

VIRGINIA RESOURCES AUTHORITY
BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on Tuesday, July 17, 2012, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

William G. O'Brien, Chair
James H. Spencer, II, Vice Chair
David Branscome
Randall P Burdette
Barbara McCarthy Donnellan
Manju Ganeriwala
Thomas L. Hasty, III
Joseph J. Hilbert on behalf of Karen Remley, M.D., M.B.A.
Dena Frith Moore
J. Barry Purcell
Richard Weeks on behalf of David Paylor

ABSENT:

None.

STAFF:

Suzanne S. Long, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Michael Cooper, Director of Administration
Shawn Crumlish, Director of Debt Management
Peter D'Alema, Director of Program Management
Jon McCubbin, Controller
Bradley Jones, Program Manager
Joseph Bergeron, Senior Finance Analyst
Stephanie Bush, Fiscal Analyst/Compliance Officer

OTHERS:

Carrie Cantrell, Deputy Secretary, Commerce and Trade
Arthur Anderson, McGuire Woods, Bond Counsel
Jeffrey McMahan, Jr., McGuireWoods LLP, Bond Counsel
James Traudt, Davenport & Company LLC
Ty Wellford, Davenport & Company LLC

Mr. William G. O'Brien, Chair, called the meeting to order at 9:05 a.m.

Call to Order

Mr. O'Brien introduced and welcomed Mr. Joseph J. Hilbert, Board Designee for Dr. Karen Remley, Commissioner of the Virginia Department of Health. Mr. Hilbert has been with the Department of Health for approximately 20 years. He has served the last 10 years as the Director of Governmental and Regulatory Affairs and serves as the Department legislative liaison to the General Assembly.

Mr. Hilbert thanked Mr. O'Brien stating that it is a pleasure to be on the Board.

There was no public comment.

**Public Comment
Period**

Mr. Branscome moved, and Mr. Weeks seconded, that the public comment period be closed.

The motion was approved unanimously.

There were no additions or deletions to the agenda.

Approval of Agenda

Ms. Donnellan moved, and Ms. Moore seconded, approval of the agenda.

The motion was approved unanimously.

Mr. O'Brien called for approval of minutes for the Portfolio Risk Management Committee, the Personnel Committee, and the Audit Committee all held on April 9, 2012, and the Budget Committee and the Board of Directors both held on April 10, 2012.

Approval of Minutes

Mr. O'Brien called attention to corrections on pages 2, 9, and 11 of the minutes for the Board of Directors held April 10, 2012.

There being no further corrections, Ms. Ganeriwala moved and Mr. Spencer seconded, approval of minutes for the Portfolio Risk Management Committee, the Personnel Committee, and the Audit Committee all held on April 9, 2012, and the Budget Committee and the Board of Directors both held on April 10, 2012, as corrected.

The motion was approved unanimously.

The Executive Director called on Ms. Jean Bass, Director of Policy & Intergovernmental Relations, to provide an update on VRA's outreach efforts.

**Executive Director's
Report**

Ms. Bass stated that the first of the Community Investment Workshop Series was held in May 2012 in Middlesex County. The second will be held on August 21, 2012 in Southwest Virginia in the town of Big Stone Gap. The focus of the workshop series is on compliance to ensure communities are aware of VRA requirements and the requirements of other lenders or grantors for financing.

Ms. Bass continued that VRA will host a Statewide Conference on Infrastructure Financing, December 12-14, 2012 at the Hotel Roanoke. VRA is working with the Deputy Secretary of Commerce and Trade, Ms. Carrie Cantrell, to garner support and participation from other state agencies. In addition, public finance professionals from the private sector will participate in the workshop.

Ms. Bass concluded that a VRA Board meeting is scheduled for December 11, 2012. Staff would like to suggest that the Board hold its meeting in Roanoke prior to the beginning of the Infrastructure Financing Conference, as it is the desire of staff to have Board members as active participants at the Conference.

The Executive Director continued her report stating that the Governor has announced that the City of Fredericksburg has won approval for the first project to be financed through the Virginia Tourism Gap Financing Program (TGFP). The TGFP provides gap financing for tourism development projects which are identified as critical for local economic development. The gap funding provides 20 percent of the program financing. VRA will ensure that each applicant has its required 80 percent of funding in place. A *Bond Buyer* news article, featuring the Fredericksburg project and a picture of Governor McDonnell and a picture of VRA's Executive Director, was enclosed in the materials sent to Board members.

Ms. Long mentioned VRA's proposed one-year internship program, stating that the program is geared toward providing learning and employment opportunities to recent graduates. The interns will support VRA's compliance efforts. In addition she stated that Mr. Bradley Jones, Program Manager, and Mr. Peter D'Alema, Director of Program Management, have been working to develop an on-line application process for VRA's Pooled Financing Program. Also, staff is researching programs that will allow Board members to access board meeting materials on-line.

Mr. James H. Spencer, II, Vice Chair, shared information pertaining to Board Docs Software. This software will allow public and private access to board information. In addition, minutes can be prepared

based on the agenda prepared and information can be archived for historical purposes.

In response to Mr. Randall P Burdette, Ms. Long provided an update on the current status of the matter regarding removal of the Town of Tappahannock from the Tappahannock-Essex Airport Authority. The Town, after collaboration with Essex County, the Department of Aviation, and with VRA, has determined that meeting its obligations to the Airport Authority was in its best interest. VRA has received the Town's scheduled payment on time.

Mr. Burdette thanked VRA staff for its involvement and positive efforts.

In response to the Board, Mr. Michael Cooper, Director of Administration, stated that VRA will undertake the RFP process for banking and trustee services by early fall. VRA recently completed several RFPs where it issued contracts for Arbitrage Rebate Calculation Services and investment services. He thanked Mr. Thomas L. Hasty, III and his staff for their assistance in providing information relative to the preparation of the RFP for banking services. In addition, he and Mr. Jon McCubbin, VRA Controller, will be reaching out to local governments to obtain further input.

Following the Executive Director's Report, Chairman O'Brien asked for the report of committees. Ms. Dena Frith Moore, Chair of the Portfolio Risk Management Committee (PRMC), stated that the PRMC held a closed meeting on Monday, July 16, to discuss litigation pertaining to the Rappahannock Shenandoah Warren (RSW) Regional Jail Authority. The PRMC would like to recommend to the Board that the Executive Director and McGuireWoods, legal counsel, be authorized to respond to the law suit. She asked that the Board go into closed meeting to receive a briefing.

**Committee Report -
PRMC**

Closed Meeting

Ms. Moore moved, and Mr. Hasty seconded, that the Board go into closed meeting for consultation with legal counsel and briefings by staff members and consultants pertaining to actual litigation filed against VRA involving RSW Regional Jail Authority, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Authority; and consultation with legal counsel employed or retained by the Authority regarding the actual litigation involving RSW Regional Jail Authority requiring the provision of legal advice by such counsel, as permitted by Section 2.2-3711A.7 of the Virginia Freedom of Information Act.

The motion was approved unanimously.

The closed meeting convened at 9:31 a.m.

Open Meeting

The open meeting reconvened at 10:29 a.m. and the Executive Director read the following resolution:

CERTIFICATION OF CLOSED MEETING

WHEREAS, the Board of Directors of the Virginia Resources Authority (the “Authority”) convened a closed meeting on July 17, 2012, pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law;

NOW THEREFORE, BE IT RESOLVED that the Board hereby certifies that, to the best of each member’s knowledge, (i) only public business matters lawfully exempted from open meeting requirements by the Virginia Freedom of Information Act were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board.

Ms. Ganeriwala moved, and Mr. O’Brien seconded, that the above-stated resolution certifying closed meeting be approved.

A roll call vote resulted as follows:

Ayes: Branscome, Burdette, Donnellan, Ganeriwala, Hasty, Hilbert, Moore, Purcell, Spencer, Weeks, and O’Brien.

Nays: None.

Absent during vote: None.

Absent during Closed Meeting: None.

Ms. Moore moved, and Mr. Hasty seconded, that **BE IT HEREBY RESOLVED** by the Board of Directors of the Virginia Resources Authority that the Board hereby authorizes the Executive Director and legal counsel to respond to the lawsuit filed against VRA involving

RSW Regional Jail Authority in accordance with the discussion in closed meeting.

The motion was approved unanimously.

2012A and 2012A-1 Virginia Pooled Financing Program (VPFP)

Mr. Peter D'Alema, Director of Program Management, stated that VRA had two spring VPFP bond sales. The 2012A series included the sale of \$298.14 million in bonds on behalf of 14 local governments. The True Interest Cost (TIC) was 3.37% and the All-In TIC was 3.57%. The 2012A-1 series included the sale of \$46.07 million in bonds on behalf of a single borrower, RSW Regional Jail Authority. The TIC was 3.83% with an All-In TIC of 4.03%. He stated that the 2012A series TIC is lower than the Series 2012A-1 due to the number of loans and the spread of maturity dates.

Mr. D'Alema proceeded stating that the Series 2012A included nine borrowers that refunded prior non-VRA debt obligations for total net present value savings in excess of \$21.8 million. He referenced a chart showing a breakout of each borrower including annual savings.

Mr. O'Brien expressed the Board's appreciation to the staff and to VRA's financial and legal advisors for their efforts in helping localities realize savings.

Mr. D'Alema continued that the RSW Regional Jail Authority's loan was removed from the Series 2012A VPFP. This action was taken due to legal threats from a citizen group in Shenandoah County expressing opposition to the RSW Regional Jail Authority project and to ensure that there would be no adverse pricing impact on the 14 other local government borrowers in the 2012A spring pool because of those threats. A summer pool was offered to RSW Regional Jail Authority. However, due to RSW Regional Jail Authority's construction schedule and the desire to minimize interest costs for the reimbursable portion of the project, RSW Regional Jail Authority requested that VRA do a stand-alone transaction. The bonds were successfully priced on June 7, 2012 and closed on June 13, 2012.

The Executive Director thanked staff and bond counsel for their efforts in accommodating the request by RSW Regional Jail Authority.

Mr. D'Alema noted that VRA provided RSW Jail Authority with a cost-effective financing option after completion of a thorough credit analysis. The RSW Regional Jail Authority project met VRA's

Regional Jail Financing Guidelines and RSW Regional Jail Authority received an investment grade rating of Aa3 from Moody's, which remains current. The decision to pursue the project was a local responsibility and all three localities approved financing of the project.

Mr. O'Brien applauded the staff, noting their actions to address the RSW Regional Jail Authority's request for a stand-alone bond sale and protecting savings for the other 14 borrowers in the pool were in line with VRA's mission.

Mr. D'Alema showed a chart that provided a summary of the VFPF Portfolio after the completion of the Series 2012A-1 transaction. He noted the total borrower loans outstanding, referenced the top ten borrowers, along with their ratings and principal par amounts.

2012B Virginia Pooled Financing Program Refunding Pool Update

Mr. Peter D'Alema, Director of Program Management, explained that the summer 2012B Virginia Pooled Financing Program (VFPF) Refunding Pool includes 13 local governments. Mr. D'Alema stated that the bond sale is anticipated to close on August 2. He reviewed the transaction summary, noting that the True Interest Cost (TIC) is 2.18% with an All-In TIC of 2.43%, for a net present value savings of \$9.4 million. Mr. D'Alema concluded that there were two tranches of bonds, State Moral Obligation Revenue (Non-AMT) that sold competitively and State Moral Obligation Revenue (AMT) that sold through a negotiated sale.

Virginia Airports Revolving Fund

Mr. Peter D'Alema, Director of Program Management, stated there is one pending loan in the amount of \$73,000 to the New River Valley Airport Commission to finance acquisition of existing hangar facilities at the New River Valley Airport. This loan has been endorsed by the Virginia Aviation Board and is recommended for approval by VRA. It is anticipated to close at the end of July 2012.

Clean Water Revolving Loan Fund (CWRLF)

Mr. Shawn Crumlish, Director of Debt Management, stated that 22 loans and grants closed in FY2012 in the CWRLF. There are 28 loan applications pending for 2013. He shared a five-year chart of closing activity for loans and grants, the top 10 borrowers and the current portfolio status. The volume of the CWRLF is a little less than the FY2012 level mainly because several large mandated Chesapeake Bay Cleanup projects have been completed. He shared a chart depicting the loan portfolio as of May 2012, noting that the loans are split between leveraged loans and direct loans.

Mr. Crumlish continued explaining that Virginia has received annual federal capitalization grants for deposit in the CWRLF in the amount of \$30 million. The capitalization grant requires a 20 percent State match of just under \$6 million; however, the Commonwealth only appropriated \$3 million. He explained that the intent this year is to borrow \$3 million to make up the shortfall in the State match bond requirement.

Therefore, Ms. Moore stated, the PRMC is recommending to the Board approval of a resolution authorizing the sale of bonds up to \$3,100,000 in Clean Water State Match Revenue Bonds to cover the shortfall. It was explained that the \$100,000 will cover the costs associated with issuing the bonds.

Ms. Moore moved, and Mr. Weeks seconded, approval of a Virginia Resources Authority Resolution authorizing the issuance and sale of up to \$3,100,000 in Clean Water State Match Revenue Bonds for the Fiscal Year Ending June 30, 2013.

The motion was approved unanimously.

The Resolution is attached hereto and made a part herein.

Drinking Water State Revolving Fund (DWSRF)

Mr. Shawn Crumlish, Director of Debt Management, stated that the DWSRF is co-managed with the Department of Health. He noted that 15 loans and grants closed in FY2012 and 41 applications are pending. Mr. Crumlish shared a chart depicting the Five-Year closing activity and the top 10 borrowers, noting that there are 224 different loans for 70 borrowers.

Virginia Transportation Infrastructure Bank (VTIB)

Mr. Shawn Crumlish, Director of Debt Management, stated that the Commonwealth Transportation Board authorized VTIB loans for the City of Chesapeake for Dominion Boulevard, IDA of Loudoun County for extensions to Gloucester Parkway and Pacific Boulevard, and to the Virginia Department of Transportation's (VDOT) Office of Transportation Public Private Partnership to provide credit enhancements for the new U.S. Route 460. The proposed VDOT project is part of an intermodal plan that will allow Virginia to compete for additional cargo traffic and provides a second means of exit for area residents.

Mr. Crumlish expounded on each loan giving the amounts, security and terms. He stated that the loans will exhaust the initial capitalization and are not VRA assets. VRA's role in this process has been to evaluate the availability of reliable repayment sources and determine appropriate terms.

Short-Term Financing Program Update (STFP)

Mr. Peter D'Alema, Director of Program Management, provided a history of the STFP. He explained that the original issuing resolution authorized an initial maturity of loans for no more than 12 months. However, upon marketing the program, it was determined that there is not much demand for utilizing the program with the designated maturity. It may be necessary to grant exceptions beyond 12 months to allow potential borrowers to use the program. As a result of staff's findings, the PRMC is recommending that the Board approve an amended and re-stated STFP resolution that maintains the 12-month maturity requirement and delegates the Board's authority to the PRMC to approve short-term loans by exception.

Ms. Moore stated that a revised resolution has been provided for the Board's consideration, and Mr. Arthur Anderson, McGuireWoods, further explained the amendment to the resolution.

There was discussion relative to the proposed amendment.

Ms. Moore moved, and Ms. Ganeriwala seconded, that the Virginia Resources Authority Resolution authorizing the issuance of up to \$50,000,000 in short-term revenue notes (Short-Term Financing Program) be approved, as amended.

The motion was approved unanimously.

The resolution is attached hereto and made a part herein.

Loan Monitoring and Compliance Update

Ms. Moore noted that Ms. Stephanie Bush, Fiscal Analyst/Compliance Officer, provided a very good update on Loan Monitoring and Compliance. She stated that the FY2011 reviews have been provided.

Unrestricted Net Assets Guidelines

Ms. Moore stated that documentation has been provided on the unrestricted net assets guidelines. She explained that no action is being required at this time. She commended staff for their efforts to develop a methodology toward establishing the size of the Portfolio Risk Management (PRM) Reserve. She stated that staff is recommending a

methodology that incorporates historical municipal default rate data in conjunction with VRA's Loan Monitoring and Compliance risk categorizations.

The PRMC will return to the Board in September with a recommendation after the methodology has been refined and reviewed by legal advisors.

Guaranteed Investment Contracts

Ms. Moore referenced information provided by Mr. James Traudt, Davenport & Company, relative to Guaranteed Investment Contracts (GICs). She shared VRA's GIC balance to date and noted that one of VRA's investors was released due to a downgrade in its financial rating which fell below the threshold established in the VRA investment policy. Ms. Moore commended staff for successfully reinvesting those funds. She concluded that one of the remaining investors is not collateralized. However, the company is not in jeopardy of being released unless its credit rating changes. Staff will continue to monitor the GICs.

No action was required.

There was no old business.

Old Business

Resolutions - Virginia Retirement System

Mr. Michael Cooper, Director of Administration, explained that at its April 2012 meeting, the Board approved a recommendation by staff requiring that the VRA employees pay their 5% share to the Virginia Retirement System (VRS). To offset the requirement, the Board further approved a 5% salary increase for VRA employees. Mr. Cooper stated that since that time, VRS has asked that the governing boards pass resolutions pertaining to the employer and employee contributions to VRS by July 1, 2012. He stated that the Chair, Mr. O'Brien, was authorized by VRS to sign the resolutions providing that they be ratified at VRA's next Board meeting.

New Business

Mr. Spencer moved, and Mr. Hasty seconded, that the Board of Directors hereby ratify resolutions to VRS pertaining to the employer contributions rates and member contributions by salary reduction for counties, cities, towns, school divisions and other political subdivisions.

The motion was approved unanimously.

The resolutions are attached hereto and made a part herein.

Resolution – Virginia Resources Authority

The Executive Director recommended approval of a resolution that will, in addition to herself, grant the Controller, Director of Administration, and Director of Program Management authority to sign checks on behalf of VRA. In addition, the resolution requires at least two authorized signatures on all checks. This request will ensure adequate financial controls.

Mr. Hasty moved, and Ms. Moore seconded, approval of a Virginia Resources Authority Resolution delegating authority to the Controller, Director of Administration and Director of Program Management to sign checks on behalf of VRA.

The motion was approved unanimously.

The resolution is attached hereto and made a part herein.

Congratulations – Carrie Cantrell

Mr. O'Brien congratulated Ms. Carrie Cantrell, Deputy Secretary of Commerce and Trade, on her upcoming wedding.

Appreciation – Barry Purcell

Mr. O'Brien announced that Mr. Barry Purcell has decided not to seek re-appointment to the Board of Directors. On behalf of the Board, Mr. O'Brien expressed appreciation to Mr. Purcell for his services to the Virginia Resources Authority and the Commonwealth of Virginia and wished him well.

Mr. Purcell stated that it has been an honor, pleasure and education serving on the Board over the last eight years. He has served with four executive directors and is proud to have been a part of VRA's success.

Board Meetings

After discussion, Mr. Spencer moved, and Mr. Hasty seconded, that Committee and Board meetings be held on September 10 & 11, 2012; and that the December Committee meetings be held at 8:00 a.m. and the Board meeting be held at 9:00 a.m. on Wednesday, December 12, 2012.

Mr. Purcell moved, and Ms. Ganeriwala, seconded adjournment.

Adjournment

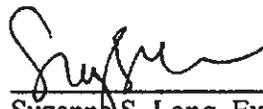
The motion was approved and the meeting adjourned at 11:24 a.m.

The next meeting of the Board will be held on September 11, 2012.

Board of Directors Meeting – Approved
July 17, 2012
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William G. O'Brien, Chair



Suzanne S. Long, Executive Director/Secretary

VIRGINIA RESOURCES AUTHORITY

-RESOLUTION-

**AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$3,100,000
IN CLEAN WATER STATE MATCH REVENUE BONDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013**

July 17, 2012

WHEREAS, the Virginia Resources Authority ("VRA") is a public body corporate and a political subdivision of the Commonwealth of Virginia (the "Commonwealth") created by the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended (the "VRA Act"), and governed by a Board of Directors (the "Board") constituted as provided in Section 62.1-201 of the VRA Act; and

WHEREAS, the VRA Act provides that VRA was created for the purpose of encouraging the investment of both public and private funds and to make loans, grants and credit enhancements available to 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 or any combination of any two or more of the foregoing ("Obligors") to finance or refinance, among other things, sewage and wastewater (including surface and ground water) collection, treatment and disposal facilities, drainage facilities and projects, and certain other related facilities and assets ("Sewer Projects"); and

WHEREAS, the VRA Act authorizes and empowers VRA, among other things, to borrow money and issue its bonds to provide funds to carry out VRA's purposes and powers, including making loans and grants to Obligors to finance or refinance the cost of any Sewer Project from the proceeds of such bonds, and to pay all costs and expenses incurred in connection with the issuance of such bonds; and

WHEREAS, the Federal Water Quality Act of 1987 established a State Revolving Fund Capitalization Grant Program (the "Program") under which federal capitalization grants are awarded to states for deposit in revolving loan funds, which provide the states and their local governments a continuing source of financing for solving water pollution control problems; and

WHEREAS, the federal capitalization grants made under the Program require a 20 percent match from each recipient state (the "State Match"); and

WHEREAS, for FFY 2012 the federal capitalization grant will be approximately \$30 million; and

WHEREAS, the Commonwealth has not appropriated sufficient funds to cover the State Match required in FFY 2012; and

WHEREAS, given the state budget challenges, VRA and the Virginia Department of Environmental Quality ("DEQ") have been planning for the issuance of bonds to fund the State Match for FFY 2012; and

WHEREAS, the 1986 Virginia General Assembly created the Virginia Water Facilities Revolving Fund (the "RLF") pursuant to Chapter 22, Title 62.1, Code of Virginia of 1950, as amended (the "VWFRF Act"), to facilitate self-sufficiency for wastewater financing at the state and local levels and to provide a long-term renewing source of funding for wastewater treatment improvements in the Commonwealth; and

WHEREAS, Section 62.1-225 of the VWFRF Act provides that the RLF is a separate, permanent, and perpetual fund, which is dedicated with limited exceptions to the making of loans to local governments at rates at or below current market rates to finance wastewater treatment improvements at publicly-owned facilities; and

WHEREAS, pursuant to Section 62.1-231 of the VWFRF Act, VRA may, among other things, at any time or from time to time transfer from the RLF to banks or trust companies designated by VRA any or all of the assets of the RLF to be held in trust as security for the payment of the principal of and premium, if any, and interest on any or all of the bonds of VRA; and

WHEREAS, VRA has entered into an Amended and Restated Master Indenture of Trust dated as of April 1, 2010 (the "Master Indenture"), as supplemented between VRA and U.S. Bank National Association, as trustee (the "Trustee"), under which VRA has provided for the issuance from time to time of bonds of VRA for the purpose of funding the State Match, and for such other purposes as may be authorized under and pursuant to the VRA Act; and

WHEREAS, to further the purposes of the VRA Act, VRA has determined to issue one or more Series of Bonds as "State Match Bonds" under the Master Indenture in an aggregate principal amount of up to \$3,100,000 (the "Bonds") at one time or from time to time during the Authority's fiscal year ending June 30, 2013, and to use the proceeds of such Bonds to provide for the funding of the Commonwealth's State Match for FFY 2012 and to pay the cost of issuance of the Bonds; and

WHEREAS, the Master Indenture provides that, as a condition to the issuance and authentication of any Series of Bonds, VRA shall deliver to the Trustee a Supplemental Series Indenture; and

WHEREAS, the Master Indenture provides for the funding of the State Match Reserve Fund as described therein; and

WHEREAS, the funding for the State Match Reserve Fund may be derived in whole or in part from amounts transferred from the RLF; and

WHEREAS, debt service payments on the Bonds are expected to be made from revenues derived from certain pledged Direct Loans (as defined in the Master Indenture) and the investment earnings on the State Match Reserve Fund and certain other funds and accounts

established under the Master Indenture and any Supplemental Series Indenture as provided therein; and

WHEREAS, the foregoing arrangements will be reflected in the following documents, forms of which have been previously presented to and approved by this Board or presented to this meeting: (i) the Master Indenture; and (ii) a model Supplemental Series Indenture; and

WHEREAS, unless otherwise defined, each capitalized term used in this Resolution shall have the meaning ascribed to it in the Master Indenture.

After careful consideration and to further the public purposes for which VRA was created, NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF VRA AS FOLLOWS:

1. Authorization of Bonds. The Board determines that it is in the best interest of VRA to authorize the issuance of at one time or from time to time one or more series of Bonds under the Master Indenture to provide for the funding of the Commonwealth's State Match for FFY 2012 and to pay the cost of issuance of the Bonds. The Board authorizes the issuance and sale of the Bonds, pursuant to the following terms and conditions: (i) the original aggregate principal amount of the Bonds shall not exceed \$3,100,000; (ii) no Series of the Bonds shall have a true interest cost in excess of 2.50%; and (iii) the final maturity any of the Bonds of any Series shall be no later than October 31, 2013. It is hereby found and determined that the debt service payments on the Bonds are not expected to be made, in whole or in part, directly or indirectly, from appropriations of the Commonwealth of Virginia within the meaning of Section 2.2-2416(7) of the Code of Virginia of 1950, as amended.

2. Details of the Bonds. Subject to the limitations outlined in paragraph 1 above, VRA's Chairman and Executive Director are authorized to determine and approve the Bonds' final details, including without limitation, their series designation, dated date, original aggregate principal amount, interest rates, maturity dates, redemption provisions, sale prices and the principal amount of each maturity, the sale date, the sale price and the reoffering prices and whether the Bonds are sold as senior or subordinate bonds or a combination thereof. The approval of the Chairman and Executive Director of such details shall be evidenced conclusively by their execution and delivery of the Bonds on VRA's behalf.

3. Approval of Supplemental Series Indentures. Each Series of Bonds shall be issued pursuant to the Master Indenture and a Supplemental Series Indenture in substantially the same form as the Supplemental Series Indentures presented to this meeting, the forms of which are hereby approved. With respect to each Series of Bonds authorized under this Resolution, the Chairman and Executive Director are authorized to execute and deliver on VRA's behalf, and, if required, to affix and attest VRA's seal on a Supplemental Series Indenture in substantially the form of the model Supplemental Series Indenture submitted to this meeting, with such changes, insertions or omissions, including the establishment of additional reserve funds for all or any portion of the Bonds, as may be approved by the Chairman and Executive Director. Such approval shall be evidenced conclusively by the execution and delivery of each respective Supplemental Series Indenture on VRA's behalf.

4. **Preparation, Execution, Authentication and Delivery of Bonds.** The Executive Director is authorized and directed to have the Bonds of each Series prepared in substantially the forms attached to the Supplemental Series Indentures submitted to this meeting, to have such Bonds executed pursuant to the terms of the Master Indenture and the related Supplemental Series Indenture, to deliver such Bonds to the Trustee for authentication, and to cause such Bonds so executed and authenticated to be delivered to or for the account of the initial purchaser or purchasers thereof upon payment of the purchase price thereof as provided in the related Supplemental Series Indenture.

5. **Sale of Bonds.** The Executive Director is authorized and directed to request proposals for the purchase of the Bonds from banks or other financial institutions qualified to purchase the Bonds and to accept the proposal that, in the judgment of the Executive Director, is in the best interest of VRA; provided, however, that the terms of each Series of the Bonds fall within the parameters set forth in paragraph 1 hereof. The approval of the final terms and conditions of the Bonds of each Series subject to the foregoing parameters shall be evidenced conclusively by the execution and delivery of the respective Series of Bonds.

6. **Credit Enhancement.** The Executive Director is authorized to procure bond insurance for all or any portion of the Bonds or a surety bond, liquidity facility or similar instrument to provide for the funding of all or any portion of the Reserve Fund or any other reserve fund or account established pursuant to the Master Indenture, if the Executive Director determines such procurement to be in the best interests of VRA.

7. **Tax Matters.** The Executive Director is authorized and directed to (i) conduct public hearings in connection with the issuance of Bonds, if applicable, (ii) seek the approval of the Governor of the issuance of Bonds, if applicable, and (iii) execute and deliver on VRA's behalf simultaneously with the issuance of each Series of the Bonds a Tax Regulatory Agreement and/or similar agreements or certificates. The Tax Regulatory Agreement and/or similar agreements or certificates shall set forth the expected use of and investment of all or any portion of the proceeds of each Series of the Bonds and include such covenants as may be necessary to qualify the interest on all or any portion of each Series of the Bonds for exemption from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations (the "Tax Code"), and to maintain such exemption. The Executive Director is further authorized to make on behalf of VRA such elections under the Tax Code with respect to any Series of the Bonds as she may deem to be in the best interests of VRA after consultation with VRA's bond counsel. Such authorization includes any election required to issue Bonds of any Series as "qualified tax credit bonds" under Section 54A et seq. of the Tax Code. The calculation of "true interest cost" of any Bonds for purposes of paragraph 1 hereof may take into account the net benefit expected to be received by VRA from the issuance of Bonds as qualified tax credit bonds as determined by the Executive Director.

8. **Investment of Proceeds.** Notwithstanding anything to the contrary contained in VRA's Investment Policy, the investment of all monies deposited in any of the funds or accounts established by the Master Indenture and any Supplemental Series Indenture related to a Series of the Bonds will be governed by the sections of the Master Indenture and such Supplemental Series Indenture related to permitted investments. In addition, the Executive

Director is authorized to contract with the Virginia State Non-Arbitrage Program and/or an arbitrage rebate consulting firm to provide investment and/or arbitrage compliance services with respect to the Bonds.

9. Authorization of Further Actions. Each officer of VRA is authorized to execute and deliver on VRA's behalf such other instruments, documents or certificates, and to do and perform such things and acts as he or she shall deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the Master Indenture and any Supplemental Series Indenture related to the Bonds. Any of the foregoing previously done or performed by any officer of the Authority is in all respects approved, ratified and confirmed.

10. Effective Date; Termination. This Resolution shall be effective immediately. The authority to issue Bonds pursuant to this Resolution shall terminate on June 30, 2013.

VIRGINIA RESOURCES AUTHORITY

- RESOLUTION -

**AUTHORIZING THE ISSUANCE OF UP TO
\$50,000,000 IN SHORT-TERM REVENUE NOTES
(INTERIM FINANCING PROGRAM)**

July 17, 2012

WHEREAS, the Virginia Resources Authority (the "Authority") is a public body corporate and a political subdivision of the Commonwealth of Virginia (the "Commonwealth") created by the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended (the "Act"); and

WHEREAS, the Act provides that the Authority was created for the purpose of encouraging the investment of both public and private funds and making loans, grants and credit enhancements available to local governments ("Local Governments") to finance or refinance the costs of the facilities or projects now or hereafter described in Section 62.1-199 of the Act (each a "Project" and, as a group, the "Projects"); and

WHEREAS, the Act authorizes and empowers the Authority, among other things, to borrow money and issue its bonds and notes to provide funds to carry out the Authority's purposes and powers and to pay all costs and expenses incurred in connection with the issuance of such bonds or notes; and

WHEREAS, to further the purposes of the Act, the Board of Directors of the Authority (the "Board") has determined to authorize the Authority to issue notes from time to time under an Interim Financing Program (the "Program") for the purpose of purchasing and acquiring local obligations ("Local Obligations") to provide interim financing and refinancing for the cost of any Project, and for such other purposes as may be authorized under and pursuant to the Act; and

WHEREAS, under the Program the Authority will issue Short-Term Revenue Notes (the "Notes") and use the proceeds thereof primarily to finance the acquisition of Local Obligations, with each Note to be secured primarily by (i) revenues derived from its corresponding Local Obligation, and (ii) a "capital reserve fund" with "moral obligation" support within the meaning of Section 62.1-215 of the Act; and

WHEREAS, to further the purposes of the Act and the Program, the Authority has determined to issue one or more Notes in an aggregate principal amount outstanding at any time not to exceed \$50,000,000 to commence immediately and terminate on the date which will be thirty (30) days prior to November 15, 2013 (as such date may be extended from time to time, the "Final Issuance Date"); and

WHEREAS, the Authority will use the proceeds of the Notes (i) to finance the acquisition of Local Obligations issued or incurred by Local Governments to provide interim financing and refinancing for qualified Projects, (ii) to refund any Notes previously issued and

outstanding under the Indenture; (iii) to provide for any funding of a capital reserve fund and other funds necessary or desirable to provide credit support for each Note, and (iv) to finance capitalized interest, the costs of issuance and/or the local reserve fund related to each Note; and

WHEREAS, debt service payments on each Note are expected to be made from revenues derived from its corresponding Local Obligation and the investment earnings on certain funds and accounts established for each Note under the Program Documents, as defined below; and

WHEREAS, the foregoing arrangements will be reflected in the following documents, forms of which have been previously presented to this Board or presented to this meeting: (i) an Indenture of Trust between the Authority and a bond trustee to be determined (the "Indenture"), (ii) a Note Purchase Agreement between the Authority and Wells Fargo Bank, National Association, as purchaser of the Notes (the "Bank") (the "Note Purchase Agreement") and (iii) a model Local Note Sale and Financing Agreement to be used in the acquisition of Local Obligations (the "Local Agreement") (collectively, the "Program Documents"); and

After careful consideration and to further the public purposes for which the Authority was created, NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY THAT:

1. **Authorization of the Notes.** There is hereby authorized the issuance at one time or from time to time of one or more revenue Notes of the Authority to be known as the Virginia Resources Authority Short-Term Revenue Notes (Interim Financing Program). Each Note shall bear an appropriate series designation and any Notes may, for purposes of the Program and federal tax law, be issued under two or more sub-designations. The Notes shall be in substantially the form attached as an exhibit to the Indenture. The Authority shall use the proceeds of the issuance and sale of each Note as described in the Recitals above and in accordance with the Indenture and the Local Agreement related thereto. It is hereby found and determined that the debt service payments on each Note are not expected to be made, in whole or in part, directly or indirectly, from appropriations of the Commonwealth within the meaning of Section 2.2-2416(7) of the Code of Virginia of 1950, as amended.

2. **Details of the Notes.** The Authority's Chairman and Executive Director are authorized to determine and approve the final details of each Note, including without limitation, their series designations, dated date, original aggregate principal amount, interest rates, redemption provisions, taxability status and sale prices; provided, however, that (i) the aggregate principal amount of all the Notes outstanding at any time shall not exceed \$50,000,000, (ii) each Note shall have an initial maturity date not later than 12 months after such Note's date of issuance, which date may be extended through a "rollover" provision in accordance with the Program Documents and guidelines adopted by, or the approval of, the Portfolio Risk Management Committee of the Board of Directors of the Authority, and (iii) the final maturity of any Note shall be no later than three years after the date of the first Note issuance or such later date as approved by the Authority (as such date may be extended from time to time, the "Program Maturity Date"). The Notes shall bear interest as set forth in the Indenture. The approval of the Chairman and Executive Director of such details with respect to any Note shall be evidenced conclusively by the execution and delivery thereof on the Authority's behalf.

3. **Approval of Indenture and Note Purchase Agreement.** Each Note shall be issued pursuant to the Indenture in substantially the same form as the Indenture presented to this meeting, which is hereby approved. Each Note to be issued pursuant to the Indenture shall be purchased by the Bank pursuant to and subject to the terms of the Note Purchase Agreement in substantially the same form as the Note Purchase Agreement presented to this meeting, the form of which is hereby approved. The Authority expects the Indenture and Note Purchase Agreement to be initially executed for Notes for an aggregate principal amount not to exceed \$25,000,000, which may be increased without further approval by the Board based upon demand and other factors, for Notes in an aggregate principal amount not to exceed \$50,000,000.

4. **Preparation, Execution, Authentication and Delivery of Notes and Program Documents.** The Executive Director is authorized and directed to have each Note prepared in substantially the form attached to the Indenture submitted to this meeting, to have such Notes executed pursuant to the terms of the Indenture, to deliver such Notes to the Trustee for authentication, and to cause such Notes so executed and authenticated to be delivered to or for the account of the Bank or other purchasers thereof upon payment of the purchase price thereof as provided in the Indenture and the Note Purchase Agreement. With respect to each Note and Program Document authorized under this Resolution, the Chairman and Executive Director are authorized to execute and deliver on the Authority's behalf, and, if required, to affix and attest the Authority's seal on such Note and Program Documents in substantially the forms submitted to this meeting, with such changes, insertions or omissions as may be approved by the Chairman and Executive Director. Such approval shall be evidenced conclusively by the execution and delivery of each Note and Program Document on the Authority's behalf.

5. **Credit Enhancement.** The Executive Director is authorized to procure bond insurance for all or any portion of any Note or a surety bond, liquidity facility or similar instrument to provide for the funding of all or any portion of any capital reserve fund or any other reserve fund or account established pursuant to the Indenture, if the Executive Director determines such procurement to be in the best interests of the Authority and with the consent of the Bank.

6. **Participating Local Governments.** Without the need for additional approval by this Board, the Executive Director is authorized on behalf of the Authority to solicit, accept and approve applications from Local Governments to be participants in the Program through the Authority's purchase or acquisition of their Local Obligations. The criteria for approving the purchase or acquisition of Local Obligations from participating Local Governments shall in no event be less stringent than the Authority's internal credit criteria previously approved by this Board.

7. **Approval of Local Obligation Documents.** The model Local Agreement is hereby approved for use in providing for the purchase or acquisition of Local Obligations related to the Notes in substantially the same form as the Local Agreement presented to this meeting; provided, however, that the provisions therein may be altered to accommodate terms agreed to by the Authority and the various participating Local Governments. Changes, insertions or omissions to the Local Agreements and the model Local Agreement may be approved by the

Chairman or Executive Director, such approval evidenced conclusively by the execution and delivery of each Local Agreement on the Authority's behalf.

8. **Tax Matters.** The Executive Director is authorized and directed to (i) conduct public hearings in connection with the issuance of any Note, if required under the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations (the "Tax Code"), (ii) seek the approval of the Governor of the issuance of any Note, if required under the Tax Code, and (iii) execute and deliver on the Authority's behalf simultaneously with the issuance of each Note a Tax Regulatory Agreement or supplement to a Tax Regulatory Agreement and/or similar agreements or certificates. The Tax Regulatory Agreement and/or similar agreements or certificates shall set forth the expected use of and investment of all or any portion of the proceeds of each Note and include such covenants as may be necessary to qualify the interest on all or any portion of each Note for exemption from gross income for federal income tax purposes under the Tax Code and to maintain such exemption. The Executive Director is further authorized to make on behalf of the Authority such elections under the Tax Code with respect to any Note as she may deem to be in the best interests of the Authority after consultation with the Authority's Bond Counsel and Financial Advisor.

9. **Investment of Proceeds.** Notwithstanding anything to the contrary contained in the Authority's Investment Policy, the investment of all monies deposited in any of the funds or accounts established by the Indenture will be governed by the sections of the Indenture related to permitted investments. In addition, the Executive Director is authorized to contract with the Virginia State Non-Arbitrage Program and/or an arbitrage rebate consulting firm to provide investment and/or arbitrage compliance services with respect to the Notes.

10. **Authorization of Further Actions.** Each officer of the Authority is authorized to execute and deliver on the Authority's behalf such other instruments, documents or certificates, and to do and perform such things and acts as he or she shall deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the Program Documents. Any of the foregoing previously done or performed by any officer of the Authority is in all respects approved, ratified and confirmed.

11. **Effective Date; Termination.** This Resolution shall take effect immediately. The authority to issue Notes pursuant to this Resolution shall terminate on the Program Maturity Date.

Member Contributions by Salary Reduction for Counties, Cities, Towns, and Other Political Subdivisions

(In accordance with Chapter 822 of the 2012 Acts of Assembly (SB497))

Resolution

WHEREAS, the Virginia Resources Authority 55896 employees who are Virginia Retirement System members who commence or recommence employment on or after July 1, 2012 ("FY2013 Employees" for purposes of this resolution), shall be required to contribute five percent of their creditable compensation by salary reduction pursuant to Internal Revenue Code § 414(h) on a pre-tax basis upon commencing or recommencing employment; and

WHEREAS, the Virginia Resources Authority 55896 employees who are Virginia Retirement System members and in service on June 30, 2012, shall be required to contribute five percent of their creditable compensation by salary reduction pursuant to Internal Revenue Code § 414(h) on a pre-tax basis no later than July 1, 2016; and

WHEREAS, such employees in service on June 30, 2012, shall contribute a minimum of an additional one percent of their creditable compensation beginning on each July 1 of 2012, 2013, 2014, 2015, and 2016, or until the employees' contributions equal five percent of creditable compensation; and

WHEREAS, the Virginia Resources Authority 55896 may elect to require such employees in service on June 30, 2012, to contribute more than an additional one percent each year, in whole percentages, until the employees' contributions equal five percent of creditable compensation; and

WHEREAS, the second enactment clause of Chapter 822 of the 2012 Acts of Assembly (SB497) requires an increase in total creditable compensation, effective July 1, 2012, to each such employee in service on June 30, 2012, to offset the cost of the member contributions, such increase in total creditable compensation to be equal to the difference between five percent of the employee's total creditable compensation and the percentage of the member contribution paid by such employee on January 1, 2012.

BE IT THEREFORE RESOLVED, that the Virginia Resources Authority 55896 does hereby certify to the Virginia Retirement System Board of Trustees that it shall effect the implementation of the member contribution requirements of Chapter 822 of the 2012 Acts of Assembly (SB497) according to the following schedule for the fiscal year beginning July 1, 2012 (i.e., FY2013):

Type of Employee	Employer Paid Member Contribution	Employee Paid Member Contribution
Plan 1	0 %	5 %
Plan 2	0 %	5 %
FY2013 Employees	0%	5%

(Note: Each row must add up to 5 percent.); and

BE IT FURTHER RESOLVED, that such contributions, although designated as member contributions, are to be made by the Virginia Resources Authority in lieu of member contributions; and

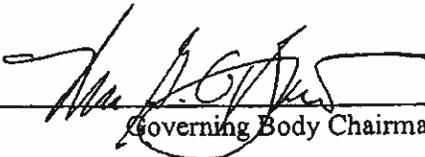
BE IT FURTHER RESOLVED, that pick up member contributions shall be paid from the same source of funds as used in paying the wages to affected employees; and

BE IT FURTHER RESOLVED, that member contributions made by the Virginia Resources Authority under the pick up arrangement shall be treated for all purposes other than income taxation, including but not limited to VRS benefits, in the same manner and to the same extent as member contributions made prior to the pick up arrangement; and

BE IT FURTHER RESOLVED, that nothing herein shall be construed so as to permit or extend an option to VRS members to receive the pick up contributions made by the Virginia Resources Authority directly instead of having them paid to VRS; and

BE IT FURTHER RESOLVED, that notwithstanding any contractual or other provisions, the wages of each member of VRS who is an employee of the Virginia Resources Authority shall be reduced by the amount of member contributions picked up by the Virginia Resources Authority on behalf of such employee pursuant to the foregoing resolutions.

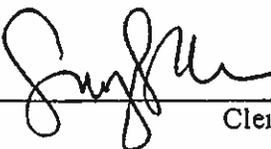
NOW, THEREFORE, the officers of Virginia Resources Authority 55896 are hereby authorized and directed in the name of the Virginia Resources Authority to carry out the provisions of this resolution, and said officers of the Virginia Resources Authority are authorized and directed to pay over to the Treasurer of Virginia from time to time such sums as are due to be paid by the Virginia Resources Authority for this purpose.



Governing Body Chairman

CERTIFICATE

I, Suzanne Long, Secretary, Clerk of the Virginia Resources Authority, certify that the foregoing is a true and correct copy of a resolution passed at a lawfully organized meeting of the Virginia Resources Authority held at Richmond, Virginia at 9:00 o'clock on July 17, 2012. Given under my hand and seal of the Virginia Resources Authority this 17th day of July, 2012.



Clerk

This resolution must be passed prior to July 1, 2012 and received by VRS no later than July 10, 2012.

Employer Contribution Rates for Counties, Cities,
Towns, School Divisions and Other Political Subdivisions
(In accordance with the 2012 Appropriation Act Item 468(H))

Resolution

BE IT RESOLVED, that the Virginia Resources Authority 55896 does hereby acknowledge that its contribution rates effective July 1, 2012 shall be based on the higher of a) the contribution rate in effect for FY 2012, or b) seventy percent of the results of the June 30, 2011 actuarial valuation of assets and liabilities as approved by the Virginia Retirement System Board of Trustees for the 2012-14 biennium (the "Alternate Rate") provided that, at its option, the contribution rate may be based on the employer contribution rates certified by the Virginia Retirement System Board of Trustees pursuant to Virginia Code § 51.1-145(I) resulting from the June 30, 2011 actuarial value of assets and liabilities (the "Certified Rate"); and

BE IT ALSO RESOLVED, that the Virginia Resources Authority 55896 does hereby certify to the Virginia Retirement System Board of Trustees that it elects to pay the following contribution rate effective July 1, 2012:

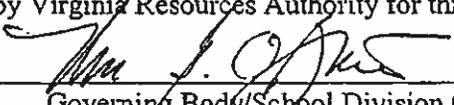
(Check only one box)

The Certified Rate of 7.31%

The Alternate Rate of 7.31%; and

BE IT ALSO RESOLVED, that the Virginia Resources Authority 55896 does hereby certify to the Virginia Retirement System Board of Trustees that it has reviewed and understands the information provided by the Virginia Retirement System outlining the potential future fiscal implications of any election made under the provisions of this resolution; and

NOW, THEREFORE, the officers of Virginia Resources Authority 55896 are hereby authorized and directed in the name of the Virginia Resources Authority to carry out the provisions of this resolution, and said officers of the Virginia Resources Authority are authorized and directed to pay over to the Treasurer of Virginia from time to time such sums as are due to be paid by Virginia Resources Authority for this purpose.



Governing Body/School Division Chairman

CERTIFICATE

I, Suzanne Long, Secretary, Clerk of the Virginia Resources Authority, certify that the foregoing is a true and correct copy of a resolution passed at a lawfully organized meeting of the Virginia Resources Authority held at Richmond, Virginia at 9 o'clock on July 17, 2012. Given under my hand seal of the Virginia Resources Authority this 17th day of July, 2012.



Clerk

**This resolution must be passed prior to July 1, 2012 and
received by VRS no later than July 10, 2012.**

VIRGINIA RESOURCES AUTHORITY

- RESOLUTION -

DELEGATING AUTHORITY TO THE CONTROLLER, THE DIRECTOR OF ADMINISTRATION AND THE DIRECTOR OF PROGRAM MANAGEMENT TO SIGN CHECKS ON BEHALF OF VIRGINIA RESOURCES AUTHORITY

July 17, 2012

WHEREAS, the Virginia Resources Authority ("VRA") is a public body corporate and a political subdivision of the Commonwealth of Virginia created by the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended (the "Act"); and

WHEREAS, the Act provides that all money of VRA shall be deposited in an account or accounts in eligible banking institutions; and

WHEREAS, the Act authorizes the Executive Director and other officers or employees designated by VRA to pay money held in such accounts by check; and

WHEREAS, the Board of Directors of VRA (the "Board") desires to delegate authority to the Controller, the Director of Administration and the Director of Program Management (together with the Executive Director, the "Authorized Signatories") to sign checks on behalf of VRA; and

WHEREAS, in order to assure adequate financial controls, the Board desires each check issued by VRA to be signed by at least two Authorized Signatories.

After careful consideration and to further the public purposes for which the Virginia Resources Authority was created, NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE VIRGINIA RESOURCES AUTHORITY THAT:

1. Delegation of Authority. In accordance with the Act, the Board of Directors of VRA hereby delegates to the Controller, Director of Administration and Director of Program Management authority to sign checks on behalf of VRA.

2. Two Signature Requirement. In order to assure adequate financial controls, each check issued by VRA shall be signed by at least two Authorized Signatories.

3. Effective Date; Termination. This Resolution shall be effective on July 17, 2012 and shall continue in effect until amended, supplemented or repealed.

The undersigned Secretary of the Virginia Resources Authority ("VRA"), certifies that the foregoing constitutes a true, complete and correct copy of the Resolution passed at a regularly scheduled meeting of VRA, held on the following date with the following Board of Directors members present or absent and voting:

<u>Board of Directors member</u>	<u>Present/Absent</u>	<u>Vote</u>
William G. O'Brien	Present	Aye
James H. Spencer, III	Present	Aye
David Branscome	Present	Aye
Barbara M. Donnellan	Present	Aye
Thomas L. Hasty, III	Present	Aye
Dena Frith Moore	Present	Aye
J. Barry Purcell, III	Present	Aye
Randall P Burdette	Present	Aye
Manju Ganeriwala	Present	Aye
Richard F. Weeks	Present	Aye
Joseph J. Hilbert	Present	Aye

PASSED: July 17, 2012

[SEAL]

TESTE: _____

Suzanne S. Long
Secretary

VIRGINIA RESOURCES AUTHORITY
PORTFOLIO RISK MANAGEMENT COMMITTEE
MINUTES OF THE REGULAR MEETING

The Portfolio Risk Management Committee of the Virginia Resources Authority met on Monday, July 16, 2012, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Dena Frith Moore, Chair
David Branscome
Manju Ganeriwala
Thomas L. Hasty, III
(Arrived at 3:27 p.m.)
William G. O'Brien, Ex Officio

COMMITTEE MEMBERS ABSENT:

None

OTHER BOARD MEMBERS PRESENT:

Joseph J. Hilbert on behalf of Karen Remley, M.D., M.B.A.

STAFF:

Suzanne S. Long, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Michael Cooper, Director of Administration
Shawn Crumlish, Director of Debt Management
Peter D'Alema, Director of Program Management
Jon McCubbin, Controller
Bradley Jones, Program Manager
Joseph Bergeron, Senior Finance Analyst
Stephanie Bush, Fiscal Analyst/Compliance Officer

OTHERS:

Arthur Anderson, McGuireWoods LLP, Bond Counsel
Jeffrey McMahan, Jr., McGuireWoods LLP, Bond Counsel
James Traudt, Davenport & Company LLC
Ty Wellford, Davenport & Company LLC

Ms. Dena Frith Moore, Chair of the Portfolio Risk Management Committee (PRMC), called the meeting to order at 1:09 p.m. **Call to Order**

Mr. William G. O'Brien, Ex Officio member, and Chair of the Board introduced and welcomed Mr. Joseph J. Hilbert, Board Designee for Dr. Karen Remley, Commissioner of the Virginia Department of Health. Mr. Hilbert has been with the Department of Health for approximately 20 years. He has served the last 10 years as the Director of Governmental and Regulatory Affairs and serves as the Department legislative liaison to the General Assembly.

Ms. Moore welcomed Mr. Hilbert to the meeting. Ms. Ganeriwala stated that she has worked with Mr. Hilbert and his knowledge will be a benefit to the Board.

There was no public comment.

**Public Comment
Period**

Mr. Branscome moved, and Mr. O'Brien seconded, that the public comment period be closed.

The motion was approved unanimously.

There were no additions or deletions to the agenda.

Approval of Agenda

Mr. O'Brien moved, and Mr. Branscome seconded, approval of the agenda.

The motion was approved unanimously.

Ms. Moore stated that PRMC needs to go into closed meeting to discuss a legal matter.

Closed Meeting

Mr. O'Brien moved, and Mr. Branscome seconded, that the PRMC go into closed meeting for consultation with legal counsel and briefings by staff members and consultants pertaining to actual litigation filed against VRA involving RSW Regional Jail Authority, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Authority; and consultation with legal counsel employed or retained by the Authority regarding the actual litigation involving RSW Regional Jail Authority requiring the provision of legal advice by such counsel, as permitted by Section 2.2-3711A.7 of the Virginia Freedom of Information Act.

The motion was approved unanimously by those present. Mr. Hasty was absent during the vote and during the Closed Meeting.

The closed meeting convened at 1:12 p.m.

The open meeting reconvened at 2:40 p.m. and the Executive Director Open Meeting read the following resolution:

CERTIFICATION OF CLOSED MEETING

WHEREAS, the Portfolio Risk Management Committee (PRMC) of the Board of Directors of the Virginia Resources Authority (the “Authority”) convened a closed meeting on July 16, 2012, pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law;

NOW THEREFORE, BE IT RESOLVED that the PRMC hereby certifies that, to the best of each member’s knowledge, (i) only public business matters lawfully exempted from open meeting requirements by the Virginia Freedom of Information Act were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the PRMC.

Ms. Ganeriwala moved, and Mr. O’Brien seconded, that the above-stated resolution certifying closed meeting be approved.

A roll call vote resulted as follows:

Ayes: Branscome, Ganeriwala, O’Brien, and Moore.

Nays: None.

Absent during vote: Hasty.

Absent during Closed Meeting: Hasty.

Mr. O’Brien moved, and Mr. Branscome seconded, that **BE IT HEREBY RESOLVED** by the Portfolio Risk Management Committee (PRMC) of the Board of Directors of the Virginia Resources Authority that the PRMC recommends to the Board that it authorizes the Executive Director and legal counsel to respond to the lawsuit involving RSW Regional Jail Authority in accordance with the discussion held in closed meeting.

The motion was approved unanimously.

Mr. Arthur Anderson and Mr. Jeffrey McMahan, Jr., McGuire Woods, Bond Counsel, left the meeting after the vote on the recommendation to the Board.

Mr. Peter D'Alema, Director of Program Management, stated that VRA had two spring Virginia Pooled Financing Program (VPFP) bond sales. The 2012A series included the sale of \$298.14 million in bonds on behalf of 14 local governments. The True Interest Cost (TIC) was 3.37% and the All-In TIC was 3.57%. The 2012A-1 series included the sale of \$46.07 million in bonds on behalf of a single borrower, Rappahannock Shenandoah Warren (RSW) Regional Jail Authority. The TIC was 3.83% with an All-In TIC of 4.03%. He stated that the 2012A series TIC is lower than the Series 2012A-1 due to the number of loans and the spread of maturity dates.

**2012A and 2012A-1
Virginia Pooled
Financing Program
Update**

He provided the borrower summaries, noting that all are secure. In addition, nine borrowers refunded prior non-VRA debt obligations for total net present value savings (NPV) in excess of \$21.8 million.

Ms. Moore stated that the NPV is a result of the percentage of the refunded par on the new bonds. VRA, she said, is assisting communities in reducing debt service payments and providing them the opportunity to use these savings for other government purposes.

Mr. D'Alema explained that the RSW Regional Jail Authority's loan was removed from the VPFP Series 2012A. This action was taken due to legal threats from a citizen group in Shenandoah County and to ensure that there would be no adverse pricing impact on the 14 other local government borrowers in the 2012A spring pool. A summer pool was offered to RSW Regional Jail Authority. However, due to RSW Regional Jail Authority's construction schedule and the desire to minimize interest costs for the reimbursable portion of the project, RSW Regional Jail Authority requested that VRA do a stand-alone transaction.

Mr. D'Alema reviewed a credit summary, noting that VRA provided RSW Regional Jail Authority with a cost-effective financing option after completion of a thorough credit analysis. The RSW Regional Jail Authority project met VRA's Regional Jail Financing Guidelines and RSW Regional Jail Authority received an investment grade rating of Aa3 from Moody's, which remains current. The decision to pursue the project was a local responsibility and all three localities approved financing of the project.

Ms. Moore commended staff for being very thorough in evaluating the creditworthiness of all the participants in this pool. The PRMC and Board believe that staff made the correct decision in terms of separating RSW Regional Jail Authority from the other credits in the spring pool. She thanked staff for their unfailing efforts noting their actions were justified. Mr. O'Brien concurred with Ms. Moore adding that staff and the entire financial and legal teams performed very well and their efforts are truly appreciated.

Mr. D'Alema concluded by providing a summary of the VFPF portfolio after the completion of the Series 2012A-1 transaction. In September, staff would like to discuss possible guidelines pertaining to rating requirements for underlying borrowers in the portfolio to include thresholds for borrowers and potential guidelines that may limit exposure to a single borrower.

Mr. Peter D'Alema, Director of Program Management, explained that the summer 2012B VFPF Refunding Pool includes 13 local governments. Mr. D'Alema stated that the bond sale is anticipated to close on August 2, 2012. He reviewed the transaction summary, noting that the TIC is 2.18% with an All-In TIC of 2.43%, for a net present value savings of \$9.4 million. He continued that there were two tranches of bonds, State Moral Obligation Revenue (Non-AMT) that sold competitively and State Moral Obligation Revenue (AMT) that sold through a negotiated sale. The bond underwriters were Morgan Keegan, Senior Manager, and Morgan Stanley, JP Morgan and TD Securities as Co-Managers.

**2012B Virginia Pooled
Financing Program
Refunding Pool
Update**

Mr. D'Alema shared the participants in the pool, noting that credit summaries have been previously provided. He explained that VRA staff provided standardized refunding resolutions to all borrowers refunding prior VRA debt. All borrowers adopted their local authorizing resolutions to participate in the summer pool.

The Executive Director stated that this is not the first time VRA has done a summer pool. However, the cost and procedure has been streamlined to the borrowers' advantage.

In response to the Committee, Mr. James Traudt, Davenport & Company, expounded on the process of selling the negotiated bonds, noting that new underwriters were involved.

Virginia Airports Revolving Fund

Mr. Peter D'Alema, Director of Program Management, stated there is one pending loan in the amount of \$73,000 to the New River Valley

**Revolving Loan Fund
Update**

Airport Commission to finance acquisition of existing hangar facilities at the New River Valley Airport. This loan has been endorsed by the Virginia Aviation Board and is recommended for approval by VRA. It is anticipated to close at the end of July 2012.

Clean Water Revolving Loan Fund (CWRLF)

Mr. Shawn Crumlish, Director of Debt Management, stated that the CWRLF is co-managed with the Department of Environmental Quality and provides financial support for wastewater improvement projects. Twenty-two loans and grants closed in FY2012 and 28 loan applications are pending for 2013. He shared a five-year chart of closing activity for loans and grants, the top 10 borrowers and the current portfolio status. The volume of the CWRLF was reduced in FY2012 primarily because several large mandated Chesapeake Bay Cleanup projects have been completed. He shared a chart depicting VRA's portfolio as of May 2012.

Mr. Crumlish explained that Virginia has received annual federal capitalization grants for deposit in the CWRLF in the amount of \$30 million. The capitalization grant requires a 20 percent State match or approximately \$6 million. However, the Commonwealth only appropriated \$3 million.

Therefore, Ms. Moore stated that the PRMC is being requested to recommend to the Full Board the approval of a resolution authorizing VRA to issue \$3,100,000 in Clean Water State Match Revenue Bonds. The proceeds from the bonds will be used to provide the funding for the State match. She noted that the \$100,000 included in the request will cover administrative costs.

After discussion relative to the debt service payments, the following motion was made.

Mr. O'Brien moved, and Mr. Branscome seconded, that the Portfolio Risk Management Committee recommend to the Board approval of a VRA Resolution authorizing the issuance and sale of up to \$3,100,000 in Clean Water State Match Revenue Bonds for the Fiscal Year Ending June 30, 2013.

The motion was approved unanimously.

The Resolution is attached hereto and made a part herein.

Drinking Water State Revolving Fund (DWSRF)

Mr. Shawn Crumlish, Director of Debt Management, stated that the DWSRF is co-managed with the Department of Health. He provided the year-end activity report, pending loans and the current DWSRF portfolio status. He noted that 15 loans and grants closed in FY2012 and 41 applications are pending. VRA is currently working with the Office of Drinking Water to close the pending loans.

Mr. Crumlish shared a chart depicting the Five-Year closing activity and the top 10 borrowers, noting that there are 224 different loans for 70 borrowers. He said about 85% of the portfolio is in Southwest Virginia.

The Executive Director added VRA will be visiting Southwest Virginia to provide outreach relative to the expectations of VRA and to discuss ways to improve the communities' fiscal health.

Virginia Transportation Infrastructure Bank (VTIB)

Mr. Shawn Crumlish, Director of Debt Management, stated that the Commonwealth Transportation Board authorized VTIB loans to the City of Chesapeake for Dominion Boulevard, the IDA of Loudoun County for extensions to Gloucester Parkway and Pacific Boulevard, and to the Virginia Department of Transportation's (VDOT) Office of Transportation Public Private Partnership to provide credit enhancements for the new U.S. Route 460. The proposed VDOT project is part of an intermodal plan that will allow Virginia to compete for additional cargo traffic as well as provides a second egress for Hampton Roads in the event of evacuation.

Mr. Crumlish highlighted each loan stating that the loans will exhaust VTIB's initial capitalization. He also noted that VTIB funds are not VRA assets. VRA's role in this process is to evaluate the availability of reliable repayment sources and determine appropriate terms.

Mr. Thomas L. Hasty, III arrived at 3:27 p.m.

Mr. Peter D'Alema, Director of Program Management, provided a history of the Short-Term Financing Program (STFP). Mr. D'Alema stated that there are no pending loans. He said there is a possibility of a loan to the Clean Water Revolving Loan Fund to fund state-match requirements and there is also the possibility of an application in connection with a Bristol economic development project. Staff recommends that STFP loans be issued with an initial maturity of no more than 12 months, unless PRMC and the Full Board approve an exception. Loans longer than 12 months will be brought before the

**Short-Term Financing
Program Update**

PRMC for consideration. Staff recommends a reduction in the credit facility of between \$5 million to \$10 million to reduce expenses related to the unused fee associated with the credit facility.

Mr. D'Alema explained that staff anticipates receiving a STFP loan application request for \$25 million from the City of Bristol for an economic development project with a General Obligation pledge as security for the loan. Bristol may need funds by September 1 and if the City requests an initial maturity greater than 12 months, then a special PRMC and Board meeting would be needed to move forward with the loan.

There was extensive discussion relative to the State statute requirements for granting exceptions and whether the PRMC and/or the Executive Director can be granted authority by the Board to issue exceptions; and the ability of the Board to grant an exception to Bristol in a timely manner.

After the above discussion, the following motion was made.

Mr. O'Brien moved, and Mr. Hasty seconded, that the PRMC recommend to the Full Board that the Virginia Resources Authority Resolution authorizing the issuance of up to \$50,000,000 in short-term revenue notes (Interim Financing Program) be approved as is which requires Board approval or to delegate authority to the PRMC to authorize exceptions to terms of loans with maturity dates beyond 12 months.

The motion was approved unanimously.

The resolution is attached hereto and made a part herein.

Mr. D'Alema continued expounding on the City of Bristol's plans to apply for short-term financing. He said that VRA is currently working on the credit analysis. The project does have risks as Bristol will not finance the actual project but the purchase of the land only.

The Executive Director added that VRA has declined similar projects because they have been a little speculative and are revenue based, while the City of Bristol is offering a General Obligation backing of the loan.

There was extensive discussion relative to tax supported guidelines, VRA's debt capacity and the ability of the pool to absorb the credit,

the potential of the loan requiring a special exception, and consequences if Bristol does not go through with the loan.

Ms. Stephanie Bush, Fiscal Analyst/Compliance Officer, stated that compliance reviews were performed on all 11 VRA refunding borrowers for the Summer 2012B Transaction. The reviews, she said, provide insight to the rating agencies of VRA's internal review process. The 34 year-to-date compliance reviews have resulted in three borrowers' risk categories downgraded; 10 borrowers' risk categories upgraded; and the remainder of borrowers remaining in the same risk category between FY2010 and FY2011. Ms. Bush noted that detailed information relative to the reviews has been provided.

Loan Monitoring and Compliance Update

Mr. Jon McCubbin, Controller, provided the purpose of the unrestricted net assets guidelines. He stated that the proposed guidelines provide for a General Reserve maintained in an amount necessary to ensure adequate working capital for VRA's operations; a Technology and Efficiency Reserve to be used for one-time expenditures related to upgrading, expanding and replacing VRA's technology resources; and the Portfolio Risk Management (PRM) Reserve which provides additional protection against a draw on a Capital Reserve Fund.

Unrestricted Net Assets Guidelines

Mr. McCubbin explained that reserve levels have been established for the General and Technology and Efficiency Reserves. However, staff continues to explore several alternative methods to establish appropriate reserve levels for the PRM Reserve. He shared an alternative solution that incorporates historical municipal default rate data in conjunction with VRA's Loan Monitoring and Compliance risk categorizations. He asked that staff be given the opportunity to refine the proposed solution and obtain input from VRA's legal team.

There was discussion relative to using default rate data and VRA meeting its fiduciary requirements.

The Committee commended staff for its efforts.

Mr. James Traudt, Davenport & Company, stated that prior to 2008, VRA frequently entered into Guaranteed Investment Contracts (GICs) for the investment of various program funds, primarily acquisitions funds and reserve funds. He stated that as of June 30, 2011, VRA had three GIC investors and noted VRA's GIC balances to date. He explained that since that time, one of VRA's investors was released due to a downgrade in its financial rating which fell below the threshold established in the VRA investment policy. He shared the

Guaranteed Investment Contracts

impact of the downgrade, noting, however, that those funds have been successfully reinvested. Mr. Traudt concluded that one (1) of the two (2) remaining investors is not collateralized. However, the company is not in jeopardy of being released unless its credit rating changes. Staff will continue to monitor this investor. There was extensive discussion relative to implications of the uncollateralized provider should its credit rating be downgraded.

No action was required.

There was no old business.

Old Business

There was no new business.

New Business

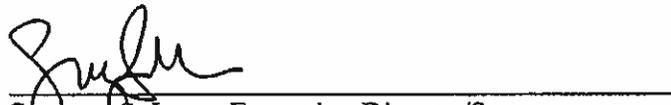
Ms. Ganeriwala moved, and Mr. O'Brien seconded, adjournment. The motion was approved and the meeting adjourned at 4:39 p.m.

Adjournment

The next meeting of the Portfolio Risk Management Committee will be held on September 10, 2012.



Dena Frith Moore, Chair



Suzanne S. Long, Executive Director/Secretary

VIRGINIA RESOURCES AUTHORITY

-RESOLUTION-

**AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$3,100,000
IN CLEAN WATER STATE MATCH REVENUE BONDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2013**

July 17, 2012

WHEREAS, the Virginia Resources Authority ("VRA") is a public body corporate and a political subdivision of the Commonwealth of Virginia (the "Commonwealth") created by the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended (the "VRA Act"), and governed by a Board of Directors (the "Board") constituted as provided in Section 62.1-201 of the VRA Act; and

WHEREAS, the VRA Act provides that VRA was created for the purpose of encouraging the investment of both public and private funds and to make loans, grants and credit enhancements available to 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 or any combination of any two or more of the foregoing ("Obligors") to finance or refinance, among other things, sewage and wastewater (including surface and ground water) collection, treatment and disposal facilities, drainage facilities and projects, and certain other related facilities and assets ("Sewer Projects"); and

WHEREAS, the VRA Act authorizes and empowers VRA, among other things, to borrow money and issue its bonds to provide funds to carry out VRA's purposes and powers, including making loans and grants to Obligors to finance or refinance the cost of any Sewer Project from the proceeds of such bonds, and to pay all costs and expenses incurred in connection with the issuance of such bonds; and

WHEREAS, the Federal Water Quality Act of 1987 established a State Revolving Fund Capitalization Grant Program (the "Program") under which federal capitalization grants are awarded to states for deposit in revolving loan funds, which provide the states and their local governments a continuing source of financing for solving water pollution control problems; and

WHEREAS, the federal capitalization grants made under the Program require a 20 percent match from each recipient state (the "State Match"); and

WHEREAS, for FFY 2012 the federal capitalization grant will be approximately \$30 million; and

WHEREAS, the Commonwealth has not appropriated sufficient funds to cover the State Match required in FFY 2012; and

WHEREAS, given the state budget challenges, VRA and the Virginia Department of Environmental Quality ("DEQ") have been planning for the issuance of bonds to fund the State Match for FFY 2012; and

WHEREAS, the 1986 Virginia General Assembly created the Virginia Water Facilities Revolving Fund (the "RLF") pursuant to Chapter 22, Title 62.1, Code of Virginia of 1950, as amended (the "VWFRF Act"), to facilitate self-sufficiency for wastewater financing at the state and local levels and to provide a long-term renewing source of funding for wastewater treatment improvements in the Commonwealth; and

WHEREAS, Section 62.1-225 of the VWFRF Act provides that the RLF is a separate, permanent, and perpetual fund, which is dedicated with limited exceptions to the making of loans to local governments at rates at or below current market rates to finance wastewater treatment improvements at publicly-owned facilities; and

WHEREAS, pursuant to Section 62.1-231 of the VWFRF Act, VRA may, among other things, at any time or from time to time transfer from the RLF to banks or trust companies designated by VRA any or all of the assets of the RLF to be held in trust as security for the payment of the principal of and premium, if any, and interest on any or all of the bonds of VRA; and

WHEREAS, VRA has entered into an Amended and Restated Master Indenture of Trust dated as of April 1, 2010 (the "Master Indenture"), as supplemented between VRA and U.S. Bank National Association, as trustee (the "Trustee"), under which VRA has provided for the issuance from time to time of bonds of VRA for the purpose of funding the State Match, and for such other purposes as may be authorized under and pursuant to the VRA Act; and

WHEREAS, to further the purposes of the VRA Act, VRA has determined to issue one or more Series of Bonds as "State Match Bonds" under the Master Indenture in an aggregate principal amount of up to \$3,100,000 (the "Bonds") at one time or from time to time during the Authority's fiscal year ending June 30, 2013, and to use the proceeds of such Bonds to provide for the funding of the Commonwealth's State Match for FFY 2012 and to pay the cost of issuance of the Bonds; and

WHEREAS, the Master Indenture provides that, as a condition to the issuance and authentication of any Series of Bonds, VRA shall deliver to the Trustee a Supplemental Series Indenture; and

WHEREAS, the Master Indenture provides for the funding of the State Match Reserve Fund as described therein; and

WHEREAS, the funding for the State Match Reserve Fund may be derived in whole or in part from amounts transferred from the RLF; and

WHEREAS, debt service payments on the Bonds are expected to be made from revenues derived from certain pledged Direct Loans (as defined in the Master Indenture) and the investment earnings on the State Match Reserve Fund and certain other funds and accounts

established under the Master Indenture and any Supplemental Series Indenture as provided therein; and

WHEREAS, the foregoing arrangements will be reflected in the following documents, forms of which have been previously presented to and approved by this Board or presented to this meeting: (i) the Master Indenture; and (ii) a model Supplemental Series Indenture; and

WHEREAS, unless otherwise defined, each capitalized term used in this Resolution shall have the meaning ascribed to it in the Master Indenture.

After careful consideration and to further the public purposes for which VRA was created, NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF VRA AS FOLLOWS:

1. Authorization of Bonds. The Board determines that it is in the best interest of VRA to authorize the issuance of at one time or from time to time one or more series of Bonds under the Master Indenture to provide for the funding of the Commonwealth's State Match for FFY 2012 and to pay the cost of issuance of the Bonds. The Board authorizes the issuance and sale of the Bonds, pursuant to the following terms and conditions: (i) the original aggregate principal amount of the Bonds shall not exceed \$3,100,000; (ii) no Series of the Bonds shall have a true interest cost in excess of 2.50%; and (iii) the final maturity any of the Bonds of any Series shall be no later than October 31, 2013. It is hereby found and determined that the debt service payments on the Bonds are not expected to be made, in whole or in part, directly or indirectly, from appropriations of the Commonwealth of Virginia within the meaning of Section 2.2-2416(7) of the Code of Virginia of 1950, as amended.

2. Details of the Bonds. Subject to the limitations outlined in paragraph 1 above, VRA's Chairman and Executive Director are authorized to determine and approve the Bonds' final details, including without limitation, their series designation, dated date, original aggregate principal amount, interest rates, maturity dates, redemption provisions, sale prices and the principal amount of each maturity, the sale date, the sale price and the reoffering prices and whether the Bonds are sold as senior or subordinate bonds or a combination thereof. The approval of the Chairman and Executive Director of such details shall be evidenced conclusively by their execution and delivery of the Bonds on VRA's behalf.

3. Approval of Supplemental Series Indentures. Each Series of Bonds shall be issued pursuant to the Master Indenture and a Supplemental Series Indenture in substantially the same form as the Supplemental Series Indentures presented to this meeting, the forms of which are hereby approved. With respect to each Series of Bonds authorized under this Resolution, the Chairman and Executive Director are authorized to execute and deliver on VRA's behalf, and, if required, to affix and attest VRA's seal on a Supplemental Series Indenture in substantially the form of the model Supplemental Series Indenture submitted to this meeting, with such changes, insertions or omissions, including the establishment of additional reserve funds for all or any portion of the Bonds, as may be approved by the Chairman and Executive Director. Such approval shall be evidenced conclusively by the execution and delivery of each respective Supplemental Series Indenture on VRA's behalf.

4. **Preparation, Execution, Authentication and Delivery of Bonds.** The Executive Director is authorized and directed to have the Bonds of each Series prepared in substantially the forms attached to the Supplemental Series Indentures submitted to this meeting, to have such Bonds executed pursuant to the terms of the Master Indenture and the related Supplemental Series Indenture, to deliver such Bonds to the Trustee for authentication, and to cause such Bonds so executed and authenticated to be delivered to or for the account of the initial purchaser or purchasers thereof upon payment of the purchase price thereof as provided in the related Supplemental Series Indenture.

5. **Sale of Bonds.** The Executive Director is authorized and directed to request proposals for the purchase of the Bonds from banks or other financial institutions qualified to purchase the Bonds and to accept the proposal that, in the judgment of the Executive Director, is in the best interest of VRA; provided, however, that the terms of each Series of the Bonds fall within the parameters set forth in paragraph 1 hereof. The approval of the final terms and conditions of the Bonds of each Series subject to the foregoing parameters shall be evidenced conclusively by the execution and delivery of the respective Series of Bonds.

6. **Credit Enhancement.** The Executive Director is authorized to procure bond insurance for all or any portion of the Bonds or a surety bond, liquidity facility or similar instrument to provide for the funding of all or any portion of the Reserve Fund or any other reserve fund or account established pursuant to the Master Indenture, if the Executive Director determines such procurement to be in the best interests of VRA.

7. **Tax Matters.** The Executive Director is authorized and directed to (i) conduct public hearings in connection with the issuance of Bonds, if applicable, (ii) seek the approval of the Governor of the issuance of Bonds, if applicable, and (iii) execute and deliver on VRA's behalf simultaneously with the issuance of each Series of the Bonds a Tax Regulatory Agreement and/or similar agreements or certificates. The Tax Regulatory Agreement and/or similar agreements or certificates shall set forth the expected use of and investment of all or any portion of the proceeds of each Series of the Bonds and include such covenants as may be necessary to qualify the interest on all or any portion of each Series of the Bonds for exemption from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations (the "Tax Code"), and to maintain such exemption. The Executive Director is further authorized to make on behalf of VRA such elections under the Tax Code with respect to any Series of the Bonds as she may deem to be in the best interests of VRA after consultation with VRA's bond counsel. Such authorization includes any election required to issue Bonds of any Series as "qualified tax credit bonds" under Section 54A et seq. of the Tax Code. The calculation of "true interest cost" of any Bonds for purposes of paragraph 1 hereof may take into account the net benefit expected to be received by VRA from the issuance of Bonds as qualified tax credit bonds as determined by the Executive Director.

8. **Investment of Proceeds.** Notwithstanding anything to the contrary contained in VRA's Investment Policy, the investment of all monies deposited in any of the funds or accounts established by the Master Indenture and any Supplemental Series Indenture related to a Series of the Bonds will be governed by the sections of the Master Indenture and such Supplemental Series Indenture related to permitted investments. In addition, the Executive

Director is authorized to contract with the Virginia State Non-Arbitrage Program and/or an arbitrage rebate consulting firm to provide investment and/or arbitrage compliance services with respect to the Bonds.

9. Authorization of Further Actions. Each officer of VRA is authorized to execute and deliver on VRA's behalf such other instruments, documents or certificates, and to do and perform such things and acts as he or she shall deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the Master Indenture and any Supplemental Series Indenture related to the Bonds. Any of the foregoing previously done or performed by any officer of the Authority is in all respects approved, ratified and confirmed.

10. Effective Date; Termination. This Resolution shall be effective immediately. The authority to issue Bonds pursuant to this Resolution shall terminate on June 30, 2013.

VIRGINIA RESOURCES AUTHORITY

- RESOLUTION -

**AUTHORIZING THE ISSUANCE OF UP TO
\$50,000,000 IN SHORT-TERM REVENUE NOTES
(INTERIM FINANCING PROGRAM)**

July 17, 2012

WHEREAS, the Virginia Resources Authority (the "Authority") is a public body corporate and a political subdivision of the Commonwealth of Virginia (the "Commonwealth") created by the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended (the "Act"); and

WHEREAS, the Act provides that the Authority was created for the purpose of encouraging the investment of both public and private funds and making loans, grants and credit enhancements available to local governments ("Local Governments") to finance or refinance the costs of the facilities or projects now or hereafter described in Section 62.1-199 of the Act (each a "Project" and, as a group, the "Projects"); and

WHEREAS, the Act authorizes and empowers the Authority, among other things, to borrow money and issue its bonds and notes to provide funds to carry out the Authority's purposes and powers and to pay all costs and expenses incurred in connection with the issuance of such bonds or notes; and

WHEREAS, to further the purposes of the Act, the Board of Directors of the Authority (the "Board") has determined to authorize the Authority to issue notes from time to time under an Interim Financing Program (the "Program") for the purpose of purchasing and acquiring local obligations ("Local Obligations") to provide interim financing and refinancing for the cost of any Project, and for such other purposes as may be authorized under and pursuant to the Act; and

WHEREAS, under the Program the Authority will issue Short-Term Revenue Notes (the "Notes") and use the proceeds thereof primarily to finance the acquisition of Local Obligations, with each Note to be secured primarily by (i) revenues derived from its corresponding Local Obligation, and (ii) a "capital reserve fund" with "moral obligation" support within the meaning of Section 62.1-215 of the Act; and

WHEREAS, to further the purposes of the Act and the Program, the Authority has determined to issue one or more Notes in an aggregate principal amount outstanding at any time not to exceed \$50,000,000 to commence immediately and terminate on the date which will be thirty (30) days prior to November 15, 2013 (as such date may be extended from time to time, the "Final Issuance Date"); and

WHEREAS, the Authority will use the proceeds of the Notes (i) to finance the acquisition of Local Obligations issued or incurred by Local Governments to provide interim financing and refinancing for qualified Projects, (ii) to refund any Notes previously issued and

outstanding under the Indenture; (iii) to provide for any funding of a capital reserve fund and other funds necessary or desirable to provide credit support for each Note, and (iv) to finance capitalized interest, the costs of issuance and/or the local reserve fund related to each Note; and

WHEREAS, debt service payments on each Note are expected to be made from revenues derived from its corresponding Local Obligation and the investment earnings on certain funds and accounts established for each Note under the Program Documents, as defined below; and

WHEREAS, the foregoing arrangements will be reflected in the following documents, forms of which have been previously presented to this Board or presented to this meeting: (i) an Indenture of Trust between the Authority and a bond trustee to be determined (the "Indenture"), (ii) a Note Purchase Agreement between the Authority and Wells Fargo Bank, National Association, as purchaser of the Notes (the "Bank") (the "Note Purchase Agreement") and (iii) a model Local Note Sale and Financing Agreement to be used in the acquisition of Local Obligations (the "Local Agreement") (collectively, the "Program Documents"); and

After careful consideration and to further the public purposes for which the Authority was created, NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY THAT:

1. **Authorization of the Notes.** There is hereby authorized the issuance at one time or from time to time of one or more revenue Notes of the Authority to be known as the Virginia Resources Authority Short-Term Revenue Notes (Interim Financing Program). Each Note shall bear an appropriate series designation and any Notes may, for purposes of the Program and federal tax law, be issued under two or more sub-designations. The Notes shall be in substantially the form attached as an exhibit to the Indenture. The Authority shall use the proceeds of the issuance and sale of each Note as described in the Recitals above and in accordance with the Indenture and the Local Agreement related thereto. It is hereby found and determined that the debt service payments on each Note are not expected to be made, in whole or in part, directly or indirectly, from appropriations of the Commonwealth within the meaning of Section 2.2-2416(7) of the Code of Virginia of 1950, as amended.

2. **Details of the Notes.** The Authority's Chairman and Executive Director are authorized to determine and approve the final details of each Note, including without limitation, their series designations, dated date, original aggregate principal amount, interest rates, redemption provisions, taxability status and sale prices; provided, however, that (i) the aggregate principal amount of all the Notes outstanding at any time shall not exceed \$50,000,000, (ii) each Note shall have an initial maturity date not later than 12 months after such Note's date of issuance, which date may be extended through a "rollover" provision in accordance with the Program Documents and guidelines adopted by, or the approval of, the Portfolio Risk Management Committee of the Board of Directors of the Authority, and (iii) the final maturity of any Note shall be no later than three years after the date of the first Note issuance or such later date as approved by the Authority (as such date may be extended from time to time, the "Program Maturity Date"). The Notes shall bear interest as set forth in the Indenture. The approval of the Chairman and Executive Director of such details with respect to any Note shall be evidenced conclusively by the execution and delivery thereof on the Authority's behalf.

3. **Approval of Indenture and Note Purchase Agreement.** Each Note shall be issued pursuant to the Indenture in substantially the same form as the Indenture presented to this meeting, which is hereby approved. Each Note to be issued pursuant to the Indenture shall be purchased by the Bank pursuant to and subject to the terms of the Note Purchase Agreement in substantially the same form as the Note Purchase Agreement presented to this meeting, the form of which is hereby approved. The Authority expects the Indenture and Note Purchase Agreement to be initially executed for Notes for an aggregate principal amount not to exceed \$25,000,000, which may be increased without further approval by the Board based upon demand and other factors, for Notes in an aggregate principal amount not to exceed \$50,000,000.

4. **Preparation, Execution, Authentication and Delivery of Notes and Program Documents.** The Executive Director is authorized and directed to have each Note prepared in substantially the form attached to the Indenture submitted to this meeting, to have such Notes executed pursuant to the terms of the Indenture, to deliver such Notes to the Trustee for authentication, and to cause such Notes so executed and authenticated to be delivered to or for the account of the Bank or other purchasers thereof upon payment of the purchase price thereof as provided in the Indenture and the Note Purchase Agreement. With respect to each Note and Program Document authorized under this Resolution, the Chairman and Executive Director are authorized to execute and deliver on the Authority's behalf, and, if required, to affix and attest the Authority's seal on such Note and Program Documents in substantially the forms submitted to this meeting, with such changes, insertions or omissions as may be approved by the Chairman and Executive Director. Such approval shall be evidenced conclusively by the execution and delivery of each Note and Program Document on the Authority's behalf.

5. **Credit Enhancement.** The Executive Director is authorized to procure bond insurance for all or any portion of any Note or a surety bond, liquidity facility or similar instrument to provide for the funding of all or any portion of any capital reserve fund or any other reserve fund or account established pursuant to the Indenture, if the Executive Director determines such procurement to be in the best interests of the Authority and with the consent of the Bank.

6. **Participating Local Governments.** Without the need for additional approval by this Board, the Executive Director is authorized on behalf of the Authority to solicit, accept and approve applications from Local Governments to be participants in the Program through the Authority's purchase or acquisition of their Local Obligations. The criteria for approving the purchase or acquisition of Local Obligations from participating Local Governments shall in no event be less stringent than the Authority's internal credit criteria previously approved by this Board.

7. **Approval of Local Obligation Documents.** The model Local Agreement is hereby approved for use in providing for the purchase or acquisition of Local Obligations related to the Notes in substantially the same form as the Local Agreement presented to this meeting; provided, however, that the provisions therein may be altered to accommodate terms agreed to by the Authority and the various participating Local Governments. Changes, insertions or omissions to the Local Agreements and the model Local Agreement may be approved by the

Chairman or Executive Director, such approval evidenced conclusively by the execution and delivery of each Local Agreement on the Authority's behalf.

8. **Tax Matters.** The Executive Director is authorized and directed to (i) conduct public hearings in connection with the issuance of any Note, if required under the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations (the "Tax Code"), (ii) seek the approval of the Governor of the issuance of any Note, if required under the Tax Code, and (iii) execute and deliver on the Authority's behalf simultaneously with the issuance of each Note a Tax Regulatory Agreement or supplement to a Tax Regulatory Agreement and/or similar agreements or certificates. The Tax Regulatory Agreement and/or similar agreements or certificates shall set forth the expected use of and investment of all or any portion of the proceeds of each Note and include such covenants as may be necessary to qualify the interest on all or any portion of each Note for exemption from gross income for federal income tax purposes under the Tax Code and to maintain such exemption. The Executive Director is further authorized to make on behalf of the Authority such elections under the Tax Code with respect to any Note as she may deem to be in the best interests of the Authority after consultation with the Authority's Bond Counsel and Financial Advisor.

9. **Investment of Proceeds.** Notwithstanding anything to the contrary contained in the Authority's Investment Policy, the investment of all monies deposited in any of the funds or accounts established by the Indenture will be governed by the sections of the Indenture related to permitted investments. In addition, the Executive Director is authorized to contract with the Virginia State Non-Arbitrage Program and/or an arbitrage rebate consulting firm to provide investment and/or arbitrage compliance services with respect to the Notes.

10. **Authorization of Further Actions.** Each officer of the Authority is authorized to execute and deliver on the Authority's behalf such other instruments, documents or certificates, and to do and perform such things and acts as he or she shall deem necessary or appropriate to carry out the transactions authorized by this Resolution or contemplated by the Program Documents. Any of the foregoing previously done or performed by any officer of the Authority is in all respects approved, ratified and confirmed.

11. **Effective Date; Termination.** This Resolution shall take effect immediately. The authority to issue Notes pursuant to this Resolution shall terminate on the Program Maturity Date.