COMMONWEALTH OF VIRGINIA

Department of the Treasury

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February 1, 2013

MEMORANDUM

TO: Local Issuer's Bond Counsel Distribution List

FROM: Janet A. Aylor
Assistant Director of Debt Management

SUBJECT: Virginia Public School Authority ("VPSA") School Financing Bonds (1997 Resolution) Series 2013 Spring Pool

The draft of the Bond Sale Agreement (the "BSA") can be found on the Department of Treasury website on the Internet at the address listed below. The BSA and Appendix D thereto are to be filed with VPSA at the address indicated in the BSA no later than **April 12, 2013. Please utilize an overnight delivery service to ensure timely arrival. The closing date will be on or about May 9, 2013**.

The electronic information package, including all form documents, is available at the Department of Treasury home page on the Internet at:

http://www.trs.virginia.gov/Debt/vpsa_bondsaleagrmt.aspx

VPSA structures its financings with a goal of purchasing each locality's bonds for a price substantially equal to the amount of proceeds the locality has requested. This method of structuring is intended to ensure that the purchase price VPSA pays will finance projects adequately while, at the same time, accommodating the range of maturities and amortization schedules requested by the participating localities. As in prior transactions, actual market conditions will be evaluated in the pricing and sizing of the transaction and VPSA expects to resize, to the extent permitted, the par amount of local school bonds on the VPSA sale date. For example, if a locality's requested loan maturity and amortization schedule results in a local school bond that is valued at a price of par plus a premium, VPSA intends to reduce the par amount of such bond to the extent required to provide proceeds approximately equal to, but not

less than, the amount of proceeds requested (the amount of proceeds requested by a locality is referred to herein as the "Proceeds Requested"). Conversely, if a locality's requested loan maturity and amortization schedule results in a bond that is valued at a price of par less a discount, VPSA is willing, at your request, to increase the par amount of such bond by the amount required to generate the proceeds requested. To do so the locality must authorize additional bonds in excess (up to 5%) of the amount of Proceeds Requested.

In general, VPSA expects to downsize the par amount of bonds with relatively more rapid amortization schedules (shorter maturities, level principal) and to upsize the par amount of bonds with relatively slower amortization schedules (deferred principal, longer maturities, level debt service). **Because VPSA cannot predict the coupon structure of the winning bid, VPSA requests that each locality authorize a "not to exceed" or "up to" principal amount of bonds that is sufficiently in excess of the amount of Proceeds Requested. If a locality's bond structure results in a discount purchase price and no bonds in excess of the Proceeds Requested have been authorized by the locality's bond resolution, the resulting purchase price paid will reflect the discount and result in a purchase price less than the Proceeds Requested.**

The Bond Sale Agreement and resolution anticipate this sizing approach. First, in the header section on the first page of the Bond Sale Agreement, there are two separate entries for dollar amounts, "Maximum Authorized Par Amount" and "Proceeds Requested". The Maximum Authorized Par Amount should equal the Proceeds Requested plus a cushion of up to 5%. VPSA and its financial advisor will be pleased to assist you in quantifying an appropriate cushion. Second, the Bond Sale Agreement and bond resolution do not include a purchase price parameter as a percentage of par. Rather, the purchase price is to be "substantially equal" to the Proceeds Requested except in the cases where issuing at the maximum authorized amount would not be sufficient to generate the Proceeds Requested. In instances where a discount would be paid, bracketed language is included in the bond resolution for a minimum purchase price parameter as a percentage of proceeds requested, if such a figure is required the locality and its bond counsel should consult with VPSA and its financial advisor in developing the parameter. An acknowledgment relating to the possibility of receiving a discount is included in the Bond Sale Agreement. Third, the resolution includes certain recitals (similar to the acknowledgments in the Bond Sale Agreement), which explain sizing adjustments and VPSA's objective to pay a purchase price that reflects the market value for the local school bonds.

Several years ago, the Local Issuer transcript delivery requirement was modified in the Bond Sale Agreement. Counsel for Local Issuers are now required to send one original transcript to Sidley Austin LLP.

Please ensure that the minutes for any resolution/ordinance taken by your school board and board of supervisors/council list, by name, each board/council member voting, and the

member's vote (or abstention). The Virginia Supreme Court in Town of Madison v. Ford held that the minutes of the town council's meeting stating that all members were present and that the motion to adopt ordinance carried unanimously, were **insufficient** to comply with Article VII, Section 7 of the Virginia Constitution. That provision states, "On final vote on any ordinance or resolution, the name of each member voting and how he voted shall be recorded." The forthcoming Bond Sale Agreement resolution forms will accommodate this requirement.

Please note when accessing the electronic information on the website that there are *three* versions of Appendix C (Use of Proceeds Certificate). Please complete the applicable version (New Money, Current Refunding or New Money and Current Refunding) as it applies to your client's situation.

At the VPSA Board meeting on March 28, 2013, the Board will consider approval of the applications received from localities interested in participating in the financing. Applications are being reviewed and approval of funding amounts is expected on that date. If approved, localities and their counsel will be notified of their anticipated funding amount. If not approved, you will be notified as soon as possible following the Board meeting. If you have any questions about the BSA, or need assistance, please call me at (804) 786-2082 or Melissa Palmer at (804) 225-4926.

JAA:mwp
Attachments

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