

ATTACHMENT A

POOLED BOND PROGRAM

BACKGROUND & AUTHORITY

The Virginia Public School Authority (the "VPSA") was created by the General Assembly of Virginia in 1962, and exists pursuant to Chapter 11, Title 22.1, Code of Virginia, 1950, as amended, for the purpose of supplementing the existing methods of financing capital projects for public schools in the counties, cities, and towns of the Commonwealth of Virginia (the "Commonwealth"). The other three significant sources of capital financing available to localities are loans from the Literary Fund, locality bonds and locality appropriations.

VPSA is governed by a Board of Commissioners (the "Board"), consisting of the State Treasurer, the State Comptroller, the Superintendent of Public Instruction, and five additional members appointed by the Governor, subject to confirmation by the General Assembly, who serve at the pleasure of the Governor. The Governor designates one of the appointed members of the Board as the Chairman, who serves as chief executive officer of VPSA. VPSA is staffed by the Department of the Treasury.

VPSA provides financing to localities through the sale of its bonds. With the proceeds of its bonds, VPSA purchases a predetermined "pool" of general obligation bonds from localities. Since its creation, VPSA has issued bonds for its pooled bond program under different bond resolutions.

VPSA currently issues bonds for its tax-exempt pooled bond program under the 1997 Resolution. Bonds issued under the 1997 Resolution carry ratings of AA+, Aa1 and AA+ from Fitch Ratings, Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P"), respectively. The 1997 Resolution Bonds are secured first from payments on the local general obligation school bonds purchased with the proceeds of, or transferred in connection with a refunding effected by, bonds issued under the 1997 Resolution. If any local issuer fails to make timely payment of debt service on its local school bonds and the application of the State Aid Intercept provisions of Section 15.2-2659 of the Code of Virginia does not remedy the deficiency, then the 1997 Resolution Bonds will be payable from sum sufficient appropriations first from available funds in the Literary Fund and then from the General Fund of the Commonwealth.

In its discretion and based on the amortization structures requested by all the localities participating in the sale, VPSA may pay the localities purchase prices other than par for their local school bonds. The purchase prices paid, whether par, premium or discount, are intended to allocate fairly the issuance costs associated with VPSA's bonds, which costs will be paid from the proceeds of VPSA's bonds, among the various local school bond structures that have included, for example, 10-year, 20-year and 30-year final maturities. Alternatively, VPSA may resize the local school bond issue to reflect the purchase premium or discount to produce the requested amount of proceeds.

ADVANTAGES TO LOCALITIES

It is the objective of VPSA financing programs to make financing available to all localities in the Commonwealth in a manner that:

- provides market access to those localities which do not have ready access;
- provides low-cost financing to localities needing assistance;
- maintains the high credit quality of the VPSA financing program - thus ensuring that the lowest possible interest rates are obtained; and
- provides a “user friendly” financing vehicle to localities by decreasing administrative time required by local officials for initial issuance, arbitrage rebate compliance, and continuing disclosure obligations.

Finally, under Virginia law, localities do not have to obtain voter approval for bonds sold to VPSA unless their charter dictates otherwise.

DISPOSITION OF BOND PROCEEDS

Under the provisions of VPSA's enabling act, VPSA issues bonds and uses the bond proceeds to purchase general obligation local school bonds issued by counties, cities and towns of the Commonwealth under the provisions of the Public Finance Act for the purpose of financing capital projects for public schools.

Due to arbitrage restrictions and rebate management requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), the proceeds from all VPSA financings which are used to purchase the locality bonds, are invested in the State Non-Arbitrage Program[®] ("SNAP[®]") (see "State Non-Arbitrage Program" herein), pursuant to the provisions of a Proceeds Agreement among each participating locality, VPSA, an investment manager and the other participating localities.

Through SNAP[®], the investment manager directs the investment of local school bond proceeds to ensure compliance with tax regulations as well as optimization of proceeds earnings. The depository disburses funds upon the receipt of requisitions from participating localities. Separate accounts and sub-accounts are maintained and managed for each locality. Finally, VPSA arranges for, and pays the costs associated with, the calculation of the rebate requirement for each locality pursuant to the Code. Each locality, however, is responsible, pursuant to the Proceeds Agreement, for the payment of its rebate liability to the Internal Revenue Service.

PARTICIPATION IN THE POOLED BOND PROGRAM

To apply for financing, a locality must submit an application form to VPSA and its school board must adopt a resolution authorizing the locality to apply to VPSA for financing. Additionally, given the complexities of completing a bond financing, localities are required to procure a qualified bond counsel on or before the due date of the enclosed application.

VPSA will distribute a Bond Sale Agreement and associated documentation to localities which submit applications for inclusion in the financing.

As in prior transactions, actual market conditions will be evaluated in the pricing and sizing of the transaction. VPSA expects to resize, to the extent permitted, the par amount of local school bonds on the VPSA sale date. For example, if a locality's requested loan maturity and amortization schedule results in a local school bond that is valued at a price of par plus a premium, VPSA intends to decrease the par amount of the bond to the extent necessary to provide proceeds approximately equal to, but not less than, the amount of proceeds requested. Conversely, if a locality's requested loan maturity and amortization schedule results in a bond that is valued at a price of par less a discount VPSA is willing, at your request, to increase the par amount of bonds to generate the proceeds requested. To do so, the locality must authorize additional bonds (up to 5%) in excess of the amount of proceeds requested.

In general, VPSA would expect to downsize the par amount of local school bonds with relatively more rapid amortization schedules (shorter maturities, level principal) and to upsize the par amount of local school bonds with relatively slower amortization schedules (deferred principal, longer maturities, level debt service). **Because VPSA cannot predict the interest rate coupon structure of Fall Pool bonds at this time, VPSA requests that each locality authorize a "not to exceed" or "up to" principal amount of bonds that is in excess of the amount of proceeds requested. In the event a locality's bond structure would result in a discount purchase price and no additional bonds have been authorized in excess of the proceeds requested, the resulting purchase price paid will reflect the discount. This would result in a purchase price less than the proceeds requested.**

Should you require a minimum or specific amount of proceeds (for example, an amount needed to refund an interim obligation), please provide this amount on the application form. In order to meet specific proceeds requests, it will be necessary to have sufficiently broad bond issuance authority to accommodate adjustments in the par amount of local school bonds issued at the time of the VPSA bond sale. Documents, particularly any resolution to be approved by your locality's school board or governing body, should be prepared accordingly.

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BONDS ISSUED AND PERFORMANCE

The localities' yield for 20 year bonds with a level principal structure purchased by VPSA in pooled financings under the 1997 Resolution over the past five years are as follows:

Local School Bonds

<u>Dated Date</u>	<u>Series</u>	<u>Bond Yield</u>
November 2021	2021 C	1.76%
May 2022	2022 A	3.32%
November 2022	2022 B	3.80%
May 2023	2023 A	3.25%
November 2023	2023 B	4.18%
May 2024	2024 A	3.61%
November 2024	2024 B	3.44%
May 2025	2025 A	4.09%
November 2025	2025 C	3.54%
May 2026	2026 A	3.59%

STATE AID INTERCEPT

BACKGROUND & AUTHORITY

In 1988, the General Assembly amended Section 15.2-2659 of the Code of Virginia, known as the State Aid Intercept Provision (the "Provision"), to redirect, upon proof of a locality's default in the payment of debt service on any of its general obligation debt, funds appropriated by the General Assembly and payable to such defaulting locality from such defaulting locality to the payment of debt service on its general obligation debt. The amendment enhanced the credit quality of general obligation bonds issued by local governments within the Commonwealth.

State aid withholding programs are used by several states as public credit enhancements which support debt issued by local governments. The Provision is an inexpensive and effective way for the Commonwealth to assist localities in reducing borrowing costs. The Provision uses state aid entitlements as a form of guarantee that debt service obligations will be met if a locality cannot meet its repayment obligation on a general obligation debt. In the event of such a default, the Commonwealth would withhold sufficient aid to meet debt service and redirect those funds to the payment of bondholders.

EXPLANATION OF INTERCEPT PROCESS

The Provision is triggered when a locality within the Commonwealth does not pay when due principal of or interest on any of its general obligation indebtedness. Under the Provision, funds appropriated by the Commonwealth and payable to a locality will be used to pay any portion of general obligation debt service that the locality fails to pay. The Provision requires immediate

action on the part of both the Governor and the State Comptroller, so that payment to bondholders will be made promptly. The State Treasurer, as designee, will act on behalf of the Governor to ensure the timely implementation of the Provision.

Any intercept of state aid to pay a defaulting locality's debt service would involve a five step procedure. The following describes the sequence of actions to be taken to implement the Provision:

1. **File Affidavit with Governor:** Upon a default in the payment of debt service on general obligation bonds of localities within the Commonwealth, either a bondholder or the paying agent for the bonds must notify the State Treasurer, acting as agent for the Governor, by filing an affidavit. The affidavit should identify the issuer, the bond issue and the debt service payment in question.
2. **Summary Investigation by State Treasurer:** The State Treasurer will immediately confirm whether a default has occurred by contacting the paying agent for the bonds and the locality. The State Treasurer will determine the exact amount of the shortfall and identify to whom the intercepted funds should be delivered.
3. **State Comptroller Directed to Withhold and Pay State Aid:** The State Treasurer will immediately contact the State Comptroller and direct the State Comptroller to withhold state aid appropriated by the Commonwealth from the defaulting locality and to pay such state aid on behalf of the defaulting locality to the paying agent. As part of this direction, the State Treasurer will provide the State Comptroller with the amount of and payment directions for the funds.
4. **State Comptroller Writes Warrant:** The Comptroller will instruct the Manager of General Accounting to process a warrant to make the bond payment for the locality. The warrant will be delivered to the State Treasurer's Office.
5. **State Treasurer Makes Payment:** The State Treasurer will then make payment to the paying agent or the bondholders. As appropriate, payment can be made via wire transfer or physical check.

The State Treasurer will maintain contact with the locality to determine when it will be able to assume payment of debt service on its bonds. If specific conditions warrant, the State Treasurer (and the Governor) will take additional action to assist the locality and to ensure that debt service continues to be paid in a timely fashion. As bonds are paid and canceled, they will be delivered to the State Comptroller. The State Comptroller will return these bonds to the locality. After each debt service payment made by the State Comptroller on behalf of the defaulting locality, the Comptroller will notify the locality of the payment. Each time state aid is intercepted pursuant to the Provision, the State Comptroller will file a report with the Governor that describes the actions taken. Additionally, if the Provision is used, the State Comptroller will prepare an annual report that summarizes all interceptions of aid, the current status and the date that each interception was resolved.

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STATE NON-ARBITRAGE PROGRAM

BACKGROUND & AUTHORITY

The Treasury Board of Virginia has established a program, as authorized by the Code of Virginia, to assist local governments with the investment and accounting of bond proceeds, in order to comply with rebate requirements of the Code. This program, called the State Non-Arbitrage Program[®], or SNAP[®], offers a viable and inexpensive method for the management of bond proceeds. All participating localities are required to enter into a Proceeds Agreement which provides for the custody, investment, and disbursement of the proceeds of the bonds through SNAP[®].

SNAP[®] provides comprehensive investment management, accounting and arbitrage rebate calculation services with respect to proceeds of tax-exempt financings of Virginia issuers ("Participants") including the Commonwealth itself. SNAP[®] currently provides a professionally-managed local government investment pool (the "Fund") as a means for Participants to invest their proceeds, as well as individually managed portfolios where appropriate.

ADVANTAGES TO LOCALITIES

SNAP[®] is designed to assist Participants in complying with certain arbitrage rebate requirements of the Code. Investments are purchased and investment documentation is maintained in accordance with requirements of the Code, and rebate calculations are prepared for all participants by a rebate calculation agent in a manner and at such times as to enable Participants to comply with these requirements.

EXPLANATION OF SNAP[®] PROCESS

To participate in SNAP[®], a Participant must enact a resolution authorizing participation and submit it to the investment manager, along with a Program Registration Form. Thereafter an Account Registration Form must be completed and submitted prior to investing any funds. Funds are invested in the Fund by wire transfer of bond proceeds to the depository on the closing date.

Funds may be withdrawn from the Fund by wire transfer by calling the investment manager to initiate a requisition. Upon request, the investment manager will provide each Participant with checks which the Participant may make payable to any payee.

The Fund pays all of its expenses which are accrued daily as a deduction from income. The Fund has entered into arrangements for investment management, administration, legal, accounting, audit, and depository services and also pays for organizational costs. Certain program costs, including the fees of the rebate calculation agent and all costs associated with individual portfolios, must be paid by the individual Participant.

The program is designed to invest exclusively the proceeds of tax-exempt borrowings by Participants. The investment manager will not accept for investment in the program other funds of Participants.

The SNAP[®] Program Information Statements are available upon request from:

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