c) the “true” interest cost of the Bonds, determined in accordance with the terms of the Notice of Sale, shall not exceed 5.00%, taking into account original issue discount or premium, if any; and (d) the Bonds shall be sold at a price not less than 100% of the aggregate principal amount thereof.

**4. Delegation to State Treasurer; Award of Bonds.** The Authority hereby delegates to the State Treasurer the power with respect to the Bonds, subject to and within the limitations set forth in the preceding paragraph, (a) to determine and approve the details of the Bonds, including, without limitation, their designation, aggregate principal amount, maturity schedule, price or prices, interest rates, redemption provisions and the price(s) at which the Bonds are to be sold to the Winning Bidder (as defined below), as will best effect the purposes and provisions of the Act and this Resolution; (b) to approve the form of all documents that are appropriate to carry out the contemplated financing; (c) to deem the Preliminary Official Statement final as of its date as contemplated in Paragraph 1 hereof and to complete the Preliminary Official Statement as an Official Statement in final form as contemplated in Paragraph 6 hereof; (d) to postpone or cancel the sale of the Bonds or change the dated date of the Bonds (including their name or series designation) and the documents herein approved, if in his sole discretion market and other conditions so warrant;

(e) to award the Bonds to the responsive bidder whose bid offers to purchase the Bonds at the lowest true interest cost to the Authority as determined by Public Resources Advisory Group, the Authority's financial advisor (the "Winning Bidder" and the "Winning Bid"), all in accordance with the terms of the Notice of Sale, including the receipt of bids electronically; and (g) to take all such further action as may be necessary or desirable for the issuance, sale and delivery of the Bonds.

**5. Twentieth Supplemental Indenture and 2007A Facilities Agreements.** The Twentieth Supplemental Indenture and the 2007A Facilities Agreements shall be in substantially the forms presented at this meeting, which are approved, with such completions, omissions, additions and changes, including those necessary to reflect the Projects and the specifics determined in accordance with Paragraphs 2 and 3 hereof, and the Winning Bid, as shall be approved by the Chairman, Vice-Chairman or Secretary/Treasurer of the Authority. The Chairman, the Vice-Chairman or the Secretary/Treasurer, any of whom may act, is authorized and directed to execute the Twentieth Supplemental Indenture and the 2007A Facilities Agreements, which execution shall constitute conclusive evidence of approval of any such completions, omissions, additions and changes, and to determine the Projects from time to time to be financed with proceeds of the Bonds. The Twentieth Supplemental Indenture may have a different numbered supplemental designation if necessary or desirable. The executed Twentieth Supplemental Indenture shall be delivered to the Trustee.

**6. Official Statement.** The Authority authorizes and directs the State Treasurer and his staff to complete the Preliminary Official Statement as an official statement in final form (the "Official Statement"). The Chairman or Vice-Chairman of the Authority, either of whom may act, is authorized and directed to execute the Official Statement, which execution shall constitute conclusive evidence of his or her approval of the Official Statement and that the Authority has deemed it final within the meaning of the Rule. The Authority authorizes and directs its staff to arrange for the delivery to the Winning Bidder of a reasonable number of copies of the Official Statement, within seven business days after the sale date of the Bonds, for distribution by the Winning Bidder to each potential investor requesting a copy thereof and to each person to whom the Winning Bidder initially sells Bonds. The Authority authorizes and approves the distribution of the Official Statement by the Winning Bidder.

**7. Continuing Disclosure.** The Authority covenants to undertake ongoing disclosure and to provide "annual financial information" and "material event notices," all as described in the Twentieth Supplemental Indenture, for the benefit of holders of the Bonds to assist the Winning Bidder in complying with the Rule. The Authority authorizes and directs its officers to execute any documents or agreements on behalf of the Authority necessary or desirable to provide for such continuing disclosure.

**8. Preparation of Bonds.** The Chairman or the Vice-Chairman of the Authority, either of whom may act, and the Secretary/Treasurer or Assistant Secretary/Treasurer of the Authority, either of whom may act, are authorized and directed (a) to have the Bonds prepared and executed pursuant to the Master Indenture and the Twentieth Supplemental Indenture, (b) to deliver them to the Trustee for authentication, and (c) to cause the Bonds so executed and authenticated to be delivered to, or for the account of, the Winning Bidder upon payment of the purchase price as provided in the Winning Bid and the Notice of Sale.

**9. Other Undertakings.** The Authority authorizes and directs its staff, its financial advisor, Public Resources Advisory Group, and its bond counsel, Christian & Barton, L.L.P.: (a) to prepare all documentation and take all action necessary or desirable to bring the Bonds to market

through a competitive bidding process as soon as practicable, (b) to advertise the Bonds for sale, and (c) to take such actions as shall be necessary or appropriate to obtain a rating or ratings for the Bonds from Fitch Ratings Inc., Moody's Investors Service and/or Standard & Poor's Rating Services.

**10. Other Documents.** The Authority further authorizes and directs its officers to execute and deliver all certificates, instruments and documents and to take such further action as they may consider necessary or desirable in connection with the issuance and sale of the Bonds, including, without limitation, execution and delivery of a non-arbitrage certificate and tax compliance agreement setting forth the expected use and investment of proceeds of the Bonds to show that such expected use and investment will not violate the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations issued pursuant thereto (the "Code"), applicable to "arbitrage bonds," making any elections that such officers deem desirable regarding any provision requiring rebate to the United States of arbitrage profits earned on the investment of proceeds of the Bonds, providing for payment of any such rebate amount and providing for ongoing compliance to maintain the tax-exempt status of the Bonds.

**11. Other Actions.** The Authority approves and confirms all other actions of its officers and staff that are in conformance with the purpose or intent of this resolution and in furtherance of the issuance and sale of the Bonds.

**12. Conflicting Resolutions.** All resolutions or parts of resolutions in conflict herewith are repealed.

**13. Effective Date.** This resolution shall take effect immediately and shall continue in full force and effect for a period of six months, unless specifically extended or the Bonds are issued.

(ATTACHMENT C)

**FINAL FINANCING SUMMARY**

**Virginia Public Building Authority  
\$215,065.000 Public Facilities Revenue Bonds, Series 2006B  
November 30, 2006**

**Title:** \$215,065,000 Public Facilities Revenue Bonds, Series 2006B (the “2006B Bonds”).

**Issuer:** Virginia Public Building Authority (the “Authority”).

**Constitutional Reference:** Article X, Section 9(d).

**Legislative Reference:** Virginia Public Building Authority Act of 1981, Article 6, Chapter 22, of the *Code of Virginia* of 1950, as amended.

**Purpose:** The proceeds of the Bonds will be used to (i) finance certain capital projects for use by the Commonwealth of Virginia, (ii) to provide funding for the Commonwealth’s share of the cost of local and regional jail and juvenile detention construction projects, and (iii) to pay the costs of issuing of the Bonds.

**Security:** Payment Agreement between the Authority and the Treasury Board providing for certain amounts appropriated by the General Assembly to be paid to the Authority to make payments of debt service on the 2006B Bonds and all other bonds issued under the Master Indenture.

**Method of Sale:** Competitive.

**Sale Date:** November 15, 2006

**Dated Date:** November 30, 2006

**Delivery Date:** November 30, 2006

**Bond Structure:** Serial bonds maturing annually in years 2007 through 2026, paying current semiannual interest and annual principal and structured on a level debt basis.

**Payment Dates:** *Principal:* Annually on August 1, beginning August 1, 2007; with a final maturity of August 1, 2026.

*Interest:* Semi-annually on February 1 and August 1; beginning August 1, 2007

## FINAL FINANCING SUMMARY

### Virginia Public Building Authority \$215,065,000 Public Facilities Revenue Bonds, Series 2006B November 30, 2006

#### Optional Redemption

**Provision:** The 2006 Bonds may be redeemed, in whole or in part, prior to their respective maturities at the sole option of the Authority on or after August 1, 2016, at par plus accrued interest to the redemption date.

**Denomination:** \$5,000 or multiples thereof.

#### Registration

**Provisions:** Book-entry-only through the facilities of The Depository Trust Company.

**True Interest Cost:** 4.074482%

**Ratings:**

Fitch Ratings:	AA+
Moody's Investors Service:	Aa1
Standard & Poor's:	AA+

**Underwriter:** Citigroup Global Markets Inc.

**Bond Counsel:** Christian & Barton, L.L.P., Richmond, Virginia

**Financial Advisor:** Public Resources Advisory Group, New York, NY

**Trustee:** The Bank of New York, New York, New York.

#### Estimated Costs

**Of Issuance:** \$200,000 excluding underwriters' discount

(ATTACHMENT D)

July 31, 2007

**Virginia Public Building Authority  
Variable Rate Public Facilities Revenue Bonds  
Series 2005D**

**On-going Monitoring and Reporting**

***Background***

On December 7, 2005, the Virginia Public Building Authority issued its Variable Rate Public Facilities Revenue Bonds, Series 2005D (the “Bonds”). The Bonds were issued as variable rate demand bonds with interest rates reset weekly and interest paid monthly. The Authority has the flexibility to change from a weekly mode to other modes, such as daily or fixed rate. Goldman, Sachs & Co. is the remarketing agent for the Bonds. The Authority entered into a Standby Bond Purchase Agreement with Dexia Credit Local, New York Branch for a six-year term. The Variable Rate Debt Policy adopted by the Authority calls for on-going monitoring and reporting of the historic and projected performance of any variable rate interest rate exposure. Public Resources Advisory Group, as financial advisor to the Authority, has analyzed the historic and projected performance.

**Weekly Interest Rate Resets**

The remarketing agent resets the interest rate for the Bonds each Wednesday with interest rates effective on each Thursday. We track the weekly interest rates for the Bonds along with the spread to the Securities Industry and Financial Markets Association Municipal Swap Index (the “SIFMA Swap Index” or “SIFMA”), which is a seven day high grade market index comprised of tax-exempt variable rate demand bonds and provides a way to track movements in the variable rate market and is the successor to Bond Market Association Municipal Swap Index. The following table provides summary statistics with respect to the weekly interest rates during the period December 7, 2005 through July 25, 2007.

**Summary Statistics on Weekly Interest Rates**

	<b>Series 2005D</b>
Average Interest Rate	3.497%
Maximum Interest Rate	3.950%
Minimum Interest Rate	2.900%
Average SIFMA Swap Index	3.515%
Average Spread to SIFMA	-0.018%

For this period, the average interest rate for the Bonds has been 3.497 percent. On average for the period, the spread to the SIFMA Swap Index for the Bonds has been 1.8 basis points less than SIFMA.

## Summary of Variable Rate Debt Service and Fees

The Bonds pay interest on the first business day of each month while liquidity fees and remarketing fees are paid quarterly. Pursuant to the Standby Bond Purchase Agreement with Dexia Credit Local, New York Branch, a liquidity fee of 7.75 basis points is paid each quarter to Dexia based on the outstanding principal amount. A remarketing fee of 5.00 basis points is paid to Goldman, Sachs & Co. every quarter. The table below summarizes the debt service and fees accrued and paid from December 7, 2005 through July 2, 2007.

### Summary of Variable Rate Debt Service and Fees

Date	Variable Rate Debt Service	Liquidity Fees + Remarketing Fees	Debt Service + Accrued Fees
01/3/2006	117,712.33	4,716.76	122,429.09
02/1/2006	119,041.09	5,066.08	124,107.17
03/1/2006	118,849.31	4,891.42	123,740.73
04/3/2006	138,739.72	5,764.71	144,504.43
05/1/2006	131,397.26	4,891.42	136,288.68
06/1/2006	149,671.23	5,415.39	155,086.62
07/3/2006	160,684.93	5,590.05	166,274.98
08/1/2006	142,726.03	5,066.08	147,792.11
09/1/2006	148,000.00	5,415.39	153,415.39
10/2/2006	150,726.03	5,415.39	156,141.42
11/1/2006	144,109.59	5,240.74	149,350.33
12/1/2006	147,383.56	5,240.74	152,624.30
01/2/2007	157,849.32	5,590.05	163,439.37
02/1/2007	146,767.13	5,240.74	152,007.87
03/1/2007	136,931.51	4,891.42	141,822.93
04/2/2007	154,821.92	5,590.05	160,411.97
05/1/2007	148,260.27	5,066.08	153,326.36
06/1/2007	164,356.16	5,415.39	169,771.55
07/2/2007	156,465.75	5,415.39	161,881.14
	2,734,493.16	99,923.29	2,834,416.44

## Comparison to Other Variable Rate Issues

*In addition to comparing the weekly interest rate resets to the SIFMA Swap Index, a comparison of the interest rate resets on the Bonds to other similar variable rate issues is also helpful in gauging whether the weekly interest rate resets are in line with the market. Exhibit A shows a comparison to: (i) the Virginia College Building Authority Variable Rate Educational Facilities Revenue Bonds (21<sup>st</sup> Century College and Equipment Programs), Series 2006B and Series 2006C, which are in daily mode and (ii) other weekly variable rate demand bonds in the Commonwealth and in the region. The table below summarizes the average interest rate for these issues and the average spread to SIFMA. As can be seen, the Authority's interest rates are in line with the interest rates for other issuers.*

### Comparison of Virginia Public Building Authority Weekly Rates to Other Variable Rate Issues (December 7, 2005 – July 25, 2007)

Issuer	Remarketing Agent	Long-term Rating (M/S/F)	Average Interest Rate	Average Spread to SIFMA
<b>Virginia Public Building Authority, Series 2005D</b>	<b>Goldman Sachs</b>	<b>Aa1/AA+/AA+</b>	<b>3.497%</b>	<b>-0.02%</b>
Virginia College Building Authority, Series 2006B <sup>1</sup>	Lehman Brothers	Aa1/AA+/AA+	3.634%	-0.01%
Virginia College Building Authority, Series 2006C <sup>1</sup>	Wachovia	Aa1/AA+/AA+	3.609%	-0.04%
Industrial Development Authority of the City of Winchester (Westminster-Canterbury of Winchester, Inc.), Series 2005B	BB&T Capital	Aa2/--/--	3.544%	+0.03%
Industrial Development Authority of Fairfax County (Inova Health System Project), Series 2005C-1 & 2005C-2	Citigroup	Aa2/AA+/-	3.488%	-0.03%
Fairfax County Economic Development Authority (Smithsonian Institution Issue), Series A	Morgan Stanley	Aaa/AAA/--	3.493%	-0.02%
Fairfax County Economic Development Authority (Smithsonian Institution Issue), Series B	JP Morgan	Aaa/AAA/--	3.458%	-0.06%
Industrial Development Authority of Loudon County (Howard Hughes Medical Institute Issue), Series 2003B	Goldman Sachs	Aaa/AAA/--	3.508%	-0.01%
Industrial Development Authority of Loudon County (Howard Hughes Medical Institute Issue), Series 2003D	Lehman Brothers	Aaa/AAA/--	3.519%	+0.01%
Industrial Development Authority of Loudon County (Howard Hughes Medical Institute Issue), Series 2003F	Citigroup	Aaa/AAA/--	3.498%	-0.02%
State of Georgia, Series 2006H-1	Banc of America	Aaa/AAA/AAA	3.680%	0.00%
State of Georgia, Series 2006H-2	Lehman Brothers	Aaa/AAA/AAA	3.588%	-0.10%
State of Georgia, Series 2006H-3	Wachovia	Aaa/AAA/AAA	3.674%	-0.01%
State of Florida, Series 2006A <sup>2</sup>	Citigroup	Aaa/AAA/AAA	3.548%	0.00%
State of Florida, Series 2006B <sup>2</sup>	Goldman Sachs	Aaa/AAA/AAA	3.543%	-0.01%
City of Atlanta, Series 2005A & 2005B	A.G. Edwards	Aa1/AA/--	3.532%	+0.02%
State of North Carolina, Series 2002D	Banc of America	Aaa/AAA/AAA	3.501%	-0.01%
State of North Carolina, Series 2002E	Bear Stearns	Aaa/AAA/AAA	3.516%	0.00%
State of North Carolina, Series 2002F	Goldman Sachs	Aaa/AAA/AAA	3.493%	-0.02%
State of North Carolina, Series 2002G	Wachovia	Aaa/AAA/AAA	3.461%	-0.05%

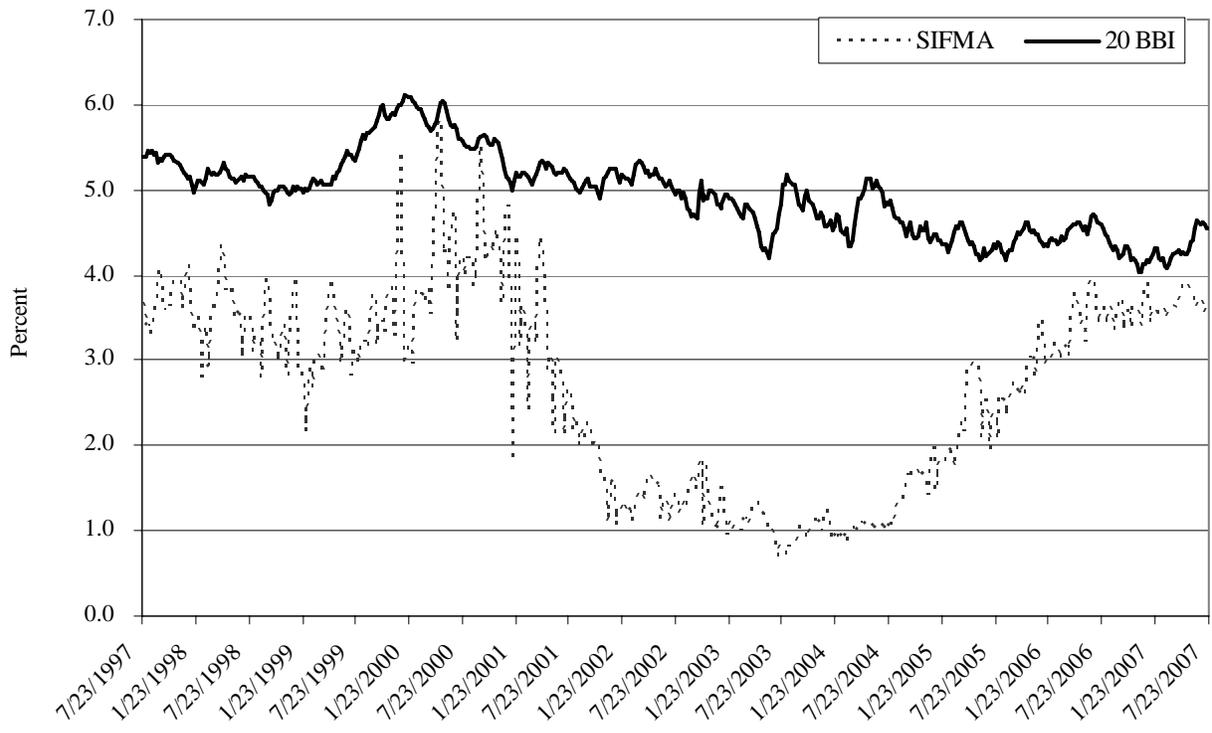
1) Interest rate resets set in daily mode. Issued in September 2006.

2) AMBAC insured with underlying ratings of A1 and AA- for Moody's and S&P, respectively.

## Comparison to Hypothetical Fixed Rate

The Authority's primary objectives with its variable rate program are to diversify the Authority's debt portfolio and reduce borrowing costs. At the time the Authority issued the Bonds, the Authority evaluated the potential of issuing fixed rate bonds. In the tax-exempt market, short-term variable rates have always been less than long-term fixed rates. See graph below comparing the SIFMA Swap Index to the fixed rate 20-bond Bond Buyer Index. The average SIFMA over the last 10 years is 2.67 percent compared to the average 20-bond Bond Buyer Index of 4.94 percent.

**Comparison of SIFMA Swap Index to 20-Bond Buyer Index**



The Authority issued the bonds on December 7, 2005. If the Authority had sold fixed rate bonds on that day, based on the benchmark double-A Municipal Market Data interest rates on that day, the true interest cost for 20-year fixed rate bonds structured with level debt service would have been approximately 4.40 percent. This compares favorably to the average variable rate for the Bonds for the period from December 7, 2005 to July 25, 2007. The average variable rate on the Bonds for the period has been 3.497 percent or 90 basis points less than the true interest cost of the hypothetical fixed rate issue. Assuming the same amortization as the Bonds and comparing the hypothetical fixed rate debt service to the actual debt service and fees paid on the Bonds, the Authority has saved approximately \$616,166 in debt service from December 7, 2005 through July 2, 2007. The table below summarizes the comparison of the hypothetical fixed rate debt service to the Bonds variable rate debt service and fees.

### Comparison of Variable Rate Debt Service to Hypothetical Fixed Rate

Date	Hypothetical Fixed Debt Service*	Variable Rate Debt Service + Fees	Debt Service Difference
01/3/2006	158,787.87	122,429.09	(36,358.78)
02/1/2006	171,002.32	124,107.17	(46,895.15)
03/1/2006	183,216.77	123,740.73	(59,476.04)
04/3/2006	195,431.22	144,504.43	(50,926.79)
05/1/2006	171,002.32	136,288.68	(34,713.64)
06/1/2006	183,216.77	155,086.62	(28,130.15)
07/3/2006	195,431.22	166,274.98	(29,156.24)
08/1/2006	171,002.32	147,792.11	(23,210.21)
09/1/2006	183,216.77	153,415.39	(29,801.38)
10/2/2006	189,324.00	156,141.42	(33,182.57)
11/1/2006	177,109.55	149,350.33	(27,759.22)
12/1/2006	183,216.77	152,624.30	(30,592.48)
01/2/2007	189,324.00	163,439.37	(25,884.63)
02/1/2007	177,109.55	152,007.87	(25,101.68)
03/1/2007	183,216.77	141,822.93	(41,393.84)
04/2/2007	189,324.00	160,411.97	(28,912.03)
05/1/2007	177,109.55	153,326.36	(23,783.19)
06/1/2007	183,216.77	169,771.55	(13,445.22)
07/1/2007	189,324.00	161,881.14	(27,442.85)
	3,450,582.53	2,834,416.44	(616,166.09)

\* Based on double-A MMD rates on December 7, 2005.

## **Future Performance and Recommendation**

The Bonds have been outstanding for just over 1 year and 7 months. The expectation is that, on average, the Bonds will continue to trade below the SIFMA. Through July 2, 2007, the Authority has saved approximately \$616,166 in debt service when compared to the hypothetical fixed rate issue and, thus achieving its objective of reducing its borrowing cost. The expectation is for the Authority to continue to realize reduced borrowing cost. Therefore, it is our recommendation that the Authority continue its variable rate program. Since the Authority is meeting its primary objectives with this program, diversifying its debt portfolio and realizing reduced borrowing costs, we believe the transaction is performing in a satisfactory manner and do not believe an exit strategy is warranted at this time. The Authority should continue to monitor the weekly interest rates to ensure that the Authority continues to realize debt service savings, to determine if the weekly mode is the most cost effective mode and to ensure that the interest rates are in line with the market.