VIRGINIA RESOURCES AUTHORITY

PORTFOLIO RISK MANAGEMENT COMMITTEE
MINUTES OF THE REGULAR MEETING

The Portfolio Risk Management Committee met on Monday, September 12, 2016, in the Boardroom of the Virginia Resources Authority, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Committee Members present
Dena Frith Moore, Chair
Janet Aylor on behalf of Manju Ganeriwala
David Branscome
Thomas L. Hasty, III (Arrived at 1:05 p.m.)
John H. Rust, Jr.
Valerie Thomson on behalf of David Paylor
William G. O'Brien, Ex Officio

Board Members Present
Barbara McCarthy Donnellan

Staff
Stephanie L. Hamlett, Executive Director/Secretary to the Board
Jean Bass, Deputy Director
Peter D'Alema, Director of Program Management
Shawn Crumlish, Director of Financial Services
Kimberly Adams, Senior Program Manager
Stephanie Jones, Program Manager/Compliance Officer
Catherine O'Brien, Accounting Manager
Joseph Bergeron, Financial Services Manager
Jonathan Farmer, Program Manager
Stephanie O'Neill, Receptionist

Others
Arthur Anderson, McGuire Woods, LLP
Reid Schwartz, Davenport & Company, LLC
Ty Wellford, Davenport and Company LLC
Leah Schubel, Davenport and Company LLC
Clyde Cristman, Department of Conservation and Recreation
Howard Eckstein, Virginia Department of Health
Dr. A. Fletcher Mangum, Mangum Economic Consulting
Steve Pellei, Virginia Department of Health
Walter Gills, Department of Environmental Quality
Megan Gilliland, Christian & Barton, LLP
R. Gaines Tavenner, Christian & Barton, LLP
Roy Fauber, Rockbridge Advocate

Call to Order

Ms. Dena Frith Moore, Chair, called the meeting to order at 1:00 p.m.

Approval of Agenda

There were no additions or deletions to the agenda.

Motion by Mr. Branscome, seconded by Mr. Rust, to approve the agenda as presented.

Portfolio Risk Management Staff Update

Refunding Economic Impact Discussion: Ms. Jean Bass, Deputy Director, explained that the Board adopted the Strategic Plan in March 2015, and the Executive Director defined work elements towards the goals and objectives approved by the Board. A broad goal was to educate and inform. Towards that goal, Ms. Bass stated that VRA sought to document its refunding services and the benefits that accrued to localities as a result of the refunding opportunities provided to localities through VRA's loan programs. She continued that VRA engaged Dr. A. Fletcher Mangum, Managing Partner of Mangum Economic Consulting, to review prior refunding activity and to perform a study of the related economic impacts.

Dr. Mangum stated that to date, VRA has funded more than 1,500 projects in localities across Virginia, representing more than $7.5 billion in local investment. For the purpose of this study, he said, 182 local debt refinancing projects were undertaken by VRA during the 2010–2015 time period. He continued that during this period, Virginia was struggling to recover from the Great Recession which caused falling real estate values that were attributed to the housing collapse which caused Virginia localities to suffer large declines in revenue. At the same time, he explained, banks tightened lending requirements, and most of the third party guarantors of municipal debt transactions pulled out of the market which meant that localities faced significant obstacles in issuing new debt or refinancing existing debt. The action by the banks and bond insurers reduced local government options for accessing the capital markets. VRA, he said, was uniquely able to aid localities with continued market access because of its extensive expertise, flexibility in restructuring payment schedules, ability to issue bonds backed by the Moral Obligation of the Commonwealth, and recently expanded scope of authorized projects.

Dr. Mangum explained that two approaches were used in evaluating the economic and fiscal contribution of VRA's 2010-2015 refinancing efforts. The first approach, he stated, was through case studies that included one-on-one interviews with nine localities. A common element among the localities was that they experienced a contraction of key employment and wage sectors during the 2008-2010 downturn, and by 2010 were suffering large declines in revenue. VRA's refinancing efforts enabled them to mitigate some of the more severe consequences of that situation. The second approach, Dr. Mangum said, is an Empirical Evaluation which uses an IMPLAN analysis of the economic and fiscal impact of the net present value of the debt service savings associated with each of the 182 financing projects. Based on the data used, the total net present value of the future stream of annual debt service savings from the 182 local refinancing projects was $146.2

million. He continued that IMPLAN was used to generate a state-level estimate of the economic ripple effects of household income through the statewide economy. The IMPLAN analysis showed that over the life of the refinanced bonds, the cumulative statewide impact of all 182 projects was equivalent to approximately 1,025 jobs, $48.1 million in labor income, $295.4 million in economic output, and $8.3 million in state and local tax revenue.

Board members said that the findings were quite impressive and hoped they would be shared. The Executive Director thanked Dr. Mangum and stated that the study will be shared with the General Assembly, administration, and others in local government.

Hampton Roads Sanitation District: Mr. Shawn Crumlish, Director of Financial Services, provided a history of the Hampton Roads Sanitation District (HRSD) stating that it was created in 1940 by the General Assembly. It is an independent rate-setting authority serving roughly 25% of Virginia's population with over 465,000 user accounts. Mr. Crumlish explained that HRSD has over $808 million in debt, with senior debt at the AA+ level and the subordinate lien credit ratings at the AA level. Mr. Crumlish continued that HRSD submitted nine Clean Water Revolving Loan Fund (CWRLF) applications to the Department of Environmental Quality (DEQ) for $73.6 million with a subordinate revenue pledge as the offered security. Mr. Crumlish noted that VRA's Subordinate Debt Policy requires the Board of Directors approval of loans not on parity with the senior obligations of a borrower.

In December 2015, he stated, the Board approved the migration of HRSD's existing VRA senior lien loans after certain conditions were met. Since that time, HRSD presented its financial plan to rating agencies, amended the Trust Agreement securing subordinate obligations, disclosed the Subordinate lien as the primary working lien in offering documents, and issued new money and refunding bonds. HRSD has $446.6 million in senior debt and $361.4 million in subordinate debt remaining. Mr. Crumlish shared a chart showing HRSD debt profile as of June 30, 2016. The Series 2016A refunded $145.8 million of principal that was at the senior position and provided $68.9 million to fund new projects.

Mr. Crumlish outlined the nine applications to be submitted to the State Water Control Board (SWCB), noting that an additional 15 applications will be considered with HRSD's loan applications in late September, for a total of $131 million. Mr. Crumlish proceeded with HRSD's credit highlights noting that HRSD's liquidity is strong with unrestricted cash and investment balances totaling about $129 million at Fiscal Year End 2015, and $44.1 million previously restricted for a debt service reserve fund was released in Fiscal Year 2016. Mr. Crumlish emphasized that VRA is only approving security and that the SWCB will approve the project, loan amount, interest rate and term.

Mr. Crumlish interjected, as a point of information only, that there is a potential change to HRSD's Capital Improvement Plan (CIP). HRSD is requesting approval from the U.S. Environmental Protection Agency to change the implementation schedule of the Regional Wet Weather Management Plan (RWWMP). This request is being made because of a proposed $1 billion new project, Sustainable Water Initiative for Tomorrow (SWIFT), which can only be implemented with a change to the RWWMP schedule in order to not impact the existing 20-year financial forecast.

SWIFT will add advanced treatment processes to produce drinking standard quality water in the Hampton Roads area, will provide many benefits, and will require several approvals.

Mr. Crumlish explained that Clean Water Bonds are rated AAA and $1.58 billion in program loans are pledged to pay the $749.6 million in outstanding Clean Water Bonds principal. Credit Quality of the underlying borrowers and concentration are both rating factors and the addition of the $150 million of AA rated debt is beneficial to the credit profile. He referenced the top ten borrowers, noting that they represent 60% of the Clean Water portfolio.

Mr. Crumlish concluded that the staff recommendation is to make loans to HRSD at the subordinate level provided that the existing ratings are not lower than the current ratings, that no senior lien debt is issued which is also a requirement of the migration, adherence to the most recently adopted policies of 2015, and that the new loans will not cost VRA more than 20% of the existing Clean Water program portfolio. He reemphasized that the action being requested does not include the SWIFT program.

Motion by Mr. Rust, seconded by Mr. Hasty, to approve the HRSD new money loans at the subordinate level up to $150 million, subject to the following conditions: existing rates are not lowered; additional senior lien debt is not issued; currently adopted financial policies are adhered to; and new loans do not cause HRSD to become greater than 20% of the existing Clean Water program portfolio.

Motion carried.

Natural Bridge Discussion: Mr. Shawn Crumlish, Director of Financial Services, stated that the Virginia Conservation Legacy Fund (VCLF) loan closed on February 6, 2014 for $9.1 million. The current balance is $7.2 million and all payments are current. The next payment is due October 1, 2016 in the amount of $919,050.00 and will not be paid. However, $375,000 is available with the collateral agent as of August 31; and two prior principal payments were late and current operations are not able to support debt service. The 2016 Acts of General Assembly includes $120,000 each budget year from the general fund to support two positions at Natural Bridge and allows the Department of Conservation and Recreation (DCR) to enter into a management agreement to operate the facilities as a Virginia State Park. The management agreement was drafted by the Office of the Attorney General (OAG). VRA's consent is required in order for VCLF to enter into a Management Agreement. The seven key provisions highlighted by Mr. Crumlish were: (1) Business Plan (2) DCR will operate the gift shop and admissions (3) DCR will reimburse itself for direct costs (4) annual budgets (5) engage a management consultant, if needed, (6) fund a $50,000 reserve, and (7) DCR will provide monthly reporting. The Management Plan has been executed.

Mr. Crumlish continued that the five-year pro forma is based on the average ticket pricing of $8.00 per adult and $6.00 per child. The projection for attendance increases is 24% in year 1 to historical average, 12% in year 2, and 2% thereafter. The Gift shop will be adequately stocked by DCR and will increase sales to historic levels, and the debt service coverage ratio provides a safety margin. He explained the projection and flow of funds noting that there will be a three-year stabilization period to experience actual attendance, merchandise sales, and to fill a $500,000 reserve to be held with a collateral agent under VRA control. Once the operating reserve requirement is achieved, excess funds will be swept to prepay principal or fund planned capital projects.

There was extensive discussion relative to payments and obligations of VCLF, recording of the Natural Bridge restructuring in VRA financials, and VCLF's funding of the capital reserve.

Mr. Clyde Cristman, Director of the Department of Conservation and Recreation, stated that an Operations Committee has been developed composed of DCR and VCLF staff to make decisions relative to repairs or replacements on an ongoing basis. All buildings will be evaluated. He said the Wastewater Treatment Plant is a concern. Mr. Crumlish added that the sources of revenue for Natural Bridge are admissions, merchandise, and food and beverage.

Mr. Crumlish concluded that the staff recommendation is to extend the final loan term by 10 years, provided that an acceptable management agreement between DCR and VCLF is in place and that the October 1 payment of $461,957.00 is received. Mr. Crumlish concluded that the State Water Control Board approves who gets the loan and the interest rate and term.

Mr. Cristman continued that a park manager has been hired, and has been at the park for approximately six weeks. In addition, a Chief Ranger has been hired and is currently transitioning from the police academy. He stated that DCR has gone through a process of transitioning many of the former wage employees at VCLF that met criteria, a hiring process is in place and thus far six new staff have been hired. Mr. Cristman noted that September 24, 2016 is the official opening date for the park. The Governor, state and local officials will be present. The Governor, Mr. Cristman said, will make an encouraging announcement regarding Natural Bridge that will help to enhance the ability to meet revenue projections. Signs will be unveiled and new interstate and welcome signs are being installed.

Mr. Cristman expressed appreciation for the patience of VRA and noted that he is very pleased with DCR management team. Executive Director Hamlett expressed appreciation to Mr. Cristman, Mr. Crumlish, Mr. Joseph Bergeron, Financial Services Manager, and the team that includes Mr. Megan Gilliland and Gaines Tavenner of Christian & Barton and Valerie Thomson and Walter Gill of DEQ.

Motion by Mr. O'Brien, seconded by Mr. Branscome, to approve extension of the VCLF loan to 20 years at an interest rate established by the Department of Environmental Quality and to authorize the Executive Director to execute the necessary documents, subject to receipt of an acceptable Management Agreement between the Department of Conservation and Recreation and the Virginia Conservation Legacy Fund (VCLF) substantially in the form presented by staff and payment of $461,957.00 by VCLF no later than October 1, 2016.

The motion carried.

<u>2016B Virginia Pooled Financing Program (VPFP) Summer Transaction</u>: Mr. Peter D'Alema, Director of Program Management, explained that VRA sold $52.535 million in VPFP bonds in

July funding eight loans on behalf of eight local government borrowers. The bonds included Infrastructure and State Moral Obligation taxable and tax-exempt bonds. The loans financed or refinanced seven of VRA's authorized project areas. He continued that the sale of the bonds occurred during a very favorable interest rate environment, with the True Interest Cost (TIC) being 2.246% and the All-In TIC being 2.500%. The bonds maintained the Aaa/AAA and Aa2/AA ratings. Mr. D'Alema added the Infrastructure Revenue Bonds and all taxable bonds were sold on a negotiated basis and the State Moral Obligation Bonds, tax-exempt, were offered by competitive bid. The Infrastructure Revenue Bonds were offered on a negotiated basis. The underwriters for the negotiated bonds were Jefferies LLC, Senior Manager and Loop Capital Markets, co-managers. UBS was the winner for the competitively bid State MO Bonds. Mr. D'Alema said that the 2016B borrowers refunded a total par amount of $25.3 million for a strong total net present value savings exceeding $2.17 million. The non-VRA debt refunded totaled $16.8 million, while $8.5 million in existing VPFP debt was refunded in the summer pool. Mr. D'Alema highlighted the refunding borrowers, along with the final borrower list including eight borrowers. The VPFP Portfolio, post Series 2016B bonds is $2.39 billion in total borrower local loans outstanding, the top ten borrowers represent 34.2% of overall VPFP portfolio, the largest borrower is 6% of overall VPFP portfolio, and two new borrowers were added to the VPFP portfolio.

Bristol Virginia Utilities Authority (BVUA): Mr. Peter D'Alema, Director of Program Management, explained that BVUA operates a utility system in Southwest Virginia providing electric, water, sewer, and an Optinet system which provides data and telecommunication, telephone, cable and internet services. He continued that there was some controversy in 2014 surrounding BVUA, which resulted in the conviction of nine former employees, board members and vendors of BVUA related to various fraud charges; however, the controversy did not appear to have a material financial impact on BVUA in terms of services. In the meantime, he said, the General Assembly ordered a special audit on BVUA, which has been ongoing for the last several months, and a new board of directors and new executive director currently manage BVUA. While the APA special audit is in process, BVUA continues to negotiate the sale of the Optinet system to Sunset Digital Communications. If the Optinet system is sold, a portion of the proceeds will be used to pay off the Optinet related VPFP debt issued as part of the 2010C Series. VRA staff has provided input and feedback to multiple stakeholders regarding VRA's interpretation of the BVUA local master indenture provisions related to the cable system and the provision of interfund, market-based loans, if needed, to cover debt service shortfalls. VRA staff strongly supports the sale of the Optinet system to a private entity as the best resolution to BVUA's current situation. He stated that the sale would provide for the defeasance of the VPFP debt related to the Optinet system and allow BVUA to focus on water, sewer, and electric services.

Ms. Hamlett explained that Virginia law prohibits municipalities from subsidizing cable with other funds which was historically done by BVUA. She provided an extensive overview of VRA's efforts to inform BVUA of its local indenture requirements related to interfund loans to support the cable system, which are also in line with Commonwealth law.
Mr. D'Alema concluded that the BVUA's board approved a two-step closing process to provide for the initial sale of BVUA Optinet with closing anticipated for the end of the calendar year.

City of Petersburg: Mr. Peter D'Alema, Director of Program Management, explained that concern relative to the City of Petersburg surfaced as a result of the City's 2015 audit which basically revealed significant overspending in the 2015 budget. The City Manager, the City Attorney and Director of Finance are no longer with the City. An interim City Manager has been appointed and she has asked the Commonwealth for administrative technical support. The McAuliffe administration sent some state accounting and finance professionals which included VRA's former Executive Director, Dr. Sheryl Bailey, and representatives from the Inspector General's Office to assess the situation. The state group identified an approximate $12 million budget gap for FY2017. Mr. D'Alema continued that at a City Council meeting held on August 23, 2016, consultants from PFM presented recommendations to obtain a balanced budget in FY2017 that will achieve more than $12 million in budget savings. Of the $12 million recommended savings, approximately $9 million pertained to recommended spending reductions and $3 million pertained to increased tax revenues and other revenues. The City voted to accept the recommendation to achieve the budget savings. At a subsequent meeting the actual plan was approved whereby concrete actions made by the City Council were addressed, and included tax revenue increases, trash collection fees, a 10% pay cut for staff for a twelve-month period, and school funding reductions to the minimum level required by state law. The City has explained that debt-service payments are being prioritized along with payroll. The next payments due are October 1, 2016, and staff is prepared to begin the process to intercept the City's state-aid revenue should that be necessary. He concluded that VRA has five loans with Petersburg, four of which are in the Virginia Pooled Financing Program (VPFP). Three of those VPFP loans are general obligation loans and the fourth is a revenue pledge. The total in outstanding loans is $25.5 million.

Fall 2016C Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, explained that VRA is reviewing eight active applications from potential borrowers for consideration in the fall 2016 VPFP with over $150 million in requested proceeds. The applications cover six of VRA's authorized project areas. He said that VRA conducted due diligence calls and staff has contacted eligible VRA refunding candidates with at least 3% net present value (NPV) savings for possible inclusion in the fall pool. Mr. D'Alema stated that currently five borrowers have been identified with the possible addition of three more for approximately $150 million in proceeds. He highlighted the applicant list covering requested proceeds, project area, project description and security, stating that since the original eight applications, two localities have decided not to remain in the pool and will seek other options. Mr. D'Alema continued that five new exposure loan applications under consideration exceed $10 million in proceeds requested. The fall pool loan requests for new VPFP exposure meet existing underwriting guidelines.

Mr. D'Alema explained that the City of Suffolk is the largest borrower in the Fall pool requesting approximately $100 million, including $18 million in new money for water and sewer related capital projects, plus capitalized interest through FY2018; and approximately $82.5 million in proceeds for an escrow to refund three existing VPFP loans on a matched maturity basis, and to restructure one prior General Obligation issue of the City. He stated that Suffolk's existing VPFP exposure totals 4.55% of VPFP portfolio. Mr. D'Alema continued that after the fall pool, Suffolk's VPFP exposure would total approximately 7% to 8% of the VPFP portfolio. VRA's financial advisory team has indicated that this level of exposure to Suffolk would not adversely affect the

VPFP ratings as Suffolk is a strong credit based on assigned ratings. Mr. D'Alema highlighted security being offered on the loan, term of the loan, noting that $73.07 million in existing par is included in the refunding and $19.31million is existing VPFP debt. He said that the refunding and restructuring seeks to take advantage of the current rate environment to reduce annual debt service requirements over the next five years and limits annual water and sewer rate increases. A chart of the VPFP Series 2016C restructuring summary was shared. Mr. D'Alema concluded stating that pre-closing and closing will take place on November 15 and 16, respectively.

Virginia Airport Revolving Fund (VARF): Mr. D'Alema explained that in August 2016, the Virginia Aviation Board endorsed a $2.05 million loan request to the City of Manassas from the VARF and it is expected to close in October. The loan will be secured by a general obligation pledge of the City and will be used to pay off prior debt used to acquire land at the Manassas Regional Airport. Mr. D'Alema proceeded stating that Leesburg Executive Airport is seeking funding for the construction of new hangar facilities and possible acquisition of an existing hangar facility. Lastly, staff continues to review a potential refunding opportunity for the VARF Series 2007 bonds through a bank direct placement.

VirginiaSAVES Green Community Program (VGCP): Mr. Peter D'Alema, Director of Program Management, stated that there are two pending conduit loan requests for Amherst and Russell Counties for energy efficiency projects for school facilities through the VGCP. VGCP has received a total of $55 million in Qualified Energy Conservation Bond (QECB) allocation from the Commonwealth. He explained that $38.9 million has been allocated to both governmental and non-governmental projects, and VRA has served as a conduit on two loans to date for $12 million. Approximately $16 million in QECB allocation remains available through the VGCP.

Virginia Dam Safety Program: Mr. Peter D'Alema, Director of Program Management, stated that there is a strong partnership between VRA and the Department of Conservation and Recreation (DCR) with the Virginia Dam Safety Flood Prevention and Protection Assistance Fund. In FY2016, VRA disbursed $326,916.00 in grant funding from the 2011-2015 funding cycles. He stated that the 2016 funding cycle grant awards are anticipated to be made by the Soil and Water Conservation Board in fall 2016.

Continuing Disclosure Updates: Mr. Peter D'Alema, Director of Program Management, stated that the FY2016 continuing disclosure efforts have been underway since June 30, 2016. Material obligors in the Pooled Loan Bond Program and Virginia Airport Revolving Fund (VARF) were notified within a week of the Fiscal Year End 2016; however, there were no material obligors in the Virginia Pooled Financing Program (VPFP) or Clean Water State Revolving Fund (CWSRF). Mr. D'Alema further explained that the FY2016 continuing disclosure requirements should be completed by October 2016. He concluded that VRA has not yet received any correspondence from the Securities and Exchange Commission related to the Municipalities Continuing Disclosure Cooperation Initiative.

Amended Shelf Resolutions – Fiscal Year 2017: Mr. Peter D'Alema, Director of Program Management, explained that FY2017 shelf resolutions were adopted at the VRA Board's June 2016 meeting. Since that time, it was determined that amendments were needed to three of the resolutions, namely, the Clean Water State Revolving Fund shelf resolution; the Virginia Pooled Financing Program (VPFP) shelf resolution, and the Refunding shelf resolution.

Mr. D'Alema explained the amendments and recommended approval of the resolutions as amended. The amendments included correcting the federal fiscal year referenced in the Clean Water State Revolving Fund resolution, including reference to the State Moral Obligation Revenue Bonds in the title to the VPFP shelf resolution, and clarifying the signatories that are authorized to sign legal documents under the VPFP and refunding shelf resolutions.

Motion by Mr. Rust, seconded by Mr. Hasty, to recommend to the Full Board approval of the following amended shelf resolutions as presented: Resolution authorizing the issuance and sale of up to $6,000,000 in Clean Water State Match Revenue Bonds for the Fiscal Year ending June 30, 2017; resolution authorizing the issuance of up to $475,000,000 in Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program) for the Fiscal Year ending June 30, 2017; and resolution authorizing the issuance and sale of bonds to refund outstanding bonds.

Motion carried.

The resolutions are attached hereto and made a part hereof.

<u>Portfolio Risk Management (PRM) Reserve</u>: Mr. Peter D'Alema, Director of Program Management, stated that the Unrestricted Net Assets Guidelines were designed to provide a General Reserve, Technology and Efficiency Reserve and Portfolio Risk Management Reserve. The guidelines and related reserves provide additional financial stability to VRA and its programs and ensure that VRA maintains prudent levels of financial resources to mitigate portfolio risk, plan for unexpected expenses, and avoid raising program fees during temporary periods of reduced demand for VRA programs. Mr. D'Alema shared a chart outlining the current methodology for calculating reserves, stating that the target PRM Reserve amount is $11.584 million based on FY2014 data. He stated that the proposed new methodology seeks to stabilize the long-term default loss target over time and uses Standard and Poor's bond insurer credit criteria as the basis for determining "capital charges" associated with loans issued by VRA on behalf of local government borrowers. The previous methodology used outstanding principal for each applicable loan as a basis for determining the default reserve; and the new methodology uses average annual debt service for each applicable loan.

Mr. D'Alema continued highlighting the Capital Charge Assessments under the new methodology, explaining the average annual debt service based on the categories of rated borrowers, and the Loan Monitoring and Compliance Watch List Borrowers at 100% of average annual debt service. He further presented the PRM Reserve target for each level of rated borrowers based on the FY2015 loan portfolio, stating that the target reserve including all applicable loans from the Virginia Pooled Financing Program (VPFP), Pooled Loan Bond Program, Virginia Airport Refunding Fund (VARF), Equipment and Term Financing Program, and stand-alone bond issues would be $18.94 million based on the FY2015 loan portfolio. Mr. D'Alema shared the benefits of the proposed new methodology to include more timely data and ties into the LMCD. Staff was asked to revisit the reserve target based on 80% of the total reserve. Mr. D'Alema shared a snapshot of the Database for FY2016 for the PRM reserve and FY2016 PRM reserve target funding thresholds including Petersburg and BVUA as additions to the watch list.

Mr. D'Alema concluded that staff recommends targeting 80% to 100% of the PRM Reserve target based on the proposed new methodology. Because the PRM Reserve target is a longer goal, VRA's progress toward this goal will be re-evaluated by the PRMC, the Budget Committee, and the full VRA Board not less than biannually.

There was extensive discussion and concern expressed relative to VRA exposure using 100% of watch list borrowers to calculate the PRM Reserve; and the reserve amount.

Motion by Mr. Branscome, seconded by Mr. Rust, that the Committee recommend to the Full Board approval of the proposed new methodology for calculating the PRM Reserve target based on 100% of average annual debt service of all borrowers excluding watch list borrowers.

Motion carried.

Old Business

There were was no old business.

New Business

There was no new business

Public Comment Period

There was no public comment.

Adjournment

Motion by Mr. Branscome, seconded by Mr. Hasty, that the meeting be adjourned.

Motion carried, and the meeting adjourned at 3:37 p.m.

The next meeting of the Committee will be held on Tuesday, December 13, 2016.

Dena Frith Moore, Chair

Stephanie L. Hamlett, Secretary to the Board

VIRGINIA RESOURCES AUTHORITY

BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on September 13, 2016, in the Boardroom of the Virginia Resources Authority, Bank of America Building, Suite 1920, 1111 E. Main Street, Richmond, Virginia.

Members Present
William G. O'Brien, Chair
Thomas L. Hasty, III, Vice Chair
Janet Aylor on behalf of Manju Ganeriwala
David Branscome
Barbara McCarthy Donnellan
John H. Rust, Jr.
Valerie Thomson on behalf of David K. Paylor

Members Absent
Drew Hammond on behalf of Marissa Levine
Randall P Burdette
Dena Frith Moore

Staff Present
Stephanie L. Hamlett, Executive Director/Secretary to the Board
Jean Bass, Deputy Executive Director
Shawn Crumlish, Director of Financial Services
Peter D'Alema, Director of Program Management
Kimberly S. Adams, Senior Program Manager
Joseph Bergeron, Financial Services Manager
Jonathan Farmer, Senior Program Manager
Stephanie Jones, Program Manager/Compliance Officer
Catherine O'Brien, Accounting Manager
George Panos, Loan Servicing Manager
Elizabeth Sakr, Staff Accountant
Stephanie O'Neill, Receptionist

Others Present
Howard Eckstein, Virginia Department of Health
Ty Wellford, Davenport & Company, LLC
Leah Schubel, Davenport & Company, LLC
Reid Schwartz, Davenport & Company, LLC
Michael Cooper, former VRA Director of Administration & Finance
Norman Yoder, Brown Edwards & Company
Joe Hines, Timmons Group

Call to Order

The meeting was called to order by Mr. William G. O'Brien, Chair at 9:01 a.m.

Approval of Agenda

There were no deletions or additions to the agenda.

Motion by Mr. Branscome, seconded by Mr. Rust, to approve the agenda as presented.

Motion carried.

Approval of Meeting Minutes

There were no corrections to the Portfolio Risk Management Committee Meeting Minutes or the Budget Committee Meeting Minutes from the meetings held on June 6, 2016; there were no corrections to the Board of Directors Meeting Minutes from the meeting held on June 7, 2016; there was a correction to the Personnel Committee Meeting Minutes from the meeting held on June 6, 2016, to change Thomas L. Hasty, “Jr.” to “III”.

Motion by Mrs. Donnellan, seconded by Mr. Hasty, to approve the Portfolio Risk Management Committee Meeting Minutes and the Budget Committee Meeting Minutes held on June 6, 2016, and the Board of Directors Meeting Minutes held on June 7, 2016 as presented; and the Personnel Committee Meeting Minutes held on June 6, 2016, as corrected.

Motion carried.

Fiscal Year 2016 Audit

The Executive Director noted that Michael Cooper, former VRA Director of Administration and Finance, now Chief Operating Officer for the Virginia Retirement System, returned to VRA for this meeting of the Board to present the 2016 Audit report. She noted that Mr. Cooper and others from VRA accounting staff worked very hard with the auditors to complete the report. Mr. Michael Cooper, presented the results of the FY2016 audit process and the preparation and finalization of the audited financial statements. Mr. Cooper expressed appreciation to all VRA staff, particular the accounting staff, Catherine O’Brien, Accounting Manager, George Panos, Loan Servicing Manager and Elizabeth Sakr, Staff Accountant. He noted that the audit process was truly a team effort.

Mr. Cooper informed the Board that VRA received an unqualified opinion. He mentioned that there was an increase in assets and liabilities, and the net position resulted in a $44 million increase which is consistent with the past two years and which provides the opportunity to fund reserve requirements, particular the PRM Reserve. He shared statistics that showed the change in net position year over year for the past ten years. These statistics show a $44 million increase in net position consistent with performance for the past three to five years. In addition, he noted, this last fiscal year is the largest in terms of projects financed and the largest in terms of total entities served.

Mr. Cooper introduced Mr. Norman Yoder of Brown Edwards & Company, VRA's Auditor. Mr. Yoder continued the presentation stating that this year is his firm's fourth year performing VRA's audit; he also affirmed that VRA had a clean and unqualified opinion. He proceeded to review the "Letter from the Auditor" which is a required communication. Mr. Yoder explained that, as in the past, there were no difficulties, no disagreements and no significant issues. There was, he stated, one small auditing adjustment relating to bond refundings which regarded deferred cost and whether it was expensed immediately or amortized; however, the adjustment was very immaterial. Mr. Yoder referenced a letter from management signed by Mr. Cooper and the Executive Director. He noted that one element of the audit was different this year. The Auditor of Public Accounts, he said, made a change in procedures that requires auditors to look at disclosure statements filed by the Board and staff that relate to conflicts of interest. He noticed that four statements were filed late. Even though filing of the disclosures is not material and does not require written communication, he encouraged the Board to identify a staff person to check to ensure that forms are filed on time and can be located. Mr. Yoder concluded that he spent some time talking with the finance team about some of the more troubled local borrowers to make sure that the allowance for uncollectable loans is adequate.

Closed Session

The Executive Director recommended that the Board go into closed session pertaining to the audit and a vacant position.

Motion by Mr. Rust, seconded by Mr. Hasty, to enter into a closed meeting in accordance with Section 2.2-3711(A)(1) of the Code of Virginia, as amended, for the purpose of discussion and consideration of the performance of specific public officers, employees or appointees related to the current fiscal year audit process and discussion of specific candidates for the vacant position in the accounting section.

Motion carried. The Closed Session convened at 9:15 a.m.

Open Session

The Open Session reconvened at 9:56 a.m. and the Executive Director read the following resolution:

Whereas, the Board of the Virginia Resources Authority (the "Authority") has on September 13, 2016 received this resolution convened a closed session pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

Whereas, Section 2.2-3712 of the Code of Virginia requires a certification by the Authority's Board that such closed meeting was conducted in accordance with Virginia law;

Now, therefore, be it resolved that the Board of the Virginia Resources Authority does hereby certify that, to the best of each member's knowledge, (i) only the public business matters that were identified in the motion by which the closed session was convened and that were lawfully exempted by the Virginia Freedom of Information Act were discussed in the closed session to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Board.

Motion by Mr. Rust, seconded by Ms. Thomson, that the above resolution certifying closed session be approved.

A roll call vote on the motion resulted as follows:

Ayes: Ms. Aylor, Mr. Branscome, Mrs. Donnellan, Mr. Hasty, Mr. Rust, Ms. Thomson, Mr. O’Brien.

Nays: None.

Absent for Vote: Mr. Burdette, Ms. Moore and Mr. Drew Hammond.

Absent from Meeting: Mr. Burdette, Ms. Moore and Mr. Hammond.

<u>FY2016 Comprehensive Annual Financial Report (CAFR)</u>: Chair O’Brien called for a motion to approve the Fiscal Year 2016 CAFR.

Motion by Mr. Hasty, seconded by Mr. Branscome, to accept the Comprehensive Annual Financial Report, as presented.

Motion carried.

Executive Director's Report

Executive Director Hamlett asked Mr. Joseph Bergeron, Financial Services Manager, to present proposed amendments to the VRA Investment Policy. Mr. Bergeron provided the Board with a memo that included a chart outlining key revisions recommended for inclusion in the Investment Policy, along with a copy of the Policy incorporating the revisions. He stated that though many of the revisions are minor, a few key changes were proposed within the policy regarding internally managed investments and the expansion of Single-A Corporate fixed income securities. Mr. Bergeron further expounded on the following revisions: identification of a secondary investment officer; removal of restrictions that only allow investment in municipal obligations from within the Commonwealth of Virginia; and removal of restriction that allow for investment in corporate notes of only domestic corporations.

In response to Mrs. Donnellan, Mr. Rust, and Mr. Ty Wellford of Davenport & Company, LLC, relative to a list of investment holdings, domestic and non-domestic investments, and the credit rating threshold for corporate notes, Ms. Hamlett stated that the list and discussion of corporate notes can take place at a future meeting. She recommended that the Investment Policy be approved based on the revisions presented and that the Policy be revisited to consider incorporating additional language relative to investments at a future dated.

Motion by Mr. Rust, seconded by Mr. Hasty, to approve the amendments to the Investment Policy, as presented, with the understanding that the Investment Policy will be revisited in the future.

Motion carried.

Ms. Hamlett proceeded with the Executive Director's Report stating that VRA's bond counsel is preparing the necessary documents to request State Aid, if necessary, in connection with the financial challenges facing the City of Petersburg. She indicated that she will be communicating with Secretary of Finance, Ric Brown, and the Governor's office to discuss the importance of the State Aid Intercept mechanism and how it works, not only for VRA, but as well for others with State Aid access.

Committee Reports

Portfolio Risk Management Committee (PRMC): Mr. John H. Rust, Jr., reported on behalf of Ms. Dena Frith Moore, Chair.

Refunding Economic Development Study: Mr. Rust stated that PRMC received a report from Dr. Fletcher Magnum of Magnum Economic Consulting in Richmond. Mr. Rust continued that Dr. Magnum looked at VRA's activities over the last five years. It was noted that VRA has completed over 1,500 projects representing $7.5 billion in investment in the Commonwealth since 1984. To estimate the specific benefits provided by VRA to Virginia localities through recent refundings, Dr. Magnum did a detailed study of 182 refunding transactions undertaken by VRA on behalf of Virginia localities. The study concluded that the 182 refundings completed by VRA generated net present value savings of approximately $142 million, representing the estimated equivalent impact of 1,025 jobs, $48.1 million in labor, and $295.45 in economic development output. Mr. Rust stated that it is very impressive to see how VRA's refunding activities have impacted the Commonwealth. The study will be shared with VRA's stakeholders.

Hampton Roads Sanitation District (HRSD): Mr. Rust explained that HRSD has submitted applications to the Water Control Board for $73.6 million in projects, requesting subordinated revenue liens as opposed to the senior revenue liens that are currently in place on several of HRSD's existing loans. He stated that VRA currently holds over $446 million in senior lien bonds and over $361million in subordinate lien bonds for HRSD. HRSD, he said, is seeking approval to move forward with the requested subordinate debt.

Mr. Rust asked Mr. Shawn Crumlish, Director of Financial Services, to continue the presentation. Mr. Crumlish stated that the subordinate lien is the primary working lien for HRSD going forward. He explained that in December 2015, VRA approved migrating current senior debt down to the subordinate level if certain conditions were met. The potential request for additional funding may alter the timeline of the Regional Weather Plan. He continued that when you look at the overall portfolio, the total weighed average is "A" and adding "AA" subordinate debt from HRSD enhances the credit profile of the Clean Water portfolio. Because HRSD is well managed, the importance of its operations to its regional service area, and it meets the purpose of the Clean Water program, he stated that staff make a recommendation to the PRMC and Board to approve the debt service request.

Motion by Mr. Rust, seconded by Mrs. Donnellan, to approve Hampton Roads Sanitation District (HRSD) new money loans at the subordinate level up to $150 million, subject to the following conditions: existing rates are not lowered; additional senior lien debt is not issued; currently adopted financial policies are adhered to; and new loans do not cause HRSD to become greater than 20% of the existing Clean Water program portfolio.

Motion carried.

Natural Bridge: Mr. Shawn Crumlish, Director of Financial Services, stated the multiple agencies were involved in the effort to make Natural Bridge a state park including VRA, the Department of Conservation and Recreation (DCR), the Department of Environmental Quality (DEQ) and the Virginia Department of Transportation (VDOT), noting that the signage on I-81 was provided by VDOT. Mr. Crumlish stated that DCR entered into a management agreement, as was required by the Virginia General Assembly, with the current owners, Virginia Conservation Legacy Fund (VCLF), to operate the property as a state park. Concerns regarding VCLF's ability to meet payments on VRA loans prompts VRA to consider lowering the debt service payment in the first year of a three-year period and to establish a mandatory reserve fund of $500,000.00. Once the reserve achieves the $500,000 level all excess moneys will be swept or held back for capital improvement projects. VCLF is given three years to reach that level. In year three, $250,000.00 plus funds from year two will be used to pay down principal. Mr. Crumlish concluded that staff recommended to the PRMC that VCLF's loan term be extended.

Motion by Mr. Rust, seconded by Mr. Hasty, that the Executive Director be authorized to execute documents to extend the VCLF loan for a term of 20 years, subject to acceptance of the final management agreement between DCR and the VCLF, and receipt of the October 1, 2016 loan payment of $461,957.00.

Motion carried.

2016B Virginia Pooled Financing Program Summer Transaction: Mr. Peter D'Alema, Director of Program Management, stated that the transaction was very successful. VRA sold $52.535 million in VPFP loans, funding eight loans on behalf of eight local government borrowers. The transaction provided competitive rates for the borrowers and generated significant savings for the refunding borrowers. In addition, he stated that there was discussion relative to the Bristol Virginia Utilities Authority and the City of Petersburg both of which presented challenges. VRA has a plan to address both situations should they turn into payment defaults which VRA does not expect at this point, though it is prepared should a default occur.

Mr. D'Alema explained that it is VRA's expectation that the Optinet system will be sold by the end of the year, and VRA strongly supports the sale. He stated that the proceeds from the sale will be used to pay off a portion of the VPFP 2010C loan that BVUA has with VRA. If the sale does not occur, he said, the management of BVUA and its board understand the requirement of its local indenture to make interfund loans to cover any shortfalls in the cable system operations, including payment of debt service allocable to the cable system.

Mr. D'Alema continued that the City of Petersburg has recently identified efforts to address the estimated $12 million shortfall for their FY2017 budget. He stated that concrete steps have been taken in terms of raising taxes and fees, and eliminating some services that will address the shortfall. He noted that all Petersburg payments are current and the next payment is due on October 1. If the payment is not received, VRA is prepared to make a request to the Governor's Office for state aid.

Fall 2016C Virginia Pooled Financing Program (VPFP): Mr. Peter D'Alema, Director of Program Management, explained that VRA is reviewing six new applications with over $150 million in requested proceeds for the Fall pool. The applications cover six of VRA's authorized project areas. He said that VRA has contacted eligible VRA refunding candidates for possible inclusion in the fall pool. Mr. D'Alema stated that currently four borrowers have committed and are currently seeking local authorization to refund a portion of their prior VPFP loans. He stated that it may be a fairly sizable pool in the $200 million range. The full report of the transaction will be provided at the December meeting.

Virginia Airport Revolving Loan Fund (VARF): Mr. Rust continued the presentation stating that PRMC was briefed on the Virginia Airport Revolving Loan Fund. There is one loan pending, one possible loan prospect, and a potential refunding opportunity.

VirginiaSAVES Green Community Program (VGCP): Mr. Rust stated that staff provided a briefing on the VGCP, noting that two loans have been made at this point to finance energy performance contracts.

Continuing Disclosure: Mr. Rust stated that VRA's disclosures are up to date. He noted that VRA has not yet received any correspondence from the Securities and Exchange Commission relative to the Municipalities Continuing Disclosure Cooperation (MCDC).

Amended Shelf Resolutions – Fiscal Year 2017: Mr. Rust explained that the FY2017 shelf resolutions were adopted at the VRA Board's June 2016 meeting. Since that time, it was determined that minor amendments and clarifications were needed to three of the resolutions, namely, the Clean Water State Revolving Fund shelf resolution; the Virginia Pooled Financing Program (VPFP) shelf resolution, and the Refunding shelf resolution. PRMC, he said, recommends approval of the resolutions as amended.

Motion by Mr. Rust, seconded by Ms. Donnellan, to approve the following amended shelf resolutions as presented: Resolution authorizing the issuance and sale of up to $6,000,000 in Clean Water State Match Revenue Bonds for the Fiscal Year ending June 30, 2017; resolution authorizing the issuance of up to $475,000,000 in Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program) for the Fiscal Year ending June 30, 2017; and resolution authorizing the issuance and sale of bonds to refund outstanding bonds.

Motion carried.

The resolutions are attached hereto and made a part herein.

Portfolio Risk Management Reserve: Mr. Rust stated that the staff and PRMC has had extensive discussions relative to calculating reserves, particularly for the Portfolio Risk Management Reserve. PRMC recommends the new methodology presented by staff, which is based on rating agency bond insurer criteria. Further, the new methodology assigns a 'capital charge' to every loan secured in full or in part by a Capital Reserve Fund. The capital charge is based on a percentage of the loan's average annual debt service and is assessed according to the borrower's underlying / assigned S&P rating as follows:

'AAA' rated borrowers: 3% of average annual debt service

'AA' rated borrowers: 5% of average annual debt service

'A' rated borrowers: 9% of average annual debt service

'BBB' and below rated borrowers: 15% of average annual debt service

Motion by Mr. Rust, seconded by Mr. Hasty, that the proposed new methodology for calculating the Portfolio Risk Management Reserve target be approved, based on the proposed capital charges of all borrowers with loans backed in full or in part by a Capital Reserve Fund.

Motion carried.

Old Business

There is no old business.

New Business

Mr. Branscome thanked Mr. Michael Cooper for the assistance provided to him in navigating VRA activities. He wished Mr. Cooper the best in his new endeavor.

Mr. O'Brien added that all of the board members echo sentiments made by Mr. Branscome. He continued that Mr. Cooper has made significant contributions to the success of VRA programs and its ability to move forward. The Board, Chairman O'Brien said, wishes him well.

Mr. O'Brien noted that VRA has not heard from the Governor's office relative to appointments to the Board of Directors. He stated that the Board and staff appreciates the willingness of the Board members whose terms have expired and have not been reappointed or replaced, yet continue to serve in order to ensure that the administration and operation of VRA are not interrupted.

Public Comment Period

There was no public comment.

Adjournment

Motion by Mr. Hasty, seconded by Mr. Branscome, to adjourn the meeting.

Motion carried.

The meeting adjourned at 10:30 a.m. The next meeting of the Board will be December 14, 2016.

____
William G. O'Brien, Chair

____
Stephanie L. Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY

- RESOLUTION -

AUTHORIZING THE ISSUANCE OF UP TO $475,000,000 IN INFRASTRUCTURE AND STATE MORAL OBLIGATION REVENUE BONDS (VIRGINIA POOLED FINANCING PROGRAM) FOR THE FISCAL YEAR ENDING JUNE 30, 2017

~~June 7~~September 13, 2016

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 "Act"); and

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

WHEREAS, by a resolution adopted by the Board of Directors of VRA (the "Board") on November 13, 2003, VRA established the Virginia Pooled Financing Program (the "Program") and authorized the execution and delivery of a Master Indenture of Trust dated as of December 1, 2003, as previously supplemented and amended (the "Master Indenture"), between VRA and U.S. Bank National Association (as successor in interest to SunTrust Bank), as trustee (the "Trustee"), under which VRA has provided for the issuance from time to time of bonds of VRA for the purpose of purchasing and acquiring local obligations to finance or refinance the cost of any Project, and for such other purposes as may be authorized under and pursuant to the Act; and

WHEREAS, unless otherwise defined, each capitalized term used in this Resolution shall have the meaning given it in the Master Indenture; and

WHEREAS, the Program and the Master Indenture contemplate and authorize VRA's issuance of Infrastructure Revenue Bonds and State Moral Obligation Revenue Bonds and the use of the proceeds thereof to purchase and acquire Local Obligations, with (i) the Infrastructure Revenue Bonds to be secured primarily by revenues derived from the Local Obligations, and (ii) the State Moral Obligation Revenue Bonds to be secured primarily by (A) revenues derived from the Local Obligations (on a subordinate basis to the Infrastructure Revenue Bonds) and (B) a "capital reserve fund" with "moral obligation" support within the meaning of Section 62.1–215 of the Act to the extent provided under the Master Indenture; and

WHEREAS, to further the purposes of the Act and the Program, the Board has determined to authorize VRA to issue one or more Series of Bonds under the Master Indenture in an aggregate principal amount of up to $475,000,000 net of refundings authorized under the VRA refunding shelf resolution dated June 7, 2016 (the "Bonds") at one time or from time to time during VRA's fiscal year ending June 30, 2017; and

WHEREAS, VRA will use the proceeds of the Bonds (i) to purchase and acquire Local Obligations issued or incurred by Localities to finance or refinance qualified Projects, (ii) to provide for any funding of the Capital Reserve Fund necessary or desirable to provide credit support for the Bonds issued as State Moral Obligation Revenue Bonds and any other State Moral Obligation Revenue Bonds heretofore or hereafter issued under the Master Indenture, and (iii) to pay the costs of issuance related to 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 which will contain, among other things, the specific payment and redemption provisions for the Bonds; and

WHEREAS, debt service payments on the Bonds are expected to be made from revenues derived from the Local Obligations and the investment earnings on certain funds and accounts established under the Master Indenture and the Supplemental Series Indentures as provided therein; and

WHEREAS, the foregoing arrangements will be reflected in the following documents, forms of which are on file with VRA: (i) the Master Indenture, (ii) a model Supplemental Series Indenture, to which forms of the Bonds are attached as exhibits, and (iii) model Local Bond Sale Agreements, Local Lease Acquisition Agreements, Financing Agreements and Financing Leases to be used in the acquisition of revenue Local Obligations, general obligation Local Obligations, "double-barreled" Local Obligations and lease Local Obligations (collectively, the "Local Obligation Documents"); and

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. **Authorization of the Bonds**. There is hereby authorized the issuance at one time or from time to time of one or more series of revenue bonds of VRA to be known as the Virginia Resources Authority Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program). Each Series of the Bonds shall bear appropriate Series designations and any Bonds to be issued as a single Series for purposes of the Master Indenture may, for purposes of the related Supplemental Series Indenture and federal tax law, be issued under two or more sub-designations. The Bonds shall be in substantially the forms attached as exhibits to the related Supplemental Series Indenture. VRA shall use the proceeds of the issuance and sale of each Series of the Bonds as described in the Recitals above and in accordance with the Master Indenture and the related Supplemental Series Indenture. 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 within the meaning of Section 2.2-2416(7) of the Code of Virginia of 1950, as amended.

2. **Details of the Bonds**. VRA's Chairman and Executive Director are authorized to determine and approve the final details of each Series of the Bonds, including without limitation, their series designations, dated date, original aggregate principal amount, interest rates, maturity dates, redemption provisions, sale prices, the portions to be issued as Infrastructure Revenue Bonds and State Moral Obligation Revenue Bonds and the principal amount of each maturity; provided, however, that (i) the original aggregate principal amount of the Bonds shall not exceed $475,000,000 net of refundings authorized under the VRA refunding shelf resolution dated June 7, 2016; (ii) the proceeds derived from the sale of the Bonds of any Series that are issued as State Moral Obligation Revenue Bonds, excluding any proceeds derived from any Bonds issued for the purpose of funding the Capital Reserve Fund and proceeds related to the refunding of existing State Moral Obligation Revenue Bonds, shall not exceed 35% of proceeds derived from the sale of all of the Bonds of such Series; (iii) no Series of the Bonds shall have a true interest cost in excess of 7%; (iv) the final maturity any of the Bonds of any Series shall be no later than December 31, 2047. The approval of the Chairman and Executive Director of such details with respect to any Series of Bonds shall be evidenced conclusively by the execution and delivery thereof 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 forms as previous Supplemental Series Indentures presented to this Board. With respect to each Series of bonds authorized under this Resolution, the Chairman ~~and~~ or 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, 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 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 on file with VRA, 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 purchasers thereof upon payment of the purchase price thereof as provided in the related Supplemental Series Indenture.

5. **Sale of Bonds**. At the election of the Executive Director, each Series of Bonds may be sold (i) in a negotiated sale to an underwriter or group of underwriters with demonstrated experience in underwriting municipal securities ("Underwriter") to be selected by the Executive Director in accordance with VRA's previously adopted underwriter selection procedures, (ii) in a private placement to a bank or other institutional investor, or (iii) at public bid to the bidder with the lowest true interest cost to VRA. With respect to each Series of Bonds, the Executive Director is authorized to execute and deliver a bond purchase agreement or similar

agreement with the Underwriter or private placement purchaser, or, if sold at public bid, other appropriate documents with the successful bidder (the "Bid Documents") providing for the sale and delivery of the Bonds upon terms and conditions to be approved by the Chairman and Executive Director within the parameters set forth in paragraph 2 above.

6. **Preliminary Official Statement**. VRA authorizes the preparation of a preliminary official statement, in such form as the Executive Director may approve (a "Preliminary Official Statement"), in connection with the offering of each Series of Bonds authorized hereunder and sold in a public sale. The Executive Director is authorized to deem final each Preliminary Official Statement as of its date for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule") and to approve the distribution thereof. Distribution of a Preliminary Official Statement shall constitute conclusive evidence that it has been deemed final as of its date, except for the omission of such pricing and other information permitted to be omitted, for purposes of the Rule.

7. **Official Statement**. After a public sale of a Series of the Bonds, the Executive Director is authorized and directed to complete the Preliminary Official Statement therefor as an official statement in final form (the "Official Statement") to reflect the final terms and details of the related Series of Bonds and the sale thereof. The Executive Director is authorized to execute each Official Statement, which execution shall constitute conclusive evidence of approval of the Official Statement on behalf of VRA and that it has been deemed final within the meaning of the Rule. The Executive Director is authorized to prepare, execute, publish and distribute any other disclosure or sale documents as the Executive Director deems necessary or appropriate to effect the sale of the Bonds.

8. **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 Capital 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.

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

10. **Approval of Local Obligation Documents**. The Local Obligation Documents in forms on file with VRA are hereby approved for use in providing for the purchase or acquisition of Local Obligations related to the Bonds; provided, however, that the provisions therein may be altered to accommodate different terms agreed to by VRA and the various participating Localities.

11. **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 any Series of Bonds, if applicable, and (iii) execute and deliver on VRA's behalf simultaneously with the issuance of each Series of 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 and Financial Advisor.

12. 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.

13. Interim Financing. Prior to the offering of any Series of Bonds, if market or other conditions are such that the Chairman, in consultation with the Executive Director, determines that it is not advisable to enter into a long-term financing for all or any portion of the purchasing and acquiring of Local Obligations to finance or refinance the cost of any Project, the Executive Director, without further approval of the Board as to documentation or otherwise, may execute, deliver and issue short-term notes of VRA ("Notes") at public or private sale in anticipation of the issuance of any or all Series of Bonds; provided that the aggregate principal amount of the Notes shall not exceed $475,000,000 (less the aggregate principal amount of any previously issued Series of Bonds), the term to maturity thereof shall not exceed five years and the true interest cost thereon shall not exceed 7% and the Notes shall be subject to such other terms and conditions contained in this Resolution to the extent not inconsistent with this paragraph 13. Any of the Notes may be extended or refinanced from time to time by or at the direction of the Executive Director, provided that no extension or refinancing matures later than five years from the date of the original issuance of such Note. The Executive Director is authorized and directed to affix the seal of VRA to such Notes and to attest the seal. The Notes may be secured in the same manner as the corresponding Series of Bonds and may be retired, in the discretion of the Board, from the proceeds of the corresponding Series of Bonds or by means of current revenues or other funds, provided that the maximum amount of the Series of Bonds authorized will be reduced by the amount of Notes retired by means of such current revenues or other funds.

14. 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 VRA is in all respects approved, ratified and confirmed.

15. Amendment and Restatement; Effective Date; Termination. This Resolution amends and restates in full the resolution titled "AUTHORIZING THE ISSUANCE OF UP TO $475,000,000 IN INFRASTRUCTURE REVENUE BONDS (VIRGINIA POOLED FINANCING PROGRAM) FOR THE FISCAL YEAR ENDING JUNE 30, 2017", and shall be effective ~~on July 1, 2016~~immediately. The authority to issue Bonds pursuant to this Resolution shall terminate on June 30, 2017.

VIRGINIA RESOURCES AUTHORITY

- RESOLUTION -

AUTHORIZING THE ISSUANCE AND SALE OF BONDS TO REFUND OUTSTANDING BONDS

~~June 7~~September 13, 2016

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 "Act"); and

WHEREAS, Section 62.1-205 of the Act authorizes VRA to issue refunding bonds to refund any bonds previously issued by VRA; and

WHEREAS, to further the purposes of the Act, the Board of Directors of VRA (the "Board") has determined to authorize VRA to issue bonds from time to time (the "Bonds") to refund, redeem and/or defease outstanding bonds of VRA issued in VRA's Virginia Pooled Financing Program, Pooled Loan Bond Program, Virginia Water Facilities Revolving Loan Fund Program, Virginia Airports Revolving Loan Fund leveraging program and otherwise by VRA to further the purposes of the Act; and

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. **Authorization of Bonds**. The Board determines that it is in the best interest of VRA to authorize the issuance of Bonds to refund, redeem and/or defease all or any of the outstanding bonds of VRA as may be selected by the Executive Director from time to time (the "Refunded Bonds") pursuant to the criteria set forth in this paragraph 1. The outstanding bonds selected by the Executive Director shall be referred to below as the "Refunded Bonds." The Board authorizes the issuance and sale of the Bonds, pursuant to the following terms and conditions: (a) the minimum debt service savings threshold for any series of Bonds shall be not less than three percent (3%) of the par amount of the Refunded Bonds on a present value basis and (b) the final maturity for the Bonds shall not exceed the final maturity for the Refunded Bonds. The Executive Director, in collaboration with VRA's financial advisor (the "Financial Advisor"), is authorized from time to time to review the terms of VRA's outstanding bonds and determine which bonds satisfy the criteria set forth in this paragraph 1. 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 within the meaning of Section 2.2-2416(7) of the Code of Virginia of 1950, as amended.

2. **Determination of Details of Bonds**. VRA's Chairman and Executive Director, either of whom may act, are authorized, subject to the limitations set forth in paragraph

1, to determine the details of the Bonds issued hereunder, including without limitation the aggregate principal amount, the maturity schedule, the interest rates, the redemption provisions, the sale date, the sale price and the reoffering prices. The Bonds may be issued and sold in one or more series from time to time as determined by the Chairman and Executive Director, either of whom may act.

3. Sale of Bonds. VRA's Chairman and Executive Director, either of whom may act, are authorized to solicit and consider, if determined to be desirable, proposals for a negotiated sale of any Bonds (including through a private placement with a bank or other financial institution) authorized hereunder and to negotiate the terms of such sale. The Chairman and Executive Director, either of whom may act, are authorized to execute and deliver a purchase contract or agreement reflecting such proposal.

4. Preliminary Official Statement. VRA authorizes the preparation of a Preliminary Official Statement, in such form as the Executive Director may approve, in connection with the offering of each series of Bonds authorized hereunder. The Executive Director is authorized to deem final the Preliminary Official Statement as of its date for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule") and to approve distribution thereof. Distribution of the Preliminary Official Statement shall constitute conclusive evidence that it has been deemed final as of its date, except for the omission of such pricing and other information permitted to be omitted, for purposes of the Rule.

5. Official Statement. The Executive Director is authorized and directed in collaboration with the Financial Advisor, to complete the Preliminary Official Statement as an official statement in final form (the "Official Statement") to reflect the provisions of the executed purchase contract. The Executive Director is authorized to execute the Official Statement, which execution shall constitute conclusive evidence of approval of the Official Statement on behalf of VRA and that it has been deemed final within the meaning of the Rule. The Executive Director is authorized to prepare, execute, publish and distribute any other disclosure or sale documents as she deems necessary or appropriate to effect the sale of the 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 Capital Reserve Fund or any other reserve fund or account established under the Master Indenture, if she determines such procurement to be in the best interests of VRA.

7. Financing Documents. The Chairman, ~~or~~ Vice-Chairman, or Executive Director are~~is~~ authorized and directed to prepare and execute any indentures, supplemental indentures, escrow agreements and any other documents necessary or desirable to effect the issuance of the particular series of Bonds and the refunding of the Refunded Bonds.

8. Execution and Delivery of Bonds. The Chairman or the Executive Director is authorized and directed to have the Bonds prepared and to execute the Bonds in accordance with the respective supplemental indenture or other authorizing document executed in connection with the Bonds and/or the Refunded Bonds, to deliver them to the trustee for authentication if required and to cause the Bonds so executed and authenticated to be delivered to or for the account of the underwriters, private placement purchasers, or winning bidders upon payment of the purchase price therefor, all in accordance with the executed purchase contract or notice of sale, as appropriate.

9. **Tax Matters**. The Executive Director is authorized and directed to execute and deliver on VRA's behalf simultaneously with the issuance of the Bonds a Tax Regulatory Agreement and supplemental or similar agreements or certificates. The Tax Regulatory Agreement and such other agreements or certificates shall set forth the expected use of and investment of all or any portion of the proceeds of the Bonds and include such covenants as may be necessary to qualify the interest on all or any portion 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 the Bonds as she may deem to be in the best interests of VRA after consultation with VRA's Bond Counsel and Financial Advisor.

10. **Authorization of Further Action.** The Executive Director is authorized to execute and deliver financing agreements, amended financing agreements, bond sale agreements and any other documents or certificates in connection with each locality which previously issued local obligations securing any portion of the Refunded Bonds ("the "Local Obligations"), including any such amendments necessary or advisable in connection with the issuance of the Bonds, the refunding, redemption and defeasance of the Refunded Bonds or the incorporation of such Local Obligations into the Program; provided, however that the provisions of such amendments may not (a) extend the final maturity of any Local Obligations and (b) the security for such Local Obligations may not be reduced unless approved by VRA's credit committee and / or Board of Directors, as applicable based on VRA's underwriting guidelines. 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, the Bonds or the Refunded Bonds (and associated financing documents). Any of the foregoing previously done or performed by any officer of VRA is in all respects approved, ratified and confirmed.

11. **Amendment and Restatement; Effective Date. Termination**. This Resolution amends and restates in full the resolution by the same title adopted on June 7, 2016, and shall be effective on July 1, 2016. The authority to issue Bonds pursuant to this Resolution shall terminate on June 30, 2017.

VIRGINIA RESOURCES AUTHORITY

-RESOLUTION-

AUTHORIZING THE ISSUANCE AND SALE OF UP TO $6,000,000 IN CLEAN WATER STATE MATCH REVENUE BONDS FOR THE FISCAL YEAR ENDING JUNE 30, 2017

~~June 7~~September 13, 2016

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 2016~~7~~ the federal capitalization grant is expected to be approximately $30,000,000; and

WHEREAS, the Commonwealth has not appropriated sufficient funds to cover the State Match required in FFY 2016~~7~~; 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 2016~~7~~; 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 $6,000,000 (the "Bonds") at one time or from time to time during the Authority's fiscal year ending June 30, 2017 and to use the proceeds of such Bonds to provide for the funding of the Commonwealth's State Match for FFY 2016~~7~~ 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 2016~~7~~ 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 $6,000,000; (ii) no Series of the Bonds shall have a true interest cost in excess of 2.5%; and (iii) the final maturity any of the Bonds of any Series shall be no later than December 31, 2018. 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. Amendment and Restatement; Effective Date; Termination. This Resolution amends and restates in full the resolution by the same title adopted on June 7, 2016, and shall be effective immediately. The authority to issue Bonds pursuant to this Resolution shall terminate on June 30, 2017.