

Guidelines Term Sheet for Revenue Based Credits

Purpose:	The Local Government must demonstrate financial need or a resultant improvement in its ability to meet its financial obligations. These guidelines shall not apply to a Local Government seeking to implement a restructuring for covenant purposes where no financial need exists.
Credit Structure:	A restructuring for purposes of these guidelines is defined as any refinancing of existing debt that does not result in present value debt service savings. Such transactions are subject to all Virginia Resources Authority (VRA) policies governing the type of project and credit involved as well as any relevant regulatory or statutory limitations that may exist.
PRMC/Board Approval:	The Executive Director shall seek PRMC and Board approval for restructurings of \$25 million or more for Local Governments with a rating below the Aa3/AA- category. For all other restructurings, the Executive Director in consultation with the Credit Committee may exercise his or her discretion to require PRMC and Board approval.
Rating Requirement:	Where the participation of an unrated local government borrower in a VRA program has the potential to adversely impact the existing public debt rating of a VRA loan program, VRA reserves the right to require that a local government borrower obtain a rating from Moody's and/or Standard & Poor's as a condition of loan approval. VRA may require that a certain rating level be achieved by the borrower as a condition of loan approval if such borrower rating is required to maintain the existing VRA program public debt ratings.
Borrower Concentration:	Where the total existing or proposed debt exposure to any one local government borrower rises to a level where the locality becomes a Material Obligor, as defined in the appropriate VRA program documentation, or such other lesser amount that could impact the existing public debt ratings of a VRA loan program, the Executive Director shall seek PRMC and Board approval prior to authorization of any new debt exposure.
Debt Structure:	<p>A restructuring may not defer or change the amortization of the restructured debt beyond those parameters determined by VRA's bond counsel to be compliant with all statutes, rules and regulations governing such debt.</p> <p>In cases where the restructuring extends the final maturity of the existing debt or increases the average life of the outstanding debt of the Local Government by more than one year, the Local Government must</p>

demonstrate its ability to meet all debt service and rate covenant requirements contained in the financing or loan agreement, where appropriate, by showing that either (A) based on the financial records of the Borrower for any 12 consecutive months period within the last 24 months period prior to the issuance of such Local Bonds, the Local Government generated Net Revenues Available for Debt Service¹ equal to or greater than the maximum annual debt service on all existing, restructured and proposed additional Parity Bonds in the current or any future fiscal year or (B) no later than the second full fiscal year following the restructuring, the projected Net Revenues Available for Debt Service will be (1) sufficient to meet the applicable rate covenant; or (2) adequate taking into account (i) the maximum annual debt service on all outstanding Parity Bonds in the current or any future fiscal year, and (ii) the rates, fees, taxes and other charges which are in effect and any future changes as have been approved by the governing body of the Local Government as of the date of the delivery of the proposed additional Local Bonds.

Guiding Principles for General Fund Supported Credits

Purpose:	The Local Government must demonstrate financial need or a resultant improvement in its ability to meet its financial obligations.
Credit Structure:	A restructuring for purposes of these guidelines is defined as any refinancing of existing debt that does not result in present value debt service savings. Such transactions are subject to all VRA policies governing the type of project and credit involved as well as any relevant regulatory or statutory limitations that may exist.
PRMC/Board Approval:	The Executive Director shall seek PRMC and Board approval for restructurings of \$25 million or more for Local Governments with a rating below the Aa3/AA- category. For all other restructurings, the Executive Director in consultation with the Credit Committee may exercise his or her discretion to require PRMC and Board approval.
Rating Requirement:	Where the participation of an unrated local government borrower in a VRA program has the potential to adversely impact the existing public debt rating of a VRA loan program, VRA reserves the right to require

¹ Net Revenues Available for Debt Service is typically defined in VRA financing and loan agreements as the Revenues less amounts necessary to pay Operation and Maintenance Expenses. The Local Government should review its existing financing or loan agreements for any variances in the defined term.

that a local government borrower obtain a rating from Moody's and/or Standard & Poor's as a condition of loan approval. VRA may require that a certain rating level be achieved by the borrower as a condition of loan approval if such borrower rating is required to maintain the existing VRA program public debt ratings.

Borrower Concentration:

Where the total existing or proposed debt exposure to any one local government borrower rises to a level where the locality becomes a Material Obligor, as defined in the appropriate VRA program documentation, or such other lesser amount that could impact the existing public debt ratings of a VRA loan program, the Executive Director shall seek PRMC and Board approval prior to authorization of any new debt exposure.

Debt Structure:

A restructuring may not defer or change the amortization of the restructured debt beyond those parameters determined by VRA's bond counsel to be compliant with all statutes, rules and regulations governing such debt.

A restructuring shall not put the Local Government in a more adverse financial position or impair its ability to meet future obligations as they come due.

A restructuring shall be considered and reviewed in the context of its impact on the Local Government's future budgets, tax rates and debt ratios with respect to VRA's Tax Supported Evaluation Guidelines including but not limited to:

- Debt Service versus Expenditures;
- Debt Payout Ratio;
- Undesignated Fund Balance versus Total Revenues; and
- Total Debt versus Total Valuation