

## USE OF PROCEEDS CERTIFICATE

This certificate is provided by James City County (the “County”) to the Virginia Public School Authority (VPSA) (the “Issuer”) in connection with the distribution by the Issuer to the County of an allocable share of the net savings realized by the Issuer (the “Distribution”) through the issuance of its \$286,670,000 School Financing Bonds (1997 Resolution) Refunding Series 2003 D (the “Bonds”).

We understand that the proceeds of the Bonds were used to refund portions of the Issuer’s (a) \$127,285,000 School Financing Bonds (1987 Resolution) 1991 Refunding Series C, dated December 1, 1991 (the “1987 Resolution 1991 C Bonds”) and (b) \$293,160,000 School Financing Bonds (1987 Resolution) 1993 Refunding Series B, dated May 1, 1993 (the “1987 Resolution 1993 B Bonds” and, together with the 1987 Resolution 1991 C Bonds, the “VPSA Refunding Bonds”).

A portion of the proceeds of the VPSA Refunding Bonds was used to refinance the purchase of certain of the County’s Bonds (the “Prior County Bonds”).

In connection with issuance of the VPSA Refunding Bonds, the County received a Lump Sum Cash Payment, representing its allocable share of the net savings realized by the Issuer, and the Prior County Bonds. In exchange therefor, the County issued a duly authorized County bond dated December 15, 1993 (the “1993 County Bond” and, together with the Prior County Bonds, the “County Bonds”). Concurrently with the issuance of the 1993 County Bond, the County executed a General Certificate (the “General Certificate”) that recognized that the 1993 County Bond was issued to refund the Prior County Bonds, the proceeds of which were used to finance certain capital school projects of the County (the “Prior School Projects”), that the Lump Sum Cash Payment would be used to finance certain capital school projects of the County (the “1993 School Projects” and, together with the Prior School Projects, the “Projects”) and that the exclusion from gross income of interest on the VPSA Refunding Bonds was based in part on the use of proceeds of the County Bonds and the Projects financed or refinanced by such proceeds by the County. Consequently, the General Certificate contained certain representations and covenants of the County regarding the use of the proceeds of the County Bonds and the Projects.

The County recognizes that the exclusion from gross income of interest on the Bonds is based in part on the representations contained in the General Certificate and contingent on the continuing compliance by the County with the covenants contained in the General Certificate.

Accordingly, the County certifies that it has reviewed the representations set forth in the General Certificate with respect to the Projects (the “UPC Representations”) and the use of the Projects and that it has discussed with the School Board of the County (the “School Board”) its use of the Projects. Based on such review and discussions, the County hereby certifies that the UPC Representations continue to be true and correct. Such provisions are hereby incorporated by reference into this certificate and shall be treated as representations made by the County as if set forth herein. Furthermore, the County has discussed the UPC Representations with the School Board and neither the County nor the School Board will take any action that is inconsistent with such UPC Representations.

The County further covenants that:

(a) it shall use the Distribution to pay for the cost of public school capital purposes within six months of the date hereof, that such public school capital purposes shall be used in a manner consistent with the UPC Representations (references to school projects shall hereinafter include the public school capital purposes acquired with the Distribution), it reasonably expects that at least eighty-five percent (85%) of the Distribution will be allocated to expenditures for the Project within six months of the date hereof and completion of the Project and the allocation of expenditures thereto will proceed with due diligence;

(b) it shall not sell or otherwise dispose of the Projects prior to the final maturity date of the Bonds of August 1, 2019 except as shall be permitted in the opinion of an attorney or firm of attorneys, acceptable to the Issuer, nationally recognized as experienced with respect to matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations of States and political subdivisions;

(c) it shall not knowingly take any action which will, or fail to take any action which failure will, cause the interest on the Bonds to become includable in the gross income of the owners of the Bonds for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder in effect on the date of original issuance of the Bonds; and

(d) in furtherance of its obligations under its County Bonds, it shall obtain the same covenants contained in subparagraph (a), (b) and (c) above from the School Board with respect to the Projects.

JAMES CITY COUNTY

By \_\_\_\_\_  
Sanford B. Wanner  
County Administrator

\_\_\_\_\_, 2006

VPSArefund\_proceeds.att