

Virginia Pooled Financing Program (“VPFP”) Frequently Asked Questions

1. *Who is eligible to borrow through the VPFP?*

Pursuant to Section 62.1-197 et seq. of the Code of Virginia of 1950, as amended (the “VRA Act”), 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 can borrow funds from VRA through the VPFP.

2. *What are the benefits of borrowing through the VPFP?*

There are many value-added benefits to borrowing through the VPFP, including: “AAA/AA” interest rates, reliable and consistent capital market access, custom-tailored loan structures, economies of scale through shared issuance costs, loan terms up to 30 years, a straightforward and administratively easy loan process, and a highly customer service-oriented VRA staff to assist you from loan application through loan closing.

3. *What types of projects are eligible for financing through the VPFP?*

Under the VRA Act, the General Assembly has authorized VRA to finance capital projects in 18 different areas: public safety, transportation, wastewater, flood prevention and dam safety, solid waste, water, former federal facility development, brownfield remediation, airports, land conservation and recreation, broadband, parks and recreation, local government buildings, energy, site acquisition and development for economic and community development, administrative and operations systems, oyster restoration, defective drywall correction and restoration, and dredging. Loan authorization is subject to credit approval by VRA. Project eligibility is subject to approval by VRA, with the advice of VRA’s bond counsel, and VRA may recommend different financing programs for certain types of projects.

4. *Is capitalized interest available?*

Yes, subject to certain limitations under the VRA Act and IRS regulations.

5. *What is the maximum loan term?*

Project financing is available for up to 30 years through the VPFP, based on the useful life of the asset(s) being financed.

6. *Can a borrower refinance existing debt?*

Yes, if the existing debt financed a qualified project under the VRA Act. See question 3 for a list of eligible projects.

7. *When are loan funds available?*

Loan funds are available for disbursement on and after the closing date of the VPFP bond issuance, upon completion and submission of a loan requisition and supporting invoice

documentation. VPFP bonds are issued, at a minimum, each spring and fall with funds available typically in late May and mid-November.

8. *How are VPFP loans funded?*

VRA obtains funds for borrowers through the issuance and sale of VPFP bonds in the public debt markets. VRA issues bonds, at a minimum, each spring and fall using a senior and junior lien structure under the VPFP master indenture of trust. VRA issues two types of bonds under the VPFP: Infrastructure Revenue Bonds (senior lien) and State Moral Obligation Bonds (junior lien). The senior-lien Infrastructure Revenue Bonds represent approximately 70% of the total bonds issued in each VPFP bond transaction and have a first lien on 100% of the borrower loan repayments. This structure provides approximately 1.43x coverage for all of the Infrastructure Revenue Bonds.

The junior-lien State Moral Obligation Revenue Bonds represent approximately 30% of the bonds issued in each VPFP bond transaction and have a legal claim to the remaining loan repayments, after payment of the VPFP Infrastructure Revenue Bonds. This structure generates 1.00x coverage for all of the State Moral Obligation Bonds. In addition, all of the State Moral Obligation Bonds are supported by the moral obligation of the Commonwealth of Virginia, whereby the Commonwealth has pledged to refill any draws on the Capital Reserve Fund established under the master indenture of trust. The Capital Reserve Fund is pledged only to support the State Moral Obligation Bonds.

9. *Where are loan proceeds invested during the construction / drawdown period?*

While not mandatory, VPFP loan proceeds are typically invested in the Virginia State Non-Arbitrage Program (“SNAP”) during the project construction period. Please visit <https://www.vasnap.com/> for more information on SNAP. VPFP borrowers have the ultimate determination on the investment of loan proceeds during the construction / drawdown period, subject to IRS regulations, as applicable.

10. *What costs are associated with borrowing through the VPFP?*

Fees associated with borrowing through the VPFP include: (1) an upfront fee, payable at closing and equal to 0.125% of the par amount of the loan, and (2) an on-going annual administration fee of 0.125% based on the outstanding loan balance and payable semi-annually. VRA does not assess an upfront fee when refunding existing VRA debt obligations for debt service savings.

VPFP borrowers share the costs of issuance related to the bond issue and include: VRA bond counsel fees, VRA financial advisor fees, printing of the final official statement, electronic posting of the preliminary and final official statement, rating agency fees, trustee and trustee counsel fees, and verification agent fees, if applicable.

After loan closing, VPFP borrowers are assessed annual trustee fees and arbitrage rebate calculation fees, if applicable.

11. *How are interest rates set for VPFP loans?*

When VRA issues VPFP bonds, the interest rates obtained based on the program's "AAA/AA" ratings are passed through to the underlying borrower loans, plus VRA's on-going annual administration fee of 0.125% of the outstanding loan balance.

12. Are interest rates fixed for the life of the loan?

Yes, interest rates on VPFP loans are fixed for the life of the loan.

13. What are the payment dates for VPFP loans?

Local loan payments are made 30 days in advance of VRA VPFP payments, which are made each May 1st and November 1st. VPFP local loan principal is paid annually on each October 1st and interest is paid semi-annually on each April 1st and October 1st.

14. How are credit decisions made with respect to the VPFP?

VRA has an internal credit committee, which meets weekly to discuss and authorize loan requests made by borrowers. The credit committee reviews the in-depth credit analysis completed by VRA staff regarding the loan request within the context of loan underwriting guidelines, which have been approved by VRA's Portfolio Risk Management Committee of the Board of Directors and the VRA Board of Directors. A complete list of VRA's loan underwriting guidelines can be found by visiting: <https://www.virginiaresources.gov/page/policies-&-procedures/>

15. What are the security options for VPFP loans?

VPFP loans are secured through local obligations, which are typically evidenced by local bonds or financing leases. Local bonds are typically issued and secured as general obligation local bonds, revenue local bonds, or double barrel local bonds (consisting of a revenue pledge, supplemented by an additional general or moral obligation pledge of a borrower).

Financing leases include real estate or equipment collateral.

All local obligations are subject to review and approval of VRA and its bond counsel.

16. Can loans be prepaid or redeemed?

VPFP bonds are typically issued with an optional redemption provision beginning ten years after issuance. VPFP borrower loans carry the same redemption provisions as the corresponding VPFP bonds. VRA does research on an on-going basis to determine if any of the various outstanding VRA bond issues are showing savings. When we find that one or more bond maturities are showing savings, we offer the ability to refund / defease VPFP local loans, subject to IRS regulations as applicable.

17. Does a borrower have to be rated by one of the major rating agencies to participate in the VPFP?

Borrowers are not required to have public debt ratings as a prerequisite to borrow from the VPFP; however, where the participation of an unrated borrower has the potential to impact the

existing public debt rating of the VPFP due to loan size or certain other conditions, VRA reserves the right to require that a borrower obtain a rating from Moody's and/or Standard & Poor's as a condition of loan approval.

18. Is continuing disclosure required of VPFP borrowers?

VRA requires annual submission of certain borrower documents for loan monitoring purposes, such as comprehensive annual financial reports and insurance certificates among others; however, continuing disclosure is only required if a borrower's aggregate outstanding debt in the VPFP is equal to or greater than 15% of the total loan obligations outstanding in the program, resulting in the borrower being considered a "material obligor" under the master indenture of trust. There are currently no "material obligors" in the VPFP.

19. What are the current VPFP ratings?

VPFP Infrastructure Revenue Bonds are rated "Aaa" by Moody's and "AAA" by Standard & Poor's. VPFP State Moral Obligation Bonds are rated "Aa1" by Moody's and "AA" by Standard & Poor's.

20. Are VPFP official statements and continuing disclosure documents available?

VPFP official statements and continuing disclosure documents can be accessed by visiting: <https://emma.msrb.org/IssuerHomePage/Issuer?id=24707E02D7364632E053151E6E0ACACC>

21. Is there a maximum or minimum amount that can be borrowed?

The authorization of a VPFP loan is primarily driven by a borrower's debt capacity and project affordability. There is no specific loan maximum to the extent a borrower's VPFP debt exposure does not have an impact on VRA's program ratings or significantly impair the moral obligation debt capacity extended to VRA by the Commonwealth of Virginia.

Due to the costs associated with issuing bonds in the public debt markets, VPFP loans of less than \$750,000 may not provide the most cost effective means of financing. Please contact VRA about your specific project needs for more details.

22. Where are the applications for the VPFP located?

Online applications and downloadable application materials can be found by visiting <https://www.virginiaresources.gov/page/virginia-pooled-financing-program/> or by contacting Peter D'Alema, Director of Program Management at 804-616-3446 or pdalema@virginiaresources.org, Kim Adams, Program Manager at 804-616-3449 or kadams@virginiaresources.org, or Jon Farmer, Financial Analyst at 804-616-3447 or jfarmer@virginiaresources.org.

23. What are the application deadlines for VPFP transactions?

Application deadlines for the VPFP can be found by visiting: <https://www.virginiaresources.gov/page/virginia-pooled-financing-program/>

The VPFP application deadline for the spring pooled transaction is typically the first Friday in February, and the VPFP application deadline for the fall pooled transaction is typically the first Friday in August. Applications are typically accepted through May 1st when VRA offers a summer transaction.

24. How long is the process between loan application and loan closing?

VPFP loans typically close within 120 days of the application deadline.

25. What is the general process between loan application and loan closing?

The primary activities between VPFP loan application and loan closing typically include:

- Upon receipt of a VPFP application, VRA coordinates a due diligence conference call or meeting with the borrower's financing team (i.e. local bond counsel, local financial advisor, etc.). The due diligence conference call will discuss the project to be financed and VRA's financing schedule for the transaction.
- VRA staff will then complete the credit analysis related to the borrower's loan request and make a security recommendation to VRA's credit committee, and if applicable, VRA's Board of Directors.
- Subject to loan approval by VRA's credit committee, a term sheet will be provided to the borrower related the funding request.
- The borrower's local bond counsel will draft a resolution / ordinance, authorizing the borrower to participate in the VPFP financing.
- Upon approval of the authorizing resolution / ordinance by the borrower's governing body, the borrower will enter into the primary financing document related to the VPFP loan (typically in the form of a Local Bond Sale and Financing Agreement or Local Lease Acquisition Agreement and Financing Lease).
- VRA sells the VPFP bond issue on a negotiated or competitive basis in the public bond markets and allocates the proceeds of the bond issue to the local loan participants within the loan pool. Interest rates are fixed through the final maturity once the bond sale is completed.
- VRA staff and its financing team coordinate the VRA and local loan closings within two to four weeks of bond pricing.
- Loan proceeds are available for disbursement to localities as of the VPFP closing date.

26. Whom may I contact with a specific question about my potential project?

Loan inquiries can be submitted by visiting <https://www.virginiaresources.gov/page/virginia-pooled-financing-program/> or by contacting Peter D'Alema, Director of Program Management at 804-616-3446 or pdalema@virginiaresources.org, Kim Adams, Program Manager at 804-616-3449 or kadams@virginiaresources.org, or Jon Farmer, Financial Analyst at 804-616-3447 or jfarmer@virginiaresources.org.