

**APPENDIX A
to the Bond Sale Agreement**

STANDARD TERMS AND CONDITIONS

Described below are terms of the local school bonds which must be embodied in your bond resolution and bond form and other conditions which must be met in order for VPSA to purchase your local school bonds on the Closing Date. VPSA will not purchase local school bonds unless and until such terms are present in the related bond resolution and bond form adopted by your governing body and such conditions are met.

Interest and Principal Payments

Your bonds will bear interest from the Closing Date¹ set forth in the Bond Sale Agreement and will mature on July 15 of the years and in the amounts as established by VPSA. Your bonds will bear interest payable in installments due semiannually on January 15 and July 15. The first interest and principal installments will be payable on July 15, 2013. The principal installments of your bonds will bear interest at rates 5 basis points (0.05%) above the actual rates on VPSA's Bonds with corresponding principal payment dates.

Payment

For so long as VPSA is the registered owner of your bonds,

- (i) the paying agent and bond registrar therefor shall be a bank or trust company qualified to serve as such, and
- (ii) all payments of principal, premium, if any, and interest shall be made in funds that shall be immediately available to VPSA on or before 11:00 A.M. on the applicable interest or principal payment date, or date fixed for prepayment or redemption, or if such date is not a business day for banks in Virginia or for the Commonwealth, then on or before 11:00 A.M. on the business day next succeeding such scheduled due date. Overdue payments of principal and, to the extent permitted by law, interest shall bear interest at the applicable interest rates on your bonds.

¹ See the Endnotes on page A-5.

Prepayment or Redemption

Bonds will be subject to redemption at the option of your governing body, subject to the consent of VPSA or other registered owner. Your bond resolution shall provide for prepayment or redemption as follows:

The bonds maturing after July 15, 2022 are subject to optional prepayment or redemption prior to maturity by the issuer, from any available moneys, in whole or in part, on any date on or after July 15, 2022, at the following prepayment or redemption prices, plus accrued interest to the date fixed for prepayment or redemption:

<u>Dates</u>	<u>Price</u>
July 15, 2022 through July 14, 2023	101%
July 15, 2023 through July 14, 2024	100½
July 15, 2024 and thereafter	100

Provided, however, that the bonds shall not be subject to prepayment or redemption prior to their respective maturities except with the prior written consent of the registered owner.

Notice of any such prepayment or redemption shall be given to the Authority, in its capacity as the registered owner, by registered mail at least 60, but not more than 90, days prior to the date fixed for prepayment or redemption.

Security

Your bonds must constitute valid and binding general obligations for the payment of which the full faith and credit of the local unit are irrevocably pledged, and all taxable property within the boundaries of the local unit must be subject to the levy of an ad valorem tax, over and above all other taxes and without limitation as to rate or amount, for the payment of the principal of, and premium, if any, and interest on the bonds to the extent other funds of the local unit are not lawfully available and appropriated for such purpose.

Tax Matters

You shall complete the Questionnaire attached hereto as Appendix D to the Bond Sale Agreement and send it along with the Bond Sale Agreement for receipt by VPSA no later than the close of business on October 12, 2012 to Richard A. Davis, Public Finance Manager, Virginia Public School Authority, either at P.O. Box 1879, Richmond, Virginia 23218-1879 or if delivered by hand to the James Monroe Building- 3rd Floor, 101 N. 14th Street, Richmond, Virginia 23219. You shall execute the Use of Proceeds Certificate in the form provided in Appendix C attached to the Bond Sale Agreement for receipt by VPSA at least three business days prior to the Closing Date.²

No Composite Issue

You will covenant not to sell, without VPSA's consent, any general obligation bonds during the period beginning 15 days prior to and ending 15 days after the VPSA Sale Date. As noted in the Bond Sale Agreement, the VPSA Sale Date is expected to be in late October 2012 but, subject to market conditions, may occur any time between October 12, 2012 and December 31, 2012.

Binding Commitment

Subject to the satisfaction of the conditions in Section 4 of the Bond Sale Agreement, the Bond Sale Agreement shall constitute a binding commitment of the Local Issuer to sell its Local School Bonds to VPSA as of the later of the VPSA Sale Date and the date the Local Issuer executes the Bond Sale Agreement.

Request and Consent of County School Board³

Before the governing body of a County adopts the bond resolution, the County School Board must **first** request, by resolution, the governing body to take such action. The County School Board must also consent to the issuance of bonds by the County. (See form of resolution in Appendix E attached hereto.)

² *VPSA requires that the Use of Proceeds Certificate be executed separately from the tax certificates prepared by your bond counsel. Your bond counsel may also prepare one or more tax certificates that contain some information found in the Use of Proceeds Certificate in addition to information such as your reasonable expectations as to meeting the requirements to any of the rebate exceptions.*

³ *Not applicable to cities and towns. (Section 15.2-2640, Code of Virginia)*

Public Hearing and Notice

Before the final authorization of your issuance of the bonds by the governing body, the governing body must hold a public hearing on the proposed issue unless the issuance of such bonds has been approved at referendum. The notice of the hearing, meeting the requirements of Section 15.2-2606, Code of Virginia 1950, as amended, must be published once a week for 2 successive weeks (notices at least 7 days apart) in a newspaper published or having general circulation in your locality. The public hearing may not be held less than 6 nor more than 21 days after the date the second notice appears in the newspaper. In addition, the public hearing requirement of § 15.2-2606 of the Virginia Code was recently amended. **Pursuant to Chapter 590, 2011 Virginia Acts of Assembly, the public notice must state the proposed use of the proceeds of the bond issue and, if there are multiple proposed uses, must state the proposed uses for which more than 10 percent of the total bond proceeds are expected to be used.**

Delivery

VPSA will accept delivery of your bonds only in the form of a single, typewritten, temporary bond, in registered form, payable to VPSA. The form of the bond is included as Exhibit A to the resolution in Appendix B to the Bond Sale Agreement. On 20 days written notice from VPSA, you agree to deliver, at your expense, in exchange for the typewritten bond, on one or more occasions, one or more temporary bonds or definitive bonds in marketable form and, in any case, in fully registered form, in denominations of \$5,000 and whole multiples thereof, and having the same aggregate principal amount and accruing interest at the same rates as the bonds surrendered in exchange, as requested by VPSA.

Comprehensive Annual Financial Report

Annually for the life of your bonds, you will be required to submit a copy of your locality's Comprehensive Annual Financial Report ("CAFR") or annual audited financial statements to the rating agencies referenced below:

Moody's Investors Service, Inc.
Public Finance Department
Attention: Robert Kurtter
7 World Trade Center at 250 Greenwich Street
New York, New York 10007

Fitch Ratings
One State Street Plaza
Governmental Finance
Attention: Richard J. Raphael
New York, New York 10004

ENDNOTES

- 1 If VPSA does not purchase your local school bonds on the Closing Date due to your fault, VPSA will invest, in demand or overnight investments, the amount of its bond proceeds to be used to purchase your local school bonds. If you cure your failure to deliver your local school bonds within the sixty (60) day period following the Closing Date, VPSA will purchase your local school bonds and your bonds will bear interest from the date of delivery and payment or other date satisfactory to VPSA. You will, however, be required to pay to VPSA at your actual closing an amount equal to the positive difference, if any, between (A) the amount of interest that would have accrued on your local school bonds from the Closing Date to your actual closing date and (B) the lesser of (i) the amount of interest income VPSA was able to earn, during such period, from the investment of its bond proceeds pending their use to purchase your bonds and (ii) the arbitrage yield on VPSA's Bonds.