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In conjunction with the financing of local projects utilizing a revenue pledge, Virginia Resources Authority (“VRA”) finances projects on parity with the senior debt obligations of the borrower except under conditions approved by the VRA Board of Directors.

For these purposes, the obligations of the borrower are determined to be any obligations which are paid from the revenue stream pledged including senior-lien debt, subordinate-lien debt, parity obligations, revenue-backed debt supplemented by a general obligation pledge (double-barrel), notes and other such debt of any type.

Subsequent to review by the Portfolio Risk Management Committee, the VRA Board of Directors may take the following factors into account when considering approval of a subordinate-lien pledge as loan security:

- A. Reasonable justification for VRA accepting a subordinate pledge;
- B. Current ratings on the borrower’s long-term senior and/or subordinate-lien revenue debt, if applicable;
- C. Existing debt profile;
- D. Adherence to borrower’s established financial policies, if applicable;
- E. Historic and projected debt service coverage;
- F. Historic and projected growth in system users and related revenues;
- G. Additional security enhancements or collateral, including but not limited to a moral obligation pledge or other security enhancement;
- H. Demonstration by the borrower that its lowest level of state aid budgeted in the current fiscal year or received in each of the previous three fiscal years has been not less than 200% of the maximum annual future debt service of the borrower including any general obligation debt or other debt of the borrower subject to any state aid intercept provisions and taking into account issuance of the proposed debt and any other debt planned by the borrower during the next succeeding five year period;
- I. Other terms and conditions as VRA shall deem necessary, with the understanding that subordinate-lien debt of the borrower will not necessarily entitle the borrower to the same terms and conditions that would otherwise apply to senior-lien obligations.