

PROCEEDS AGREEMENT

**Respecting the Custody, Investment, and Disbursement
of Proceeds of Local School Bonds Purchased by the
Virginia Public School Authority with the Proceeds of Its**

**\$ _____
School Financing Bonds (1997 Resolution)
Series 2021C**

Dated November ___, 2021

Among

**Virginia Public School Authority
M&T Bank
PFM Asset Management LLC**

and

[Localities]

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Recitals.....	1
Section 2. Definitions.....	3
Section 3. Disposition of VPSA Bond Proceeds	9
Section 4. Establishment of Accounts	10
Section 5. Disposition of Local School Bond Proceeds	10
Section 6. Investment of Principal Subaccount	10
Section 7. Disbursements from Principal Subaccount.....	11
Section 8. Investment of Income Subaccount.....	11
Section 9. Income Subaccount.....	11
Section 10. Investment Losses.....	13
Section 11. Rebate Computations	14
Section 12. Transfers to Income Subaccount.....	15
Section 13. Disposition of Excess Proceeds, Yield Restriction and Yield Reduction Payments.....	15
Section 14. Rebate Payments; Yield Reduction Payments; No Penalty Election.....	16
Section 15. Duties of VPSA.....	17
Section 16. Duties of the Depository	17
Section 17. Duties of Localities	18
Section 18. Responsibilities of the Investment Manager.....	19
Section 19. Costs.....	19
Section 20. Opinions of Counsel	20
Section 21. Amendment.....	20
Section 22. Notices	21
Section 23. No Third Party Beneficiaries	22
Section 24. Severability	22
Section 25. No Personal Liability	22
Section 26. Applicable Law	23
Section 27. Counterparts.....	23
Section 28. Effective Date; Term.....	23

PROCEEDS AGREEMENT
Respecting the Custody, Investment, and
Disbursement of Proceeds of Local School
Bonds Purchased by the Virginia Public School
Authority with the Proceeds of Its

\$ _____
School Financing Bonds (1997 Resolution)
Series 2021C

This **PROCEEDS AGREEMENT**, dated November __, 2021 (this "Agreement"), is among the **VIRGINIA PUBLIC SCHOOL AUTHORITY**, a public body corporate and instrumentality of the Commonwealth of Virginia ("VPSA"), and the _____ counties and _____ cities that are signatories to this Agreement (collectively, the "Localities", and each a "Locality"), **M&T BANK**, a New York banking corporation, having an office in Falls Church, Virginia, and **PFM ASSET MANAGEMENT LLC**, a corporation organized under the laws of Delaware and having an office in Harrisburg, Pennsylvania. All capitalized terms used herein shall have the meanings given to them in Section 2 hereof.

The parties hereto agree and covenant as follows:

Section 1. Recitals.

A. On or before October __, 2021, VPSA and each of the Localities entered into a Bond Sale Agreement, pursuant to which each Locality agreed to sell, and VPSA agreed to purchase each Local School Bond.

B. On October __, 2021 (the "Sale Date"), VPSA awarded the VPSA Bonds at competitive bidding to _____ (the "Purchaser"). The Purchaser is obligated by the terms of its bid to pay the purchase price for the VPSA Bonds on November __, 2021 (the "Closing Date"). VPSA will apply certain of the proceeds of the sale of the VPSA Bonds to purchase the Local School Bonds on the Closing Date. VPSA will also apply certain of the proceeds of the sale of the

VPSA Bonds, together with other available funds, to pay any accrued interest on and certain costs of issuance of the VPSA Bonds.

C. The Internal Revenue Code of 1986, as amended (as more particularly defined below, the "Code"), imposes requirements on VPSA and the Localities selling their Local School Bonds to VPSA that must be met if interest on the VPSA Bonds is to be excludable from gross income for federal income taxation under Section 103 of the Code, including arbitrage yield restriction and rebate requirements of Section 148 of the Code.

D. VPSA has determined that in order to fulfill its representations respecting the maintenance of the excludability of the interest on the VPSA Bonds from gross income for federal income taxation under Section 103 of the Code, VPSA must establish a mechanism to provide accountability for the custody, investment and disbursement of the proceeds of the Local School Bonds, which for purposes of the Code continue to be proceeds of the VPSA Bonds.

E. It is the purpose of this Agreement to enable VPSA (i) to fulfill its representations mentioned in the preceding subsection; (ii) to subject the proceeds of the Local School Bonds to the constraints of the Code affecting the investment of the proceeds of Tax-Exempt Bonds, to achieve the optimum, practicable income by the professional management of the investment and reinvestment thereof; (iii) to provide for the custody, investment and disbursement of the proceeds of the Local School Bonds, and for the maintenance of appropriate records thereof; (iv) to meet the rebate requirement imposed on the VPSA Bonds by Section 148(f) of the Code, in part through the payment of the Locality Rebate Requirement by each of the Localities; and (v) to provide for the allocation and payment of the costs associated with the establishment and maintenance of this Agreement.

F. The purposes set forth in the preceding subsection E shall be accomplished through SNAP. The proceeds of the Local School Bonds shall be invested in accordance with the Information Statement, this Proceeds Agreement and the Related Tax Agreements.

Any statements of facts contained in these recitals pertaining to the sale of the VPSA Bonds and the application of such proceeds, other than the purchase of the Local School Bonds, will not be deemed to be made by the Localities except to the extent they have knowledge of such facts.

Section 2. Definitions.

In addition to the words and terms elsewhere defined in this Proceeds Agreement including the Exhibits attached hereto, the following words and terms shall have the following meanings:

"Aggregate Localities Rebate Requirement" shall be the amount calculated pursuant to the Letter Agreement.

"Agreement" or "Proceeds Agreement" shall mean this Proceeds Agreement, dated November __, 2021, among VPSA, the Localities, the Depository and the Investment Manager.

"Authorized Representative" shall mean, as applied to VPSA, the Depository, the Investment Manager and the Localities, the person or each of the persons thereby designated, from time to time, in accordance with and as listed on the page of this Agreement executed by such party.

"Available Construction Proceeds" shall mean, as applied to each Locality, the sum of (i) the amount initially deposited to the Principal Subaccount of such Locality pursuant to Section 5 hereof, and (ii) the investment earnings thereon, reduced by the amount of issuance costs financed by such Locality's Local School Bond. If the Locality has made the Bifurcation Election on its signature page, "Available Construction Proceeds" shall mean the sum of the amount set

forth on the signature page as the portion of the issue used for construction and the investment earnings thereon, reduced by the amount set forth on the signature page as allocable to issuance expenses.

"Bifurcation Election", with respect to each Local School Bond, shall mean the election made by the Locality to treat a portion of the VPSA Bonds allocable to the portion of its Local School Bond used for construction as a separate issue pursuant to Section 148(f)(4)(C)(v) of the Code for purposes of qualification for the Two-Year Exception.

"Bond Sale Agreements" shall refer to the respective Bond Sale Agreements, dated on or about October __, 2021, between VPSA and each Locality.

"Capital Expenditure" shall mean any cost of a type that is properly chargeable to a capital account (or would be so chargeable with (or but for) a proper election or the application of the definition of "placed in service" under Treasury Regulation Section 1.150-1(c)) under general federal income tax principles, determined at the time the expenditure is paid.

"Capital Project" shall mean all Capital Expenditures, plus related working capital expenditures to which the de minimis exception provided by Section 1.148-6(d)(3)(ii)(A) of the Treasury Regulations to the proceeds-spent-last rule applies, that carry out the governmental purpose of the Local School Bond.

"Code" shall mean the Internal Revenue Code of 1986, as amended, as in effect upon the issuance of the VPSA Bonds and the regulations of the United States Department of the Treasury promulgated thereunder as in effect upon the issuance of the VPSA Bonds.

"Computation Date" shall mean each of the Installment Computation Dates and the Final Computation Date.

"Contract" shall mean the Contract respecting the Virginia State Non-Arbitrage Program, between the Treasury Board of the Commonwealth of Virginia and the Investment Manager, including the Depository Agreement appearing as Exhibit A thereto.

"Depository" shall mean M&T Bank, a New York banking corporation and having an office in Falls Church, Virginia, and its future successors and assigns under the Depository Agreement.

"Depository Agreement" shall mean the Depository Agreement appearing as Exhibit A to the Contract.

"Eighteen-Month Exception" shall mean the exception to the Rebate Requirement provided by Treasury Regulation Section 1.148-7(d).

"Final Computation Date" shall mean the date the last bond that is part of the issue of the VPSA Bonds is discharged.

"Gross Proceeds" shall have the meaning given to such term in the Related VPSA Tax Agreement.

"Income Subaccount" shall mean the Income Subaccount established pursuant to Section 4 of this Proceeds Agreement for each Locality.

"Income Subaccount Set Aside" shall have the meaning given to such term by Section 9(B) of this Agreement.

"Individual Portfolio" shall have the meaning given to such term in the Information Statement.

"Information Statement" shall mean the current Information Statement describing SNAP, as the same may be supplemented and amended.

"Installment Computation Dates" shall mean November __, 2026, and each fifth (5th) anniversary date thereafter.

"Investment Manager" shall mean the investment manager of SNAP and its successors and assigns, on the Closing Date being PFM Asset Management LLC, a corporation organized under the laws of Delaware and having an office in Harrisburg, Pennsylvania.

"Investment Report" shall have the meaning given to such term in Part A of the Letter Agreement.

"Letter Agreement" shall mean the Letter Agreement, dated the date hereof, attached to this Agreement as Exhibit C.

"Local School Bond" shall mean general obligation school bond of a Locality having the terms and provisions required by the Bond Sale Agreement.

"Locality" or "Localities" shall have the meaning accorded to such term by the first paragraph of this Agreement.

"Locality Rebate Requirement", with respect to each Locality, shall mean the amount payable to the United States Department of Treasury calculated pursuant to the Letter Agreement.

"Principal Subaccount" shall mean the Principal Subaccount established pursuant to Section 4 of this Proceeds Agreement for each Locality.

"Proceeds Account" shall mean, with respect to each Locality, its account by that name established under Section 4 of this Proceeds Agreement.

"Rebate Calculation Agent" shall have the meaning given to such term in the Letter Agreement.

"Rebate Computation" shall mean the computation, as of a Computation Date, of a Locality Rebate Requirement to such Computation Date. The amount so computed may be a positive or a negative number.

"Rebate Exceptions" shall mean the Spending Exceptions and the Small Issuer Exception, collectively.

"Rebate Report" shall mean the report showing the Rebate Computations.

"Rebate Requirement" shall mean the rebate requirement imposed by Sections 148(f)(2) and (3) of the Code.

"Related Local Tax Agreement" shall mean the Use of Proceeds Certificate and Tax Compliance Agreements dated the Closing Date, each among VPSA, a Locality and the Locality's school board, including all exhibits attached thereto, as such agreements may from time to time be modified or supplemented in accordance with the terms thereof.

"Related Tax Agreements" means, collectively, the Related VPSA Tax Agreement and each Related Local Tax Agreement.

"Related VPSA Tax Agreement" shall mean the Tax Certificate and Regulatory Agreement dated the Closing Date made by VPSA for the benefit of the Owners of the VPSA Bonds, including all exhibits attached thereto, as such agreement may from time to time be modified or supplemented in accordance with the terms thereof.

"Six-Month Exception" shall mean the exception to the Rebate Requirement provided by Section 148(f)(4)(B) of the Code.

"Small Issuer Exception" shall mean the exception to the Rebate Requirement provided by Section 148(f)(4)(D) of the Code.

"SNAP" shall mean the State Non-Arbitrage Program established pursuant to Article 7.1, Chapter 14, Title 2.1, Code of Virginia, as amended.

"SNAP Documents" shall mean the Information Statement and the Contract.

"SNAP Fund Prospectus" shall mean the most recent effective summary prospectus describing the "Prime Series SNAP Fund Class."

"Spending Exceptions" shall mean the Six-Month Exception, the Eighteen-Month Exception and the Two-Year Exception, collectively.

"Tax Exempt Bond" shall mean a bond the interest on which is excludable from gross income under Section 103(a) of the Code and is not a specified private activity bond as defined in Section 57(a)(5)(C) of the Code.

"Tax-Exempt Investments" shall include:

(i) Tax-Exempt Bonds,

(ii) stock in a regulated investment company to the extent that at least 95% of the income to the holder of the interest is excludable from gross income under Section 103 of the Code, and

(iii) certificates of indebtedness issued by the United States Department of the Treasury pursuant to Demand Deposit State and Local Government Series program described in 31 CFR part 344 ("SLGs").

"Two-Year Exception" shall mean the exception to the Rebate Requirement provided by Section 148(f)(4)(C) of the Code.

"VPSA" shall mean the Virginia Public School Authority, a public body corporate and instrumentality of the Commonwealth of Virginia.

"VPSA Bond Yield" shall mean the Yield on the VPSA Bonds as set forth in the Letter Agreement.

"VPSA Bonds" shall mean the \$_____ aggregate principal amount of VPSA's School Financing Bonds (1997 Resolution), Series 2021C.

"Withdrawal Date" shall mean the date as of which an interim Rebate Calculation is made pursuant to Section 9 of this Proceeds Agreement.

"Yield" shall have the meaning accorded to such term by the Related VPSA Tax Agreement.

"Yield Reduction Payment" shall have the same meaning given to such term by Section 13 of this Proceeds Agreement.

"Yield Restriction Requirement" shall have the same meaning given to such term by Section 17 of the Proceeds Agreement.

Section 3. Disposition of VPSA Bond Proceeds.

A. Prior to the Closing Date, each Locality will complete and submit, to the Investment Manager, the program registration form and the SNAP account registration form annexed to the Information Statement.

B. On the Closing Date, VPSA will transfer a portion of the purchase price of all of the Local School Bonds (\$_____) to the Depository for deposit in SNAP, see Exhibit A attached hereto.

C. Each Locality hereby agrees to adhere strictly to the prescribed and recommended procedures described in this Agreement, the Information Statement and its Related Local Tax Agreement. Each Locality hereby further agrees that it will not deviate from or request an exception to such procedures without first obtaining the prior written approval of VPSA. In the

event of a conflict among the provisions of this Agreement, the Related Local Tax Agreement and the Information Statement, the provisions of the Related Local Tax Agreement shall control.

Section 4. Establishment of Accounts.

The Investment Manager will establish on its books for each Locality one (1) account and two (2) subaccounts therein as follows:

VPSA-(Name of Locality) Proceeds Account – Series 2021C Issue

Principal Subaccount

Income Subaccount

If a Locality has made a Bifurcation Election as set forth on its signature page, the Investment Manager shall maintain such records as necessary to determine the portion of the Principal Subaccount and Income Subaccount of such Locality allocable to the construction issue and the non-construction issue.

Section 5. Disposition of Local School Bond Proceeds.

The Investment Manager shall allocate the proceeds of the Local School Bonds for the Localities on the Closing Date to the Localities and the Proceeds Accounts, dollar for dollar, in accordance with the respective purchase prices of their Local School Bonds and the allocations to the various Proceeds Accounts set forth in Exhibit A to this Agreement. The proceeds of the VPSA Bonds allocated to each Locality shall be credited to the Principal Subaccount of the Locality in the amounts set forth in Exhibit A. There is no accrued interest on the Local School Bonds.

Section 6. Investment of Principal Subaccount.

The Investment Manager shall invest and reinvest moneys to the credit of the Principal Subaccount of each Locality for the benefit of such Locality in accordance with the provisions of the Information Statement, this Agreement and the Related Tax Agreements. The

Investment Manager shall credit to the Locality's Income Subaccount all income and profits from the investment and reinvestment of moneys to the credit of its respective Principal Subaccount.

Section 7. Disbursements from Principal Subaccount.

Beginning on the Closing Date, each Locality may at any time withdraw all or any portion of the proceeds of its Local School Bond credited to its Principal Subaccount (including amounts transferred to the credit of the Principal Subaccount from the Income Subaccount pursuant to Section 9), in accordance with the Information Statement and by filing with the Investment Manager a requisition or requisitions for reimbursement to the Locality substantially in the form of Exhibit B to this Agreement signed by an Authorized Representative of the Locality.

Section 8. Investment of Income Subaccount.

The Investment Manager shall invest and reinvest moneys to the credit of the Income Subaccount of each Locality for the benefit of such Locality in accordance with the provisions of the Information Statement, this Agreement and the Related Tax Agreements. The Investment Manager shall credit to the Locality's Income Subaccount all income and profits from the investment and reinvestment of moneys to the credit thereof.

Section 9. Income Subaccount.

A. The Investment Manager will notify a Locality and VPSA when the balance to the credit of the Principal Subaccount of such Locality shall have been reduced to zero (\$0). Such Locality may then withdraw from its Income Subaccount an amount not in excess of the amount then to the credit of its Income Subaccount if the Locality qualifies for any one of the Rebate Exceptions or if such withdrawal is necessary to qualify for one of the Spending Exceptions.

1. In order to qualify for the Small Issuer Exception, the Locality must deliver to VPSA and the Investment Manager no later than the end of calendar year 2021 (a) a letter from, or opinion of, nationally recognized bond counsel that the Local School Bond of such

Locality purchased by VPSA with the proceeds of the VPSA Bonds will be treated as meeting the requirements of Sections 148(f)(2) and (3) of the Code, pursuant to Section 148(f)(4)(D) of the Code; and (b) the Locality's covenant that it shall pay or reimburse VPSA for its payment of its Locality Rebate Requirement if the Local School Bond of such Locality fails to meet all of the requirements of the Small Issuer Exception.

2. In order to determine if a Locality qualifies for either the Six-Month Exception or the Eighteen-Month Exception, the Investment Manager shall advise each Locality and VPSA of the amount that has been disbursed from the Principal Subaccount and the Income Subaccount of such Locality (a) six (6) months from the Closing Date, (b) twelve (12) months from the Closing Date, and (c) eighteen (18) months from the Closing Date. To facilitate such determination, each Locality shall set forth on the signature page for such Locality the amount of investment proceeds that such Locality reasonably expects as of the Closing Date to earn.

3. In order to determine if a Locality qualifies for the Two-Year Exception, the Investment Manager shall advise each Locality and VPSA, of the amount of Available Construction Proceeds that has been disbursed from the Principal Subaccount and the Income Subaccount of such Locality (a) six (6) months from the Closing Date, (b) twelve (12) months from the Closing Date, (c) eighteen (18) months from the Closing Date, and (d) twenty-four (24) months from the Closing Date. To facilitate such determination, each Locality shall set forth on the signature page for such Locality the amount of investment proceeds that such Locality reasonably expects as of the Closing Date to earn and the elections that it requests VPSA to make on its behalf. Furthermore, such Locality shall set

forth in a certificate delivered to VPSA on the Closing Date such facts and circumstances as necessary to show that it reasonably expects to qualify for the Two-Year Exception.

B. If a Locality fails to qualify for one of the Spending Exceptions, or the amount in its Proceeds Account is otherwise subject to the Rebate Requirement, then prior to a withdrawal from its Income Subaccount and upon receipt of such notification, the Locality shall promptly request, pursuant to the terms of the Information Statement, an interim Rebate Computation for the next Computation Date with respect to such Locality or an estimate of such Locality's Locality Rebate Requirement for purposes of determining what amount, if any, to the credit of the Income Subaccount may be subject to rebate. Any estimate of a Locality's Locality Rebate Requirement made by the Investment Manager shall also be provided to VPSA in writing. Notwithstanding anything to the contrary in the Information Statement, no disbursement will be made from the Income Subaccount until the aforementioned calculation shall have been made. The amount to the credit of the Income Subaccount that may be subject to rebate is the Income Subaccount Set Aside. On the Withdrawal Date, the Investment Manager shall (i) reserve, in the Income Subaccount, the amount of the "Income Subaccount Set Aside" until the next Rebate Computation required by Section 11 shall have been made and (ii) credit the remaining balance to the credit of the Income Subaccount to the credit of the Locality's Principal Subaccount.

Section 10. Investment Losses.

The Investment Manager shall charge any loss realized from the investment or reinvestment of moneys to the credit of the Income Subaccount and the Principal Subaccount of a Locality as follows:

A. losses on moneys to the credit of the Principal Subaccount shall be charged thereto; and

B. losses on moneys to the credit of the Income Subaccount shall be charged first to the Principal Subaccount and then to the Income Subaccount.

Section 11. Rebate Computations.

On or before each Computation Date, VPSA will prepare, or cause to be prepared, the Rebate Computations. The Rebate Computation for each Locality shall be made on the basis of information provided by VPSA and the Localities pursuant to the Related Tax Agreements.

The Locality Rebate Requirement shall be calculated separately for each Locality; provided, however, that VPSA may determine to calculate the Locality Rebate Requirements in the aggregate. VPSA may make such determination in its sole discretion. If the calculation is made in the aggregate, then the Locality Rebate Requirement for each Locality shall not be greater than the portion of the Aggregate Localities Rebate Requirement determined by multiplying the Aggregate Localities Rebate Requirement by a fraction, the numerator of which is the positive Locality Rebate Requirement calculated separately and the denominator of which is the sum of all of the positive Locality Rebate Requirements calculated separately.

If any provision of this Agreement shall become inconsistent with any regulation or regulations promulgated under Section 148(f) of the Code subsequent to the date hereof, VPSA hereby agrees and covenants to prepare, or cause to be prepared, as soon as practicable, a Rebate Computation for each Locality, in compliance with such regulation or regulations, and VPSA, the Investment Manager and each of the Localities hereby further agree and covenant immediately to make any and all transfers and payments required by Sections 12 and 14 of this Agreement from any moneys on deposit in the Income Subaccount and any other moneys of the Locality legally available for such purpose.

Section 12. Transfers to Income Subaccount.

Upon receipt by a Locality of the Rebate Report from VPSA, if the amount on deposit in the Locality's Income Subaccount (including the Income Subaccount Set Aside) is less than the sum of the Locality Rebate Requirement and Yield Reduction Payment of such Locality, the Investment Manager shall promptly charge the Principal Subaccount of such Locality an amount equal to the deficiency and credit its Income Subaccount such amount.

To the extent that the amount on deposit in the Principal Subaccount is insufficient to remedy the deficiency, the Investment Manager shall advise VPSA and such Locality of the amount of the remaining deficiency, and, to the extent permitted by law, the Locality agrees to transfer promptly to the Depository, from any funds that are or may be made legally available for such purpose, the amount equal the remaining deficiency.

To the extent that the amount on deposit in the Income Subaccount exceeds the sum of the Locality Rebate Requirement and Yield Reduction Payment for the Locality, such excess shall be transferred to the Principal Subaccount of the Locality.

Section 13. Disposition of Excess Proceeds, Yield Restriction and Yield Reduction Payments.

A. When a Locality shall certify to VPSA and the Investment Manager that there are balances to the credit of the Locality's Principal Subaccount or Income Subaccount that will not be used for Capital Projects, such amount shall be retained in the Proceeds Account and, to the extent such amount is not required to be deposited to the Income Subaccount pursuant to Section 12, VPSA will, except as provided in Section 13(C) below, direct the Depository to apply such amount to redeem such Locality's Local School Bond on the earliest possible date that such Local School Bond may be called without a penalty or premium.

B. Except as provided in Section 13(C) below, any balances remaining on deposit in either the Principal Subaccount or Income Subaccount of any Locality on November __, 2024, will be invested by the Investment Manager in either an Individual Portfolio at a Yield not in excess of the VPSA Bond Yield or Tax-Exempt Investments.

C. If amounts on deposit in the Principal Subaccount or Income Subaccount of a Locality qualified for the temporary periods set forth under Treasury Regulation Section 1.148-2(e)(2) or Treasury Regulation Section 1.148-2(e)(6), such Locality may continue to invest such amounts in the SNAP Fund in accordance with the provisions of the Information Statement and may comply with the Yield Restriction Requirement by making yield reduction payments pursuant to Treasury Regulation Section 1.148-5(c) (the "Yield Reduction Payments") to reduce the yield earned after November __, 2024, on any investments in either its Principal Subaccount or Income Subaccount. On or before each Computation Date, VPSA will prepare, or cause to be prepared, the Yield Reduction Payment required to be made with respect to each Locality in order to comply with the Yield Restriction Requirement on the basis of the Investment Reports maintained by the Investment Manager for each Proceeds Account. Such Yield Reduction Payments must be made by the Locality at the same time and in the same manner as the Rebate Requirement is required to be paid.

Section 14. Rebate Payments; Yield Reduction Payments; No Penalty Election.

A. The Locality Rebate Requirement and the Yield Reduction Payment of each Locality shall be paid to the United States Department of the Treasury at the direction of VPSA on behalf of and for the accounts of the Locality and VPSA in accordance with the Related Tax Agreements.

B. NEITHER VPSA NOR ANY OF THE LOCALITIES WILL ELECT WITH RESPECT TO EITHER THE VPSA BONDS OR ANY OF THE LOCAL SCHOOL BONDS TO PAY THE PENALTY IN LIEU OF REBATE UNDER SECTION 148(F)(4)(c)(vii)(I) OF THE CODE.

Section 15. Duties of VPSA.

VPSA shall carry out its duties and responsibilities under this Agreement and may retain agents, independent contractors and others that it deems qualified to carry out any or all of such duties and responsibilities.

VPSA shall carry out, or cause to be carried out, all of its responsibilities under the Letter Agreement and the Related VPSA Tax Agreement.

VPSA shall retain a copy of all Rebate Computations for at least six (6) years after the retirement of the last of the VPSA Bonds.

VPSA agrees that, except as provided in this Agreement, any rebate liability that VPSA may have on account of the investment and reinvestment of the Gross Proceeds of the VPSA Bonds, including, by way of example and not of limitation, any rebate liability as a result of the investment of money credited to funds and accounts created under its bond resolutions, shall be the sole responsibility of VPSA and not any Locality.

Section 16. Duties of the Depository.

The Depository shall carry out its duties and responsibilities under the SNAP Documents and this Agreement.

Section 17. Duties of Localities.

A. The Localities will cooperate with VPSA, the Investment Manager and the Depository in order to ensure that the purposes of this Agreement and the Related Tax Agreements are fulfilled. To that end, each Locality covenants and agrees that it will take any and all action and refrain from taking any and all action, as recommended by its bond counsel, to maintain the excludability from gross income for federal income tax purposes of interest on the VPSA Bonds to the same extent such interest was so excludable on the Closing Date.

B. If a Locality is required to restrict the Yield on its investments in order to comply with such covenant or to maintain the exclusion from gross income for federal income tax purposes of the interest on the VPSA Bonds (the "Yield Restriction Requirement"), it shall timely notify the Investment Manager to restrict such Yield to the VPSA Bond Yield. To the extent permitted by law, each Locality agrees to provide for the payment of any Yield Reduction Payment required to comply with the Yield Restriction Requirement, from any funds that are, or may be made legally available, for such purpose. Each Locality acknowledges that the payment of its Yield Reduction Payment is necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the VPSA Bonds. Each Locality agrees to complete and to provide to VPSA such forms as VPSA may request for filing in connection with the payment of the Locality's Yield Reduction Payment.

C. Each Locality agrees not to charge its general fund or otherwise set aside or earmark funds with which to pay debt service on its Local School Bond (other than as a budget item) prior to the date of payment thereof to VPSA.

D. Each Locality agrees to provide for the payment of its Locality Rebate Requirement and acknowledges that the payment of its Locality Rebate Requirement is necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the VPSA Bonds. Each Locality agrees to complete and to provide to VPSA such forms as VPSA may request for filing in connection with the payment of the Locality Rebate Requirement.

E. Each Locality hereby covenants and represents that neither the Locality nor any related party, as defined in Section 1.150-1(b) of the Treasury Regulations, to such Locality, pursuant to any arrangement, formal or informal, will purchase the VPSA Bonds in an amount related to the amount of the Local School Bond to be acquired from such Locality by VPSA.

Section 18. Responsibilities of the Investment Manager.

The Investment Manager shall be the agent of, and serve at the expense of, the Localities, to manage and direct the temporary investment and reinvestment of all moneys to the credit of the Proceeds Accounts pending their disbursement to the Localities and to make such computations as required by this Agreement.

In general, the duties of the Investment Manager shall include those described in the SNAP Documents.

In particular, the Investment Manager will direct the investment and reinvestment of moneys to the credit of the Subaccounts of each Locality in accordance with the Information Statement, the Contract and this Agreement.

Section 19. Costs.

Costs of SNAP are payable as provided in the Information Statement and the SNAP Fund Prospectus. The difference in the interest rates between the VPSA Bonds and the Local School Bonds shall be collected and retained by VPSA as partial payment of the administrative costs incurred by VPSA in connection with issuing, carrying, and repaying the VPSA Bonds, and

the underwriting discount, if any, and the cost of purchasing, carrying, and selling or redeeming the Local School Bonds. VPSA will not charge any other fee to the Localities for its services or seek reimbursement for its costs, fees and expenses, including counsel fees, incurred in connection with the discharge of its duties and responsibilities under this Agreement.

Section 20. Opinions of Counsel.

On the Closing Date, VPSA and each Locality shall furnish an opinion of counsel addressed, in the case of counsel to VPSA, to all the Localities, and in the case of counsel to the Localities, to VPSA, to the effect that the obligations of its client under this Agreement are valid, binding and enforceable against such client in accordance with its terms.

Section 21. Amendment.

This Agreement may be amended only with the consent of all the affected parties; provided, however, that this Agreement shall be amended whenever, in the judgment of VPSA, based on an opinion of its counsel, such amendment is required in order to insure that interest on the VPSA Bonds shall remain excludable from gross income for federal income taxation under Section 103 of the Code to the same extent it was, in the opinion of such counsel, so excludable on the Closing Date. VPSA shall offer to amend this Agreement whenever it shall in good faith determine, based on an opinion of its counsel, that any one or more of the restrictions or requirements imposed by this Agreement upon the Localities, or any of them, may be removed or modified without adversely affecting the exclusion of interest on the VPSA Bonds from gross income for federal income taxation under Section 103 of the Code.

Section 22. Notices.

Whenever notice is to be given pursuant to the provisions of this Agreement, such notice shall be deemed to have been satisfactorily given on the same day if hand delivered or telecopied during regular business hours or three (3) days after the date of postmark if mailed, first class mail, postage prepaid, as follows:

If to VPSA, to	Virginia Public School Authority c/o State Treasurer
<i>by hand</i>	3 rd Floor, James Monroe Building 101 North 14 th Street Richmond, Virginia 23219
<i>by mail</i>	Post Office Box 1879 Richmond, Virginia 23218-1879
<i>by telecopier</i>	(804) 225-3187
<i>in any case</i>	Attention: Public Finance Manager
If to the Depository, to	M&T Bank
<i>By hand</i>	301 W. Plank Road Altoona, PA 16602
<i>By mail</i>	301 W. Plank Road Altoona, PA 16602
<i>By telecopier</i>	(814) 946-6734
<i>In any case</i>	Attention: David A. Worthing Administrative Vice President
If to the Investment Manager, to	PFM Asset Management LLC
<i>By hand or mail</i>	4350 North Fairfax Drive, Suite 580 Arlington, Virginia 22203
<i>By telecopier</i>	(800) 252-9551
<i>In any case</i>	Attention: Nelson L. Bush Managing Director

If to a Locality, to the address or telecopier number indicated on the page of this Agreement executed by such Locality.

Any such address or number may be changed by written notice given to all the other parties to this Agreement and the Investment Manager, except that a Locality need give such notice only to VPSA, the Depository and the Investment Manager.

Section 23. No Third Party Beneficiaries.

Except as herein otherwise expressly provided, nothing in this Agreement expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto any right, remedy or claim, legal or equitable, under or by reason of this Agreement or any provision hereof, this Agreement and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto.

Section 24. Severability.

In case any one or more of the provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement and this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein. In case any covenant, stipulation, obligation or agreement contained in this Agreement shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the affected party to the full extent permitted by law.

Section 25. No Personal Liability.

All covenants, stipulations, obligations and agreements of VPSA contained in this Agreement shall be deemed to be covenants, stipulations, obligations and agreements of VPSA to the full extent authorized by the laws and permitted by the Constitution of Virginia. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation,

obligation or agreement of any present or future member, employee or agent of VPSA or any Locality in his individual capacity. No commissioner, officer, employee or agent of VPSA or any Locality shall incur any personal liability in acting or proceeding or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement and the applicable laws of the Commonwealth of Virginia.

Section 26. Applicable Law.

This Agreement is executed with the intent that the laws of the Commonwealth of Virginia shall govern its construction.

Section 27. Counterparts.

This Agreement may be executed in one or more counterparts.

Section 28. Effective Date; Term.

This Agreement shall take effect on the Closing Date and shall expire on the date on which VPSA shall make the final rebate payment required by the Code with respect to the VPSA Bonds.

[Signature Page Follows]

VIRGINIA PUBLIC SCHOOL AUTHORITY

By: _____
Name: James D. Mahone
Title: Assistant Secretary and
Assistant Treasurer

M&T BANK

By: _____
Name: David A. Worthing
Title: Administrative Vice President

PFM ASSET MANAGEMENT LLC

By: _____
Name: Nelson Bush
Title: Managing Director

NAME OF LOCALITY: _____
Page 1 of 2

A. Address for notices, by hand, by mail and by telecopier, if any, as referred to in Section 22 above:

B. Authorized Representative(s):

Name

Title

Specimen Signature

C. Is the Small Issuer Exception applicable to this Locality? (If yes, an opinion of Bond Counsel and Locality's covenant is required as per Section 9 herein).

Yes _____ No _____

D. Eighteen Month Exception:

Estimated Investment Earnings for purposes of the Eighteen-Month Exception: \$ _____

If any proceeds are used to refund prior debt, please indicate:

proceeds used to refund prior debt: \$ _____

issuance expense allocable to the refunding portion of the issue: \$ _____

NAME OF LOCALITY: _____

Page 2 of 2

E. Elections with respect to Two-Year Exception:

1. Election to use actual facts in lieu of reasonable expectations for purposes of the Two-Year Exception:

Yes _____ No _____

2. Estimated Investment Earnings: \$ _____

3. If any proceeds are used to refund prior debt, please indicate:

(a) proceeds used to refund prior debt: \$ _____

(b) issuance expenses allocable to the refunding portion of the issue: \$ _____

4. Bifurcation Election to treat the portion of the issue used for construction as a separate issue:

Yes _____ No _____

If yes, state the portion of the issue used for construction and non-construction, respectively; (the sum of the following amounts must equal the issue price of \$ _____ reduced by any portion used for refunding purposes):

(a) portion of the issue used for construction: \$ _____

(b) issuance expenses allocable to the construction portion of the issue:
\$ _____

(c) portion of the issue used for non-construction: \$ _____

(d) issuance expenses allocable to the non-construction portion of the issue:
\$ _____

_____ CITY/COUNTY
By: _____
Name: _____
Title: _____

**Virginia Public School Authority
101 North 14th Street
Richmond, Virginia 23219**

LETTER AGREEMENT

November __, 2021

**Custody, Investment, and Disbursement of
Proceeds of Local School Bonds Purchased by the
Virginia Public School Authority with the Proceeds of Its**

**\$ _____
School Financing Bonds (1997 Resolution)
Series 2021C**

This **LETTER AGREEMENT**, dated the date shown above (this "Letter Agreement"), is between the Authority and the Investment Manager. All capitalized terms used herein shall have the meanings given to them in Part F of this Letter Agreement or in Section 2 of the Proceeds Agreement to which this Letter Agreement is attached as Exhibit C.

With respect to the VPSA Bonds, the Code requires that an amount equal to the VPSA's Rebate Requirement be paid to the United States Department of the Treasury. With respect to each Local School Bond, the Proceeds Agreement requires that an amount equal to the Locality's Locality Rebate Requirement be paid to the United States Department of the Treasury. Accordingly, VPSA hereby directs the Investment Manager, as provided below, to assist VPSA and each Locality to comply with the VPSA's Rebate Requirement and each Locality's Locality Rebate Requirement.

To enable VPSA and the Localities to fulfill their respective obligations under the Proceeds Agreement and to make such payments, and to enable the Investment Manager to fulfill its obligations under this Letter Agreement, the Investment Manager will prepare, on or before June 1, 2022 and each June 1 thereafter, the Investment Reports for VPSA as of the preceding May 5 and each Locality as of the preceding May 5. On the basis of such Investment Reports, VPSA shall cause the Rebate Calculation Agent to prepare (a) the Rebate Computation setting forth the Locality Rebate Requirement as of each Computation Date for each Locality as described in paragraph 3 of Part B hereto and (b) a calculation of the Yield Reduction Payment as of each Computation Date that must be paid by the Locality to comply with the Yield Restriction Requirement as described in Part D hereto. In addition, the Investment Manager will, based on the Rebate Report, transfer, within thirty (30) days after the Computation Date of each Locality, from its Principal Subaccount, if necessary, to its Income Subaccount, the amount required so that the amount to the credit of the Income Subaccount of each Locality shall equal its Locality Rebate Requirement.

A. Investment Report

With respect to all Nonpurpose Investments acquired during the term of this Letter Agreement with Gross Proceeds of each Local School Bond issue, the Investment Manager shall maintain separate Investment Reports for each Local School Bond issue.

The Investment Report for each Locality shall reflect the investments made with respect to its Proceeds Account.

B. Computation of Locality Rebate Requirement

VPSA shall compute each Locality's Locality Rebate Requirement in accordance with the procedure described below:

1. As of each Computation Date, VPSA shall cause the Rebate Calculation Agent to determine the Future Value of all nonpurpose payments made with respect to the Nonpurpose Investments purchased with or allocated to the Gross Proceeds of the Local School Bonds, as well as any rebate payments made, to such Computation Date in accordance with the requirements of the Treasury Regulations. Unless VPSA shall otherwise direct, transaction costs incurred in acquiring, carrying, selling or redeeming such obligations, shall be accounted for as provided in the Information Statement.

2. As of each Computation Date, VPSA shall cause the Rebate Calculation Agent to determine the Future Value of all nonpurpose receipts received with respect to the Nonpurpose Investments purchased with or allocated to the Gross Proceeds of the Local School Bonds, as well as any rebate payments recovered, to such Computation Date in accordance with the requirements of the Treasury Regulations.

3. As of each Computation Date, VPSA shall subtract the amount computed pursuant to paragraph 1 from the amount computed pursuant to paragraph 2. Such amount shall be the "Locality Rebate Requirement" as of the Computation Date.

4. Each of the Localities has covenanted in Section 17 of the Proceeds Agreement not to charge its general fund or otherwise set aside or earmark funds with which to pay debt service on its Local School Bond (other than as a budget item) prior to the date of payment thereof to VPSA.

5. The Locality Rebate Requirement may be treated as being met and no rebate computation shall be required with respect to the proceeds of the VPSA Bonds applied to purchase such Locality's Local School Bond if the VPSA receives the opinions and covenants or certification described in Section 9(A) of the Proceeds Agreement that a Locality meets the requirements of the (a) Six-Month Exception, (b) Eighteen-Month Exception, (c) Small Issuer Exception, or (d) Two-Year Exception, subject to the provisions described below.

(a) Six-Month Exception. Notwithstanding the fact that all of the Gross Proceeds of the Local School Bond are spent within six (6) months of the date of issue and no other Gross Proceeds of the Local School Bond are anticipated for the remainder of the term of the issue, if Gross Proceeds of the Local School Bond become available after the end of

the initial six-month period, the Locality Rebate Requirement shall be computed with respect to such Gross Proceeds in accordance with the procedure described above.

(b) Eighteen-Month Exception. Notwithstanding the fact that all of the Gross Proceeds of the Local School Bond are spent within eighteen (18) months of the date of issue and no other Gross Proceeds of the Local School Bond are anticipated for the remainder of the term of the issue, if Gross Proceeds of the Local School Bond become available after the end of the initial eighteen-month period, the Locality Rebate Requirement shall be computed with respect to such Gross Proceeds in accordance with the procedure described above.

(c) Small Issuer Exception. If a Locality delivers to VPSA no later than the end of calendar year 2021 (i) the opinion of nationally recognized bond counsel that the Local School Bond of such Locality purchased by VPSA with the proceeds of the VPSA Bonds will be treated as meeting the requirements of Sections 148 (f)(2) and (3) of the Code pursuant to Section 148 (f)(4)(D) of the Code and (ii) the Locality's covenant that it shall provide for the payment of or reimburse VPSA for its payment of the Locality Rebate Requirement in the event that the Local School Bond of such Locality fail to meet all the requirements of the Small Issuer Exception, then no rebate computation shall be made with respect to the proceeds of the VPSA Bonds applied to purchase such Local School Bond. Although the Local School Bond of a Locality may qualify for the Small Issuer Exception, custody, investment and disbursement of the proceeds of the VPSA Bonds applied to the purchase of the Locality's Local School Bond shall continue under the Proceeds Agreement, and the Investment Manager shall continue to provide an Investment Report for such Locality.

(d) Two-Year Exception. Notwithstanding the fact that all of the Gross Proceeds of the Local School Bond are spent within twenty-four (24) months of the date of issue and no other Gross Proceeds of the Local School Bond are anticipated for the remainder of the term of the issue, if Gross Proceeds of the Local School Bond become available after the end of the initial twenty-four-month period, the Locality Rebate Requirement shall be computed with respect to such Gross Proceeds in accordance with the procedure described above.

C. Aggregate Rebate Computation on Local School Bonds

If VPSA determines that the Localities' Locality Rebate Requirements shall be calculated in the aggregate, VPSA shall compute the Aggregate Localities' Rebate Requirement in accordance with the procedure set forth below.

1. As of each Computation Date, VPSA shall cause the Rebate Calculation Agent to determine the Future Value of all nonpurpose payments made with respect to the Nonpurpose Investments purchased with or allocated to the Gross Proceeds of all of the Local School Bonds in the aggregate (except those qualifying for one of the Rebate Exceptions or those that have made the Penalty Election), as well as any rebate payments made, to such Computation Date in accordance with the requirements of the Treasury Regulations.

2. As of each Computation Date, VPSA shall cause the Rebate Calculation Agent to determine the Future Value of all nonpurpose receipts received with respect to the Nonpurpose Investments purchased with or allocated to the Gross Proceeds of all of the Local School Bonds in the aggregate (except those qualifying for one of the Rebate Exceptions or those that have made the Penalty Election), as well as any rebate receipts recovered, to such Computation Date in accordance with the requirements of the Treasury Regulations.

3. As of each Computation Date, VPSA shall subtract the amount computed pursuant to paragraph 1 from the amount computed pursuant to paragraph 2. Such amount shall be the "Aggregate Localities' Rebate Requirement" as of the Computation Date.

D. Yield Reduction Payment

With respect to each Locality that has amounts on deposit in its Proceeds Accounts on and after November __, 2024, VPSA shall cause the Rebate Calculation Agent to compute, as of each Computation Date, the amount that such Locality must pay as a Yield Reduction Payment pursuant to Treas. Reg. Section 1.148-5(c) in order to cause the Yield on the investment of any amounts in the Proceeds Account on and after November __, 2024, for any such amounts related to refunding a Locality's prior debt as described in the Locality's signature page hereto, to be less than or equal to the VPSA Bond Yield. The calculation of such Yield Reduction Payment shall not take into account any investment activity prior to November __, 2024. Such amount shall be the "Locality Yield Reduction Payment" as of the Computation Date.

E. Rebate Payment

1. Upon the calculation of the Locality Rebate Requirement and Yield Reduction Payment for each Locality, VPSA shall notify the Investment Manager thereof. The Investment Manager shall promptly charge the Principal Subaccount of a Locality to the extent the amount on deposit to the credit of its Income Subaccount is less than the sum of its Locality Rebate Requirement and Locality Yield Reduction Payment and credit its Income Subaccount with an amount such that the balance to the credit of the Income Subaccount is equal to the sum of its Locality Rebate Requirement and Locality Yield Reduction Payment (taking into account prior amounts credited to the Income Subaccount including investment income thereon). To the extent that the amount on deposit in the Principal Subaccount is insufficient to provide for a deposit to the Income Subaccount such that the balance in the Income Subaccount is equal to the sum of the Locality Rebate Requirement and Locality Yield Reduction Payment for the Locality, the Investment Manager shall advise VPSA and such Locality of the amount of the deficiency so that the Locality may promptly transfer to the Depository the amount required pursuant to Section 12 of the Proceeds Agreement.

2. In addition to the computation of the Localities' Locality Rebate Requirement, VPSA shall calculate its Rebate Requirement with respect to Nonpurpose Investments that were acquired with the Gross Proceeds of the VPSA Bonds in accordance with the procedures set forth in the Related VPSA Tax Agreement executed by VPSA in connection with the issuance of the VPSA Bonds.

3. The Locality Rebate Requirement for each Locality, if a positive number, shall be paid at the direction of VPSA to the United States in installments. Each payment must be in an amount not less than the total of ninety percent (90%) of the Locality Rebate Requirement for each Locality as of each Installment Computation Date. All of the Locality Rebate Requirement must be paid to the United States within sixty (60) days after the Final Computation Date. All of the Locality Yield Reduction Payment as of each Computation Date must be paid to the United States within sixty (60) days of each Computation Date. Each payment shall be made not later than sixty (60) days after each Computation Date. Payment shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 and be accompanied by Form 8038-T. VPSA shall make such payment as required. Investment Reports and records of the determinations made hereunder shall be retained by the Investment Manager and by VPSA, respectively, until six (6) years after the retirement of the VPSA Bonds.

F. Definitions

In addition to the words and terms defined in the Proceeds Agreement to which this Letter Agreement is attached as Exhibit C, the following words and terms shall have the following meanings:

"Bond Resolution" shall mean the resolution of the Authority adopted on October 23, 1997, as last amended and restated on September 20, 2012, and as supplemented.

"Fair Market Price" shall mean the purchase price and disposition price of a Nonpurpose Investment. Any Nonpurpose Investment purchased must be purchased at the Fair Market Price. An investment that is not of a type traded on an established market, within the meaning of Section 1273 of the Code, is rebuttably presumed to be acquired or disposed of at a price that is not equal to its fair market value. Accordingly, a premium may not be paid to adjust the yield on an investment, a lower interest rate than is usually paid may not adjust the yield on an investment and no transaction may result in a smaller profit or larger loss than would have resulted if the transaction had been at arm's-length and had the yield with respect to the bonds not been relevant to either party. Pursuant to Treasury Regulation Section 1.148-5(d), the following are safe harbors for establishing the Fair Market Price of certificates of deposit and guaranteed investment contracts:

(i) Certificate of Deposit. A certificate of deposit with a fixed interest rate, fixed payment schedule and a substantial penalty for early withdrawal will be deemed purchased for fair market value if the yield on the certificate of deposit is not less than (i) the yield on reasonably comparable direct obligations of the United States and (ii) the highest yield published or posted by the provider to be currently available from the provider on reasonably comparable certificates offered to the public. See Section 1.148-5(d)(6)(ii) of the Treasury Regulations.

(ii) Investment Agreement. Investments pursuant to a guaranteed investment contract will be regarded as being made at fair market value if

(a) A bona fide solicitation for a guaranteed investment contract is made that satisfies all of the following requirements: (A) the bid specifications are in writing and are timely forwarded to potential providers, (B) the bid specifications include all material terms that may directly or indirectly affect the yield or the cost of the guaranteed investment contract, (C) the bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the issuer or any other person (whether or not in connection with the issuance of the bonds), and that the bid is not being submitted solely as a courtesy to the issuer or any other person for purposes of satisfying the requirements contained in Section 1.148-5(d)(6)(iii)(B)(1) or (2) of the Treasury Regulations, (D) the terms of the bid specifications are commercially reasonable in that there is a legitimate business purpose for each term other than to increase the purchase price or reduce the yield of the guaranteed investment contracts, (E) the terms of the solicitation take into account the reasonably expected deposit and drawdown schedule for the amounts to be invested, (F) all potential providers have an equal opportunity to bid and no potential provider is given the opportunity to review other bids (i.e., a "last look") before providing a bid, (G) in those cases where the issuer engages a bidding agent to conduct the bidding, such agent did not bid to provide the investment, and (H) at least three reasonably competitive providers are solicited for bids. A "reasonably competitive provider" is a provider that has an established industry reputation as a competitive provider of investments of the same type as such guaranteed investment contract;

(b) At least three bona fide bids on the guaranteed investment contract are received from providers that have no material financial interest in the bonds. The following are deemed to have a material financial interest in the bonds: (A) the lead purchaser in a negotiated underwriting transaction until 15 days after the issue date of the issue, (B) any entity acting as a financial advisor with respect to the purchase of the guaranteed investment contract at the time the bid specifications are forwarded to potential providers, and (C) a provider that is a related party to a provider that has a material financial interest in the execution and delivery of the bonds;

(c) At least one of the three bids received is from a reasonably competitive provider, as described above;

(d) The winning bidder provides a certificate that (A) lists the recipients, amounts and purposes of any brokerage fee, placement fee, commission or administrative costs that it is paying (or expects to pay) to third parties in connection with supplying the guaranteed investment contract, (B) states that the yield on the guaranteed investment contract is not less than the yield available from

the provider on reasonably comparable guaranteed investment contracts offered to other persons from sources of funds other than gross proceeds of tax-exempt obligations, and (C) in those agreements wherein the issuer deposits amounts (other than amounts deposited in debt service funds or reasonably required reserve or replacement funds) states that the issuer's draw-down schedule was a significant factor in determining the terms of the guaranteed investment contract;

(e) The highest yielding guaranteed investment contract for which a bona fide bid was made is purchased (determined net of broker's fees, if any); and

(f) The following records are retained with the bond documents until three years after the last outstanding Bond is redeemed: (A) a copy of the guaranteed investment contract, (B) the receipt or other record amount actually paid for the guaranteed investment contract, including a record of any administrative costs paid and the certification under subsection (d) hereof, (C) for each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results, and (D) the bid solicitation form and, if the terms of the guaranteed investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation.

"Future Value" of a payment or receipt at the end of any period is determined using the economic accrual method and equals the value of that payment or receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the VPSA Bond Yield, using the same compounding interval and financial conventions used to compute that yield.

"Gross Proceeds" shall have the meaning ascribed to such term in Section 148 of the Code and shall mean:

(a) amounts actually received or constructively received by VPSA from the sale of the VPSA Bonds and the amounts actually or constructively received by the Localities from the sale of the Local School Bonds, other than any interest accruing on the VPSA Bonds from the dated date to the issue date of such bonds;

(b) amounts treated as Transferred Proceeds (as defined in Treasury Regulations Section 1.148-9) of the VPSA Bonds or the Local School Bonds, if any;

(c) amounts that are reasonably expected to be or are in fact used to pay debt service on the Bonds including amounts in the sinking fund portion of the 1997 Income Fund under the Bond Resolution and the 1997 Sinking Fund under the Bond Resolution;

(d) securities or obligations pledged by the VPSA or Locality as security for payment of debt service with respect to the VPSA Bonds or the Local School Bonds;

(e) amounts received with respect to any investments acquired with Gross Proceeds for the purpose of carrying out the governmental purpose for which the VPSA Bonds or the Local School Bonds were issued, including the Local School Bonds, except that such amounts shall not include amounts, if any, that are properly allocable to qualified administrative costs recoverable under Treasury Regulation Section 1.148-5(e) or to the higher yield permitted under Treasury Regulation Section 1.148-2(d) of the Code;

(f) amounts treated as "replacement proceeds" of the VPSA Bonds or the Local School Bonds within the meaning of Section 1.148-1(c) of the Treasury Regulations;

(g) any funds that are part of a reserve or replacement fund for the VPSA Bonds or Local School Bonds; and

(h) amounts received as a result of investing any Gross Proceeds.

Gross Proceeds shall include amounts that are on deposit in the Income Subaccounts to the extent that such amounts are derived from Gross Proceeds of the VPSA Bonds or the Local School Bonds. The determination of whether an amount is included within this definition shall be made without regard to whether the amount is credited to any fund or account established under the Bond Resolution, or whether the amount is subject to the pledge of the Bond Resolution.

For purposes of subsection (d) above, an amount is pledged to pay principal or interest with respect to the VPSA Bonds or Local School Bond if there is a reasonable assurance that the amount will be available for such purposes in the event that the VPSA or Locality encounters financial difficulties. An amount can be indirectly pledged to pay principal or interest with respect to the VPSA Bonds or the Local School Bond if it is pledged to a guarantor of either or both such bonds. An amount may be "negatively" pledged to pay principal or interest with respect to the VPSA Bonds or the Local School Bond if it is held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of the holders of the bonds or a guarantor of the bonds. An amount is not negatively pledged however if (i) VPSA or the Localities may grant rights in the amount that are superior to the rights of the holders of the bonds or a guarantor of the bonds, or (ii) the amount does not exceed reasonable needs for which it is maintained, the required level is tested no more frequently than every 6 months, and the amount may be spent without any substantial restriction other than a requirement to replenish the amount by the next testing date.

If a decision is made to apply any insurance or condemnation proceeds to the redemption of the VPSA Bonds or the Local School Bond instead of using such proceeds for repair or replacement, any such proceeds become Gross Proceeds on the date of such a decision.

The definition of Gross Proceeds has been set out in full for the sake of completeness. With respect to each Local School Bond, all of the Gross Proceeds are on deposit in such Locality's Proceeds Account except to the extent that the Local School Bond may be part of a composite issue under Treasury Regulation §1.150-1(c), or the Locality may have retained Transferred Proceeds. With respect to the VPSA Bonds, all of its Gross Proceeds are the total of the amounts on deposit in the Proceeds Accounts of the Localities, except as provided above, and the amounts

on deposit in the sinking fund portion of its 1997 Income Fund under the Bond Resolution and the 1997 Sinking Fund under the Bond Resolution.

"Investment Report" shall mean the record of investment activity maintained by the Investment Manager with respect to the investment property and the Localities, as described in the Contract.

"Locality Rebate Requirement" shall mean the sum of (i) the excess of (A) the aggregate amount earned on all Nonpurpose Investments acquired with the Gross Proceeds of the Local School Bond over (B) the amount that would have been earned if the Nonpurpose Investments had a Yield equal to the VPSA Bond Yield plus (ii) any income attributable to the excess described in clause (i).

"Nonpurpose Investments" shall mean any security, obligations, annuity contract or any other investment-type property (as such term is defined in Section 1.148-1(b) of the Treasury Regulations) that is not acquired to carry out the governmental purpose of the VPSA Bonds or the Local School Bonds. Nonpurpose Investments shall not include Tax-Exempt Investments. Any Nonpurpose Investments shall be purchased by the Investment Manager only if the purchase price of the Nonpurpose Investment is the Fair Market Price.

"Rebate Calculation Agent" shall mean that accounting firm or rebate calculation firm with a favorable national reputation in the field of the calculation of amounts subject to rebate to the United States under Section 148(f) of the Code and the Temporary Regulations that has been appointed under Section 7.2 of the Contract or by VPSA.

"Tax-Exempt Investments" shall include:

(i) obligations the interest on which is excludable from gross income for federal income tax purposes, and not treated as an item of tax preference under Section 57(a)(5)(C) of the Code,

(ii) stock in a regulated investment company to the extent that at least 95% of the income to the holder of the interest is excludable from gross income under Section 103 of the Code, and

(iii) certificates of indebtedness issued by the United States Department of the Treasury pursuant to Demand Deposit State and Local Government Series program described in 31 CFR part 344 ("SLGs").

"Treasury Regulations" shall mean the Treasury Regulations Sections 1.148-0 through 1.148-11, 1.149(b)-1, 1.149(d)-1, 1.149(e)-1, 1.149(g)-1, Section 1.150-1 and Section 1.150-2, as amended from time to time hereafter, and other regulations promulgated under Section 148 of the Code.

"VPSA's Rebate Requirement" shall mean the sum of (i) the excess of (A) the aggregate amount earned on all Nonpurpose Investments acquired with the Gross Proceeds of the VPSA Bonds over (B) the amount that would have been earned if the Nonpurpose Investments had a Yield equal to VPSA Bond Yield plus (ii) any income attributable to the excess described in clause (i).

"Yield", for purposes of this Letter Agreement, shall be calculated pursuant to the Treasury Regulations by means of an actuarial method of yield calculation whereby "yield" means that discount rate which, when used in computing the present value of all the unconditionally payable payments of principal and interest and all the payments for a qualified guarantee paid and to be paid with respect to the bond, produces an amount equal to the issue price of the bond. For purposes of this Letter Agreement, the VPSA Bond Yield is _____%. The Yield on investments must be computed by the use of the same frequency interval of compounding interest as is used in computing the VPSA Bond Yield.

[Signature Page Follows]

G. Amendments

In order to comply with the covenants by VPSA and each of the Localities regarding compliance with the requirements of the Code and the exclusion from federal income taxation of the interest paid and to be paid on the VPSA Bonds, the procedures described in this Letter Agreement may be modified as necessary, based on the advice of counsel, to comply with rulings, regulations, legislation or judicial decisions as may be applicable to such bonds.

Very truly yours,

VIRGINIA PUBLIC SCHOOL AUTHORITY

By: _____

Name: James D. Mahone
Title: Assistant Secretary and
Assistant Treasurer

Accepted:

PFM ASSET MANAGEMENT LLC

By: _____

Name: Nelson Bush
Title: Managing Director

AUTHORIZED REPRESENTATIVES

The following are the Authorized Representatives of Virginia Public School Authority, M&T Bank and PFM Asset Management LLC:

VIRGINIA PUBLIC SCHOOL AUTHORITY:

<u>Name</u>	<u>Title</u>	<u>Specimen Signature</u>
Bradley Jones	Assistant Secretary and Assistant Treasurer	_____
James D. Mahone	Assistant Secretary and Assistant Treasurer	_____

M&T BANK:

<u>Name</u>	<u>Title</u>	<u>Specimen Signature</u>
David A. Worthing	Administrative Vice President	_____

PFM ASSET MANAGEMENT LLC:

<u>Name</u>	<u>Title</u>	<u>Specimen Signature</u>
Nelson Bush	Managing Director	_____

APPENDIX A

Contract respecting the Virginia State Non-Arbitrage Program, between the Treasury Board of the Commonwealth of Virginia and the Investment Manager, including the Depository Agreement.

(See Attached)