



# COMMONWEALTH of VIRGINIA

## *Commonwealth Transportation Board*

Aubrey L. Layne, Jr.  
Chairman

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Richmond, Virginia 23219

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*Agenda item # 11*

### RESOLUTION OF THE COMMONWEALTH TRANSPORTATION BOARD

October 24, 2017

#### MOTION

**Made By: Mr. Kasprowicz, Seconded By: Mr. Whitworth**

**Action: Motion Carried, Unanimously**

#### **AUTHORIZING THE ISSUANCE AND SALE OF COMMONWEALTH OF VIRGINIA FEDERAL TRANSPORTATION GRANT ANTICIPATION REVENUE NOTES, SERIES 2017 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$250,000,000**

**WHEREAS**, from time to time the Commonwealth of Virginia (the “Commonwealth”) receives federal-aid highway construction reimbursements and other federal highway assistance under or in accordance with Title 23 of the United States Code, or any successor program established under federal law, from the Federal Highway Administration (“FHWA”) or any successor or additional federal agencies (“Federal Highway Reimbursements”);

**WHEREAS**, the receipt of Federal Highway Reimbursements is expected to continue;

**WHEREAS**, pursuant to the Transportation Development and Revenue Bond Act (the “State Revenue Bond Act”), Sections 33.2-1700 *et seq.* of the Code of Virginia of 1950, as amended (the “Virginia Code”), the Commonwealth Transportation Board (the “Board”) has the power to issue revenue bonds or notes to finance the costs of transportation projects authorized by the General Assembly of Virginia (the “General Assembly”), including any financing costs or other financing expenses related to such bonds or notes;

**WHEREAS**, the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes Act of 2011, Article 4, Chapter 15, Title 33.2 of the Virginia Code (the “GARVEEs Act” and, together with the State Revenue Bond Act, the “Act”), authorizes the Board, by and with the consent of the Governor of the Commonwealth (the “Governor”), to

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issue, pursuant to the provisions of the State Revenue Bond Act, in one or more series from time to time, revenue obligations of the Commonwealth to be designated “Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series \_\_\_\_ (the “GARVEEs”); provided that the aggregate amount outstanding shall not exceed \$1,200,000,000, exclusive of (i) the amount of any revenue obligations that may be issued to refund GARVEEs issued under the GARVEEs Act in accordance with Section 33.2-1512 of the Virginia Code, and (ii) any amounts issued for financing expenses (including, without limitation, any original issue discount);

**WHEREAS**, bond counsel to the Board, Kutak Rock LLP (“Bond Counsel”), and the staff of the Virginia Department of Transportation (the “Department”) have advised that any GARVEEs issued after July 1, 2012, will be subject to the requirement of Section 2.2-5002.1 of the Virginia Code that any net original issue premium in excess of a *de minimis* amount received on such GARVEEs be treated as principal for purposes of determining compliance with the principal amount limitations to which the GARVEEs are subject;

**WHEREAS**, Section 33.2-1520 of the Virginia Code provides that in connection with each series of GARVEEs issued, the Board shall establish a fund in accordance with Section 33.2-1720 of the Virginia Code either in the state treasury or with a trustee in accordance with Section 33.2-1716 of the Virginia Code, which fund secures and is used for the payment of such series of GARVEEs to the credit of which there shall be deposited such amounts, appropriated therefor by the General Assembly, as are required to pay principal or purchase price of, and redemption premium, if any, and interest on GARVEEs, as and when due and payable, and the amounts deposited in such fund shall be derived (i) first from Federal Highway Reimbursements received by the Commonwealth from time to time only with respect to the project or projects to be financed by the GARVEEs (the “Project-Specific Reimbursements”); (ii) then, at the discretion of the Board, to the extent required, from legally available revenues of the Transportation Trust Fund; and (iii) then from such other funds, if any, which are designated by the General Assembly for such purpose;

**WHEREAS**, the Board has entered into a Master Trust Indenture (as supplemented and amended, the “Master Indenture”) dated as of February 1, 2012, between the Board and U.S. Bank National Association, as trustee (the “Trustee”);

**WHEREAS**, the Board wishes to authorize the issuance of one or more series of GARVEEs to be known as the “Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes,” with one or more series designations, as appropriate (collectively, the “2017 GARVEEs”) and to take such action as may be necessary or advisable in order to effect the issuance and sale of the 2017 GARVEEs;

**WHEREAS**, Section 33.2-1513 of the Virginia Code provides that the net proceeds of the GARVEEs shall be used exclusively for the purpose of providing funds, together with any other available funds, for paying the costs incurred or to be incurred for construction or funding of such

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projects to be designated by the Board, and the Board intends that the net proceeds of the 2017 GARVEEs are to be used to pay costs of the projects listed on Schedule 1 to this Resolution (collectively, the “Projects”);

**WHEREAS**, Section 33.2-1727 of the Virginia Code authorizes the Board to issue revenue refunding bonds to refund any revenue bonds issued pursuant to the State Revenue Bond Act;

**WHEREAS**, by resolution adopted on December 7, 2016 (the “Refunding Resolution”), the Board authorized the issuance of one or more series of revenue refunding bonds to refund, redeem and/or defease some or all of the revenue bonds, notes or other obligations previously issued by the Board, and in connection with such authorization the Board has determined, in consultation with the Board’s financial advisor, that current market conditions may enable the Board to achieve debt service savings by refunding all or a portion of the Series 2012A GARVEE Bonds and Series 2012B GARVEE Bonds (collectively, the “2012 GARVEEs”) previously issued by the Board, and the Board desires to proceed with the refunding of such 2012 GARVEEs under authorization provided by, and subject to the conditions set forth in, the Refunding Resolution; and

**WHEREAS**, the provisions for the foregoing arrangements and transactions will be set forth in the following documents, forms of which have been presented to the Board at this meeting:

(1) a Fifth Supplemental Trust Indenture expected to be dated as of December 1, 2017 (the “Fifth Supplement” and together with the Master Indenture, the “Indenture”), between the Board and the Trustee;

(2) a Preliminary Official Statement of the Board containing, among other things, information relating to the Commonwealth, the Board, the Virginia Department of Transportation (the “Department”) and the terms of the 2017 GARVEEs to be used in the public offering for sale of the 2017 GARVEEs (the “Preliminary Official Statement”);

(3) a Note Purchase Agreement, to be dated as of the sale date of the 2017 GARVEEs (the “Note Purchase Agreement”), between the Board and the underwriters of the 2017 GARVEEs (collectively, the “Underwriters”), to be used if the 2017 GARVEEs are sold at a negotiated sale; and

(4) a Continuing Disclosure Agreement of the Board relating to the obligations of the Board to disclose certain information on an ongoing basis in connection with the 2017 GARVEEs (the “Continuing Disclosure Agreement” and, together with the Fifth Supplement, the Preliminary Official Statement and the Note Purchase Agreement, the “Basic Documents”).

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**NOW, THEREFORE, BE IT RESOLVED BY THE COMMONWEALTH  
TRANSPORTATION BOARD THAT:**

**1. Authorization of the 2017 GARVEEs.** The Board finds and determines that it is in the best interest of the Commonwealth and the Board for the Board (i) to enter into the Fifth Supplement to provide for the issuance of the 2017 GARVEEs, (ii) to issue the 2017 GARVEEs in accordance with the provisions of the Act, the Indenture and the Basic Documents, (iii) to sell the 2017 GARVEEs in the manner provided herein, and (iv) to use the a portion of the proceeds of the 2017 GARVEEs to pay costs of the Projects, including such other project or projects as may be designated by the Board and approved by FHWA. The Board authorizes the issuance and sale of the 2017 GARVEEs within the following parameters: (i) the aggregate principal amount of the 2017 GARVEEs shall not exceed \$250,000,000, (ii) the final maturity date of the 2017 GARVEEs shall not exceed 20 years from their date of issuance, and (iii) the aggregate true interest cost of the GARVEEs shall not exceed the maximum true interest cost approved by the Treasury Board of the Commonwealth (the "Treasury Board"). The Treasury Board is required pursuant to Section 2.2- 2416 of the Virginia Code to approve the terms and structure of the 2017 GARVEEs. The Board hereby finds and determines that the issuance and sale of the 2017 GARVEEs in accordance with this Resolution conforms with the purposes set forth in the Act and the Master Indenture

**2. Limited Obligations.** The 2017 GARVEEs shall be limited obligations of the Board and the Commonwealth, payable from and secured by a pledge of the Federal Highway Reimbursements and the other Revenues (as defined in the Indenture) and amounts in certain funds established pursuant to the Indenture. Nothing in this Resolution, the 2017 GARVEEs, the Indenture or the Basic Documents shall be deemed to create or constitute a debt or a pledge of the faith and credit of the Commonwealth or any political subdivision thereof.

**3. Determination of Final Terms and Details and Delivery of the 2017 GARVEEs.** The Board authorizes the Chairman of the Board (the "Chairman"), subject to the parameters set forth in paragraph 1 of this Resolution, to determine the final terms and details of the 2017 GARVEEs, including, without limitation, the final series designation, the aggregate principal amount, the maturity schedule, the interest rates, the redemption provisions, the sale date, the sale price and the offering prices. Further, once the terms and details of the 2017 GARVEEs have been determined, the Board authorizes and directs the Chairman and the Secretary of the Board (the "Secretary") (i) to have the 2017 GARVEEs prepared and executed in accordance with the Indenture, (ii) to deliver the 2017 GARVEEs to the Trustee for authentication, and (iii) to cause the 2017 GARVEEs so executed and authenticated to be delivered to or for the account of the Underwriters upon payment of the purchase price of the 2017 GARVEEs, all in accordance with the executed Note Purchase Agreement. Execution and delivery by the Chairman and the Secretary of the 2017 GARVEEs shall constitute conclusive

evidence of the approval of the 2017 GARVEEs and the terms and details thereof by the Chairman and the Secretary on behalf of the Board.

**4. Basic Documents.** The Board approves each of the Basic Documents in substantially the form presented at this meeting. The Board authorizes and directs the Chairman to prepare, execute, and deliver the final forms of the Basic Documents with such completions, omissions, insertions, and changes as are necessary or desirable to effect the issuance and sale of the 2017 GARVEEs, including without limitation changes to the dated dates thereof, as the Chairman may approve. The Board further authorizes changes to the Basic Documents to include terms and provisions that are necessary or appropriate to effect the refunding of all or a portion of the 2012 GARVEEs in accordance with the Refunding Resolution. The Chairman's execution and delivery of the Basic Documents shall constitute conclusive evidence of the approval of the final forms of such documents by the Chairman on behalf of the Board.

**5. Sale of the 2017 GARVEEs.** The Chairman is authorized to sell the 2017 Bonds pursuant to a competitive sale and to prepare, publish and distribute a Notice of Sale in connection therewith (the "Notice of Sale"), provided that the Notice of Sale may not be published or distributed prior to the approval of the 2017 Bonds by resolution of the Treasury Board. Alternatively, if determined by the Chairman to be in the best interest of the Commonwealth, the Board authorizes the Chairman to solicit and consider proposals for a negotiated sale of the 2017 Bonds and to negotiate the terms of such sale. Subject to paragraph (4), the Chairman is authorized to execute and deliver the Note Purchase Agreement, provided that no such purchase contract or agreement may be executed prior to approval of the terms and structure of the 2017 Bonds by resolution of the Treasury Board.

**6. Preliminary Official Statement.** The Board approves the Preliminary Official Statement in substantially the form presented at this meeting. The Board authorizes and directs the Chairman, in collaboration with Department staff, Bond Counsel, the Underwriters, and Public Resources Advisory Group, the Board's financial advisor (the "Financial Advisor"), to prepare the final form of the Preliminary Official Statement with such completions, omissions, insertions, and changes as are necessary or desirable to effect the issuance and sale of the 2017 GARVEEs, as the Chairman may approve. The Board authorizes the Chairman to deem the Preliminary Official Statement to be final for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule") and to approve the distribution thereof, provided that the Preliminary Official Statement may not be distributed prior to approval of the terms and structure of the 2017 GARVEEs in accordance with a resolution of the Treasury Board.

**7. Official Statement.** The Board authorizes and directs the Chairman, in collaboration with Department staff, Bond Counsel, the Underwriters, and the Financial Advisor, to complete the Preliminary Official Statement as an official statement in final form (the "Official Statement") in accordance with the Rule and any Note Purchase Agreement. The Board authorizes and directs the Chairman to execute the Official Statement, which execution

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shall constitute conclusive evidence of the approval of the Official Statement by the Chairman on behalf of the Board and that it has been deemed final within the meaning of the Rule. The Board authorizes and directs Department staff to arrange for delivery to the Underwriters within seven business days after the sale date of the 2017 GARVEEs, a sufficient number of copies of the Official Statement for the Underwriters to distribute to each potential investor requesting a copy and to each person to whom the Underwriters initially sell the 2017 GARVEEs and the Municipal Securities Rulemaking Board (“MSRB”) via the MSRB’s Electronic Municipal Market Access system (“EMMA”). The Board authorizes and approves the distribution by the Underwriters of the Official Statement as executed by the Chairman.

**8. Continuing Disclosure.** The Board covenants to undertake ongoing disclosure and to provide “annual financial information” and “event notices” for the benefit of holders of the 2017 GARVEEs and to assist the Underwriters in complying with the Rule, all in accordance with the Continuing Disclosure Agreement. The Chief Financial Officer of the Department is designated as the initial Dissemination Agent under the Continuing Disclosure Agreement. Execution and delivery by the Chairman of the Continuing Disclosure Agreement shall constitute conclusive evidence of the approval of the Continuing Disclosure Agreement by the Chairman on behalf of the Board.

**9. Authorization of Further Action.** The Board authorizes Department staff (i) to request the Treasury Board to approve the terms and structure of the 2017 GARVEEs in accordance with Section 2.2-2416 of the Virginia Code and the Act, (ii) to request the Governor to approve the issuance of the 2017 GARVEEs in accordance with the Act, (iii) if determined by Department staff to be cost beneficial, to procure and negotiate a contract with a credit facility provider to issue a credit facility with respect to some or all of the 2017 GARVEEs and to execute such contract, together with any other documents related to such credit facility, and (iv) to collaborate with the staff of the Department of the Treasury of the Commonwealth or the State Treasurer to procure and to negotiate investments and investment contracts for any of the proceeds of the 2017 GARVEEs. The Board further authorizes the Chairman to execute and deliver all documents and certificates and to take all such further action as he may consider necessary or desirable in connection with the issuance and sale of the 2017 GARVEEs, including, without limitation, the execution and delivery of documents, certificates or instruments that include without limitation (x) agreements or amendments to existing agreements concerning Federal Highway Reimbursements or the GARVEEs generally to account for the 2017 GARVEEs or the proceeds of the 2017 GARVEEs or other GARVEEs in a manner consistent with the intent of this Resolution, and (y) certificates or agreements concerning tax items related to the 2017 GARVEEs, such as: (A) the expected use and investment of the proceeds of the 2017 GARVEEs to show that such expected use and investment will not cause the 2017 GARVEEs to be deemed to be “private activity bonds” or “arbitrage bonds” under Section 141 or Section 148 of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and (B) providing for the computation and payment to the United States of any arbitrage rebate liability under Section

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148(f) of the Tax Code. The Chairman is further authorized to make on behalf of the Board such elections under the Tax Code and the applicable Treasury Regulations with respect to the 2017 GARVEEs as the Chairman may deem to be in the best interests of the Commonwealth and the Board, in consultation with Bond Counsel and the Financial Advisor.

**10. Authorizations and Directions to Certain Officers.** Any authorization of or direction to the Chairman or the Secretary under this Resolution shall also be deemed to be an authorization of or a direction to (i) the Vice-Chairman of the Board or any Assistant Secretary of the Board, respectively, and (ii) any other officer or employee of the Board or the Department designated for such purpose by the Chairman or the Secretary, respectively, including without limitation the Commonwealth's Commissioner of Highways or the Chief Financial Officer of the Department. Any and all action previously taken by any officer, employee or Department staff herein authorized in furtherance of the purposes of this Resolution are ratified and affirmed.

**11. Effective Date.** This Resolution is effective upon adoption.

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The undersigned Secretary of the Commonwealth Transportation Board certifies that the foregoing is a true and correct copy of a Resolution adopted by the Board, upon the vote as noted below, at a duly called meeting of the Board held on October 24, 2017.

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Secretary, Commonwealth Transportation Board

Date: October \_\_\_\_, 2017



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## **SCHEDULE 1**

### **List of Projects**

1. Route 29/460 – D/B Interchange & Extension (Odd Fellows Road)
2. I-66/Route 15 Interchange Reconstruction
3. Route 95 – Relocation of Interchange at Route 630 with Southbound General Purpose Lane Option Between Exits 143 & 140
4. Route 165 – 6 & 8 Lanes
5. Route 13 – 8 Lanes
6. I-66 Inside the Beltway Initiatives
7. Route 7 Corridor Improvements – Phase 1 and Phase 2
8. Emmet Street Corridor Streetscape & Intersections
9. Route 10 (Bermuda Triangle Road to Meadowville Road)
10. Route 64 – Major Widening
11. I-81 at State Route 75 (Exit 17) Interchange Mod.
12. I-64 Southside Widening & High-Rise Bridge Ph 1
13. Route 29 Widening - Phase II
14. I-95 Auxiliary Lanes (Northbound & Southbound) between Route 288 & Route 10
15. Route 11 S. Valley Pike Roadway Improvements
16. Oddfellows Road Segment B2-Reconstruction

(each as described in the Board's Six-Year Improvement Plan, as amended from time to time)

If any of the foregoing or the related financing plan is delayed, altered, or terminated, such other project or projects as may be designated by the Board and approved by FHWA.

## **CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed as of December \_\_, 2017 (the "Closing Date"), by the Commonwealth Transportation Board (the "Board") of the Commonwealth of Virginia (the "Commonwealth") in connection with the issuance by the Board of its \$\_\_\_\_\_ Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017 (the "Notes"), pursuant to the provisions of a Master Trust Indenture dated as of February 1, 2012, as previously supplemented and amended, and as further supplemented by a Fifth Supplemental Trust Indenture dated as of December 1, 2017 (collectively, the "Indenture"), both between the Board and U.S. Bank National Association, as trustee. The proceeds of the Notes are being used to provide for the payment of certain costs of certain transportation projects in the Commonwealth and certain costs related to the issuance of the Notes.

The Board hereby covenants and agrees as follows:

**Section 1. Definitions.** In addition to the definitions used for purposes of the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Board pursuant to and as described in Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" means the Board, acting in its capacity as dissemination agent hereunder, or any successor dissemination agent. Notwithstanding anything contained in this definition, the dissemination agent shall not be required to have any agency relationship with the Board for purposes of state law.

"EMMA" means the MSRB's Electronic Municipal Market Access system, the internet address of which is <http://emma.msrb.org/>, and any successor thereto.

"Fiscal Year" means the twelve-month period, at the end of which the financial position of the Board and results of its operations for such period are determined. Currently, the Board's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" means any person who is a record owner or beneficial owner of a Note.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" means the Board's Official Statement with respect to the Notes, dated \_\_\_\_\_, 2017.

"Rule" means Rule 15c2-12, adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Participating Underwriter" means any of the original underwriters of the Notes required to comply with the Rule in connection with the offering of such Notes.

**Section 2. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Board for the benefit of the Holders of the Notes and in order to assist each Participating Underwriter in complying with the Rule. The Board acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

**Section 3. Provision of Annual Reports: Audited Financial Statements.**

(a) By not later than April 30 following the end of each Fiscal Year of the Board, commencing with the Fiscal Year ending June 30, 2017, the Board shall submit, or shall cause the Dissemination Agent (if different from the Board) to submit, to EMMA an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, and (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement;

(b) The Board does not produce separate financial statements, but its financial activity is included in the audited financial statements of the Commonwealth. Accordingly, the Commonwealth is an obligated person for whom financial or operating data is presented in the Official Statement, and the Commonwealth has separately executed and delivered a continuing disclosure agreement dated the date hereof related to the offering and sale of the Notes for the benefit of Holders of the Notes and to assist the Participating Underwriters in complying with the Rule. If, at any time in the future, as a result of a change in law or accounting policy, the Board should produce separate audited financial statement, then the Board will make public such audited financial statements as provided in the Rule; and

(c) If the Board fails to submit an Annual Report to EMMA by the date required in subsection (a) hereof, the Board shall send an appropriate notice to the MSRB in substantially the form attached hereto as Exhibit A.

**Section 4. Content of Annual Reports.** Each Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, the following information, all with a view toward assisting the Participating Underwriters in complying with the Rule:

(a) a chart detailing the funding of the Highway Account of the Federal Highway Trust Fund for the most recent Fiscal Year;

(b) a chart detailing the Obligation Authority provided to the Commonwealth for the most recent Fiscal Year;

(c) a chart detailing the revenues received into the Transportation Trust Fund for the most recent Fiscal Year;

(d) if other funds have been appropriated by the General Assembly with respect to the Notes, a chart detailing the sources of such funds for the most recent Fiscal Year.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements, documents related to debt issues or other documents of the Board or the Commonwealth, that have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Board shall clearly identify each such other document so incorporated by reference.

**Section 5. Event Notices.** The Board will submit, or cause the Dissemination Agent (if different from the Board) to submit, in a timely manner not in excess of 10 business days after the occurrence of the event, to the MSRB, notice of the occurrence of any of the following events (listed in subsection (b)(5)(i)(c) of the Rule) with respect to the Notes to which the Board has actual knowledge:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (g) Modifications to rights of Holders of the Notes, if material;
- (h) Note calls;
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the Notes, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the Board;
- (m) The consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary

course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Board does not undertake to provide the above-described notice in the event of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the Official Statement for the Notes, (ii) the only open issue is when Notes will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Holders under the terms of the Indenture, and (iv) public notice of the redemption is given pursuant to Release No. 34-23856 of the Securities and Exchange Commission, even if the originally scheduled amounts may be reduced by prior optional redemption or Note purchases.

**Section 6. Termination of Reporting Obligation.** The obligations of the Board under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Notes.

**Section 7. Dissemination Agent.** The Board, as the initial Dissemination Agent, may, from time to time, appoint or engage another entity to act as Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. Any such successor Dissemination Agent will be deemed to be appointed pursuant to this Disclosure Agreement. It is currently anticipated that such successor Dissemination Agent may include, among others, Digital Assurance Certification LLC, or similar organizations that may exist from time to time. If at any time there is not any other designated Dissemination Agent, the Board shall be the Dissemination Agent.

**Section 8. Amendment.** Notwithstanding any other provision of this Disclosure Agreement, the Board may amend this Disclosure Agreement if such amendment is supported by an Opinion of independent Counsel with expertise in federal securities laws to the effect that such amendment is permitted or required by the Rule.

**Section 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice described in Section 5 above, in addition to that which is required by this Disclosure Agreement. If the Board chooses to include any information in any Annual Report or notice described in Section 5 above, in addition to that which is specifically required by this Disclosure Agreement, the Board shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice.

**Section 10. Default.** Any person referred to in Section 11 (other than the Board) may take such action as may be permitted by law against the appropriate public official to secure

compliance with the obligation of the Board to file its Annual Report or to give notice as described in Section 5. In addition, Holders of not less than a majority in aggregate principal amount of the Notes Outstanding may take such actions as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement or to enforce any other obligation of the Board hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture or any applicable resolution or other debt authorization of the Board, and the sole remedy under this Disclosure Agreement in the event of any failure of the Board to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

**Section 11. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Board, the Participating Underwriters, and Holders from time to time of the Notes, and shall create no rights in any other person or entity.

[Signature Page Follows]

IN WITNESS WHEREOF, the Chairman of the Commonwealth Transportation Board has executed this Continuing Disclosure Agreement as of the Closing Date.

**COMMONWEALTH TRANSPORTATION BOARD**

By: \_\_\_\_\_  
Chairman

[Signature Page to Continuing Disclosure Agreement]

NOTICE OF FAILURE TO FILE ANNUAL REPORT  
[AUDITED ANNUAL FINANCIAL STATEMENTS]

COMMONWEALTH TRANSPORTATION BOARD

in connection with

Commonwealth of Virginia  
Federal Transportation Grant Anticipation Revenue Notes, Series 2017

CUSIP Numbers:  
927790 \_\_\_ to \_\_\_

Dated: December \_\_, 2017

**NOTICE IS HEREBY GIVEN** that the Commonwealth Transportation Board (the "Board") has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds. The Board anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by \_\_\_\_\_ [or it has been filed as of \_\_\_\_\_].

Dated: \_\_\_\_\_, 20\_\_

**COMMONWEALTH TRANSPORTATION BOARD**

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_



**COMMONWEALTH TRANSPORTATION BOARD**

\$ \_\_\_\_\_  
**Commonwealth of Virginia**  
**Federal Transportation Grant Anticipation Revenue Notes, Series 2017**

**NOTE PURCHASE AGREEMENT**

\_\_\_\_\_, 2017

Commonwealth Transportation Board  
Richmond, Virginia

Ladies and Gentlemen:

\_\_\_\_\_ (collectively, the "Underwriters"), represented by \_\_\_\_\_ (the "Representative"), offer to enter into this Agreement with the COMMONWEALTH TRANSPORTATION BOARD (the "Transportation Board") concerning the sale by the Transportation Board and the purchase by the Underwriters of the \$ \_\_\_\_\_ Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017 (the "2017 Notes"). The 2017 Notes are being issued to finance certain eligible transportation projects in the Commonwealth of Virginia (the "Commonwealth") and to pay costs of issuing the 2017 Notes.

This offer is made subject to acceptance by the Transportation Board before 5:00 p.m., Richmond, Virginia time, on the date of this Agreement. Acceptance of this offer must be evidenced by the execution and delivery to the Representative of this Agreement by the Chairman of the Transportation Board or other authorized officer satisfactory to the Representative. Upon such acceptance, this Agreement will be in full force and effect in accordance with its terms and will be binding upon the Transportation Board and the Underwriters. This offer may be revoked by the Underwriters upon written notice delivered to the Transportation Board at any time before acceptance.

The Transportation Board acknowledges that in connection with the purchase and sale of the 2017 Notes, (i) such purchase and sale pursuant to this Agreement is an arm's length commercial transaction between the Transportation Board and the Underwriters and the Underwriters have financial and other interests that differ from those of the Transportation Board, (ii) each Underwriter is acting solely as a principal and not as an agent, municipal advisor, financial advisor or a fiduciary of the Transportation Board, (iii) the Underwriters have not assumed (individually or collectively) an advisory or fiduciary responsibility in favor of the Transportation Board with respect to the offering of the 2017 Notes (whether or not any Underwriter, or any affiliate of an Underwriter, has advised or is currently advising the Transportation Board on matters unrelated to the offering of the 2017 Notes), except as may be expressly set forth in this Agreement and (iv) the Transportation Board has consulted with its own legal, financial or other advisors to the extent it deemed appropriate in connection with the offering of the 2017 Notes.

Capitalized terms used in this Agreement which are not otherwise defined have the meaning set forth in the Indenture (as hereafter defined).

1. Purchase and Sale of the 2017 Notes. In reliance upon the representations, warranties and covenants contained in this Agreement, and subject to its terms and conditions, the Transportation Board agrees to sell to the Underwriters, and the Underwriters agree to purchase from the Transportation Board, all of the 2017 Notes at a price of \$\_\_\_\_\_.

The 2017 Notes will be issued pursuant to a Master Indenture of Trust dated as of February 1, 2012 (the "Master Indenture"), as previously supplemented and amended and as further supplemented by a Fifth Supplemental Indenture of Trust dated as of December 1, 2017 (collectively with the Master Indenture, the "Indenture"), between the Transportation Board and U.S. Bank National Association, as trustee (the "Trustee"). The 2017 Notes will be dated, bear interest and mature on the dates and in the amounts as set forth in Exhibit A, and will be as described in the Indenture in all other respects.

The Underwriters agree to make a bona fide public offering of all of the 2017 Notes, at prices not in excess of the initial public offering prices set forth in Exhibit A, but reserve the right to change initial offering prices as the Underwriters deem necessary in connection with the offering of the 2017 Notes. The Underwriters may offer and sell the 2017 Notes to certain dealers (including dealers depositing the 2017 Notes into investment trusts) at prices lower than the public offering prices set forth in the Official Statement (as hereinafter defined).

2. Liquidated Damages. The Representative is delivering to the Transportation Board a corporate check of the Representative in the amount of \$\_\_\_\_\_ (the "Good Faith Deposit") as security for the performance by the Underwriters of their obligations to accept and pay for the 2017 Notes on the Closing Date in accordance with the provisions hereof. Such check shall be held uncashed until the Closing Date. Concurrently with the delivery of and payment for the 2017 Notes on the Closing Date, such check shall be returned to the Representative by the Transportation Board. If the Transportation Board does not accept this offer or if the Transportation Board fails to deliver the 2017 Notes on the Closing Date or if the Transportation Board is unable to satisfy the conditions contained in this Agreement (unless waived by the Representative) or if this Agreement is terminated for any reason permitted by this Agreement, such check shall be immediately returned to the Representative. If the Underwriters fail (other than for a reason permitted under this Agreement) to accept and pay for the 2017 Notes on the Closing Date, the Transportation Board may retain the Good Faith Deposit as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters. The Underwriters understand that in such event the actual damages of the Transportation Board may be less than such amount. Accordingly, the Underwriters hereby waive any right to claim that the actual damages of the Transportation Board are less than such amount, and the approval by the Transportation Board of the amount set forth herein as and for liquidated damages shall constitute a waiver of any right the Transportation Board may have to additional damages from the Underwriters.

3. Delivery of the 2017 Notes. By 10:00 a.m., New York City time, on December \_\_\_\_, 2017, or such other time as the Transportation Board and the Underwriters may agree in writing (the "Closing Date"), the Transportation Board will cause the 2017 Notes to be delivered

to or at the direction of the Underwriters through the facilities of The Depository Trust Company ("DTC"), or such other place as the Representative may specify. The other documents mentioned in this Agreement will be delivered at such time and on such date at the offices of Kutak Rock LLP, Richmond, Virginia, or at such other place as the Representative and the Transportation Board may agree. On the Closing Date, the Underwriters will pay the purchase price of the 2017 Notes by wire transfer of immediately available funds payable to the order of the State Treasurer for the account of the Transportation Board at the office of the Trustee in Richmond, Virginia. Notwithstanding the foregoing, if the Transportation Board prepares an amendment or supplement to the Official Statement pursuant to Section 6(i) below, the Closing Date may be postponed by the Underwriters to the tenth business day after the preparation of such amendment or such other time as the Representative and the Transportation Board determine.

The 2017 Notes will be delivered in book-entry form, with one typewritten note for each maturity, registered in the name of Cede & Co., nominee for DTC, as registered owner of all the 2017 Notes, duly executed and authenticated, with CUSIP identification numbers typed on them. Neither the failure to type such numbers on any 2017 Note nor any error in such numbers or the typing will constitute cause for a failure or refusal by the Underwriters to accept delivery and pay the purchase price of the 2017 Notes.

4. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the Transportation Board in establishing the issue price of the 2017 Notes and shall execute and deliver to the Transportation Board at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit H, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Transportation Board and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the 2017 Notes.

(b) Except as otherwise set forth in Schedule [ ] attached hereto,] the Transportation Board will treat the first price at which 10% of each maturity of the 2017 Notes (the "10% test" is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Agreement, the Representative shall report to the Transportation Board the price or prices at which the Underwriters have sold to the public each maturity of 2017 Notes. If at that time the 10% test has not been satisfied as to any maturity of the 2017 Notes, the Representative agrees to promptly report to the Transportation Board the prices at which 2017 Notes of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the 2017 Notes of that maturity or until all 2017 Notes of that maturity have been sold to the public.

(c) The Representative confirms that the Underwriters have offered the 2017 Notes to the public on or before the date of this Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule [ ] attached hereto, except as otherwise set forth therein. Schedule [ ] also sets forth, as of the date of this

Agreement, the maturities, if any, of the 2017 Notes for which the 10% test has not been satisfied and for which the Transportation Board and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the Transportation Board to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the 2017 Notes, the Underwriters will neither offer nor sell unsold 2017 Notes of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the Underwriters have sold at least 10% of that maturity of the 2017 Notes to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the Transportation Board when the Underwriters have sold 10% of that maturity of the 2017 Notes to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5<sup>th</sup>) business day after the sale date.

The Transportation Board acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the 2017 Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the 2017 Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Transportation Board further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the 2017 Notes.

(d) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the 2017 Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold 2017 Notes of each maturity allotted to it until it is notified by the Representative that either the 10%

test has been satisfied as to the 2017 Notes of that maturity or all 2017 Notes of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the 2017 Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the 2017 Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold 2017 Notes of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the 2017 Notes of that maturity or all 2017 Notes of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.

(e) The Underwriters acknowledge that sales of any 2017 Notes to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Transportation Board (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2017 Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2017 Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the 2017 Notes to the public),
- (iii) a purchaser of any of the 2017 Notes is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date of execution of this Agreement by all parties.

5. Official Statement; Offering by the Underwriters. Subsequent to the acceptance of this Agreement, when reasonably requested by the Representative, the Transportation Board will deliver to the Underwriters two manually signed copies of the Official Statement in substantially the form of the Transportation Board's Preliminary Official Statement dated \_\_\_\_\_, 2017 (the "Preliminary Official Statement"), revised to include only such changes as have been accepted by the Underwriters and are necessary or desirable to reflect the terms of this Agreement and to complete the document as an Official Statement in final form, executed on behalf of the Transportation Board (together with any amendment or supplement to it, the "Official Statement"). The Transportation Board deems the Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for any information which is permitted to be omitted therefrom in accordance with paragraph (b)(1) thereof. In addition, the Transportation Board will furnish or cause to be furnished to the Underwriters, within six business days after the date of this Agreement and in any event not later than two business days before the Closing Date, printed and electronic copies of the Official Statement, and all amendments and supplements to it, in such quantities as the Underwriters may reasonably request to comply with Rule 15c2-12 and rules of the Municipal Securities Rulemaking Board and to meet potential customer requests for copies of the Official Statement.

The Underwriters represent and warrant that they will offer the 2017 Notes only pursuant to the Official Statement and only in states where the offer and sale of the 2017 Notes are legal, either as exempt securities or exempt transactions or as a result of due registration of the 2017 Notes for sale in any such state.

The Transportation Board will assist, if necessary, in the qualification of the 2017 Notes for sale under the "blue sky" or other securities laws of such jurisdictions as the Representative designates and will assist, if necessary, in the continuance of such qualifications in effect so long as required for the distribution of the 2017 Notes; provided, however, that the Transportation Board will not be required to qualify as a "foreign corporation" or to file any general consents to service of process under the laws of any state or to comply with any other requirements deemed by the Transportation Board to be unduly burdensome.

6. Representations, Warranties and Covenants of the Transportation Board. The Transportation Board represents, warrants and covenants with each of the Underwriters that:

(a) The Transportation Board is a board of the Commonwealth, duly created by the General Assembly of the Commonwealth, pursuant to, and with the power and authority set forth in Article 4, Chapter 15, Title 33.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), with power and authority to issue the 2017 Notes under the State Revenue Bond Act, Section 33.2-1700 et seq. of the Virginia Code, and the Virginia Federal Transportation Grant Anticipation Revenue Notes Act of 2011, as amended (collectively, the "Act").

(b) The Transportation Board has, and at the Closing Date will have, full legal right, power and authority to (i) enter into the Indenture, the Continuing Disclosure Agreement of the Transportation Board and this Agreement, (ii) issue, sell and deliver the 2017 Notes to the Underwriters as provided in this Agreement, and (iii) carry out and consummate the transactions

contemplated by this Agreement. The Transportation Board has taken or will take all action required by the Indenture, the Payment Agreement, the Act and all other applicable laws in connection with such matters.

(c) The execution and delivery of the Indenture, the Continuing Disclosure Agreement of the Transportation Board, the 2017 Notes, this Agreement and any other document used or contemplated for use in the consummation of the transactions contemplated by this Agreement or by the Official Statement do not and will not in any material respect conflict with or constitute on the part of the Transportation Board a breach of or default under any indenture, deed of trust, mortgage, agreement or other instrument to which the Transportation Board is a party, or conflict with, violate, or result in a breach of any existing law, public administrative rule or regulation, judgment, court order or consent decree to which the Transportation Board is subject.

(d) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best of its knowledge, threatened, (i) affecting or challenging the existence or powers of the Transportation Board, (ii) challenging the validity of the Indenture, the Payment Agreement, the Continuing Disclosure Agreement of the Transportation Board, the Memorandum of Agreement with the Federal Highway Administration dated as of December 28, 2011 (as amended from time to time, the "MOA"), the 2017 Notes or this Agreement, or of any other agreement or instrument to which the Transportation Board is a party or by which it is bound that would have a material adverse effect on or the transactions contemplated by the Indenture, the Payment Agreement, the MOA, the 2017 Notes, or this Agreement, or (iii) challenging the accuracy or completeness of or the validity of transactions described in the Preliminary Official Statement or the Official Statement.

(e) The Transportation Board has adopted all resolutions necessary to effect the transactions contemplated by the Indenture, the Payment Agreement, the MOA, the 2017 Notes, the Official Statement and this Agreement at a duly convened public meeting, with respect to which all notices were duly given to all members, and at which meeting a quorum was present and acting throughout.

(f) The Transportation Board has authorized all necessary action for:

(1) the issuance and sale of the 2017 Notes upon the terms set forth in this Agreement;

(2) the execution and delivery of the Indenture, the Continuing Disclosure Agreement of the Transportation Board, the 2017 Notes, the Official Statement and this Agreement by the Transportation Board; and

(3) the taking of any and all actions as may be required by the Transportation Board to carry out, give effect to and consummate the transactions to which the Transportation Board is a party contemplated in this Agreement, the Payment Agreement, the MOA and the Official Statement.

(g) The Transportation Board has authorized the distribution and use of the Preliminary Official Statement and has authorized the distribution of the Official Statement by

the Underwriters.

(h) The Transportation Board represents and warrants to the Underwriters that the 2017 Notes, as of the Closing Date will be, and each of the Payment Agreement, the MOA and this Agreement as of their respective dates and as of the Closing Date is and will be, duly authorized, executed and delivered by the Transportation Board and constitute valid and legally binding obligations of the Transportation Board enforceable against it in accordance with their terms.

(i) The Transportation Board will advise the Underwriters promptly of any proposal to amend or supplement the Official Statement. If at any time from the date of this Agreement until the date 25 days after the end of the underwriting period (as hereinafter defined) an event occurs as a result of which, in the reasonable opinion of the Underwriters after notification and discussion with the Transportation Board, the Official Statement as then amended or supplemented would contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained in it, in the light of the circumstances under which they were made, not misleading, then the Transportation Board, if the Underwriters so request, will promptly prepare an amendment or supplement to the Official Statement which will correct such statement or omission. Any such amendment or supplement will be subject to the written approval of the Representative. The "end of the underwriting period," for purposes of this Agreement, means the later of the Closing Date or when the Underwriters no longer retain an unsold balance of the 2017 Notes for sale to the public, provided that the end of the underwriting period shall in no event be later than the date 60 days after the Closing Date.

(j) Any certificate signed by any official of the Transportation Board or the Commonwealth and delivered to the Underwriters pursuant to this Agreement will be deemed a representation and warranty by the Transportation Board or the Commonwealth, as appropriate, to the Underwriters as to the truth of the statements made in such certificate.

(k) The Transportation Board has not been notified of any listing or proposed listing of it by the Internal Revenue Service as a bond issuer whose arbitrage certifications may not be relied upon.

(l) No consent, approval, authorization or order of any governmental or regulatory authority which has not already been obtained is required to be obtained by the Transportation Board as a condition precedent to the issuance of the 2017 Notes or the execution and delivery by the Transportation Board of or the performance of its obligations under the Indenture, the Payment Agreement, the Continuing Disclosure Agreement of the Transportation Board, the MOA or this Agreement.

(m) The Transportation Board, except as set forth below, represents and warrants to the Underwriters that (i) the Preliminary Official Statement (except for the Sections entitled "TAX MATTERS" and "UNDERWRITING" and Appendices B, C and D, as to which no representation or warranty is expressed), as of its date, did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained in it, in the light of the circumstances under which they were made, not misleading and



(ii) as of the date of this Agreement and at the Closing Date, the Official Statement (except for the Sections entitled "TAX MATTERS" and "UNDERWRITING" and Appendices B, C and D, as to which no representation or warranty is expressed) does not and will not contain any untrue statement of a material fact or omit to state any material fact which should be included in it for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained in it, in the light of the circumstances under which they were made, not misleading.

(n) Between the date of this Agreement and the Closing Date the Commonwealth and the Transportation Board will not have issued any bonds or notes or incurred any other obligations for borrowed money payable from Revenues.

(o) The Transportation Board is not in default in the payment of any bonds, notes or other obligations for borrowed money and, other than the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2012A, Series 2012B, Series 2013A and the 2016 Notes, the Commonwealth and the Transportation Board have not issued any outstanding bonds or notes or incurred any obligations for borrowed money payable from Federal Highway Reimbursements.

(p) During the last five years, the Transportation Board has not failed to materially comply with any previous undertaking relating to continuing disclosure of information pursuant to Rule 15c2-12, except as disclosed in the Official Statement.

7. Conditions of the Obligations of the Underwriters. The obligations of the Underwriters are subject to the accuracy of the representations and warranties of the Transportation Board contained in this Agreement and to the accuracy of the statements of the Transportation Board made pursuant to the provisions of this Agreement, in each case as of the date of this Agreement and as of the Closing Date, and are also subject, in the discretion of the Underwriters, to the following additional conditions precedent:

(a) The Transportation Board will have taken all action required for the valid sale, issuance and delivery of the 2017 Notes.

(b) At the Closing Date, the Indenture, the Payment Agreement, the Continuing Disclosure Agreement of the Transportation Board, the MOA and this Agreement will be in full force and effect and will not have been amended, modified or supplemented and the Official Statement will not have been amended, modified or supplemented, except as may have been agreed to in writing by the Representative.

(c) The Underwriters may terminate this Agreement at any time before the Closing Date by written notice to the Transportation Board if between this date and the Closing Date:

(1) legislation has been enacted by the Congress or adopted by either House of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration or enacted or proposed by the President of the United States or the Joint Select Committee on Deficit Reduction, or introduced by the General Assembly of the

Commonwealth or adopted by either House of the General Assembly or favorably reported for passage to either House of the General Assembly by any committee of such House to which such legislation has been referred for consideration, or a decision by a court of the United States of America, including the Tax Court, has been rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States of America, the Internal Revenue Service, the Commonwealth or other governmental agency has been made or proposed, with respect to federal or Commonwealth taxation upon revenues or other income of the general character derived by the Transportation Board or upon interest received on obligations of the general character of the 2017 Notes or other action or events have transpired that (A) may have the purpose or effect, directly or indirectly, of making interest on the 2017 Notes includable in gross income for federal income tax purposes, or (B) in the reasonable opinion of the Underwriters materially adversely affects the market price of the 2017 Notes or the market price generally of obligations of the general character of the 2017 Notes;

(2) any legislation, ordinance, rule or regulation has been enacted or proposed or actively considered for enactment by any governmental body, department or agency of the Commonwealth, or any decision by any court of competent jurisdiction within the Commonwealth has been rendered that, in the reasonable opinion of the Underwriters, materially adversely affects the market price of the 2017 Notes;

(3) any legislation has been enacted or proposed or actively considered for enactment, any decision by a court of the United States of America has been rendered or any stop order, ruling, regulation, official statement or no-action letter by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter has been made to the effect that the issuance, offering or sale of the 2017 Notes is or would be in violation of any provision of the federal securities laws on the Closing Date, including the Securities Act of 1933, as amended, the Securities and Exchange Act of 1934, as amended, or that the Indenture is required to be qualified under the Trust Indenture Act of 1939, as then in effect;

(4) any event has occurred or condition exists, that, in the reasonable opinion of the Underwriters, makes materially untrue or materially incorrect as of the Closing Date any statement or information contained in the Official Statement or that is not reflected in the Official Statement but should be reflected in it as of such time in connection with the offering and sale of the 2017 Notes in order to make the statements and information contained in the Official Statement, in light of the circumstances under which they were made, not misleading as of such time;

(5) in the reasonable opinion of the Underwriters the market price of the 2017 Notes, or the market price generally of obligations of the general character of the 2017 Notes, has been materially adversely affected because (A) additional material restrictions not in force as of this date have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, (B) the New York Stock Exchange, other national securities exchange or any governmental authority has imposed as to the 2017 Notes or similar obligations any material restrictions

not now in force, or increased materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters, (C) a general banking moratorium has been established by federal, New York or Virginia authorities, or any devaluation of the dollar has been proposed or effected by any governmental authority of the United States of America or a material disruption in commercial banking or securities settlement or clearance services shall have occurred, or (D) war or an outbreak of hostilities involving the United States of America or other national or international calamity has occurred or escalated or any conflict involving the armed forces of the United States of America has occurred or escalated to such a magnitude as, in the reasonable opinion of the Underwriters, to have a materially adverse effect on the ability of the Underwriters to market the 2017 Notes; or

(6) there has occurred either a financial crisis or a default with respect to the debt obligations or other material change in the affairs of either the Transportation Board or the Commonwealth the effect of which, in the reasonable judgment of the Underwriters, is such as to materially adversely affect the market price or the marketability of the 2017 Notes, or the ability of the Underwriters to enforce contracts for the sale of the 2017 Notes.

(d) At the Closing Date the Transportation Board will have performed all of its obligations required under or specified in this Agreement to be performed on or before the Closing Date.

(e) The Underwriters will have received the following documents:

(1) The approving opinion of Kutak Rock LLP, Richmond, Virginia, Bond Counsel, dated the Closing Date, substantially in the form attached as Appendix D to the Official Statement.

(2) A supplementary opinion of Bond Counsel, addressed to the Underwriters, dated the Closing Date, substantially in the form attached as Exhibit B.

(3) An opinion or opinions of the Office of the Attorney General of the Commonwealth, counsel to the Commonwealth, acting through the Transportation Board, addressed to the Underwriters, dated the Closing Date, substantially in the form attached as Exhibit C.

(4) An opinion or opinions of the office of the Attorney General of the Commonwealth, counsel to the Commonwealth, acting through the Treasury Board (as hereinafter defined) and the Secretary of Finance of the Commonwealth addressed to the Underwriters, dated the Closing Date, substantially in the form attached as Exhibit D.

(5) An opinion of \_\_\_\_\_, \_\_\_\_\_, counsel to the Underwriters, addressed to the Underwriters, dated the Closing Date, substantially in the form attached as Exhibit E.

(6) A certificate of the Chairman of the Transportation Board, on behalf of the Transportation Board, substantially to the effect that (A) the representations

and warranties on behalf of the Transportation Board in this Agreement are true and correct in all material respects as of the Closing Date, (B) no litigation is pending (or to the best of his information, knowledge and belief threatened) affecting the validity of the 2017 Notes or the power of the Transportation Board to pay them, and (C) to the best of his information, knowledge and belief, the Preliminary Official Statement, as of its date, and the Official Statement as of its date and the Closing Date (except for the Sections entitled "TAX MATTERS" and "UNDERWRITING" and Appendices B, C and D as to which no view is expressed) does not contain any untrue statement of a material fact and does not omit to state a material fact in order to make the statements contained in it, in the light of the circumstances under which they were made, not misleading.

(7) A certificate of the Treasurer of the Commonwealth, dated the Closing Date, substantially in the form attached as Exhibit F.

(8) Two copies of the final Official Statement manually signed by the Chairman of the Transportation Board.

(9) Executed or certified copies of the Indenture, the Payment Agreement, the MOA, the Continuing Disclosure Agreement of the Transportation Board and the Continuing Disclosure Agreement of the Commonwealth.

(10) A certified copy of the resolution of the Treasury Board of the Commonwealth of Virginia (the "Treasury Board") authorizing the execution and delivery of this Agreement and approving the plan of finance for the issuance of the 2017 Notes.

(11) Certified copies of the resolution of the Transportation Board authorizing the issuance of the 2017 Notes, the use and distribution of the Preliminary Official Statement and the execution and delivery of the Indenture, the Official Statement and this Agreement.

(12) An executed copy of Form 8038-G and evidence of timely filing of such form with the Internal Revenue Service.

(13) A certificate of the Comptroller of the Commonwealth substantially in the form attached as Exhibit G.

(14) Written consent to the issuance of the 2017 Notes by the Governor of the Commonwealth of Virginia.

(15) Confirmation satisfactory to the Underwriters that the ratings assigned by Fitch Ratings, Moody's Investors Service, Inc. and S&P Global Ratings to the 2017 Notes are the same as of the Closing Date as they are on the date of this Agreement and such ratings are "\_\_\_," "\_\_\_" and "\_\_\_," respectively.

(16) A copy of the Blue Sky survey with respect to the 2017 Notes.

(17) Such additional certificates, legal opinion, instruments or

documents as the Underwriters or their counsel or Bond Counsel may reasonably request to evidence the truth and accuracy, as of this date and as of the Closing Date, of information contained in the Official Statement and the representations and warranties of the Transportation Board contained in this Agreement, and the due satisfaction at or before the Closing Date of all conditions then to be satisfied in connection with the transactions contemplated by this Agreement.

If the Transportation Board or the Commonwealth are unable to satisfy any condition to the obligations of the Underwriters contained in this Agreement and the satisfaction of such condition is not waived by the Underwriters, this Agreement will terminate and neither the Underwriters nor the Transportation Board will have any further obligations or liabilities under this Agreement except for the continued obligations of the Transportation Board with respect to expenses as provided by Section 8.

8. Expenses. The Transportation Board will pay, or cause to be paid, from the proceeds of the 2017 Notes or other funds available to it all expenses incident to the performance of its obligations under and the fulfillment of the conditions imposed by this Agreement, including, but not limited to: (i) the cost, if any, of preparing and delivering the 2017 Notes; (ii) the cost of preparing, printing and delivering the Preliminary Official Statement, the Official Statement and any amendment or supplement to the Official Statement; (iii) the fees and expenses of Bond Counsel; (iv) any fees charged by the Trustee and its counsel for authentication and registration of the 2017 Notes and other services under the Indenture and any fees charged by DTC; (v) any fees charged by investment rating agencies for the rating of the 2017 Notes and any fees for providing CUSIP numbers; (vi) the cost of preparing, printing and delivering this Agreement; and (vii) all other costs and expenses incurred by the Transportation Board in connection with the issuance, sale and delivery of the 2017 Notes. All travel and other expenses of the Underwriters, the fees and disbursements of their counsel, the Preliminary and Final Blue Sky Surveys, and all advertising expenses in connection with the public offering of the 2017 Notes will be paid by the Underwriters.

9. Agreement to Supply Certain Information. The Underwriters agree to supply to Kutak Rock LLP on or prior to the Closing Date information reasonably requested of them in Underwriters' possession concerning the offering, sale and "issue price" of the 2017 Notes necessary in calculating the "yield" on the 2017 Notes for purposes of Section 148 of the Internal Revenue Code of 1986, as amended, and any applicable regulations or rulings, substantially in the form attached as Exhibit H.

10. Survival of Certain Representations, Warranties and Covenants. The respective representations, warranties, covenants and other statement of the Transportation Board and their officials and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results of any investigation, made by or on behalf of any Underwriter or the Transportation Board, and will survive delivery of and payment for the 2017 Notes or any termination of this Agreement.

11. Notices. Any notice or other communication to be given to the Transportation Board or the Underwriters under this Agreement may be given by mailing or delivering it in writing as follows:

COMMONWEALTH  
TRANSPORTATION  
BOARD:

Department of Transportation  
1401 East Broad Street, Third Floor  
Richmond, Virginia 23219  
Attention: Chief Financial Officer

UNDERWRITERS:

12. Benefit of the Underwriters and the Transportation Board. The agreements set forth in this Agreement are made for the benefit of the Underwriters and the Transportation Board, and their legal successors, and no other person will acquire or have any right or obligation under or by virtue of this Agreement.

13. Authorization and Consent. The Transportation Board authorizes copies of the Indenture, the Payment Agreement, the MOA and the Official Statement to be used by the Underwriters in connection with the public offering and sale of the 2017 Notes.

14. Agent for the Underwriters. The Representative will act for the Underwriters in connection with this financing, and any action under this Agreement taken by the Representative will be binding upon all the Underwriters. The approval of the Underwriters when required under this Agreement or the determination of their satisfaction as to any action or the form and substance of any document referred to in this Agreement will be in writing signed by the Representative and delivered to the Transportation Board.

15. Severability. In case any one or more of the provisions of this Agreement, for any reason, is held to be illegal or invalid, such illegality or invalidity will not affect any other provisions of this Agreement, and this Agreement will be construed and enforced as if such illegal or invalid provisions had not been contained in it.

16. Governing Law. This Agreement will be construed and enforced in accordance with the laws of the Commonwealth.

17. Counterparts. This Agreement may be executed in several counterparts, each of which will be regarded as an original and all of which will constitute one and the same document.

[Signature page follows]

Very truly yours,

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_  
Managing Director

Accepted:

**COMMONWEALTH TRANSPORTATION BOARD**

By: \_\_\_\_\_  
Aubrey L. Layne, Jr., Chairman

Acknowledgment and Consent:

**TREASURY BOARD OF THE  
COMMONWEALTH OF VIRGINIA**

By: \_\_\_\_\_  
Manju S. Ganeriwala, State Treasurer of the  
Commonwealth of Virginia and Chairman,  
Commonwealth of Virginia Treasury Board

**EXHIBIT A**

**NOTE TERMS**

**Principal Amount:** \$ \_\_\_\_\_

**Purchase Price:** \$ \_\_\_\_\_

**Date of 2017 Notes:** \_\_\_\_\_, 2017

**Interest Payment Dates:** March 15 and September 15, beginning [March 15, 2018],  
except final interest payment at maturity on September 15, 20\_\_

**Maturity Dates, Amounts, Interest Rates and Prices:**

Maturity	Amount	Interest Rate	Initial Offering Price
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**Redemption:** The Series 2017 Notes maturing on or before \_\_\_\_\_ 15, 20\_\_ are not



subject to optional redemption prior to maturity. The Series 2017 Notes maturing on or after \_\_\_\_\_ 15, 20\_\_, are subject to optional redemption before maturity on or after \_\_\_\_\_ 15, 20\_\_ at a redemption price equal to the principal amount to be redeemed plus accrued interest to the redemption date.

**SUPPLEMENTAL BOND COUNSEL OPINION**

\_\_\_\_\_, 2017

\_\_\_\_\_

**Commonwealth Transportation Board**  
**\$\_\_\_\_\_ Commonwealth of Virginia**  
**Federal Transportation Grant Anticipation Revenue Notes, Series 2017**

Dear Ladies and Gentlemen:

We have delivered to you a copy of our executed approving opinion as bond counsel, dated the date hereof, delivered in connection with the issuance by the Commonwealth Transportation Board (the "Board") of its \$\_\_\_\_\_ Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017 (the "Notes"). The Board is issuing the Notes under the terms of a Master Trust Indenture of Trust, dated as of February 1, 2012, between the Board and U.S. Bank National Association, as trustee (the "Trustee"), as previously supplemented and amended and as further supplemented by a Fifth Supplemental Trust Indenture, dated as of December 1, 2017, between the Board and the Trustee.

This letter will confirm that you may rely upon the opinions expressed in our approving opinion, subject to the qualifications set forth therein, as fully as if it were addressed to you.

At your request, we have reviewed, in addition to the proceedings and other documents described in our approving opinion, (a) a Note Purchase Agreement dated \_\_\_\_\_, 2017 (the "Note Purchase Agreement"), between you and the Board, (b) the Official Statement, dated \_\_\_\_\_, 2017, relating to the Notes (the "Official Statement"), and (c) certified copies of proceedings of the Board and the Treasury Board, as appropriate, with respect to the Note Purchase Agreement and the Official Statement, and such other matters as we consider relevant and necessary to deliver this opinion. Unless otherwise defined herein, each capitalized term used in this opinion shall have the meaning given it in the Note Purchase Agreement.

With respect to various factual matters material to our opinion we have relied upon certificates and representations of the Board and other public officials. We have assumed the genuineness of all signatures (other than officials of the Board) on all documents seen or reviewed by us, the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies.

Whenever an opinion expressed herein is stated to be our knowledge, it means that during the course of our representation as bond counsel for the Board we have not acquired information giving us actual knowledge of the existence or absence of the facts forming the basis for such opinion. We note that we have not conducted an independent investigation to determine the existence or absence of such facts. We further note that we do not represent, and have not represented, the Board as general counsel.

Based on the foregoing, we are of the opinion that:

(1) The Note Purchase Agreement has been duly authorized, executed and delivered by the Board and, assuming its due authorization, execution and delivery by you, constitutes a legal, valid and binding obligation of each, and is enforceable against the Board in accordance with its terms. The enforceability of the obligations of the Board under the Note Purchase Agreement may be limited, however, by bankruptcy, insolvency, reorganization, moratorium and similar laws and by equity principles which may limit the specific enforcement of certain remedies.

(2) Distribution by the Underwriters of the Preliminary Official Statement, dated \_\_\_\_\_, 2017, relating to the Notes and the Official Statement has been duly authorized by the Board.

(3) The statements in the Official Statement in the sections entitled "Introduction," "The GARVEE Notes Program," "The 2017 Notes," "Sources of Payment and Security for the GARVEE Notes," "Tax Matters" and "Legality for Investment" and "Definitions and Summaries of the Indenture and the Payment Agreement" set forth as Appendix A to the Official Statement are fair and accurate summaries of certain provisions of the Notes, the Indenture, the Payment Agreement, the statutes referenced therein and our approving opinion as bond counsel.

(4) Such opinion as executed is in substantially the form set forth in Appendix E to the Official Statement. Nothing has come to our attention that leads us to believe that such statements contain an untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading. We express no opinion as to any other parts of the Official Statement.

(5) The execution and delivery by the Board of the Notes, the Indenture, the Payment Agreement, the Note Purchase Agreement and the Official Statement and the compliance by the Board with the provisions thereof, under the circumstances contemplated thereby, are within the Board's powers and, to our knowledge, do not and will not conflict with, or constitute a breach or result in violation of, (i) any constitutional or statutory provisions, (ii) any agreement or other instrument to which the Board is a party or by which it is bound, or (iii) any order, rule, regulation, judgment, decree or ordinance of any court, government or governmental authority having jurisdiction over the Board or its properties.

We are furnishing this letter solely for your benefit, and it may not be relied on by any other person or firm.

Very truly yours,

B-2

**OFFICE OF ATTORNEY GENERAL OPINION – TRANSPORTATION BOARD**

\_\_\_\_\_, 2017

Commonwealth Transportation Board  
Richmond, Virginia

\_\_\_\_\_

Kutak Rock LLP  
Richmond, Virginia

**Commonwealth Transportation Board**  
**\$ \_\_\_\_\_**  
**Commonwealth of Virginia**  
**Federal Transportation Grant Anticipation Revenue Notes**  
**Series 2017**

Ladies and Gentlemen:

On behalf of the Office of the Attorney General of the Commonwealth of Virginia, \_\_\_\_\_, \_\_\_\_\_, is counsel to the Commonwealth Transportation Board (the "Transportation Board") in connection with the issuance by the Transportation Board of its \$ \_\_\_\_\_ Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017 (the "Notes"), pursuant to a Master Trust Indenture dated as of February 1, 2012 (the "Master Indenture"), between the Transportation Board and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by a Fifth Supplemental Trust Indenture dated as of December 1, 2017 (the "Fifth Supplemental Indenture" and together with the Master Indenture, the "Indenture"), between the Transportation Board and the Trustee. This opinion is delivered to you in accordance with Section 7(e) of a Note Purchase Agreement dated \_\_\_\_\_, 2017 (the "Note Purchase Agreement"), between the Transportation Board and the underwriters named therein.

I have examined, among other things, the Preliminary Official Statement of the Transportation Board dated \_\_\_\_\_, 2017 (the "Preliminary Official Statement"), and the Official Statement of the Transportation Board dated \_\_\_\_\_, 2017 (the "Official Statement").

With respect to various factual matters material to my opinion I have relied upon certificates and representations of the Transportation Board and other public officials. I have assumed the genuineness of all signatures (other than officials of the Transportation Board) on all documents seen or reviewed by me, the authenticity of all documents submitted to me as originals and the conformity with the original documents of all documents submitted to me as copies.

Whenever an opinion expressed herein is stated to be to my knowledge, or known to me, it means that during the course of my representation of the Transportation Board, I have not acquired information giving me actual knowledge of the existence or absence of the facts forming the basis for such opinion, and that except to the extent expressly set forth herein, I have not conducted an independent investigation to determine the existence or absence of such facts.

Based on the foregoing, I am of the opinion that:

1. To the best of my knowledge, after due inquiry, there is no litigation at law or in equity or any proceeding before any governmental agency pending or threatened against the Transportation Board with respect to (i) the organization or existence of the Transportation Board, (ii) the Transportation Board's authority to execute or deliver the Documents (as defined below), (iii) the validity or enforceability of the Documents, (iv) the ability of the Transportation Board to perform its obligations under the Documents, (v) the title of the officers of this Transportation Board executing any of the Documents, (vi) any authority or proceeding relating to the execution and delivery of the Documents, or (vii) the validity of the transactions described in the Documents.

2. To the best of my knowledge, the descriptions and statements relative to the Transportation Board contained in the Preliminary Official Statement and the Official Statement in the section entitled "LITIGATION" are true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading.

"Documents" means, collectively, the Indenture, the Note Purchase Agreement, the Preliminary Official Statement, the Official Statement, and the Payment Agreement dated as of February 1, 2012, among the Transportation Board, the Treasury Board of the Commonwealth of Virginia and the Secretary of Finance of the Commonwealth of Virginia.

Very truly yours,

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Senior Assistant Attorney General, as counsel  
to the Commonwealth Transportation Board

**OFFICE OF ATTORNEY GENERAL OPINION – TREASURY BOARD**

\_\_\_\_\_, 2017

Treasury Board of the  
Commonwealth of Virginia  
Richmond, Virginia

Kutak Rock LLP  
Richmond, Virginia

Secretary of Finance of the  
Commonwealth of Virginia  
Richmond, Virginia

**Commonwealth Transportation Board**  
\$ \_\_\_\_\_  
**Commonwealth of Virginia**  
**Federal Transportation Grant Anticipation Revenue Notes**  
**Series 2017**

Ladies and Gentlemen:

On behalf of the Office of the Attorney General of the Commonwealth of Virginia, Special Counsel to the Attorney General, has represented the Treasury Board of the Commonwealth of Virginia (the "Treasury Board") in connection with the issuance by the Commonwealth Transportation Board of its \$ \_\_\_\_\_ Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017 (the "Notes"). This opinion is delivered to you in accordance with Section 7(e) of a Note Purchase Agreement dated \_\_\_\_\_, 2017 (the "Note Purchase Agreement"), between the Commonwealth Transportation Board and the Underwriters.

I have examined, among other things, the following:

(a) a Payment Agreement dated as of February 1, 2012 (the "Payment Agreement"), among the Transportation Board, the Treasury Board and the Secretary of Finance of the Commonwealth of Virginia;

(b) a Preliminary Official Statement of the Transportation Board dated \_\_\_\_\_, 2017 (the "Preliminary Official Statement"), and an Official Statement of the Transportation Board dated \_\_\_\_\_, 2017 (the "Official Statement"); and

(c) a resolution of the Treasury Board adopted on \_\_\_\_\_, 2017 (the "Treasury Board Resolution"), approving the plan of finance for the issuance of the Notes and delegating approval and final terms and structure to the State Treasurer.

With respect to various factual matters material to my opinion I have relied upon certificates and representations of the Treasury Board and other public officials. I have assumed the genuineness of all signatures (other than those officials of the Treasury Board) on all documents seen or reviewed by me, the authenticity of all documents submitted to me as originals and the conformity with the original documents of all documents submitted to me as copies.

Whenever an opinion expressed herein is stated to be to my knowledge, or known to me, it means that during the course of my representation of the Treasury Board I have not acquired information giving me actual knowledge of the existence or absence of the facts forming the basis for such opinion, and that, except to the extent expressly set forth herein, I have not conducted an independent investigation to determine the existence or absence of such facts.

Based on the foregoing, I am of the opinion that:

1. The Payment Agreement has been duly authorized, executed and delivered by the Treasury Board, is a valid and binding agreement of the Treasury Board, and is enforceable against the Treasury Board in accordance with its terms.

2. The enforceability of the obligations of the Treasury Board with respect to the Payment Agreement is subject to and may be limited by the provisions of bankruptcy, insolvency, reorganization, moratorium or similar laws and may be limited by sovereign immunity or other applicable provisions of law relating to judgments against the Commonwealth or its agencies. The enforceability of such obligations is also subject to usual equity principles, which may limit the specific performance of certain remedies.

3. To the best of my knowledge, after due inquiry, there is no litigation at law or in equity or any proceeding before any governmental agency pending or threatened against the Treasury Board with respect to (i) the organization or existence of the Treasury Board, (ii) the authority of the Treasury Board to execute or deliver the Payment Agreement or adopt the Treasury Board Resolution, (iii) the validity or enforceability of the Payment Agreement, (iv) the ability of the Treasury Board to perform its obligations under the Payment Agreement, (e) the title of the officers of the Treasury Board executing the Payment Agreement, (f) any authority or proceeding relating to the execution and delivery of the Payment Agreement or the adoption of the Treasury Board Resolution, or (g) the validity of the transactions described in the Payment Agreement and the Treasury Board Resolution.

4. To the best of my knowledge, the descriptions and statements contained in the Preliminary Official Statement and the Official Statement in the section entitled "LITIGATION" (as to the Treasury Board) and in the section in Appendix B entitled "LITIGATION" are true and

correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading.

Very truly yours,

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Special Counsel to the Attorney General,  
as counsel to the Treasury Board of the  
Commonwealth of Virginia



**OPINION OF UNDERWRITERS COUNSEL**

\_\_\_\_\_, 2017

**COMMONWEALTH TRANSPORTATION BOARD**

\$ \_\_\_\_\_

**Commonwealth of Virginia  
Federal Transportation Grant Anticipation Revenue Notes  
Series 2017**

Ladies and Gentlemen:

We have acted as your counsel in connection with your purchase from the Commonwealth Transportation Board (the "Issuer"), subject to the terms and conditions set forth in the Note Purchase Agreement dated \_\_\_\_\_, 2017 (the "Note Purchase Agreement"), among you and the Issuer, of the above-referenced notes (the "Notes"). This letter is being furnished to you pursuant to Section 7(e)(5) of the Note Purchase Agreement. All capitalized terms used and not otherwise defined herein shall have the meanings set forth or referred to in the Note Purchase Agreement.

In connection with the issuance of the Notes and in accordance with our understanding with you, we rendered legal advice and assistance in the course of your review and participation in the preparation of the Official Statement dated \_\_\_\_\_, 2017 relating to the Notes (the "Official Statement"). In that connection, we have reviewed the resolution adopted by the Issuer on \_\_\_\_\_, 2017, authorizing issuance of the Notes; the resolution adopted by the Treasury Board on \_\_\_\_\_, 2017, approving issuance of the Notes; the Indenture under which the Notes are issued; the Official Statement; the Continuing Disclosure Agreement, dated \_\_\_\_\_, 2017 (the "Continuing Disclosure Agreement"); opinions dated the date hereof of Kutak Rock LLP, Bond Counsel; opinions of dated the date hereof of Virginia's Office of the Attorney General, counsel to the Issuer and to the Treasury Board; and such other records, certificates, opinions and documents; and we have made such investigation of law, as we have deemed appropriate as a basis for the opinions and conclusions hereinafter expressed.

In arriving at the opinions and conclusions hereinafter expressed, we have not, except as specifically identified above, made any independent review or investigation of factual or other matters, including the organization, existence, good standing, assets, business or affairs of the

Issuer. In reviewing the aforementioned certificates, records, proceedings, documents and opinions, we have assumed the due execution of, and genuineness of all signatures on, original and certified documents and the conformity of all documents submitted to us as conformed copies or photocopies to the respective original or certified documents. By offering the opinions and advice hereinafter expressed, we are not expressing any opinion or view on, and are assuming and relying on, the validity, accuracy and sufficiency of the records, documents, certificates and opinions referred to above (including, without limitation, the accuracy of all factual matters represented and legal conclusions contained therein, representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Notes and the tax status of interest on the Notes and all laws, documents and instruments providing for issuance and/or security or payment of the Notes). The opinions and advice expressed herein are based as to matters of law solely on the federal securities laws, and we express no opinion as to any other laws, statutes, ordinances, rules or regulations (including without limitation any federal or state tax or state securities laws or regulations).

Based upon, subject to and limited by the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

(a) The Notes are municipal securities under the Securities Exchange Act of 1934, as amended, and the offering, sale and delivery of the Notes do not require the registration of the Notes under the Securities Act of 1933, as amended, and the Note Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(b) The continuing disclosure undertaking of the Issuer contained in the Continuing Disclosure Agreement meets the requirements of Section (b)(5)(i) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

This letter does not purport to address the requirements under the laws of any jurisdiction with respect to the registration or licensing of dealers, brokers or salesmen, the form or substance of advertising or the filing requirements applicable thereto, or the legality of investments in the 2017 Notes by any institutional investor that is subject to statutory or other restrictions as to its investments.

We further advise you that we are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In connection with the issuance of the Notes and in accordance with our understanding with you, we rendered legal advice and assistance in the course of your investigation pertaining to, and your participation in the preparation of the Official Statement. Rendering such assistance involved, among other things, discussions and inquiries concerning various legal and related subjects and reviews of certain public and Issuer records, documents and proceedings. We have also participated in discussions, conversations and conferences with your representatives, representatives of the Issuer and Virginia's Office of the Attorney General, Kutak Rock LLP and certain other parties involved in the preparation of information for the Official Statement, at which conferences the contents of the Official Statement and related matters were discussed and revised. On the basis of the information made available to us in the course of our participation in the preparation of the Official Statement, and

without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, based on our discussions, inquiries, review and participation and in reliance thereon and on the records, proceedings and documents referred to above, nothing has come to the attention of the attorneys in our firm rendering legal services to you in connection with the issuance of the Notes which leads us to believe that the Official Statement, as of its date and as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. We express no belief or opinion as to Appendices A through E to the Official Statement or as to any CUSIP numbers, financial, technical, statistical, economic, engineering, demographic or tabular data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion included in the Official Statement or as to the information contained in the Official Statement under the captions "CERTAIN LEGAL MATTERS," "TAX MATTERS," "LEGALITY FOR INVESTMENT," "LITIGATION" and "RATINGS" or any information in the Official Statement about the book-entry system, Cede & Co., or DTC, including Appendix G to the Official Statement.

This letter is issued to and for the sole benefit of the addressees, in their role as underwriters of the Notes, and is issued for the sole purpose of the transaction specifically referred to herein. No person (including, but in no way by limitation, the owners (beneficial or registered) of the Notes, or the Issuer) other than the addressees, in their role as underwriters of the Notes, may rely upon this letter without our express prior written consent. This letter may not be utilized by the addressees for any other purpose whatsoever and may not be quoted by the addressees without our express prior written consent.

We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason. Our engagement with respect to the transaction referred to herein terminates upon the date of this letter.

Very truly yours,

**CERTIFICATE OF STATE TREASURER  
OF THE COMMONWEALTH OF VIRGINIA**

The undersigned State Treasurer of the Commonwealth of Virginia (the "Commonwealth") certifies to the Underwriters identified in the Note Purchase Agreement dated \_\_\_\_\_, 2017 (the "Note Purchase Agreement"), relating to the \$ \_\_\_\_\_ Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017 (the "Series 2017 Notes"), issued by the Commonwealth Transportation Board (the "Transportation Board") under the terms of the Master Trust Indenture dated as of February 1, 2012, as supplemented by the Fifth Supplemental Trust Indenture dated as of \_\_\_\_\_ 1, 2017, between the Transportation Board and U.S. Bank National Association, as trustee (collectively, the "Indenture"), as follows:

1. I am the duly appointed, qualified and acting State Treasurer of the Commonwealth and as such am familiar with the books and records of the Treasury of the Commonwealth. By law the State Treasurer serves as Chairman of the Treasury Board of the Commonwealth (the "Treasury Board").

2. The information in the sections entitled "INTRODUCTION," "SOURCES OF PAYMENT AND SECURITY FOR THE GARVEE NOTES" and Appendices B and C of the Transportation Board's Official Statement dated \_\_\_\_\_, 2017 (the "Official Statement"), relating to the Series 2017 Notes (except for the section in Appendix B entitled "LITIGATION," as to which no view is expressed) does not contain any untrue statement of a material fact or omit to state a material fact relating to the Commonwealth necessary in order to make the statements contained in it, in light of the circumstances under which they were made, not misleading.

3. No event affecting the Commonwealth has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect, as of this date, any statement or information relating to the Commonwealth contained in the Official Statement or which is not reflected in the Official Statement but is necessary to make the statements and information contained in it not misleading.

4. Except for the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017, and Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2012A, 2012B, 2013A and 2016, which the Transportation Board issued on March 1, 2012, July 26, 2012, November 21, 2013, and November 9, 2016, respectively, the Commonwealth and the Treasury Board have not issued any bonds or notes or incurred any other obligations for borrowed money payable from Federal Highway Reimbursements (as defined in the Indenture).

5. I, as State Treasurer, have full legal right, power and authority to enter into the Continuing Disclosure Agreement of the Commonwealth of Virginia, and carry out and

consummate the transactions contemplated by the Continuing Disclosure Agreement of the Commonwealth of Virginia.

6. The compliance with the provisions of the Payment Agreement and any other document used or contemplated for use in the consummation of the transactions contemplated by the Payment Agreement do not and will not in any material respect conflict with or constitute on the part of the Treasury Board a breach of or default under any indenture, deed of trust, mortgage, agreement or other instrument to which the Treasury Board is a party, or conflict with, violate or result in a breach of any existing law, public administrative rule or regulation, judgment, court order or consent decree to which the Treasury Board is subject.

7. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, (i) affecting or challenging the existence or powers of the Treasury Board, (ii) challenging the validity of the Payment Agreement, the Continuing Disclosure Agreement of the Commonwealth of Virginia or the Series 2017 Notes, or of any other agreement or instrument to which the Treasury Board is a party or by which it is bound that would have a material adverse affect on the transactions contemplated by the Payment Agreement or the Series 2017 Notes, or (iii) challenging the accuracy or completeness of or the validity of transactions described in the Preliminary Official Statement of the Transportation Board dated \_\_\_\_\_, 2017 or the Official Statement.

8. The Treasury Board has adopted all resolutions necessary to approve the plan of finance for the Series 2017 Notes at duly convened public meetings, with respect to which all notices were duly given to all members, and at each of which meetings a quorum was present and acting at the time of adoption, and no such resolution has been amended, modified or rescinded in whole or in part.

Dated: \_\_\_\_\_, 2017

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Manju S. Ganeriwala, State Treasurer of the  
Commonwealth of Virginia

**CERTIFICATE OF COMPTROLLER OF COMMONWEALTH  
COMMONWEALTH OF VIRGINIA**

The Comptroller of the Commonwealth of Virginia (the "Commonwealth"), on behalf of the Commonwealth, certifies to the Underwriters identified in the Note Purchase Agreement dated \_\_\_\_\_, 2017 (the "Note Purchase Agreement"), relating to the \$\_\_\_\_\_ Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017, issued by the Commonwealth Transportation Board that the tables "Summary of General Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Variance of Actual-Budgetary Basis" and "Commonwealth Transportation Fund" in Appendix B to the Official Statement (as defined in the Note Purchase Agreement) accurately reflect the information concerning revenues, expenditures and other financing sources included in the Annual Report of the Comptroller for each of the fiscal years covered therein. I further certify that there has been no material adverse change in the financial condition of the Commonwealth between the date of the Financial Statements of the Commonwealth included in Appendix D to the Official Statement and this date.

Dated: \_\_\_\_\_, 2017

COMMONWEALTH OF VIRGINIA

By: \_\_\_\_\_  
Comptroller of the Commonwealth of Virginia

**UNDERWRITERS ISSUE PRICE CERTIFICATE**

(See Attached)

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2017

NEW ISSUE  
BOOK-ENTRY ONLY

**Ratings:**  
Moody's: \_\_\_\_\_  
S&P: \_\_\_\_\_  
[Fitch:] \_\_\_\_\_  
(See the section "Ratings")

In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants and the accuracy of certain representations and certifications made by the Transportation Board and other persons described herein, interest on the 2017 Notes (i) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed under the Code on individuals and corporations. However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Code), interest on the 2017 Notes must be included in computing adjusted current earnings. Bond Counsel is also of the opinion that interest on the 2017 Notes is exempt from income taxation by the Commonwealth of Virginia. See the section "Tax Matters" regarding certain other tax considerations.

## Commonwealth Transportation Board

\$230,330,000\*

Commonwealth of Virginia

### Federal Transportation Grant Anticipation Revenue Notes, Series 2017

**Dated: Date of Delivery**

**Due: March 15 and September 15, as shown on the inside front cover**

This Official Statement has been prepared by the Commonwealth Transportation Board of the Commonwealth of Virginia (the "Transportation Board") to provide information on the above-referenced notes (the "2017 Notes"). Selected information is presented on this cover page as a matter of convenience. To make an informed decision regarding the 2017 Notes, a prospective investor should read this Official Statement in its entirety.

<b>Security</b>	The 2017 Notes are limited obligations of the Commonwealth of Virginia (the "Commonwealth") and the Transportation Board, secured by and payable from certain federal highway assistance and other revenues, receipts and funds appropriated for such purpose by the General Assembly of the Commonwealth (the "General Assembly") or allocated for such purpose by the Transportation Board from certain amounts appropriated to it by the General Assembly, and do not create or constitute a debt or a pledge of the full faith and credit of the Commonwealth or any of its political subdivisions. See the section "Sources of Payment and Security for the GARVEE Notes."
<b>Issued Pursuant to</b>	The 2017 Notes will be issued pursuant to a Master Trust Indenture dated as of February 1, 2012, as previously supplemented and amended, and a Fifth Supplemental Trust Indenture dated as of December 1, 2017, each between the Transportation Board and U.S. Bank National Association, as trustee.
<b>Purpose</b>	The 2017 Note proceeds are being used to pay (i) certain costs of certain eligible transportation projects in the Commonwealth and (ii) certain costs related to the issuance of the 2017 Notes. See the sections "Introduction" "GARVEE Notes Program" and "Estimated Sources and Uses of Proceeds of the 2017 Notes."
<b>Interest Rates/Yields</b>	See inside front cover.
<b>Interest Payment Dates</b>	March 15 and September 15, commencing March 15, 2018.
<b>Denomination</b>	\$5,000 or multiples thereof.
<b>Redemption</b>	See inside front cover and the section "The 2017 Notes."
<b>Closing/Delivery Date</b>	On or about December 20, 2017.*
<b>Registration</b>	Book-entry only through the facilities of The Depository Trust Company.
<b>Trustee/Paying Agent</b>	U.S. Bank National Association, Richmond, Virginia.
<b>Financial Advisor</b>	Public Resources Advisory Group, New York, New York.
<b>Bond Counsel</b>	Kutak Rock LLP, Richmond, Virginia.
<b>Underwriters' Counsel</b>	Christian & Barton, L.L.P., Richmond, Virginia.

## WELLS FARGO SECURITIES

BofA Merrill Lynch

Citigroup

Raymond James

Loop Capital Markets

\* Preliminary, subject to change.



Dated: \_\_\_\_\_, 2017

# COMMONWEALTH TRANSPORTATION BOARD

\$ \_\_\_\_\_ \*

Commonwealth of Virginia

Federal Transportation Grant Anticipation Revenue Notes, Series 2017

(Base CUSIP\*\* Number 927790)

<u>Maturity*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP** Suffix</u>
March 15, 2018		%	%	
September 15, 2018				
March 15, 2019				
September 15, 2019				
March 15, 2020				
September 15, 2020				
March 15, 2021				
September 15, 2021				
March 15, 2022				
September 15, 2022				
March 15, 2023				
September 15, 2023				
March 15, 2024				
September 15, 2024				
March 15, 2025				
September 15, 2025				
March 15, 2026				
September 15, 2026				
March 15, 2027				
September 15, 2027				
March 15, 2028				
September 15, 2028				
March 15, 2029				
September 15, 2029				
March 15, 2030				
September 15, 2030				
March 15, 2031				
September 15, 2031				
March 15, 2032				
September 15, 2032				

## Optional Redemption

The 2017 Notes maturing on or before \_\_\_\_\_, 20\_\_, are not subject to optional redemption prior to their respective maturity dates. The 2017 Notes maturing on and after \_\_\_\_\_, 20\_\_, are subject to redemption prior to their maturity at the option of the Transportation Board on and after \_\_\_\_\_, 20\_\_, in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the 2017 Notes redeemed, plus accrued interest to the date fixed for redemption.

## Mandatory Redemption

Mandatory sinking fund redemption provisions will be included in the final Official Statement only if the Transportation Board and the Underwriters determine to combine serial maturities into one or more term notes.

\* Preliminary, subject to change.

\*\* See the last paragraph on page (i) regarding the use of CUSIP numbers in this Official Statement.

**COMMONWEALTH TRANSPORTATION BOARD**

Aubrey L. Layne, Jr., *Chairman and Secretary of Transportation*  
F. Gary Garczynski, *Vice Chairman*

Carlos M. Brown	Jennifer Mitchell
Henry Connors, Jr.	Court G. Rosen
Alison DeTuncq	Jerry L. Stinson, II
Mary Hughes Hynes	Shannon Valentine
E. Scott Kasprowicz*	F. Dixon Whitworth, Jr.
Charles A. Kilpatrick	Marty Williams
John Malbon*	Greg Yates

**VIRGINIA DEPARTMENT OF TRANSPORTATION**

Charles A. Kilpatrick, *Commissioner of Highways*  
John W. Lawson, *Chief Financial Officer*

**OFFICE OF THE ATTORNEY GENERAL**

Mark R. Herring, *Attorney General*  
Jeffrey R. Allen, *Senior Assistant Attorney General*

**TRUSTEE**

U.S. Bank National Association  
Richmond, Virginia

**FINANCIAL ADVISOR**

Public Resources Advisory Group  
New York, New York

**BOND COUNSEL**

Kutak Rock LLP  
Richmond, Virginia

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\* The terms of Messrs. Kasprowicz and Malbon expired on June 30, 2017. Messrs. Malbon and Kasprowicz are eligible for reappointment and will remain on the Transportation Board until reappointed or a successor is appointed.

The 2017 Notes are exempt from registration under the Securities Act of 1933, as amended. The 2017 Notes are also exempt from registration under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesman or other person has been authorized by the Transportation Board to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Transportation Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2017 Notes by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the Transportation Board and the purchasers or owners of any of the 2017 Notes. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement or any sale made under it will, under any circumstances, create any implication that there has been no change in the affairs of the Transportation Board since the date of this Official Statement.

All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact. This Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. neither the delivery of this Official Statement, any sale made hereunder, nor any filing of this Official Statement shall under any circumstances create an implication that there has been no change in the affairs of the Transportation Board since the date of this Official Statement or imply that any information herein is accurate or complete as of any later date.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Transportation Board and its financial results could cause actual results to differ materially from those stated in the forward-looking statements.

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ (collectively, the "Underwriters") may engage in transactions that stabilize, maintain or otherwise affect the price of the 2017 Notes, including transactions to (i) over-allot in arranging the sales of the 2017 Notes and (ii) make purchases in sales of 2017 Notes, for long or short accounts, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the Underwriters may determine. Such stabilization, if commenced, may be discontinued at any time.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, as that term is defined in, SEC rule 15c2-12.

CUSIP is a registered trademark of the American Bankers Association, used by S&P in its operation of the CUSIP Service Bureau for the ABA. CUSIP (Committee on Uniform Securities Identification Procedures) numbers used in this Official Statement have been assigned by an organization not affiliated with the Transportation Board, and the Transportation Board is not responsible for the selection or use of the CUSIP numbers. CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Transportation Board has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

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**OFFICIAL STATEMENT**  
**Commonwealth Transportation Board**  
**\$230,330,000\***  
**Commonwealth of Virginia**  
**Federal Transportation Grant Anticipation Revenue Notes, Series 2017**

**INTRODUCTION**

This Official Statement is provided by the Commonwealth Transportation Board (the "Transportation Board"), a board created and existing pursuant to the laws of the Commonwealth of Virginia (the "Commonwealth" or "Virginia"), to furnish information with respect to the offering of \$230,330,000\* aggregate principal amount of the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017 (the "2017 Notes"). Terms used in this Official Statement and not defined herein are defined in Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."*

*This Introduction contains certain information for summary purposes only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. The information contained in this Official Statement is given as of the date stated on the front cover.*

**Commonwealth Transportation Board**

The Transportation Board was created by the enactment of Chapter 2, Title 33.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), and establishes the administrative policies for Virginia's transportation system. The powers and duties of the Transportation Board include, among other things, the allocation of funds in the Transportation Trust Fund, as hereinafter defined, and the issuance of bonds, notes and other obligations to finance transportation needs, including needs for highway and public transportation. See the section *"Commonwealth Transportation Board and Virginia Department of Transportation."*

**The 2017 Notes**

The issuance of the 2017 Notes is authorized by the provisions of (i) the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes Act of 2011, Article 4, Chapter 15, Title 33.2 of the Virginia Code (the "GARVEE Act"); (ii) the Transportation Development and Revenue Bond Act, Article 4, Chapter 17, Title 33.2 of the Virginia Code (the "Revenue Bond Act"); and (iii) a resolution adopted by the Transportation Board on [October 24,] 2017. The 2017 Notes are being issued pursuant to a Master Trust Indenture dated as of February 1, 2012, as previously supplemented and amended (the "Master Indenture"), and as further supplemented by a Fifth Supplemental Trust Indenture dated as of December 1, 2017 (the "Fifth Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each between the Transportation Board and U.S. Bank National Association, as trustee (the "Trustee").

The 2017 Notes are the fifth series of notes issued by the Transportation Board under the GARVEE Act. See the section *"GARVEE Notes Program."* The 2017 Notes, the previous notes issued under the Master Indenture and any additional notes issued in the future under the Master Indenture will be referred to collectively as the "GARVEE Notes."

**Purpose of the 2017 Notes**

The Transportation Board will use the net proceeds of the 2017 Notes to provide for the payment of certain costs of the 2017 Project, as hereinafter defined, and costs related to the issuance of the 2017 Notes. The Transportation Board expects to pay costs associated with approximately, 16 transportation projects with the net proceeds of the 2017 Notes (the "2017 Project"). See the section *"The 2017 Project."*

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\* Preliminary, subject to change.

Pursuant to the Fifth Supplemental Indenture, the Transportation Board will deposit portions of the proceeds of the 2017 Notes into the 2017 Notes COI Account and the VDOT Funding Account, each within the Project Fund established pursuant to the Indenture. See the section *"Estimated Sources and Uses of Proceeds of the 2017 Notes."* From time to time, the Transportation Board will requisition funds from the 2017 Notes COI Account or the VDOT Funding Account pursuant to the terms of the Indenture to pay the issuance costs of the 2017 Notes or a portion of the costs of the 2017 Project, respectively.

### **Limited Obligations; Security and Sources of Payment**

The 2017 Notes are limited obligations of the Commonwealth and the Transportation Board payable solely from and secured by certain federal highway assistance and other revenues, receipts and funds appropriated for such purpose by the General Assembly of the Commonwealth (the "General Assembly"), or allocated for such purpose by the Transportation Board from certain amounts appropriated to it by the General Assembly, and do not create or constitute a debt or a pledge of the full faith and credit of the Commonwealth or any of its political subdivisions.

Specifically, the 2017 Notes are payable, subject to appropriation by the General Assembly, (i) first from federal-aid highway construction reimbursements and any other federal highway assistance received from time to time by the Commonwealth under or in accordance with Title 23 of the United States Code ("Title 23"), or any successor program established under federal law, from the Federal Highway Administration ("FHWA") and any successor or additional federal agencies (the "Federal Highway Reimbursements") with respect to the project or projects to be financed by the GARVEE Notes (the "Project-Specific Reimbursements"); (ii) then, at the discretion of the Transportation Board, to the extent required, from legally available revenues of the Transportation Trust Fund established pursuant to Section 33.2-1524 of the Virginia Code (the "Transportation Trust Fund"), including without limitation Federal Highway Reimbursements other than Project-Specific Reimbursements (the "Indirect Reimbursements"); and (iii) then from such other funds, if any, designated by the General Assembly for such purpose (collectively, the "Revenues"). The Transportation Board has pledged and granted a lien on the Revenues to secure the 2017 Notes pursuant to the Indenture. In addition, the 2017 Notes are payable from and secured by moneys held in certain funds established under the Indenture. The 2017 Notes are being issued on parity with the Outstanding Notes, as hereinafter defined, and all future series of GARVEE Notes issued under the Indenture.

**Pursuant to the Indenture, any moneys and investments held in the Project Fund, including the 2017 Notes COI Account and the VDOT Funding Account, are expressly excluded from the Trust Estate and do not secure the 2017 Notes. See the section *"Sources of Payment and Security for the GARVEE Notes"* and Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."***

**The 2017 Notes are not secured by any mortgage or lien on any transportation facilities of the Commonwealth or the Transportation Board. In the event of a failure to make any payment on the 2017 Notes when due, neither the Trustee nor the registered owners of the 2017 Notes shall have any right to take possession of, or to exclude the Commonwealth or the Transportation Board from, any transportation facilities. See the section *"Sources of Payment and Security for the GARVEE Notes."***

### **Approval of Issuance of 2017 Notes and Terms and Structure of the 2017 Notes**

Under the GARVEE Act, the Transportation Board must obtain the consent of the Governor of the Commonwealth (the "Governor") prior to the issuance of all GARVEE Notes. In addition, Section 2.2-2416(7) of the Virginia Code vests the Treasury Board of the Commonwealth (the "Treasury Board") with the power, among other things, to approve the terms and structure of bonds and notes issued by state agencies, including any GARVEE Notes. On [November 15, 2017], the Treasury Board adopted a resolution approving the terms and structure of the 2017 Notes within certain parameters and delegated to the State Treasurer of the Commonwealth (the "State Treasurer") the power to approve the final terms and structure of the 2017 Notes within such parameters. The Transportation Board must still obtain the consent and approval, respectively, of the Governor and the State Treasurer prior to the issuance of the 2017 Notes, which the Transportation Board expects to obtain in advance of the anticipated issuance date.

## **GARVEE NOTES PROGRAM**

### **General**

The GARVEE Act authorizes the Transportation Board to issue GARVEE Notes as revenue obligations of the Commonwealth pursuant to the Revenue Bond Act, in one or more series from time to time, provided that the aggregate principal amount outstanding at any time shall not exceed \$1.2 billion, and exclusive of (i) the aggregate principal amount of any revenue obligations that may be issued to refund GARVEE Notes in accordance with Section 33.2-1512 of the Virginia Code and (ii) any amounts issued for financing expenses, including, without limitation, any original issue discount) (collectively, the "GARVEE Notes Program").

Proceeds of GARVEE Notes will be used exclusively for the purpose of providing funds, together with any other available funds, for paying costs incurred or to be incurred for construction or funding of eligible projects designated by the Transportation Board. Proceeds of GARVEE Notes, including any premium received on the sale thereof, shall be made available by the Transportation Board to pay costs of the projects and, where appropriate, may be paid to any authority, locality, commission, or other entity for the purposes of paying costs of the projects. Proceeds of GARVEE Notes may be so used together with any federal, local, or private funds that may be made available for such purpose.

The GARVEE Notes Program is expected to be used to fund eligible projects selected by the Transportation Board through the Six-Year Improvement Program. Beginning in 2016, the projects selected for the GARVEE Notes Program are funded through the High Priority Projects Program pursuant to Section 33.2-370 of the Virginia Code or the Construction District Grant Program pursuant to Section 33.2-371 of the Virginia Code. The Secretary of Transportation must ensure that available GARVEE proceeds are allocated to projects in these program areas (Chapter 836, 2017 General Assembly Session, Item 436.11.). Other state and federal funding sources are also provided to these program areas.

High Priority Projects are projects of regional or statewide significance, such as projects that reduce congestion or increase safety, accessibility, environmental quality, or economic development. The Transportation Board uses funds allocated to the High Priority Projects Program for projects and strategies that address a transportation need identified for a corridor of statewide significance or a regional network in the Statewide Transportation Plan.

The Construction District Grant Program is established in each highway construction district to fund projects and strategies that address a need in the Statewide Transportation Plan. The Transportation Board solicits candidate projects and strategies from local governments for consideration in the applicable highway construction district's grant program. Funds available to each Construction District are determined by a distribution formula outlined in the Virginia Code.

The Transportation Board does not expect to issue additional GARVEE Notes in 2017, but the Transportation Board may elect to do so and may elect to issue New Money GARVEE Notes, as hereinafter defined, in future years to support transportation projects in the Commonwealth.

### **Memorandum of Agreement**

The Transportation Board, FHWA and the Virginia Department of Transportation ("VDOT") have entered into a Memorandum of Agreement dated December 28, 2011 (as amended from time to time, the "MOA"), which sets forth the procedures for managing the eligible highway projects to be financed under the GARVEE Notes Program. Prior to construction of, or acquisition of right of way for, an eligible project, the Transportation Board, VDOT and FHWA will enter into a project agreement to reflect the respective portion of actual debt service on related GARVEE Notes and the agreement of FHWA to pay such costs. VDOT and FHWA have agreed to amend the MOA to memorialize FHWA's agreement to pay costs of the 2017 Project. VDOT and FHWA may amend the MOA to account for overruns or shortages on projects based on actual expenditures and for the purpose of substituting or adding one or more eligible projects. The MOA and such project agreements relating to the GARVEE Notes Program collectively comprise the "Federal Aid Agreement."



## Outstanding Notes

Set forth in the following chart are the issue dates, original principal amounts and outstanding principal amounts of each Series of GARVEE Notes Outstanding (the "Outstanding Notes") prior to the issuance of the 2017 Notes:

<u>Series of GARVEE Notes Outstanding</u>	<u>Issue Date</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount as of December 1, 2017</u>
Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2012A (the "2012A Notes")	March 1, 2012	\$297,590,000	\$215,370,000
Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2012B (the "2012B Notes")	July 26, 2012	120,625,000	90,005,000
Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2013A (the "2013A Notes")	November 21, 2013	\$273,390,000	216,990,000
Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2016 (the "2016" Notes")	November 9, 2016	\$316,930,000	304,250,000
<b>Total:</b>		<u>\$1,008,535,000</u>	<u>\$826,615,000</u>

See the section "*Debt Service Requirements.*"

## THE 2017 NOTES

### Description of the 2017 Notes

The 2017 Notes will be issued as fully registered obligations in book-entry form. The 2017 Notes will be dated their date of delivery, will be issued in denominations of \$5,000 or integral multiples of \$5,000, and will bear interest from the dated date thereof, payable semiannually on each March 15 and September 15, commencing March 15, 2018, at the rates and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement.

The principal of and interest on the 2017 Notes will be payable at the corporate trust office of the Trustee in Richmond, Virginia, or at the office designated therefor by the Trustee or any successor Trustee. Interest on the 2017 Notes will be payable to the person appearing in the registration books of the Trustee as the registered owner thereof on the Record Date, as hereinafter defined, by check or draft mailed on the interest payment date to the registered owner or, following appropriate notice to the Trustee, by wire transfer on the interest payment date to any registered owner of at least \$1,000,000 in aggregate principal amount of the 2017 Notes. For so long as the 2017 Notes are registered in the name of The Depository Trust Company ("DTC"), or its nominee, principal and interest will be payable solely to DTC or its nominee as the sole registered owner of the 2017 Notes, and references herein to the registered owner shall be to DTC or its nominee.

The Indenture establishes the first day of the month in which each interest payment date occurs as the record date (the "Record Date") for the 2017 Notes.

The 2017 Notes may be transferred or exchanged, upon presentation or surrender, as the case may be, at the corporate trust office of the Trustee in Richmond, Virginia, or at the office designated therefor by the Trustee or any

successor Trustee, as provided in the Master Indenture. Any 2017 Notes, upon surrender thereof at said corporate trust office of the Trustee, with a written instrument of transfer satisfactory to the Trustee, duly executed in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of 2017 Notes of the same Series, maturity and initial rate of any other authorized denominations. For every exchange or transfer of 2017 Notes, the Transportation Board or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other government charge required to be paid with respect to such exchange or transfer.

One fully registered 2017 Note for each maturity, in the applicable aggregate principal amount of such maturity, will be registered in the name of DTC or its nominee and held in book-entry form, in accordance with the Fifth Supplemental Indenture. So long as 2017 Notes are required to be registered in the name of DTC or its nominee, or a successor securities depository or a nominee therefor, transfers of beneficial ownership interests in the 2017 Notes will be settled through the book-entry-only system of DTC or such successor securities depository, if any. For a description of DTC and its book-entry-only system, see Appendix G.

### **Optional Redemption**

The 2017 Notes maturing on or before \_\_\_\_\_, 20\_\_, are not subject to optional redemption prior to their respective maturity dates. The 2017 Notes maturing on and after \_\_\_\_\_, 20\_\_, are subject to redemption prior to their maturity at the option of the Transportation Board on and after \_\_\_\_\_, 20\_\_, in whole or in part at any time, in whole multiples of \$5,000, and if in part from the maturities of the 2017 Notes as the Transportation Board shall determine and from any of the 2017 Notes with the same maturity date and interest rate in a manner determined by the Trustee (or DTC if then registered in the name of a nominee of DTC), at a redemption price equal to 100% of the principal amount of the 2017 Notes redeemed, plus accrued interest to the date fixed for redemption.

### **Mandatory Sinking Fund Redemption**

Mandatory sinking fund redemption provisions will be included in the final Official Statement only if the Transportation Board and the Underwriters elect to combine serial maturities into term notes.

### **Selection of Notes for Redemption**

If less than all of the 2017 Notes are called for optional redemption, the maturities of the 2017 Notes to be redeemed will be called in such order as the Transportation Board may determine. If less than all of the 2017 Notes of any maturity are called for optional or mandatory redemption, the 2017 Notes to be redeemed will be selected by the Trustee (or DTC if then registered in the name of a nominee of DTC, or any successor securities depository), pursuant to DTC's rules and procedures or, if the book-entry system is discontinued, will be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine. In either event, each portion of \$5,000 principal amount shall be counted as one 2017 Note for such purpose.

### **Notice of Redemption**

Notice of the call for any redemption, identifying the 2017 Notes or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States certified or registered first-class mail, at least 30 and not more than 60 days prior to the date fixed for redemption, to DTC, or, if DTC is no longer serving as securities depository for the 2017 Notes, to the substitute securities depository, or if none, to each registered owner of the 2017 Notes to be redeemed at the address shown on the registration books maintained by the Trustee; provided however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any GARVEE Notes as to which no such failure has occurred. Such notice of redemption also will be given to certain securities depositories and certain national information services which disseminate such redemption notices. Any notice mailed in such manner shall be conclusively presumed to have been duly given, whether or not any registered owner receives the notice.

If at the time of mailing of notice of any redemption of the 2017 Notes at the option of the Transportation Board there shall not have been deposited with the Trustee moneys sufficient to redeem all the 2017 Notes called for redemption, which moneys are or will be available for redemption of Notes, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

All 2017 Notes called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such 2017 Notes in accordance with the Indenture are on deposit with the Trustee. If such moneys are not available on the redemption date, such 2017 Notes or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the 2017 Notes called for redemption at the place or places of payment, such 2017 Notes will be paid and redeemed provided sufficient funds are on deposit therefor with the Trustee.

**So long as DTC or its nominee is the registered owner of the 2017 Notes, any such notices of redemption will be mailed solely to DTC and distribution of such notices to Direct Participants (as defined in Appendix G) or Indirect Participants (as defined in Appendix G) will be the sole responsibility of DTC, and distribution of such notices to Beneficial Owners (as defined in Appendix G) will be the sole responsibility of the Direct Participants, Indirect Participants, or both.**

### **ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2017 NOTES**

Set forth below are the amount and components of the proceeds of the sale of the 2017 Notes and the application of such proceeds on the date of delivery of the 2017 Notes:

<b>Sources:</b>	
Principal Amount of Notes	\$
[Net] Original Issue [Premium/Discount]	_____
Total	\$ =====
 <b>Uses:</b>	
Deposit to VDOT Funding Account (for the 2017 Project)	\$
Deposit to 2017 Notes COI Account (for the Costs of Issuance)	_____
Underwriters' Discount	_____
Total	\$ =====

### **SOURCES OF PAYMENT AND SECURITY FOR THE GARVEE NOTES**

#### **Limited Obligations; Security and Sources of Payment**

The GARVEE Notes, including the 2017 Notes, are payable, subject to appropriation by the General Assembly, from the Revenues, which are comprised of (i) Project-Specific Reimbursements; (ii) then, at the discretion of the Transportation Board, to the extent required, from legally available revenues of the Transportation Trust Fund, including without limitation Indirect Reimbursements, and (iii) such other funds as may be appropriated by the General Assembly for such purpose. The Transportation Board has pledged and granted a lien on the Revenues to secure the 2017 Notes pursuant to the Indenture. In addition, the 2017 Notes are payable from and secured by moneys held in certain funds established under the Indenture. The 2017 Notes are being issued on parity with the Outstanding Notes and all future series of GARVEE Notes issued under the Indenture. See Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."* The GARVEE Notes, including the 2017 Notes are limited obligations of the Commonwealth and the Transportation Board and do not create or constitute a debt or a pledge of the full faith and credit of the Commonwealth or of any of its political subdivisions.

Pursuant to the Indenture, any moneys and investments held in the Project Fund, including the 2017 Notes COI Account and the VDOT Funding Account, are expressly excluded from the Trust Estate and do not secure the 2017 Notes. See Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."*

The 2017 Notes are not secured by any mortgage or lien on any transportation facilities of the Commonwealth or the Transportation Board. In the event of a failure to make any payment on the 2017 Notes when due, neither the

Trustee nor the registered owners of the 2017 Notes shall have any right to take possession of, or to exclude the Commonwealth or the Transportation Board from, any transportation facilities.

### **Information Pertaining to Federal Highway Reimbursements**

Federal Highway Reimbursements historically have been authorized by Congress under multiple-year authorizing legislation. The Fixing America's Surface Transportation Act (the "FAST Act"), enacted December 4, 2015, provides legislative authorization through September 30, 2020. Currently, the FAST Act includes provisions designed to provide continuity in the flow of Federal Highway Reimbursements to states, including the Commonwealth. There can be no assurance that such provisions will be included in any future federal highway funding authorization program or that, if included, such provisions will be sufficient to assure that Federal Highway Reimbursements will be available as needed if in the future Congress amends existing laws or fails to enact future funding legislation upon expiration of the current federal highway funding legislation, or if future legislation or federal administrative action reduces the amount of Federal Highway Reimbursements available to the Commonwealth. See the subsection *"Information Concerning the Funding of Federal-Aid Highways – Authorization."*

The primary funding mechanism for Federal Highway Reimbursements is the Federal Highway Trust Fund ("FHTF"). Fuel taxes and other fees flow into the FHTF and therefore its status and the viability of the entire program for Federal Highway Reimbursements can be adversely affected by certain events. See the section *"Information Concerning the Funding of Federal-Aid Highways."*

**Changes in law, regulation or policy or a decrease in federal revenues may materially adversely affect the availability of Federal Highway Reimbursements. There can be no assurance that there will not be future changes in law, regulation, policy, or the availability of revenues at the federal level which may materially adversely affect the future availability of Federal Highway Reimbursements to pay debt service on the 2017 Notes and any other GARVEE Notes.**

### **Flow of Revenues under the Indenture; "Back-Stop" Pledge of Indirect Reimbursements**

In accordance with Article X, Section 7 of the Constitution of Virginia, and Section 2.2-1802 of the Virginia Code, all Federal Highway Reimbursements are paid into the Commonwealth's treasury. Specifically, all Federal Highway Reimbursements, including the Project-Specific Reimbursements and the Indirect Reimbursements, are deposited into the Federal Fund. The Federal Fund is a sub-fund within the Transportation Trust Fund maintained to account for the receipt of all Federal Highway Reimbursements and the reimbursement of related maintenance expenditures from the HMO Fund, as hereinafter defined, and expenditures from various other subfunds within the Transportation Trust Fund after provision is made for the payment of Program Costs (as defined in the Master Indenture). See Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."*

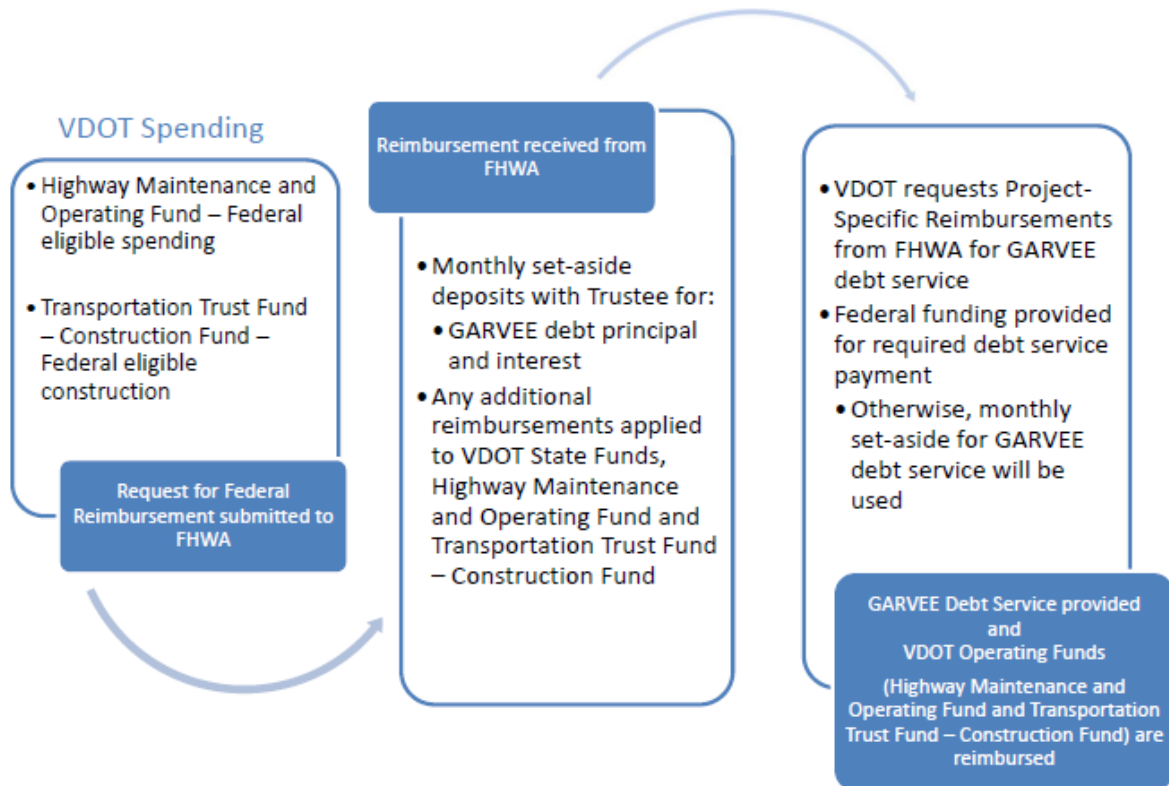
### **[CONSIDERATION OF DISCLOSURE CONCERNING PROPOSED CONSTITUTIONAL AMENDMENT ADDING ARTICLE X, SECTION 7-B TRANSPORTATION FUNDS]**

Pursuant to the Master Indenture, the Transportation Board has agreed, to the extent permitted by law, to maintain the Federal Fund and the deposit of Federal Highway Reimbursements therein, including both the Project-Specific Reimbursements and the Indirect Reimbursements. As more specifically described below, all Federal Highway Reimbursements constitute a portion of the Revenues pledged to the payment of the 2017 Notes and all other GARVEE Notes. Since all of the Federal Highway Reimbursements are expected to flow through the Transportation Trust Fund, the Transportation Board has exercised its discretion to make all of them available for the payment of the GARVEE Notes to the extent that the Project-Specific Reimbursements alone are insufficient for such purpose.

In connection with each series of GARVEE Notes, including the 2017 Notes, the Master Indenture requires the Transportation Board to establish an account within the Debt Service Fund (each a "Series Account"). Each such account is used to provide for the collection of Revenues and the payment of debt service on the respective series of GARVEE Notes.

The Master Indenture provides that the use of the Federal Fund each month is to make a monthly deposit into each Series Account towards the next ensuing debt service payments on the respective series of the GARVEE Notes. The Transportation Board expects to receive each Project-Specific Reimbursement within a few days before the corresponding payment of debt service on the GARVEE Notes. To the extent such Project-Specific Reimbursement covers the payment of the corresponding GARVEE Note debt service payment, the other Federal Highway Reimbursements in the respective Series Account will be transferred back to the Federal Fund. See Appendix A, "Definitions and Summaries of the Indenture and the Payment Agreement."

The following chart presents the flow of Federal Highway Reimbursements through the Federal Fund, and the Series Accounts in the Debt Service Fund established under the Indenture.



### The Federal Aid Agreement

Under the MOA, the Transportation Board, VDOT and FHWA have agreed to procedures for managing the eligible highway projects to be financed under the GARVEE Notes Program. The Transportation Board has determined to apply funding received under the Federal Aid Agreement to pay debt service on the Outstanding Notes, the 2017 Notes and any other GARVEE Notes. The Transportation Board is responsible for paying any costs of the projects not funded from GARVEE Note proceeds using other funds. Under the MOA, the Transportation Board and VDOT agree to obligate the funds received from the FHWA to pay debt service on the GARVEE Notes, prior to obligating funds for any other purpose. See the section "Information Concerning the Funding of Federal-Aid Highways." VDOT and FHWA have agreed to amend the MOA to memorialize FHWA's agreement to pay costs of the 2017 Project. Upon the issuance of additional GARVEE Notes, an amendment to the MOA and separate agreements relating to the projects financed from the proceeds thereof and a debt service schedule relating to such additional GARVEE Notes will be entered into and become part of the Federal Aid Agreement.

**Federal law provides that the Federal Aid Agreement (i) does not constitute a commitment, guarantee or obligation on the part of the United States to provide for the payment of debt service on the 2017 Notes or any**

**other GARVEE Notes and (ii) does not create any rights in any party, other than the Transportation Board and VDOT, against FHWA.**

### **Indenture Covenants Concerning Federal Highway Reimbursements**

In the Master Indenture, the Transportation Board covenants to annually apply for and cooperate with FHWA in order to receive the greatest amount of Federal Highway Reimbursements reasonably available to the Commonwealth that will become Revenues for payment of GARVEE Notes, Program Costs or Subordinated Obligations, if any. See the section *"Information Concerning the Funding of Federal-Aid Highways"* and Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."* For each federal fiscal year (each, a "FFY") during which GARVEE Notes are or will be Outstanding, as soon as practicable prior to or in such FFY, the Transportation Board will request Obligation Authority (as defined in the Master Indenture) sufficient to make the payments on the GARVEE Notes and Program Costs coming due in that FFY prior to obligating Federal Highway Reimbursements for any other purpose. See Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."*

The Master Indenture provides that the Transportation Board will comply with its obligations under the Federal Aid Agreement and will take all other actions required to maintain the Federal Aid Agreement in full force and effect. The Master Indenture further provides that the Transportation Board will take all necessary actions to ensure that (i) each project at all times qualifies as a Qualified Federal Aid Transportation Project; (ii) each project that may be financed, in whole or in part, with Federal Highway Reimbursements paid pursuant to the Federal Aid Agreement, at all times qualifies as a project with respect to which the Commonwealth is entitled to reimbursement of previously-expended funds under 23 U.S.C. Section 115, as amended, and the regulations promulgated thereunder (or any successor provision thereto); and (iii) the Federal Aid Agreement is maintained in full force and effect for payments of Federal Highway Reimbursements in an amount at least equal to the payments due on the GARVEE Notes. The Master Indenture also provides that the pledge by the Transportation Board of the Revenues for the payment of the GARVEE Notes and Program Costs shall be irrevocable at least until all the GARVEE Notes have been paid or deemed paid in full, and that the Transportation Board is prohibited from granting of any lien senior to the lien on the Project-Specific Reimbursements securing the GARVEE Notes. See Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."*

For a discussion of how Federal Highway Reimbursements are obligated under Title 23 and other requirements of federal law that must be satisfied before FHWA pays Federal Highway Reimbursements to the Commonwealth, see the section *"Information Concerning the Funding of Federal-Aid Highways."*

### **Additional GARVEE Notes**

The Transportation Board may issue additional Series of GARVEE Notes under the Master Indenture on parity with the 2017 Notes and the Outstanding Notes upon satisfaction of various conditions. The Master Indenture provides that additional GARVEE Notes may be issued only (i) to pay costs of the projects designated by the Transportation Board pursuant to the GARVEE Act or other costs authorized under the GARVEE Act ("New Money GARVEE Notes"); (ii) to refund any GARVEE Notes issued under the Master Indenture ("Refunding GARVEE Notes"); and (iii) for a combination of such purposes. See Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."*

The Master Indenture provides that before any Series of New Money GARVEE Notes are issued, an Authorized Board Representative must certify that, among other things, the amount of Federal Highway Reimbursements to be received and actually received in either the FFY in which the proposed Series of New Money GARVEE Notes are to be issued or in the immediately preceding FFY, as shown in the certificate, shall have been sufficient to pay an amount representing at least four times the sum of (i) the maximum combined annual Note Payments of any Outstanding GARVEE Notes (other than Notes constituting Subordinated Obligations) and the Series of New Money GARVEE Notes proposed to be issued (unless such Notes are Subordinated Obligations) and (ii) any payments to be paid in such year for Program Costs, including without limitation payments to the provider of a Credit Facility or an Interest Rate Exchange Agreement which are payable on a parity with Note Payments on Outstanding GARVEE Notes (other than Notes constituting Subordinated Obligations) pursuant to the Master Indenture. See Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."*

Under the GARVEE Act, the Transportation Board must obtain the consent of the Governor prior to the issuance of any GARVEE Notes. In addition, Section 2.2-2416(7) of the Virginia Code requires that the Treasury Board provide its approval of the terms and structure of all GARVEE Notes prior to the issuance of such GARVEE Notes. See the subsection *"Introduction – Approval of Issuance of 2017 Notes and Terms and Structure of the 2017 Notes."*

The GARVEE Act authorizes the Transportation Board to issue additional GARVEE Notes, provided that the aggregate principal amount outstanding at any time shall not exceed \$1.2 billion, exclusive of (i) the aggregate principal amount of any revenue obligations that may be issued to refund GARVEE Notes in accordance with Section 33.2-1512 of the Virginia Code and (ii) any amounts issued for financing expenses (including, without limitation, any original issue discount).

**The aforementioned limitations on the issuance of GARVEE Notes under the GARVEE Act could be changed by the General Assembly at any time.**

### **Other Revenues**

If Federal Highway Reimbursements are insufficient to pay debt service on the GARVEE Notes, the GARVEE Act provides that, subject to appropriation by the General Assembly and at the discretion of the Transportation Board, other legally available revenues in the Transportation Trust Fund may be used to pay the debt service and further, other funds may be designated by the General Assembly to pay debt service. The Transportation Board, the Treasury Board and the Secretary of Finance of the Commonwealth (the "Secretary of Finance") have entered into a Payment Agreement, as hereinafter defined, under which each party agreed to cooperate and use best efforts to have the General Assembly make the necessary appropriations of Federal Highway Reimbursements and, to the extent required, other revenues in the Transportation Trust Fund to pay debt service on the GARVEE Notes. See the subsection *"Sources of Payment and Security for the GARVEE Notes – Payment Agreement,"* and the section *"Transportation Trust Fund."*

### **Information Pertaining to the Commonwealth [UPDATE]**

Appendices B and C contain, respectively, certain financial and demographic/economic information pertaining to the Commonwealth, and Appendix D contains the comprehensive financial statements of the Commonwealth for its fiscal year ending June 30, 2016 (each, a "FY"). See the subsections *"Transportation Trust Fund – Sources of Revenues"* and *"– Economic Conditions Affecting the Transportation Trust Fund."*

For further discussion, see the subsection entitled *"Budgetary Process"* in Appendix B.

### **Payment Agreement**

The Transportation Board has entered into a Payment Agreement dated as of February 1, 2012 (the "Payment Agreement"), with the Treasury Board and the Secretary of Finance. The Payment Agreement provides, among other things, the procedures for requesting appropriations of funds sufficient to pay debt service on the GARVEE Notes and for the payment of such debt service.

The Payment Agreement requires the Transportation Board and the Treasury Board to use their best efforts to have (i) the Governor include a sufficient appropriation request in each biennial or any supplemental budget of the Commonwealth and (ii) the General Assembly appropriate the amount requested by the Governor. See Appendix A, *"Definitions and Summaries of the Indenture and the Payment Agreement."*

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## DEBT SERVICE REQUIREMENTS

The following table sets forth for FYs the amounts needed in each annual period for payment of principal of and interest on the Outstanding Notes. For a description of the debt service requirements of bonds that may be paid from the Transportation Trust Fund other than the GARVEE Notes, see the section "*Authorized, Issued, and Unissued Bonds Payable from the Transportation Trust Fund.*" Figures may not add due to rounding.

Fiscal Year Ending June 30	Outstanding GARVEE Notes Debt Service	2017 Notes Principal	2017 Notes Interest	2017 Notes Debt Service	Total Fiscal Year Debt Service
2018 <sup>1</sup>	\$47,831,031	\$	\$	\$	\$
2019	95,297,363				
2020	94,391,063				
2021	95,002,613				
2022	95,049,813				
2023	94,912,138				
2024	94,959,013				
2025	94,990,263				
2026	94,982,413				
2027	94,884,238				
2028	75,633,806				
2029	43,355,875				
2030	30,472,625				
2031	30,472,000				
2032	15,236,625				
2033	--				
Total	<u>\$1,097,470,875</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

<sup>1</sup> Excludes debt service payment made on September 15, 2017.



## DEBT SERVICE COVERAGE

The following table compares annual debt service on the Outstanding Notes and the 2017 Notes to the Commonwealth's average annual Federal Highway Reimbursements over the last five FFYs (2012-2016). Historical Federal Highway Reimbursements may not be indicative of future Federal Highway Reimbursements. The resulting ratios are given solely for general information and actual results will be different. See the section "*Commonwealth Receipts of Federal Transportation Funds.*"

### Debt Service Coverage on GARVEE Notes

<b>Fiscal Year Ending June 30</b>	<b>Outstanding GARVEE Notes Debt Service</b>	<b>2017 Notes Debt Service</b>	<b>Average Historical Federal Highway Reimbursements (FFYs 2012-2016)</b>	<b>Coverage Ratio</b>
2018	\$47,831,031		\$1,283,000,000	-
2019	95,297,363		1,283,000,000	-
2020	94,391,063		1,283,000,000	-
2021	95,002,613		1,283,000,000	-
2022	95,049,813		1,283,000,000	-
2023	94,912,138		1,283,000,000	-
2024	94,959,013		1,283,000,000	-
2025	94,990,263		1,283,000,000	-
2026	94,982,413		1,283,000,000	-
2027	94,884,238		1,283,000,000	-
2028	75,633,806		1,283,000,000	-
2029	43,355,875		1,283,000,000	-
2030	30,472,625		1,283,000,000	-
2031	30,472,000		1,283,000,000	-
2032	15,236,625		1,283,000,000	-
2033	--		1,283,000,000	-

Source: Virginia Department of Transportation.

## INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

Revenues consist in part of the legally available portion of Federal Highway Reimbursements, generically described as federal aid revenues, received by the Commonwealth under Title 23 and appropriated by the General Assembly for the payment of GARVEE Notes. See also the subsection "*Sources of Payment and Security for the GARVEE Notes.*" The following information relates to the provisions of Title 23 and mechanisms, rules and practices which are relevant to the receipt of Federal Highway Reimbursements by the Commonwealth.

### **The Federal-Aid Highway Program Generally**

The Federal Aid Highway Program (the "FAHP") is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states. FHWA is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. The FAHP is funded from transportation user-related revenues deposited in the FHTF. The primary source of revenues in the FHTF is derived from the federal excise

taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes. The FAHP is a reimbursement program. Once projects are approved by FHWA and funds are obligated, the federal government makes payments to the states for costs as they are incurred on projects, which may include debt service on obligations issued to finance a project. Federal reimbursements are typically matched with state and/or local funds. The maximum federal share is specified in the federal legislation authorizing the program. Most projects have an 80% base federal share, while interstate construction, highway safety and maintenance projects typically have been funded with a 90% base federal share.

Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (i) multiyear authorization by Congress of the funding for various highway programs; (ii) apportionment and allocation of funds to the states each FFY according to statutory formulas or, for some funding categories through administrative action; (iii) obligation of funds, which is the federal government's legal commitment (or promise) to pay or reimburse states for the federal share of a project's eligible costs; (iv) appropriations acts by Congress specifying the amount of funds available for the year to liquidate obligations; (v) program implementation which covers the programming and authorization phases; and (vi) reimbursement by the federal government of the eligible project costs. Each of these steps is described in more detail under "*Federal Aid Funding Procedures*" below.

These provisions may be considered for amendment when and if FAHP is reauthorized. Reauthorization has tended to be evolutionary, with a moderate number of sections of the Federal Act being amended or repealed during each reauthorization.

**The terms and conditions of participation in the FAHP as described herein are subject to change at the discretion of Congress. Changes in law, regulation or policy or a decrease in federal revenues may materially adversely affect the availability of Federal Highway Reimbursements. There can be no assurance that there will not be future changes in law, regulation, policy, or the availability of revenues at the federal level which may materially adversely affect the future availability of Federal Highway Reimbursements to pay debt service on the 2017 Notes and any other GARVEE Notes.**

Title 23, United States Code, entitled "Highways," includes most of the laws that govern the FAHP. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 are amended or repealed through surface transportation acts.

## **Authorization**

**Generally.** The FAHP must be periodically reauthorized by Congress, and has historically been authorized under multi-year authorizing legislation. The most recent legislation, entitled the "Fixing America's Surface Transportation Act," or the FAST Act, enacted December 4, 2015, provides for funding of FAHP through 2022, with obligation authority through 2020.

**Lapsing of Authorization.** All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization caused when Congress fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide Obligation Authority (as more particularly defined below, "OA") by administrative action.

In periods in which the previous authorizing legislation has expired and the future legislation has yet to be enacted, Congress and/or the FHWA have historically found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states in each instance. Examples of the two mechanisms in particular that have kept revenues flowing follow:

Access to Unobligated Balances: The 1987 Surface Transportation and Uniform Relocation Assistance Act expired on September 30, 1991 and Intermodal Surface Transportation Efficiency Act ("ISTEA") was not enacted until December 18, 1991. The FHWA was able to act administratively to keep federal-aid funding flowing because states could use their unobligated balances to provide contract authority to use new OA.

Short-Term Authorization: ISTEA expired on September 30, 1997 and until approval of the Transportation Equity Act for the 21<sup>st</sup> Century ("TEA-21") on June 9, 1998, no new long-term authorization legislation was enacted. Despite the lack of long-term authorizing legislation, states were provided an upper limit on OA through passage of an appropriations act plus access to their unobligated balances. On November 13, 1997, Congress passed the Surface Transportation Extension Act of 1997 ("STEA"), which provided a six-month authorization for highway funding and established a limit on the amount of new OA states could use at funding levels equal to about a quarter of FFY 1997 authorization levels. Since most states have unobligated balances of at least half their normal annual OA levels and an authorization act need not be in place for the FHWA to give states new OA, states were able to spend down prior unfunded federal apportionments (contract authority) with newly allocated OA. The lack of an enacted authorization act during this period did not pose a threat to the continued flow of revenues, because dedicated highway user fees continued to flow into the FHTF. Similarly, TEA-21 expired on September 30, 2003 and until approval of the Safe, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users ("SAFETEA-LU") on August 10, 2005, Congress passed several authorization extension acts that reauthorized the FAHP through May 31, 2005 and, through passage of a combination of continuing resolutions and appropriations bills, states were provided OA to ensure the continuation of the FAHP. Following the expiration of SAFETEA-LU on September 30, 2009, Congress passed several authorization extension acts that reauthorized the FAHP through June 30, 2012. The last multi-year authorization of the FAHP prior to the FAST Act was the Moving Ahead for Progress in the 21st Century Act ("MAP-21"), which provided funding through September 30, 2014. Since August 2014, Congress used a series of five short-term authorizations to fund the FAHP until passage of the FAST Act.

**Although measures have been taken by Congress and FHWA in the past, no assurance can be given that such measures would or could be taken in the future to maintain the flow of federal-aid funding upon termination of the current funding authorization.**

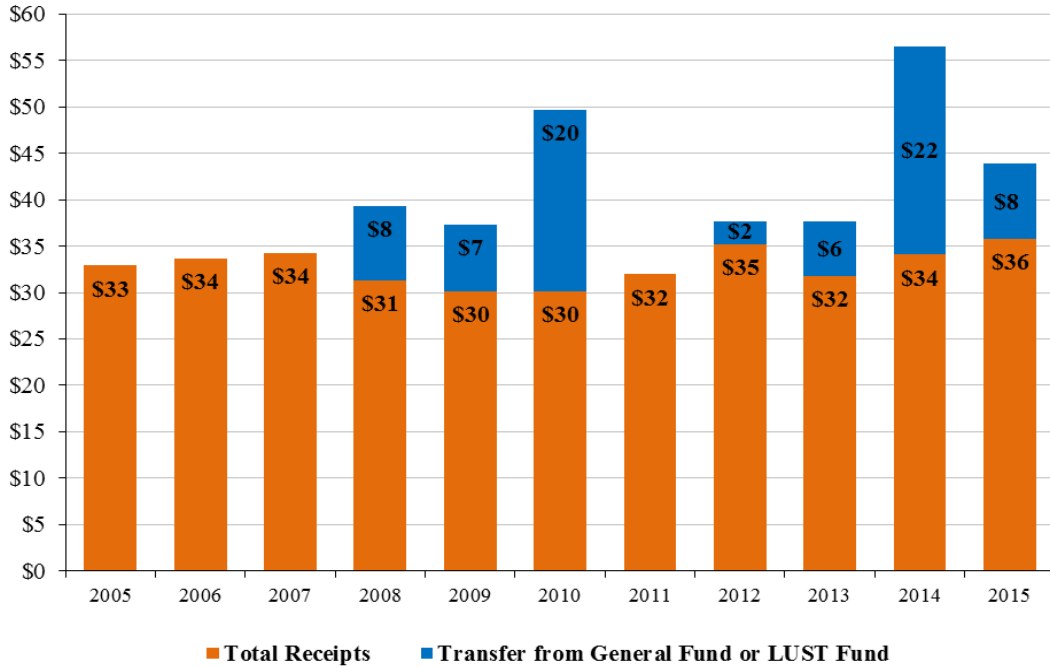
### **The Federal Highway Trust Fund**

The FHTF provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the FHTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of the state's cost of eligible transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects.

The FHTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account.

Federal gasoline excise taxes are the largest revenue source for the FHTF. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon tax, go to the Highway Account. The following graph shows annual FHTF collections in the Highway Account for FFYs 2005-2015.

**Payments into the Highway Account of the Federal Highway Trust Fund<sup>(1)</sup>**  
**Federal Fiscal Years 2005-2015**  
**(in billions)**



Source: Federal Highway Administration, August 2016 Table FE-210. 2015 is the most recent year for which data is available.

<sup>(1)</sup> Transfers from the General Fund, to the Highway Trust Fund, and Transfers between Highway Trust Fund Accounts (Highway and Mass Transit). In FFY 2012, transfers were made from the Leaking Underground Storage Tank (LUST) Fund. The transfers in FFY 2014 were from LUST and the General Fund.

Statutory authority (i) to impose the taxes that are dedicated to the FHTF; (ii) to place the revenues resulting from those taxes in the FHTF; and (iii) to expend moneys from the FHTF all have expiration dates which must be extended periodically. The life of the FHTF has been extended several times since its inception, most recently by the FAST Act, which reauthorized imposing the taxes dedicated to the FHTF, generally through September 30, 2022, and allocated the resulting revenues to the FHTF, and the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015, which extended authority to expend funds from the FHTF.

The Congressional Budget Office (“CBO”), in its Budget and Economic Outlook: 2016 to 2026, dated January 2016, reports in the prior nine year period, spending exceeded the FHTF’s revenues by a total of \$74 billion. Since 2008, Congress has authorized a series of transfers to the FHTF to avoid delaying payments to state and local governments. Most recently, the FAST Act authorized the transfer of \$70 billion, largely from the general fund of the United States Treasury, to the FHTF in December 2015 as the FHTF fund balance neared exhaustion. Including that amount, transfers into the FHTF since 2008 have totaled about \$143 billion.

Based on a CBO report dated December 2, 2015, the FAST Act is projected to reduce budget deficits in the FHTF by \$71 billion over the FFY 2016-2025 period, mostly due to the December 2015 transfer to the FHTF referenced above. Implementing the major provisions of the FAST Act is expected to result in additional discretionary spending totaling \$201 billion over the period from FFY 2016 through FFY 2020, with spending from the FHTF in that period expected to total \$280 billion, and revenues and interest credited to the FHTF over that period expected to amount to \$208 billion.

Although the user-taxes that fund the FHTF will continue to be collected and allocated to the FHTF under the FAST Act, and despite the \$70 billion transfer to the FHTF provided for by the FAST Act, the FHTF faces projected revenue shortfalls in the future. Because the primary source of funds in the FHTF is federal excise taxes on motor

fuels, per capita declines in total vehicle miles traveled in conjunction with the increasing fuel efficiency of automobiles and trucks in the United States has resulted in the FHTF receiving less revenue from gasoline and diesel sales. The CBO, in its Budget and Economic Outlook: 2016 to 2026, projects that the FHTF will be able to meet all obligations through FFY 2020, but that the FHTF balance will be exhausted in FFY 2021. Under current federal law, a positive balance is required to be maintained in the FHTF to ensure that prior commitments for distribution of federal revenues can be met. Unless Congress enacts a measure to address revenue generation for the FHTF, the FHTF is expected to face another revenue shortfall when the FAST Act expires, which may impact the availability of federal transportation funds to pay debt service on the 2017 Notes.

**Various proposals are being considered to address the FHTF's future funding, including an increase in fuel taxes, a variety of new taxes and other funding sources for the FHTF. There can be no assurance that Congress will enact any of these proposals.**

The United States Treasury Offset Program (the "TOP") is administered pursuant to the Debt Collection Improvement Act of 1996 ("DCIA"), which requires the Department of the Treasury and other disbursing agencies to collect delinquent debts owed to the federal government. Under the DCIA, if a "person" is in debt to the federal government, the federal agency payments may be offset through the TOP by the amount of the debt owed and up to the amount of the scheduled payment. "Person" is defined to include a state or local government. Administrative offset under the DCIA is precluded only when another law specifically prohibits the offset. In the last five years, VDOT had 4 offset actions totaling \$45,848 related to civil penalties. Subsequent to the offset action, VDOT recovered the amounts. VDOT has a separate taxpayer identification number from other state departments and agencies. It is VDOT's understanding that the United States Treasury only offsets amounts owed to the federal government from entities with the same taxpayer identification number. In addition, the Administrator of FHWA is authorized to withhold payment of federal funds to a state for a project if the Administrator of FHWA determines that the state has violated or failed to comply with federal laws or regulations with respect to that project.

The FHWA operates under contract authority authorized by the FAST Act, and accordingly, a lapse in annual appropriations does not materially disrupt operations. Thus, the failure of the Congress to enact an annual appropriation prior to the start of a FFY, which would result in a "government shutdown," typically does not impact FHWA operations. Further, FHWA has sufficient liquidated cash to continue operations due to a lapse in annual appropriations. However, any lapse in annual appropriations or a partial-year budget can reduce the amount of Obligation Authority that would otherwise be made available to the Commonwealth. See the subsections "*Federal Aid Funding Procedures – Obligation*" and "*Federal Aid Funding Procedures – Obligation Ceiling*."

### **Federal Aid Funding Procedures**

The FAHP continues to enable the construction of an extensive national transportation system through reimbursement of a large percentage of state expenditures for approved highway projects. The FAHP is unusual among federal programs in that:

- (a) the FAHP is funded by dedicated revenues from user-tax sources deposited in a special trust fund, the FHTF;
- (b) the contract authority of the FHWA has historically been established by a multi-year authorization act rather than through annual appropriation acts; and
- (c) contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate obligations.

The following summarizes the major steps in funding the FAHP.

**Authorization.** The first and most important step in funding the FAHP is the development and enactment of authorizing legislation. Authorizing legislation for federal highways began with the Federal Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the FAHP as it exists today. Since that time, the FAHP, as then in existence, has been continued or renewed through the passage of multi-year authorization acts. Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year (i.e.

four or more years) surface transportation acts. There is no guarantee, however, that reauthorization of the FAHP will continue to occur on a multi-year basis. The current reauthorization is for the period ending September 30, 2020.

The authorization act not only shapes and defines programs, but also sets limits (authorizations) on the funding for programs and includes provisions related to the operation of the FHTF.

Once Congress has established authorizations, the next step involves how funds are made available to states. Typically, federal programs operate using appropriated budget authority, which means that funds, although authorized, are not available until passage of an appropriations act. However, most programs within the FAHP do not require this two-step process. Through what is termed "contract authority" (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the FAHP, funds authorized for a FFY are available for distribution through apportionments or allocations. The use of contract authority gives the states advance notice of the level of federal funding at the time an authorization act is enacted, eliminating much of the uncertainty associated with the authorization-appropriation sequence.

The existence of dedicated revenues in the FHTF and of multi-year contract authorizations are designed to provide a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts has historically been limited, since sufficient unobligated balances generally exist that can be used by the states, with the approval of Congress, to cover gaps in funding between multi-year reauthorization acts, but there can be no assurance that federal authorizations will not lapse. See the subsection "*Authorization – Lapsing of Authorization.*"

***Apportionment and Allocations.*** For most components of the FAHP, the authorization act sets the distribution of contract authority to be apportioned and/or allocated to the states. The authorized amount for a given FFY is distributed to the states through apportionments and allocations.

***Apportionments.*** The distribution of funds using a formula provided in law is called an apportionment. Most federal-aid highway funds are distributed to states through apportionments. Each FFY, the FHWA has responsibility for apportioning authorized funding for the various highway programs among the states according to formulas established in the authorizing statute. Annual apportionments are generally made on the first day of the FFY (which is October 1). VDOT strives to use the oldest apportionment available when obligating funds to prevent the lapsing of apportionment.

***Allocations.*** Some categories of funds do not have a legislatively mandated distribution formula. When there are no formulas in law, the distributions of funds are termed "allocations," which may be made at any time during the FFY. In most cases, allocated funds are divided among states with qualifying projects applying general administrative criteria provided in the law.

Federal-aid highway apportionments are available to states for use for more than one year. Their availability does not terminate at the end of the FFY, as is the case with most other federal programs. In general, apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the amounts are added to a state's carryover apportionments from the previous year. Should a state fail to obligate a year's apportionments within the period of availability (usually a total of four years) specified for a given program, the funds will lapse.

***Obligation.*** Obligation is the legal commitment (or promise) of the federal government to pay, through reimbursement to a state, the federal share of an approved project's eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. Once an obligation is made, the federal government is to reimburse the states when bills or payments become due. However, Congress places a restriction or "ceiling" on the amount of federal assistance that may be promised (obligated). See "*Obligation Ceiling*" below.

Once Congress establishes an overall obligation limitation, FHWA distributes obligation authority ("OA") to states proportionately based on each state's share of apportioned and allocated revenues. The actual ratio of OA to apportionment and allocations may vary from state to state, since some federal-aid programs are exempt from the obligation limitation. During the FFY, states submit requests to FHWA to obligate funds, representing the federal share of specific projects. As a state obligates funds, its balance of OA is reduced. A state's OA (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available. If it is not used, the unused OA will be distributed to other states to ensure that the total limitation nationwide will be used. A state may receive additional OA through a redistribution process each year in August that reallocates OA from states or programs unable to obligate fully their share to other states that are able to obligate more than their initial share. [The Commonwealth typically uses all of its OA in each FFY and has in each of the last 20 years received additional OA that has been redistributed by FHWA.] See "*Federal Aid Revenues*" for Virginia's OA, apportionments and total Federal Aid Revenues received in prior FFYs.

***Obligation Ceiling.*** Most of the FAHP does not receive budget authority through appropriations acts as do most other federal programs. Congressional appropriations committees use Obligation Authority as a means of balancing the annual level of highway spending with other federal budget priorities. Thus, Congress may place a restriction or "ceiling" on the amount of federal assistance that may be obligated during a specified time period. The obligation limitation is the amount of authorized funding that Congress allows states to obligate in an individual year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used, and, in effect, can limit the amount of funds that can be used. See the subsection "*The Federal Highway Trust Fund.*"

Although a ceiling on obligations restricts how much funding may be used in a FFY, generally a state has flexibility within the overall limitation to transfer among certain apportioned highway programs, as long as it does not exceed the ceiling in total. Certain sums may be used only for special purposes once they are apportioned to the states. Generally, the unobligated balance of apportionments or allocations that a state has remaining at the end of any FFY is carried forward into the subsequent FFY and is available for use, contingent upon the availability of Obligation Authority issued in each year. Generally, if a state does not obligate a particular year's funding within the period of availability, the authority to obligate any remaining amount lapses. VDOT has been successful in obligating its full amount of Obligation Authority and the additional Obligation Authority made available to the state through the annual process of redistributing federal funds from those states and programs that are unable to utilize all of their obligation authority.

***Rescission of Unobligated Balances.*** Congress took ten separate actions to reduce previously authorized spending levels, between FFYs 2006 through 2011 by issuing rescissions. Each such action rescinded unobligated balances of apportionments among the states on a proportional basis based upon each state's apportionment exclusive of certain identified funds or programs. The aggregate amount for these rescissions for the Commonwealth was \$349.46 million, which was applied to reduce any unobligated apportionment balances for prior years. Further rescissions are possible and may have a more adverse effect on the Commonwealth and its highway program, but the Commonwealth bases its budget upon its expected Obligation Authority and Federal Highway Reimbursements not expected apportionments. Although rescissions could be large enough to impact Obligation Authority, to date they have not. If Congress continues to require rescissions, the balances of unobligated apportionment for those federal programs that would support the 2017 Project may be reduced. See the section "*Sources of Payment and Security for the GARVEE Notes.*" **[UPDATE]**

***Highway Program Implementation.*** To receive federal reimbursements for transportation projects, states are required to develop long-range transportation plans that are based on realistic projections of state and federal funding. Projects are not eligible for federal reimbursements unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans and are included in the five-year State Transportation Improvement Program ("STIP") that lists all projects proposed for financing in that five-year period. The STIP must be approved by FHWA.

States are required to follow federal fiscal management procedures as they implement projects that are included in the STIP. These fiscal management processes ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the state. Further, states are required to use a detailed

accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states.

Fiscal constraint in the Federal Aid Highway Program is a requirement of 23 U.S.C. Section 135(f) (2)(D) and (E). Fiscal constraint requires that the STIP only include projects for which funding is committed or reasonably expected to be available. VDOT implements this requirement through the annual adoption by the Transportation Board of a financially balanced STIP. The STIP summarizes current estimated costs for all projects and all phases for the next five years. Total available resources are based on best estimates of Federal Aid Revenues and state revenues. Within the STIP for Federal Fiscal Years 2018 through 2021, debt service on the Series 2017 Notes is or will be included as an anticipated expenditure along with other anticipated expenditures for the National Highway System.

States may request FHWA approval for eligible projects either through the traditional process or through the Advance Construction procedure as discussed below:

***Traditional Approach.*** Under the traditional highway funding approach, FHWA approves the full federal share of funding for a project at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funds on a project. The project sponsor submits plans, specifications and estimates ("PS&Es") for a project to FHWA, and requests that FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the STIP and PS&Es must identify the category of federal funding that will be used.

FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements. Provided all requirements are satisfied, FHWA authorizes federal participation in the project, and obligates the federal share of project costs. By obligating the funds, FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of the state's Obligation Authority and also sets aside an equivalent amount of apportionments by program. Accordingly, the state must have sufficient Obligation Authority to cover the level of federal participation it requests.

Once authorization for a project has been obtained, the state advertises the project and receives bids. The state awards the contract to the lowest responsive bidder and submits a modified agreement to FHWA requesting any necessary adjustments to federal funding to reflect the actual bid amount. The project agreement identifies the funds that are estimated to be expended by the state and the amount that will be reimbursed by the FHWA.

***Virginia's Stewardship and Oversight Agreement.*** While the FHWA is charged with administering the Federal-Aid Highway Program, the Virginia State Division of the FHWA has entered into a Stewardship and Oversight Agreement with VDOT whereby VDOT may assume certain project approval authority. The latest agreement is dated June 2, 2015. Under certain conditions, FHWA has delegated to VDOT authority for design activities, PS&E approval, concurrence in award, construction activities and other related actions that FHWA typically approves under Title 23.

***Advance Construction Approach.*** FHWA has implemented several fiscal management techniques that provide states additional flexibility in managing their Obligation Authority and cash flow. Advance construction ("Advance Construction" or "AC") and partial conversion of AC are two key techniques that facilitate federal-aid project funding.

The AC approach for authorizing projects allows states to finance projects eligible for federal aid without obligating the full federal share of costs at the beginning of the project. This allows states to begin a project before accumulating all of the Obligation Authority needed to cover the federal share of the project. Similar to the traditional approach, the state submits PS&Es to FHWA and requests project authorization. Under AC, however, FHWA is asked to authorize the project without obligating federal funds. The state will provide the up-front financing for the project and then at a later date "convert" the AC project to a regular federal-aid project and obligate the full federal share of the project costs, when sufficient Obligation Authority is available. At the time of conversion, the state can be reimbursed for the federal share of costs incurred up to the point of conversion.



Under the partial conversion of AC approach, the state converts, obligates, and receives reimbursement for only a portion of its funding of an AC project in a given year. This removes any requirement to wait until the full amount of Obligation Authority for the project is available. The state therefore can obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's Obligation Authority is available. Using the technique to partially convert the federal share makes bond and note financing more viable and federal-aid funds available to support a greater number of projects. The National Highway System Designation Act of 1995 (the "NHS Act") provided additional flexibility in the use of AC by allowing partial conversion of AC as implemented through a Federal Register Notice dated July 19, 1995.

Under the FAHP, as projects are approved by FHWA, the aggregate dollar amount of each contract relating thereto will be obligated against the remaining annual amount of Obligation Authority available to the state. The state will then pay the amounts owed under each contract as work progresses and receive reimbursement from the federal government for the federal share of the total costs. The aggregate amount of reimbursement received by the state in any year is not necessarily equal to the state's apportionment for such year. Many projects and contracts extend over a number of years which means the aggregate amount made available to the state in any one year, if fully obligated, may be received as reimbursement over a longer period of time relating to the actual pace of construction. The Commonwealth expects to have sufficient projects which will qualify to allow it to access all Federal Highway Reimbursements made available to it.

**Reimbursement.** The FAHP is a reimbursement program. As work progresses on a federal-aid highway project, a state pays the contractor for completed work from available state funds. The state electronically transmits vouchers for the federal share of completed work and certifies to FHWA that the claims for payment are in accordance with the terms of the applicable project agreements and state and federal laws or regulations. After review and approval by FHWA Division office, payment is scheduled for the date requested by the state. Payment is transferred directly from the United States Treasury to the state's account at a financial institution by wire transfer, and is generally scheduled to be made within two days of the submission of the state's electronic bill.

### **Special Federal Provisions Relating to Debt-Financed Projects**

The NHS Act made several changes affecting the financing of federal-aid highway projects, including AC procedures and payments to states for debt financing.

Section 311 of the NHS Act significantly expanded the eligibility of bond, notes and other debt instrument financing costs for federal-aid reimbursement. This change to the FAHP was codified into permanent highway law as an amendment to Section 122 of Title 23 of the United States Code. Under Section 122, various debt-related costs are eligible for reimbursement, including principal and interest payments, issuance costs, insurance, and other costs incidental to a financing.

FHWA has issued guidelines for debt-financed projects. Key provisions of these guidelines are as follows:

- The project must be approved as a federal-aid, debt-financed (bond, certificate, note or other debt instrument) project to receive payments for eligible debt-related costs under Section 122. Once a project is selected for debt financing, the project is submitted to FHWA for approval as an AC project under Section 115 of Title 23. The AC designation ensures the project follows federal-aid procedures and preserves the eligibility to reimburse debt-related costs through future federal-aid fund obligations.
- Debt-financed projects are subject to requirements of the Federal Clean Air Act and federal air quality conformity requirements.
- At the time the project agreement is signed, a state may elect to seek reimbursement for debt service and/or related issuance costs in lieu of reimbursement for construction costs. If a state elects to receive debt service reimbursements, a debt service schedule will be included in the project agreement. If multiple projects are funded with proceeds of a debt issue, each project will be assigned a prorated share of debt-related costs.
- To comply with the intent of the fiscally constrained planning process, the federal share of debt-related costs (e.g., interest and principal payments, associated issuance costs, and on-going debt servicing expenses)

anticipated to be reimbursed with federal-aid funds over the life of the debt obligations should be designated as AC. The planned amount of federal-aid reimbursements (AC conversion) should be included in the STIP, in accordance with FHWA procedures.

- Periodic debt service payments (federal-aid reimbursements) on the debt obligations would represent partial conversions of designated AC amounts to federal aid. A state can obligate such federal aid annually over the life of the permanent financing or a state can make the conversion in one lump sum upon project completion to help take out construction financing. A state would follow the normal procedures for conversion of an AC project.
- A state may seek federal-aid reimbursements for eligible debt-related costs as these costs are incurred. Issuance costs, debt service payments, and incidental costs represent costs incurred that may be reimbursed with federal-aid funds to the extent such costs are deemed eligible.
- A state may make arrangements with FHWA regarding the procedures under which it would submit a billing to FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements can be received shortly before the debt service payment date.
- A state may designate a trustee or other depository to receive federal-aid debt service payments directly from FHWA.

Once the project agreement with respect to each GARVEE Note project becomes a part of the Federal Aid Agreement, it will be a "debt-financed project."

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## COMMONWEALTH RECEIPTS OF FEDERAL TRANSPORTATION FUNDS

The following table identifies prior and projected Apportionments, Obligation Authority, and Receipts of Federal Highway Aid Revenues by VDOT from FFY 2006 through FFY 2016. The ability to pay the 2017 Notes and other GARVEE Notes will depend upon the amount of actual funding provided to the Commonwealth under the FAHP, the legal availability thereof and the Commonwealth's ability to use such funding.

### FEDERAL AID REVENUES, APPORTIONMENTS, OBLIGATION AUTHORITY AND RECEIPTS FOR THE VIRGINIA DEPARTMENT OF TRANSPORTATION

#### Under SAFETEA-LU, MAP-21 and FAST Act Federal Fiscal Years 2006 Through 2016

<u>Federal Fiscal Year</u>	<u>Apportionments (in millions)</u>	<u>Obligation Authority (in millions)</u>	<u>Federal Reimbursements Actual Receipts<sup>(1)</sup> (in millions)</u>
2006	\$835	\$832	\$524
2007	960	950	661
2008	940	974	811
2009	1,648	1,653	809
2010	1,056	938	946
2011 <sup>(1)</sup>	1,056	974	1,110
2012	986	934	1,360
2013	981	941	1,475
2014	982	941	1,269
2015	982	925	1,273
2016	1,032	1,012	1,036
Totals 2006 - 2016 <sup>(1)</sup>	<u>\$11,458</u>	<u>\$11,074</u>	<u>\$11,274</u>
Annual Average 2006 - 2016 <sup>(1)</sup>	<u>\$1,042</u>	<u>\$1,007</u>	<u>\$1,025</u>

Source: Virginia Department of Transportation.

<sup>(1)</sup> Actual receipts column may include amounts from prior years and does include amounts which are not eligible and do not constitute Revenues. The amounts listed in each of the columns herein are after taking into account rescissions of unobligated balances incurred to date. See the subsection "Information Concerning the Funding of Federal-Aid Highways – Federal Aid Funding Procedures – Rescission of Unobligated Balances." Actual receipt amounts differ from those reported in the Transportation Board's Annual Report, as hereinafter defined, as a result of adjustments and recalculation that occurred after the Annual Report was prepared.

## TRANSPORTATION TRUST FUND

### General

The Transportation Trust Fund was established by the General Assembly in Chapters 11, 12, 13 and 15 of the Acts of the Assembly, 1986 Special Session (the "1986 Special Session Acts"), as a special non-reverting fund administered and allocated by the Transportation Board for the purpose of increased funding for construction and other capital needs of state highways, airports, mass transit and ports. The Transportation Trust Fund is funded primarily from additional revenues generated by increases in the retail sales and use tax, motor fuels tax and motor vehicle related taxes and fees effected by the 1986 Special Session Acts, as amended by Chapter 766 of the Acts of the General Assembly of the Commonwealth of Virginia 2013 Regular Session ("Chapter 766"), and as amended by Chapter 684 of the Acts of the General Assembly of the Commonwealth of Virginia 2015 Regular Session ("Chapter 684") and designated for deposit in the Transportation Trust Fund. The 1986 Special Session Acts allocated 85% of these additional revenues to highway purposes with the balance being divided among airports (2.4%), mass transit

(8.4%) and ports (4.2%). Legislation passed by the General Assembly in the 1998 Regular Session revised the formula for distribution of funds to the mass transit fund, increasing the allocation from 8.4% to 14.5% for Fiscal Year 1999 and to 14.7% for Fiscal Year 2000 and thereafter and thereby changing the allocation to highway purposes from 85% to 78.9% in Fiscal Year 1999 and to 78.7% for Fiscal Year 2000 and thereafter. The amendments contained in Chapter 766 allocate a 0.3% increase in the retail sales and use tax, of which components are dedicated to the Transportation Trust Fund (passenger rail and mass transit). The revenue is distributed in the following manner: (i) 0.175% of the 0.3% increase is allocated to the HMO Fund; (ii) 0.05% of the 0.3% increase is allocated to passenger rail; and (iii) 0.075% of the 0.3% increase is allocated to mass transit.

The investment of money in the Transportation Trust Fund is administered by the State Treasurer under guidelines adopted by the Transportation Board. The Transportation Board has adopted the same guidelines as the Treasury Board for the investment of public funds.

### **Chapter 766 and 684 and the Transportation Trust Fund**

Under Chapter 766, the Transportation Trust Fund receives an amount equal to 15% of the revenues generated from motor fuels taxes after making specified disbursements to various preservation and conservation programs. After making those initial disbursements and disbursing 15% (through Fiscal Year 2016) of the revenues generated from the motor fuels taxes to the Transportation Trust Fund, 80% of such revenues shall be deposited into the HMO Fund, (i) 4% shall be deposited into the Priority Transportation Fund, and (ii) 1% shall be used to meet the necessary expenses of the Department of Motor Vehicles ("DMV"). This disbursement was effective through Fiscal Year 2016. Chapter 684 changes the distribution of fuel tax revenue beginning in Fiscal Year 2017. The Transportation Trust Fund will receive 11.3% of the revenues generated from motor fuels taxes after making the above-referenced initial disbursements. The total distribution is: (i) 80% to the HMO Fund; (ii) 11.3% to the Transportation Trust Fund; (iii) 4% to the Priority Transportation Fund; and (iv) 3.11% to the Commonwealth Transit Capital Fund established pursuant to Section 58.1-638 of the Virginia Code, (v) 1% to a special fund within the Commonwealth Transportation Fund in the state treasury, to be used to meet the necessary expenses of DMV, (vi) 0.35% to the Commonwealth Mass Transit Fund established pursuant to Section 58.1-638 of the Virginia Code and allocated transit operations, and (vii) 0.24% to the Commonwealth Mass Transit Fund and allocated to transit special programs.

Also included in Chapter 766 were specific taxes that affect the Northern Virginia and Hampton Roads regions of the Commonwealth. Pursuant to Chapter 766 the local sales tax, grantor's tax and transit and occupancy taxes were each increased in Northern Virginia and the local sales tax and fuel sales tax were each increased in Hampton Roads. The additional revenues generated from these increases have been dedicated to pay the costs of transportation projects in each region. It is anticipated that these revenues will enhance the ability of the Commonwealth to address transportation needs outside of the Transportation Trust Fund.

**The Transportation Board makes no representation (i) that the General Assembly will maintain the Transportation Trust Fund or (ii) that the General Assembly will not repeal or materially modify the 1986 Special Session Acts, Chapter 766, Chapter 684 or any other legislation affecting the Transportation Trust Fund. Without limiting the generality of the foregoing, the provisions of Chapter 766 and Chapter 896, as herein defined, that generate additional revenue for transportation purposes, including revenues for deposit in the Transportation Trust Fund, shall expire on December 31 of any year in which the General Assembly appropriates any of such revenues for any non-transportation-related purpose.**

### **Highway Maintenance and Operating Fund**

Until January 1, 1987, both construction and maintenance of the Commonwealth's highway system were funded through the Highway Maintenance and Construction Fund. Upon the enactment of the 1986 Special Session Acts, money for construction and maintenance was separated into two funds; the Transportation Trust Fund became the source of funds for new construction, while the Highway Maintenance and Operating Fund ("HMO Fund") was created as successor to the Highway Maintenance and Construction Fund for maintenance.

Prior to the enactment of Chapter 766, the HMO Fund received certain motor vehicle related taxes and fees (principally the motor fuels tax, vehicle sales tax, vehicle registration fees and vehicle license fees) at the rates in effect before the 1986 Special Session Acts, while the increase in these taxes and fees was directed to the

Transportation Trust Fund. See the subsection below "*Sources of Revenues.*" In Fiscal Year 2017, the HMO Fund received approximately \$2.0 billion in such taxes and fees.

Pursuant to Chapter 766, the HMO Fund receives (i) an amount equal to 20% of the revenue generated by a 0.5% sales and use tax effected by Chapter 766; (ii) an amount equal to a 0.175% sales and use tax from the 0.3% increase in such tax effected by Chapter 766; (iii) an amount equal to 80% of the revenues generated from the motor fuels tax as described in the preceding subsection; and (iv) certain revenues related to an increase in the vehicle sales tax.

The construction funds available for allocation in Fiscal Years 2018 through 2023 Six-Year Improvement Program (the "Current SYIP") were reduced by \$121.7 million in Fiscal Year 2017 to provide the revenues needed to meet the obligations of the HMO Fund which includes the maintenance and operations of Virginia's highways.

The Transportation Board makes no representation that the General Assembly will maintain the HMO Fund. Without limiting the generality of the foregoing, the provisions of Chapter 766 and Chapter 684 that generate additional revenue for transportation purposes, including revenues for deposit in the HMO Fund, shall expire on December 31 of any year in which the General Assembly appropriates any of such revenues for any non-transportation-related purpose.

### **Sunset Provision**

The provisions of Chapter 766 and Chapter 896 that generate additional revenue for transportation purposes, including revenues for deposit in the Transportation Trust Fund, the HMO Fund and other transportation-related funds, expire on December 31 of any year in which the General Assembly appropriates any of such revenues for any non-transportation-related purpose (the "Sunset Provisions").

The General Assembly has from time to time made appropriations of portions of such additional revenue for non-transportation-related purposes, which would have activated one or both of the Sunset Provisions had the General Assembly not also enacted a savings clause to override the Sunset Provisions (a "Savings Clause"). The appropriations act for the 2014-2016 biennium, as adopted in June 2014 and amended in November 2014, includes both a non-transportation-related appropriation of a portion of the additional revenue generated by Chapter 896 and a Savings Clause.

No assurance can be given that the General Assembly will not activate either or both of the Sunset Provisions in future appropriation acts, and no assurance can be given that, if either Sunset Provision is activated, the General Assembly will enact a Savings Clause to override it.

### **Highway Allocation Formula**

The Transportation Board is required by the Virginia Code to allocate each year all funds made available for highway purposes in accordance with the priorities established by Section 33.2-358 of the Virginia Code. Highway funds are allocated first for maintenance of interstate, primary, secondary and certain local roads and highways, administrative and general expenses, and other payments. The distribution of funding after this allocation was changed by Chapter 684 of the 2015 General Assembly Session.

After the first allocation of funds as described above, effective July 1, 2020, 45% is allocated to the Transportation Board's "State of Good Repair Program", 27.5% is allocated to its "High Priority Project Program" and 27.5% is allocated to its "Construction District Grant Program." However, during the period prior to this effective date, the Transportation Board shall allocate an amount determined by the Transportation Board, not to exceed \$500 million in any given year, as follows: 25% to bridge reconstruction and rehabilitation; 25% to advancing high priority projects statewide; 25% to reconstructing deteriorated Interstate System, primary state highway system and municipality maintained primary extension pavements determined to have a Combined Condition Index of less than 60; 15% to projects undertaken pursuant to the Public-Private Transportation Act of 1995 (Section 33.2-1800 et seq.) (the "PPTA"); 5% to paving unpaved roads carrying more than 50 vehicles per day; and 5% to the Innovative and Technology Transportation Fund established pursuant to Section 33.2-1531 for high-tech infrastructure improvements (the "CTB Formula"). At the discretion of the Transportation Board, such percentages of funds may be adjusted in any given year to meet project cash flow needs or when funds cannot be expended due to legal, environmental or other project management considerations and provided that such allocations

shall cease beginning July 1, 2020. After such allocations are made, the Transportation Board may allocate each year up to 10% of the funds remaining for highway purposes for the undertaking and financing of rail projects that, in the Board's determination, will result in mitigation of highway congestion. Through July 1, 2020, any funds remaining after the CTB Formula distribution will be distributed equally to the High Priority Project Program and the Construction District Grant Program.

The Transportation Board approved an amount to be provided through this alternate distribution process totaling \$353.1 million in the Fiscal Year 2017 Budget. Additional allocations were provided through the life of the Six-Year Improvement Program using this alternate formula. While the Virginia Code establishes the priorities by which the Transportation Board must allocate the funds made available to it, the Transportation Board, VDOT and other transportation agencies are responsible for allocating such funds among transportation projects throughout the Commonwealth. In the normal course of business, the Transportation Board, VDOT and the other agencies procure and enter into contracts with private parties for the rehabilitation, construction and improvement of transportation projects. The procurements are conducted in various ways as permitted under the Virginia Code, including traditional sealed bidding, design-build arrangements and procurements under the PPTA. The PPTA encourages investment in the Commonwealth by private entities to facilitate the development and/or operation of transportation facilities, and PPTA contracts typically involve an allocation of financial, completion and other risks between the private entity and the Commonwealth that differ from the risk allocation in more traditional procurement formats. If any of these contracts were terminated or if the applicable project were delayed or altered, the Transportation Board, VDOT or the other applicable agency could be contractually obligated to pay certain costs associated with the delay or determination of the project incurred by the private party and to pay other related expenses and fees, which may or may not exceed the funding currently allocated to the applicable project. The payment obligation of the Transportation Board, VDOT or the other applicable agency is generally subject to appropriation by the General Assembly. While no specific funding source is identified, the Transportation Trust Fund is one possible funding source for such payments. If such a payment were to be made from the Transportation Trust Fund, the funds for such payment would be made available by changing the allocation of available funds among the projects in the Six-Year Improvement Plan. A change in the allocation of funds would not impact the revenues appropriated to the Transportation Trust Fund, but the change could impact the planned schedules of other projects. The Transportation Board, VDOT and the other agencies regularly adjust the allocation of the funds among transportation projects to account for variety of factors. See the section *"Commonwealth Transportation Board, Virginia Department of Transportation – Financial Accountability and Program Delivery."*

### **Sources of Revenues**

The following table summarizes the actual revenues for Fiscal Years 2012 through 2017 and the projected revenues for Fiscal Year 2018, received or to be received in the Transportation Trust Fund. Historical receipts of the Transportation Trust Fund may not be indicative of future receipts, especially because Chapter 766 changed how some of the taxes listed in the table are charged, and a portion of the revenues generated from those taxes are dedicated to the Transportation Trust Fund.

**Total Transportation Trust Fund Revenues – All Modes**  
(in millions)<sup>(1)</sup>

<b>Fiscal Year Ending June 30:</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018<sup>(6)</sup></b>
Retail Sales and Use Tax	\$503.1	\$521.2	\$631.3	\$717.0	\$723.7	\$743.3	\$760.7
Motor Vehicle Sales and Use Tax <sup>(2)</sup>	223.1	235.2	240.8	251.8	265.4	275.4	278.7
Motor Fuels Taxes <sup>(3)</sup>	115.5	115.2	106.7	118.8	138.9	138.6	139.9
Motor Vehicle Registration Fees	21.1	21.7	21.7	21.8	21.6	22.2	22.8
Recordation Tax <sup>(4)</sup>	26.1	30.9	24.9	28.0	29.5	48.1	49.2
Investment Income	12.2	7.5	6.2	6.4	2.4	3.9	3.5
Priority Transportation Fund <sup>(5)</sup>	<u>159.1</u>	<u>151.8</u>	<u>157.5</u>	<u>180.8</u>	<u>186.0</u>	<u>199.9</u>	<u>203.7</u>
<b>Total Transportation Trust Fund Revenues</b>	<b><u>\$1,060.2</u></b>	<b><u>\$1,083.6</u></b>	<b><u>\$1,189.0</u></b>	<b><u>\$1,324.5</u></b>	<b><u>\$1,367.5</u></b>	<b><u>\$1,431.4</u></b>	<b><u>\$1,458.5</u></b>

Sources: Department of Accounts and Department of Motor Vehicles for FYs 2012 through 2017. Department of Motor Vehicles, Department of Taxation and Department of Transportation for revenue estimates for FY 2018.

(1) Net of moneys deposited in the Federal Fund, which is part of the Transportation Trust Fund.

(2) Motor Vehicle Sales and Use Tax and Motor Vehicle Rental Tax. Note these taxes were amended by the Chapter 766.

(3) Motor Fuels Tax, Special Fuel Tax, Aviation Special Fuel Tax and Road Tax. Note these taxes were amended by the Chapter 766.

(4) Reflects the deposits into the Transportation Trust Fund on and after July 1, 2008, from the revenues collected each Fiscal Year from \$0.02 of the total state recordation taxes imposed pursuant to Sections 58.1-801 and 58.1-803 of the Virginia Code. Beginning in Fiscal Year 2017, the estimate reflects the revenue from \$0.01 of the total state recordation taxes that was previously dedicated to the Highway Maintenance and Operating Fund. It is now dedicated to the Commonwealth Transit Capital Fund.

(5) Reflects the deposits into the Priority Transportation Fund on and after July 1, 2008 of one-third of the revenues of the Insurance Tax and incremental motor fuels tax revenues (as described under the heading below "Priority Transportation Fund Revenues"). Amounts shown include estimated investment income.

(6) Based on Commonwealth Transportation Fund Forecast provided in August 2017. Includes the share of the increased Retail Sales and Use Tax dedicated to passenger rail and mass transit as a component of the Transportation Trust Fund. Preliminary estimates and actual results may vary.

The following is a brief description of the taxes and fees designated for deposit into the Transportation Trust Fund.

**Retail Sales and Use Tax.** The retail sales tax is imposed on every transaction involving (i) the business of selling at retail or distributing tangible personal property in the Commonwealth; (ii) the leasing or rental of tangible personal property as part of an established business; (iii) the storing for use or consumption in the Commonwealth of any item or article of tangible personal property or leasing or renting such property within the Commonwealth; (iv) the furnishing of transient accommodations or (v) the selling of certain services. The tax on sales is based on the gross sales price of each item or article of tangible personal property. The seller collects the tax from the customer by separately stating the amount of the tax and adding it to the sales price or charge. The tax on accommodations, leases and rentals, which is based upon the lessor's gross proceeds from the leases and rentals, is collected by the lessor by separately stating the amount of tax and adding it to the charge made to the lessee. The tax on items or articles of tangible personal property stored in the Commonwealth for use or consumption in the Commonwealth is based on the cost price of each item or article. The tax on taxable services is based on the gross sales of services.

The use tax is imposed on the use or consumption of tangible personal property in the Commonwealth, or the storage of such property outside the Commonwealth for use or consumption in the Commonwealth. This tax applies to (i) tangible personal property purchased outside the Commonwealth that would have been subject to sales tax if purchased in the Commonwealth and (ii) purchases, leases or rentals made in the Commonwealth if the sales tax was not paid at the time of purchase, lease or rental. In general, the tax is based on the cost price of each item or article of tangible personal property used or consumed in the Commonwealth or the cost price of each item or article of tangible personal property stored outside the Commonwealth for use or consumption in the Commonwealth. The Virginia Code provides various exclusions and exemptions to the retail sales and the use tax.

The state and local retail sales and use taxes were increased from 4.0% to 4.5% by the General Assembly in the 1986 Special Session Acts, and increased again in 2004 from 4.5% to 5.0%. The 1986 Special Session Acts designated the tax revenues from a 0.5% sales and use tax to the Transportation Trust Fund. Pursuant to Chapter

766, the 2013 General Assembly increased taxes by 0.3% to 5.3% (a portion of which is allocated to the HMO Fund), and pursuant to Chapter 766 the Commonwealth can collect the tax on online sales, if there is a change in federal law.

**Motor Vehicle Sales and Use Tax.** A tax based on the gross sales price or gross proceeds is levied upon the sale or use of motor vehicles in the Commonwealth, other than a sale to or use by a person for rental as an established business or part of an established business or incidental or germane to such business.

The tax applies to the sale price of motor vehicles, mobile homes and mobile offices sold in the Commonwealth, with the exceptions noted above, and to the sale price of motor vehicles, mobile homes and mobile offices not sold in the Commonwealth but used or stored for use in the Commonwealth. Under Commonwealth law, certain motor vehicles are exempt from the sales and use tax. In general, the minimum tax levied on the sale of any motor vehicle in the Commonwealth is \$75.00.

The tax on the sale or use of a motor vehicle is paid by the purchaser or user of the new motor vehicle and collected by the Commissioner of DMV (the "DMV Commissioner") at the time the owner applies to that Department for, and obtains, a certificate of title. No tax is levied or collected upon the sale or use of a motor vehicle for which no certificate is required by the Commonwealth.

As a result of the 1986 Special Session Acts, this tax increased from 2.0% to 3.0%, effective January 1, 1987. Since then, the General Assembly has appropriated the net additional revenues generated by the increase to the Transportation Trust Fund. As a result of Chapter 766, effective July 1, 2013, this tax increased from 3.0% to 4.0%, and will increase by 0.05% on each successive July 1 up to and including July 1, 2016, at which time the rate will equal 4.15%.

**Motor Fuels Tax.** A tax is levied on motor fuels sold and delivered or used in the Commonwealth. Certain categories of motor fuels, however, are exempt from this tax under Virginia Code Section 58.1-2226, including, but not limited to, fuel for the exclusive use of the governments of the United States, the Commonwealth and the Commonwealth's political subdivisions and diesel fuel used for certain purposes. The motor fuels tax is collected by and paid to the Commonwealth only once with respect to any motor fuels. All aviation fuels that are sold and delivered or used in the Commonwealth are taxed. Synthetic motor fuel produced in the Commonwealth from coal is subject to an incremental tax. Likewise, motor fuels refined in the Commonwealth exclusively from crude oil produced in the Commonwealth in a refinery meeting certain specifications are subject to an incremental tax.

Each dealer or limited dealer in motor fuels must file monthly a report with the DMV Commissioner showing, among other things, the quantity of motor fuels and aviation fuel used, sold, or delivered during the preceding month. The motor fuels tax must be paid at the time the report is rendered to the Commissioner.

**Motor Vehicle Annual Registration Fees.** The annual registration fee collected by the DMV Commissioner for all motor vehicles, trailers and semi-trailers was increased \$3 per vehicle by the 1986 Special Session Acts, and the General Assembly has appropriated the net additional revenues from this fee increase to the Transportation Trust Fund.

**Other Motor Vehicle Related Taxes.** Pursuant to Chapter 766, certain other taxes related to motor vehicles are levied and a portion of the revenues are appropriated to the Transportation Trust Fund. Such taxes include items (ii) through (v) of the Fuels Tax described in the subsection "*– Chapters 766 and 684 and the Transportation Trust Fund.*"

**Recordation Taxes.** Recordation taxes are imposed on every deed and deed of trust (mortgage) admitted to record in the Commonwealth subject to certain exceptions and exemptions. Chapter 896 of the Acts of Assembly, 2007 Regular Session ("Chapter 896"), effective July 1, 2008, provides that, of the state recordation taxes imposed pursuant to Sections 58.1-801 and 58.1-803 of the Virginia Code, the revenues collected each Fiscal Year from \$0.02 of the total tax imposed under each section are appropriated for and deposited into the Transportation Trust Fund for the Commonwealth Mass Transit Fund. Chapter 684 of the Acts of Assembly, 2015 Regular Session, effective July 1, 2017, provides that, of the state recordation taxes imposed pursuant to Section 58.1-801 and Section



58.1-803 of the Virginia Code, the revenues collected each Fiscal Year from \$0.01 of the total tax are appropriated for and deposited into the Transportation Trust Fund for use in the Commonwealth Transit Capital Fund..

**Priority Transportation Fund Revenues.** The General Assembly established the Priority Transportation Fund in 2000 under Section 33.2-1527 of the Virginia Code, which was amended in (i) the first enactment clause of Chapter 896 and (ii) the first enactment clause of Chapter 766. The Priority Transportation Fund is a special non-reverting fund of the Transportation Trust Fund held in the state treasury. All revenues as may be designated in an appropriation act by the General Assembly for deposit to the Priority Transportation Fund shall be paid into the state treasury and credited to the Priority Transportation Fund. Effective July 1, 2013, such revenues include:

(1) One-third of the revenues derived from the annual license tax imposed on insurance companies doing business in the Commonwealth under Chapter 25 of Title 58.1 of the Virginia Code, with certain adjustments as described below (the "PTF Insurance Tax Revenues");

(2) A certain portion of the revenues derived from taxes imposed on motor fuels under the Virginia Fuels Tax Act, Chapter 22 (Section 58.1-2200 et seq.) of Title 58.1 of the Virginia Code (the "PTF Motor Fuels Tax Revenues");

(3) All revenues that exceed the official forecast, pursuant to Section 2.2-1503 of the Virginia Code, for (i) the Highway Maintenance and Operating Fund and (ii) the allocation to highway and mass transit improvement projects as set forth in Section 33.2-1526 of the Virginia Code, but not including any amounts that are allocated to the Commonwealth Port Fund and the Commonwealth Airport Fund under such section; and

(4) Any other such funds as may be transferred, allocated, or appropriated

#### **Economic Conditions Affecting the Transportation Trust Fund**

The availability of revenues in the Transportation Trust Fund is dependent on a number of economic factors. The bulk of such revenues consists of the motor fuels taxes, motor vehicle sales and use taxes and retail sales and use taxes described above in this Section, which may fluctuate based on, among other things, the condition of the Commonwealth and national economies, population growth, income and employment levels, levels of tourism, weather conditions, fuel prices, vehicle fuel efficiency, road conditions, and the availability of alternate modes of transportation. There can be no assurance that downturns in any of the numerous factors affecting these revenues will not significantly affect the availability of revenues in the Transportation Trust Fund to make timely payments on the GARVEE Notes, including the 2017 Notes, if tax collections and other elements of the Priority Transportation Fund are not available therefor. See Appendix C, "*Commonwealth of Virginia, Demographic and Economic Information*" for certain information regarding some of these factors. The availability of revenues in the Transportation Trust Fund is also subject to appropriation by the General Assembly, and the expected initial source of repayment of the 2017 Notes is Federal Highway Reimbursements. See the section "*Sources of Payment and Security for the GARVEE Notes.*"

**There is no assurance that any of these taxes or fees will remain in effect or that they will continue at their current levels. The General Assembly is under no obligation to continue the appropriation of the net additional revenues generated by the 1986 Special Session Acts, Chapter 766 or Chapter 896 to the Transportation Trust Fund as for other transportation-related purposes. Further unanticipated costs related to delayed, altered or terminated major transportation projects may be paid from the Transportation Trust Fund.**

#### **AUTHORIZED, ISSUED AND UNISSUED BONDS PAYABLE FROM TRANSPORTATION TRUST FUND**

The General Assembly has enacted from time to time legislation providing for the issuance of revenue bonds for transportation facilities which are payable from various sources, including appropriations from the Transportation Trust Fund. Set forth below are descriptions of the financing programs for highway projects, the bonds for which the General Assembly has committed, subject to appropriation, to pay from Transportation Trust

Fund revenues. The descriptions include the credit structure of and the authorized, issued and unissued bonds under each such program. **The Transportation Board makes no representation that the General Assembly will maintain the Transportation Trust Fund or that the General Assembly will not repeal or materially modify the statutes governing any of the programs described below, including the amount of bonds authorized thereunder, or the Transportation Trust Fund.** See the subsections "*Transportation Trust Fund – General,*" "*Chapters 766 and 684*" and "*– Sources of Revenues.*"

### **Transportation Revenue Bonds**

***Northern Virginia Transportation District Program.*** The General Assembly enacted legislation in 1993, as amended in the 1994, 1998, 1999, 2002 and 2005 Regular Sessions ("NVTD Bond Legislation") that authorized the Transportation Board to issue Transportation Revenue Bonds ("NVTD Bonds"), pursuant to the Revenue Bond Act, as amended, in the amount of up to \$500,200,000, plus an additional amount for issuance costs, capitalized interest, reserve funds and other financing expenses for certain projects in the Northern Virginia Highway Construction District (the "NVTD Program"). Refunding bonds are not included in this limit. It is expected that revenue for payment of the debt service on the NVTD Bonds will be provided from funds appropriated by the General Assembly from (i) the Northern Virginia Transportation District Fund (the "NVTD Fund"); (ii) to the extent required, funds appropriated and allocated, pursuant to the highway allocation formula as provided by law, to the Northern Virginia Highway Construction District or the city or county in which the project or projects to be financed by the NVTD Bonds are located; (iii) to the extent required, legally available revenues of the Transportation Trust Fund; and (iv) such other funds which may be appropriated by the General Assembly. The legislation creating the NVTD Fund currently provides that annually on July 1, there is to be transferred to the NVTD Fund, subject to appropriation by the General Assembly, (i) a portion of the collections of the state recordation taxes that are attributable to the Cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William (the "NVTD Jurisdictions"); (ii) any public rights-of-way use fees appropriated by the General Assembly; (iii) any state or local revenues which may be deposited to the NVTD Fund pursuant to a contract between an NVTD Jurisdiction and the Transportation Board; and (iv) any other funds as may be appropriated by the General Assembly and designated for the NVTD Fund and all earnings on the NVTD Fund. Since its first issuance in 1993, the Transportation Board has issued \$477,870,000 in NVTD Bonds, which includes amounts to cover issuance costs, reserve funds, and other financing expenses, to finance the costs of the NVTD Program plus an additional \$462,055,000 to refund NVTD Bonds that had been previously issued. Of the total amount of NVTD Bonds issued, \$156,655,000 is currently outstanding.

***U.S. Route 58 Corridor Development Program.*** The General Assembly enacted legislation in 1989, as amended in the 1999 Regular Session ("U.S. Route 58 Bond Legislation"), that authorized the Transportation Board to issue Transportation Revenue Bonds ("U.S. Route 58 Bonds"), pursuant to the Revenue Bond Act, in an amount not to exceed \$704,300,000, plus an amount for issuance costs, reserve funds and other financing expenses, to finance a portion of the costs of the development of a modern, safe and efficient highway system generally along the U.S. Route 58 Corridor ("U.S. Route 58 Program"). Refunding bonds are not included in this limit. The U.S. Route 58 Bonds are payable from funds appropriated by the General Assembly from (i) the first \$40,000,000 of annual collections of the state recordation taxes imposed on deeds, deeds of trust, mortgages and certain other instruments; (ii) to the extent required, other revenues legally available from the Transportation Trust Fund; and (iii) to the extent required, other legally available funds. Since its first issuance in 1989, the Transportation Board has issued \$720,110,000 in U.S. Route 58 Bonds, which includes amounts to cover issuance costs, reserve funds, and other financing expenses, to finance the costs of U.S. Route 58 Program plus an additional \$741,815,000 to refund U.S. Route 58 Bonds that had been previously issued. The Transportation Board has issued all the U.S. Route 58 Bonds authorized, not including refunding bonds, under the U.S. Route 58 Bond Legislation. Of the total amount of U.S. Route 58 Bonds issued, \$174,270,000 is currently outstanding.

***Transportation Improvement Program Set-Aside Fund.*** The 1993 Session of the General Assembly also authorized the creation of the Transportation Improvement Program Set-aside Fund (the "Set-aside Fund") for transportation improvements endorsed by the requesting local jurisdiction or jurisdictions affected and to provide for the issuance of Transportation Program Revenue Bonds pursuant to the Revenue Bond Act to finance those improvements. The jurisdiction or jurisdictions requesting participation in the Set-aside Fund and the issuance of bonds must agree that certain distributions of state recordation taxes attributable to them be deposited in the Set-aside Fund by the State Treasurer and used to pay debt service on any Transportation Program Revenue Bonds

issued by the Transportation Board to finance the cost of the improvements. Before any bonds may be issued, the improvements to be financed must be approved by the General Assembly.

If amounts in the Set-Aside Fund are insufficient to pay debt service on Transportation Program Revenue Bonds, such Transportation Program Revenue Bonds may be paid, subject to appropriation, from Transportation Trust Fund revenues.

The 1994 Session of the General Assembly authorized the issuance of \$32,500,000 Transportation Program Revenue Bonds, plus an additional amount for issuance costs, capitalized interest, reserve funds and other financing expenses, to finance the cost of the Oak Grove Connector project. In July 1997, the Transportation Board issued bonds to finance the Oak Grove Connector, a portion of which was refunded by the Transportation Program Revenue Bonds Series 2006A, which was refunded by the Transportation Program Revenue Bonds, Series 2016A (the "Oak Grove Connector Bonds"). Of the total amount of Oak Grove Connector Bonds issued, \$8,615,000, in the aggregate, is currently outstanding. These Transportation Program Revenue Bonds are the only bonds authorized to be paid from the Set-aside Fund.

**Transportation Contract Revenue Bonds.** In the 1988 Regular Session, the General Assembly enacted legislation which authorized the Transportation Board to issue Transportation Contract Revenue Bonds pursuant to the Revenue Bond Act in an amount not to exceed \$160,700,000 to finance the costs of Phase I of the Route 28 project, plus an amount for issuance costs, reserve funds and other financing expenses. Due to a subsequent reduction in the estimated Phase I cost, the Transportation Board issued \$138,483,372.25 of Transportation Contract Revenue Bonds, Series 1988 (the "Series 1988 Bonds"). The balance of the authorization was not required to complete Phase I of the Route 28 project. In the 1990 Session, the General Assembly amended the legislation to permit any proceeds of the Series 1988 Bonds remaining after the completion of Phase I and any of the unissued Transportation Contract Revenue Bonds authorized under the legislation to be applied to Phase II of the Route 28 project. No other bonds have been authorized for Phase II. In 1992, the Transportation Board refunded all of the outstanding Series 1988 Bonds by issuing \$111,680,000 of Transportation Contract Revenue Bonds, Series 1992 (the "Series 1992 Bonds"). The 1993 Session of the General Assembly provided for the rezoning of commercial and industrial property within the Route 28 Transportation Improvement District to residential property, provided the property owner makes a one-time payment equal to the projected tax revenues over the life of the Series 1992 Bonds as if the property had remained zoned for commercial or industrial use. In October 2002, the Transportation Board issued bonds in the amount of \$83,820,000 to refund the outstanding principal balance on the Series 1992 Bonds and issued Transportation Contract Revenue Bonds in the amount of \$36,823,667.45 to finance a portion of the costs of Phase II improvements plus an amount for issuance costs. These Transportation Contract Revenue Bonds were issued under a new Master Indenture of Trust, dated as of October 1, 2002 (the "Route 28 Indenture"), with security features similar to those for the Series 1988 Bonds and Series 1992 Bonds. The Series 2002 Bonds are payable from funds appropriated by the General Assembly for such purpose from the following three sources: (i) special tax revenues collected from a tax levied on commercial and industrial property in the Route 28 Transportation Improvement District; (ii) money appropriated and allocated, pursuant to the highway allocation formula as provided by law, to the Northern Virginia Highway Construction District or to the Counties of Fairfax or Loudoun; and (iii) other legally available money in the Transportation Trust Fund. In the Route 28 Indenture, the Transportation Board agrees that it shall issue no further notes, bonds or other evidence of indebtedness under the provisions of the Master Indenture of Trust, dated as of September 1, 1988, pursuant to which the Series 1988 Bonds and Series 1992 Bonds were issued. In May 2012, the Transportation Board issued bonds in the amount of \$50,620,000 to refund a portion of the outstanding Series 2002 Bonds. Of the total amount of Transportation Contract Revenue Bonds issued 78,213,804 is outstanding (as of October 1, 2017).

**Capital Projects Revenue Bonds.** The Commonwealth Transportation Capital Projects Bond Act of 2007, enactment clause 2 of Chapter 896 of the Acts of Assembly, 2007 Regular Session, as amended by Chapters 830 and 868 of the Acts of Assembly, 2011 Regular Session (the "2007 Act"), authorizes the Transportation Board to issue Capital Projects Revenue Bonds as revenue obligations of the Commonwealth at one or more times in an aggregate principal amount not to exceed \$3 billion, excluding any refunding Capital Projects Revenue Bonds. The 2007 Act further provides that if the aggregate principal amount issued in any FY is less than \$300,000,000, then the amount by which the issuance is less than \$300,000,000 may be issued in any subsequent FY in addition to the \$300,000,000 authorized in the subsequent FY. Chapters 830 and 868 of the Acts of Assembly, 2011 Regular Session, amended the 2007 Act to increase the annual issuance limitation in FY 2012 and FY 2013 to \$500,000,000

and \$600,000,000, respectively. The proceeds of the Capital Projects Revenue Bonds authorized by the 2007 Act are to be used to pay the costs of transportation projects and, where appropriate, may be paid to any authority, locality, commission or other entity for the purposes of paying for the costs of transportation projects. A minimum of 20% of the proceeds is required to be used for transit capital, a minimum of 4.3% of the proceeds is required to be used for rail capital and the remaining amount of proceeds is required to be used for paying the costs of transportation projects, with such proceeds used or allocated (i) first to match certain federal highway funds; (ii) next to provide any required funding to fulfill the Commonwealth's allocation of equivalent revenue sharing matching funds; and (iii) third to pay or fund the costs of statewide or regional projects throughout the Commonwealth. Costs for construction or funding of these transportation projects include, but are not limited to, the costs of environmental and engineering studies, rights-of-way acquisition, improvements to all modes of transportation, acquisition, construction and related improvements, and any financing costs or other financing expenses related to the Capital Projects Revenue Bonds. The 2007 Act allows the Transportation Board flexibility, within the statutory requirements, to determine the amount of Capital Projects Revenue Bonds to be used to match federal highway funds and to support the revenue sharing program. The Capital Projects Revenue Bonds are payable from and secured by revenues, receipts and funds appropriated by the General Assembly for payment thereof, or allocated by the Transportation Board for such purpose from revenues, receipts and funds appropriated to it by the General Assembly, (i) from the revenues deposited into the Priority Transportation Fund, which is a part of the Transportation Trust Fund; (ii) to the extent required, from revenues legally available from the rest of the Transportation Trust Fund; and (iii) to the extent required, from any other legally available funds.

Item 456.H. of Chapter 874 of the Acts of Assembly, 2010 Regular Session, as amended by Chapter 890 of the Acts of Assembly, 2011 Regular Session (collectively, the "Appropriation Acts") authorizes the Transportation Board to issue Capital Projects Revenue Bonds at one or more times in an aggregate principal amount not to exceed \$180,000,000, after all costs, with the net proceeds of the Appropriation Act bonds to be used exclusively for the purpose of providing funds for paying the costs incurred or to be incurred for construction or funding of transportation projects set forth in Item 449.10 of Chapter 847 of the Acts of Assembly, 2007 Regular Session, including, but not limited to, environmental and engineering studies, rights-of-way acquisition, improvements to all modes of transportation, acquisition, construction and related improvements, and any financing costs and other financing expenses.

The Transportation Board has issued six series of Capital Projects Revenue Bonds in the aggregate principal amount of \$2,502,055,000, of which \$2,225,575,000 is currently outstanding.

## **COMMONWEALTH TRANSPORTATION BOARD AND VIRGINIA DEPARTMENT OF TRANSPORTATION**

### **Commonwealth Transportation Board**

The Transportation Board consists of 17 members, including the Secretary of Transportation of the Commonwealth, the Commissioner of Highways, the Director of the Department of Rail and Public Transportation, and fourteen citizen members from various areas of the Commonwealth appointed by the Governor, subject to confirmation by the General Assembly. One member is chosen from each of the Commonwealth's nine highway construction districts, three members are selected as urban at-large members and two members are selected as rural at-large members. In addition to representing rural and urban transportation needs, the at-large members represent the interests of seaport, airport, railway and mass transit users. The Chairman of the Transportation Board is the Secretary of Transportation. Only the fourteen citizen members of the Transportation Board have voting privileges, except that the Chairman has voting privileges in the event of a tie and the Vice Chairman has voting privileges in the event of a tie when the Vice Chairman is presiding in the absence of the Chairman.

The current membership of the Transportation Board, the expiration dates of their terms and the constituency represented by each member are as follows:

<u>Member</u>	<u>Term Expires</u>	<u>Constituency</u>
Aubrey L. Layne, Jr.	At the Pleasure of the Governor	Chairman, Transportation Board; Secretary of Transportation
Gary Garczynski	June 30, 2020	Vice Chairman, Transportation Board; At-Large Urban
Charles A. Kilpatrick	At the Pleasure of the Governor	Commissioner of Highways
Jennifer Mitchell	At the Pleasure of the Governor	Director, Department of Rail and Public Transportation
Carlos M. Brown	June 30, 2019	Richmond District
Henry Connors, Jr.	June 30, 2018	Fredericksburg District
Alison DeTuncq	June 30, 2018	Culpeper District
Mary Hughes Hynes	June 30, 2020	Northern Virginia District
E. Scott Kasproicz	June 30, 2017*	At Large Urban
John Malbon	June 30, 2017*	Hampton Roads District
Court G. Rosen	June 30, 2018	At-Large Rural
Jerry L. Stinson, II	June 30, 2020	Bristol District
Shannon Valentine	June 30, 2019	Lynchburg District
F. Dixon Whitworth, Jr.	June 30, 2020	Staunton District
Marty Williams	June 30, 2018	At-Large Urban
Greg Yates	June 30, 2020	At-Large Rural
Vacant		Salem District

\*Members whose terms have expired continue to serve until re-appointment or appointment of a replacement.

**Aubrey L. Layne, Jr.** was appointed as Secretary of Transportation of the Commonwealth by Governor Terence R. McAuliffe in November 2013. The Transportation Secretariat provides a wide array of products and services including road construction and repairs, rest area maintenance, regulating sea ports, airports and rail, and issuing license plates and driver's licenses. Prior to being named Secretary, Mr. Layne was President of An Achievable Dream Academy in Newport News, Virginia. He began his association with An Achievable Dream over ten years ago as a Board Member and Endowment Fund Chairman. Prior to joining An Achievable Dream, Mr. Layne was President and Principle Broker of Great Atlantic Properties. He joined the company in 1994 and was responsible for the operational activities, new business acquisition and capital improvement strategy, as well as banking and investor relationships. Before joining Great Atlantic, Mr. Layne worked in a retail business, Hofheimer's Inc., for ten years, most recently as its president. Prior thereto he was a CPA with KPMG where he began his professional career after college. Mr. Layne earned a B.S. in Accounting from The University of Richmond (1979), is a Virginia Certified Public Accountant and received an MBA from Old Dominion University with a concentration in International Business (1997). In 2011, Mr. Layne completed the University of Virginia's Sorensen Institute for Political Leaders program.

### **Virginia Department of Transportation**

VDOT has the responsibility for construction, maintenance and operation of the Commonwealth highway system under legislation enacted by the General Assembly and in accordance with policies and procedures adopted by the Transportation Board.

VDOT's budget for FY 2018 is approximately \$5.4 billion. As of October 1, 2017, VDOT had 143 construction projects underway for an aggregate amount of approximately \$2.1 billion, with an outstanding balance to be paid of approximately \$1 billion as these projects progress towards completion. Additionally, VDOT had 309 maintenance projects underway for an aggregate amount of approximately \$940.5 million, with an outstanding balance to be paid of approximately \$458.2 million as these projects progress towards completion.

The Commonwealth has the nation's third largest system of state-maintained highways, totaling approximately 58,000 miles of interstate, primary and secondary roads. The system includes approximately 21,000 bridges and

culverts. In addition, independent cities and towns maintain about 11,600 miles of local streets and receive funds from the Transportation Board for such purpose.

The Commonwealth is divided geographically into the following nine construction districts for highway purposes:

Bristol District	Hampton Roads District	Richmond District
Culpeper District	Lynchburg District	Salem District
Fredericksburg District	Northern Virginia District	Staunton District

These districts are divided into 29 residencies, each typically consisting of one to four counties. The field organization is further subdivided into 248 other locations across the Commonwealth that provide area maintenance. About 81% of VDOT's 7,486 employees (as of October 1, 2017) are assigned to the field organization. The remainder is assigned to the central office in Richmond or to units associated with the central office that serve an administrative function.

### **Financial Accountability and Program Delivery**

VDOT has been focused on the continuous improvement of its financial accountability and program delivery processes for more than a decade now. The agency has developed a long-term strategic vision and uses a business plan with performance goals and strategies. Transparency of operations has been enhanced through the creation of a public Dashboard, and the streamlining of operations, reorganization and the improvement of business practices have been a major focus.

Each quarter, VDOT prepares a performance report for review with the Commonwealth Transportation Board. Since tracking began in 2001, VDOT's performance shows a continued trend of improvement.

For FY 2017, the agency attained on-time and on-budget performance goals by delivering more than 92% of all construction and maintenance projects on or before their original due dates, and by completing more than 95% of those projects within their budgets. In comparison, when tracking started in 2001 only 20% of construction contracts and 38% of maintenance contracts were delivered on time, while less than 60% were completed within budget.

The Current SYIP for Fiscal Years 2018 through 2023, adopted by the Transportation Board in June 2017, is based on the official revenue forecast updates and cost estimates available. The issuance of Capital Projects Revenue Bonds and the utilization of existing authorization for the issuance of GARVEEs are reflected in the adopted Current SYIP. The program reflects the Transportation Board's commitment to citizen safety by prioritizing critical safety and maintenance needs of the existing transportation system. The priorities of the update to the Current SYIP include: funding complete project phases, maximizing the use of federal funding, funding deficient bridges and paving projects, and adjustments for the preparation of implementing project prioritization as called for in House Bill 2 (2014 General Assembly Session). The Transportation Board and VDOT strive to be flexible with their project selection and implementation by proceeding with projects in phases. By doing so, the Transportation Board and VDOT remain able to allocate resources between projects in the event that funding decreases or is interrupted.

### **Virginia Department of Transportation Staff**

*Charles A. Kilpatrick* was named Commissioner of Highways in January 2014, having previously served as Chief Deputy Commissioner since July 2010. Mr. Kilpatrick graduated from Virginia Tech in 1986 with a bachelor's degree in civil engineering and is a licensed professional engineer. Mr. Kilpatrick began his professional career with Fairfax County government, reviewing, and then managing, land development and public improvement projects in the county. After seven years, he joined VDOT in Fredericksburg as the Assistant Resident Engineer. He later became Resident Engineer, managing and directing land development, maintenance and construction. During his ten-year tenure, Mr. Kilpatrick became a Leadership Development and Customer Service Coach and served as the Chair of the Statewide Resident Engineers Committee. In 2004, Mr. Kilpatrick left state service to work for the Silver Companies, a major mixed-use and commercial development company headquartered in Fredericksburg, Virginia and Boca Raton, Florida. As the Vice President for Construction, he managed all

commercial construction activities in Virginia. These projects included significant public roadway and infrastructure improvements, as well as innovative financing techniques.

**Quintin D. Elliott** was named Chief Deputy Commissioner of VDOT in January 2014. Previously, he served as the administrator of VDOT's Fredericksburg district. In that capacity, he oversaw VDOT's construction and maintenance on more than 11,500 miles of state-maintained roads in the 14-county region and directed approximately 460 employees. He served as acting district administrator in VDOT's Culpeper District for a year and as VDOT's state asset management division administrator from 2002-2007, where he directed the maintenance and inventory of the Commonwealth's state highways and VDOT's assets in the state highway system, such as bridges, tunnels and equipment. He served as special assistant to the assistant commissioner for operations and the chief engineer in 2002. After graduating from college and starting his VDOT career as a transportation engineer trainee in 1985, he was an assistant resident engineer in VDOT's Franklin and Williamsburg residencies, becoming Williamsburg resident engineer in 1991. He holds a bachelor's degree in civil engineering from the Virginia Military Institute. During his VDOT career, Elliott served in the Virginia Air National Guard. He retired in 2008 as Commander/Officer in Charge of the 192 Civil Engineering Squadron and the 203 Red Horse Squadron Heavy Equipment Flight. He earned several awards and decorations for his military service, most notably the Meritorious Service Medal for his service during Operation Iraqi Freedom.

**John W. Lawson** became VDOT's Chief Financial Officer in October 2010. In his position, he oversees the agency's \$5.4 billion budget and is responsible for the leadership and execution of the agency's financial planning, fiscal management, debt and toll operations programs. Mr. Lawson holds an associate degree of science and arts from Rappahannock Community College and a bachelor's degree in accounting from Christopher Newport University. In addition, he is a graduate of the Virginia Executive Institute. Mr. Lawson worked as an accountant with Engineering Incorporated in Hampton before joining VDOT in 1987. He served in several financial positions with VDOT in the fiscal division, starting as an accountant and advancing to an assistant division administrator. In 2001, Mr. Lawson became Director of Financial Planning, a position he held until 2010. He has served in a senior advisor role to several administrations and has provided strategic financial oversight to VDOT's senior management, the Secretary of Transportation and the Commonwealth Transportation Board for more than two decades.

## THE 2017 PROJECT

The Transportation Board expects to use the proceeds of the 2017 Notes to pay a portion of costs associated with the transportation projects set forth below.

- Route 29/460 – D/B Interchange & Extension (Odd Fellows Road)
- I-66/Route 15 Interchange Reconstruction
- Route 95 – Relocation of Interchange at Route 630 with Southbound General Purpose Lane Option Between Exits 143 & 140
- Route 165 – 6 & 8 Lanes
- Route 13 – 8 Lanes
- I-66 Inside the Beltway Initiatives
- Route 7 Corridor Improvements – Phase 1 and Phase 2
- Emmet Street Corridor Streetscape & Intersections
- Route 64 – Major Widening
- I-81 at State Route 75 (Exit 17) Interchange Mod.
- I-64 Southside Widening & High-Rise Bridge Phase 1
- Route 29 Widening - Phase II
- I-95 Auxiliary Lanes (Northbound & Southbound) between Route 288 & Route 10
- Route 11 S. Valley Pike Roadway Improvements
- Oddfellows Road Segment B2-Reconstruction
- Route 10 (Bermuda Triangle Road to Meadowville Road)

In the event that any component of the 2017 Project is delayed, altered or terminated, VDOT and the Transportation Board expect (i) as contemplated by the Indenture, to pay the debt service on the 2017 Notes, without interruption, from the monies pledged as part of the Trust Estate, which include: (A) all reimbursements and assistance received by the Transportation Board from the Federal Highway Administration including Indirect Reimbursements unrelated to projects associated with GARVEE Notes, and (B) funds from the Transportation Trust Fund appropriated for such purposes by the General Assembly, and (ii) if necessary, to substitute or add an

additional eligible project or projects and use proceeds of the 2017 Notes that were expected to be used to pay certain costs of the 2017 Project for such project or projects in accordance with the requirements of the GARVEE Notes Program and the MOA. See the subsections "*The GARVEE Notes Program – Memorandum of Agreement*," and "*Sources of Payment and Security for the GARVEE Notes – Flow of Revenues under the Indenture; 'Back-Stop' Pledge of Indirect Reimbursements*" and "*– Payment Agreement*" and the section "*Debt Service Coverage*."

## **CERTAIN LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the 2017 Notes will be subject to the approving opinion of Kutak Rock LLP, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the Transportation Board upon delivery of the 2017 Notes, substantially in the form set forth in Appendix E. Bond Counsel's opinion will be limited to matters relating to the authorization and the validity of the 2017 Notes and to the federal income status of interest on the 2017 Notes, as described in the section "*Tax Matters*." Bond Counsel has not been engaged to investigate the financial resources of the Transportation Board, the Commonwealth or the ability to provide for payment of the 2017 Notes, and Bond Counsel's opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase the 2017 Notes.

Certain legal matters will be passed upon for the Commonwealth by the Office of the Attorney General of Virginia and for the Underwriters by Christian & Barton, L.L.P., Richmond, Virginia

## **TAX MATTERS**

### **Opinion of Bond Counsel – Federal Income Tax Status of Interest**

Bond Counsel's opinion will state that, under current law, interest on the 2017 Notes (including any accrued "original issue discount" properly allocable to the owners of the 2017 Notes) (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Code), interest on the 2017 Notes must be included in computing adjusted current earnings. See Appendix E, "*Form of Bond Counsel Opinion*."

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2017 Notes.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the 2017 Notes for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the Transportation Board or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service ("IRS"). The Transportation Board has covenanted, however, to comply with the requirements of the Code.

### **Reliance and Assumptions; Effect of Certain Changes**

In delivering its opinion regarding the treatment of interest on the 2017 Notes, Bond Counsel is relying upon certifications of representatives of the Transportation Board, the Underwriters and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants, as hereinafter defined, by the Transportation Board. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2017 Notes in order for interest on the 2017 Notes to be and remain excludable from gross income for purposes of federal income taxation and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and



investment of the proceeds of the 2017 Notes and the use of the property financed or refinanced by the 2017 Notes, limitations on the source of the payment of and the security for the 2017 Notes and the obligation to rebate certain excess earnings on the gross proceeds of the 2017 Notes to the United States Treasury. The tax compliance agreement to be entered into by the Transportation Board with respect to the 2017 Notes contains covenants (the "Covenants") under which the Transportation Board has agreed to comply with such requirements. Failure by the Transportation Board to comply with the Covenants could cause interest on the 2017 Notes to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2017 Notes from becoming includable in gross income for Federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2017 Notes.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2017 Notes from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2017 Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the 2017 Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2017 Notes.

Prospective purchasers of the 2017 Notes should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the 2017 Notes, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments to any 2017 Note owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2017 Note owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### **Original Issue Discount**

The "original issue discount" ("OID") on any 2017 Note is the excess of such 2017 Note's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such 2017 Note. The "issue price" of a 2017 Note is the initial offering price to the public at which price a substantial amount of such 2017 Notes of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the 2017 Notes is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement (or, in the case of Notes sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the 2017 Notes with OID (the "OID Notes") represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued

to the owner of an OID Note in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Notes should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Note is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Note, the amount of OID that is treated as having accrued on such OID Note is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Notes that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Notes should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Notes and with respect to state and local tax consequences of owning OID Notes.

### **Note Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the bond premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note, determined based on constant yield principles. An owner of a Premium Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Notes should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Notes.

### **Possible Legislative or Regulatory Action**

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, the IRS will, under its current procedures, treat the Transportation Board as the taxpayer. As such, the beneficial owners of the Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various State legislatures. Such legislation may effect changes in federal or State income tax rates and the application of federal or State income tax laws (including the substitution of another type of tax), or may repeal or reduce the

benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or State income tax purposes. The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or State tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds' federal or State tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or State tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

### **Opinion of Bond Counsel – Virginia Income Tax Consequences**

Bond Counsel's opinion also will state that, under current law, interest on the 2017 Notes is exempt from income taxation within by the Commonwealth. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the 2017 Notes or (ii) any consequences arising with respect to the 2017 Notes under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2017 Notes should consult their own tax advisors regarding such other Commonwealth tax consequences or the tax status of interest on the 2017 Notes in a particular state or local jurisdiction other than the Commonwealth.

## **LEGALITY FOR INVESTMENT**

The GARVEE Act provides that the 2017 Notes are securities in which all public officers and bodies of the Commonwealth and its political subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees and other fiduciaries in the Commonwealth may properly and legally invest funds under their control.

No representation is made as to the eligibility of the 2017 Notes for investment or for any other purpose under the laws of any other state.

## **LITIGATION**

There is no litigation now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 2017 Notes or in any way contest or affect the validity of the 2017 Notes, any proceeding of the Transportation Board or the Treasury Board taken with respect to their issuance or sale, or any appropriation of funds to pay debt service on the 2017 Notes.

See the section "*Litigation of the Commonwealth*" in Appendix B for a discussion of litigation pending against the Commonwealth.

## **CONTINUING DISCLOSURE**

### **Rule 15c2-12 in General**

Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), prohibits an underwriter from purchasing or selling municipal securities unless it has determined that the issuer of such securities and/or other persons deemed to be materially "obligated persons" ("MOPs" and each, a "MOP") have committed to provide (i) on an annual basis, certain financial information and operating data (collectively, "Annual Reports") and (ii) notice of the events described in Rule 15c2-12 ("Event Notices"), to the Municipal Securities Rulemaking Board (the "MSRB").

## **Transportation Board Continuing Disclosure**

The Transportation Board will covenant in a Continuing Disclosure Agreement in substantially the form set forth in Appendix F, for the benefit of the holders of the 2017 Notes, to provide to the MSRB Annual Reports with respect to itself as issuer and the GARVEE Notes Program. Similarly, the Transportation Board will provide Event Notices to the MSRB.

The Transportation Board is aware that it has not complied with certain continuing disclosure undertakings in that (i) it did not timely file notice of a rating upgrade for one of its bond programs and (ii) its Annual Reports for Fiscal Years 2012-2015 may not have contained all the information that was required to be included. The Transportation Board has taken steps to ensure future compliance with its undertakings regarding Rule 15c2-12.

## **Commonwealth Continuing Disclosure**

The Commonwealth, which the Transportation Board has determined to be a MOP for purposes of Rule 15c2-12, will covenant in a Continuing Disclosure Agreement, in substantially the form set forth in Appendix F, to be executed prior to the issuance of the 2017 Notes for the benefit of the holders of the 2017 Notes, to provide to the MSRB Annual Reports with respect to the Commonwealth. Similarly, the State Treasurer will provide Event Notices to the MSRB on rating changes with respect to the Commonwealth's general obligation bonds.

In making timely filings of its Annual Reports for Fiscal Years 2012-2013, the CUSIP information necessary to link such filings to each series of the Virginia Resources Authority's Infrastructure Revenue Bonds and Moral Obligation Bonds was inadvertently omitted from such filings. In making timely filings of its Annual Reports for Fiscal Years 2012-2014, the CUSIP information necessary to link such filings to the Virginia Biotechnology Research Park Authority's Lease Revenue Refunding Bonds (Consolidated Laboratories Project), Series 2009 was also inadvertently omitted from such filings. All such filings were otherwise available from the MSRB with respect to other Commonwealth undertakings. The Commonwealth has taken steps to ensure future compliance with its undertakings regarding Rule 15c2-12.

## **RATINGS**

Fitch Ratings, Moody's Investors Service, Inc., and S&P Global Ratings assigned the 2017 Notes ratings of "\_\_\_\_" (with a \_\_\_\_\_ outlook), "\_\_\_\_" (with a \_\_\_\_\_ outlook), and "\_\_\_\_" (with a \_\_\_\_\_ outlook), respectively.

Such ratings reflect only the respective views of such organizations. Reference should be made to the individual rating agency for a fuller explanation of the significance of the rating assigned by such rating agency. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by any of the rating agencies if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of ratings may have an adverse effect on the market price of the 2017 Notes.

## **UNDERWRITING**

The 2017 Notes are being purchased by the Underwriters. The purchase contract for the 2017 Notes (the "Note Purchase Agreement") sets forth the obligation of the Underwriters to purchase the 2017 Notes at a price equal to \$\_\_\_\_\_ (which reflects the par amount of the 2017 Notes [plus/minus net original issue premium/discount] of \$\_\_\_\_\_ and less an underwriting discount of \$\_\_\_\_\_) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Note Purchase Agreement provides that the Underwriters will purchase all of the 2017 Notes if any are purchased. The Underwriters may offer and sell the 2017 Notes to certain dealers (including dealers depositing the 2017 Notes into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

[The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment

management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Transportation Board or the Commonwealth, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Transportation Board or the Commonwealth.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.]

### **FINANCIAL ADVISOR**

Public Resources Advisory Group ("PRAG"), New York, New York, is serving as financial advisor to the Transportation Board on the issuance of the 2017 Notes. PRAG has assisted in the preparation of this Official Statement and in matters relating to the planning, structuring and issuance of the 2017 Notes and has provided other advice. PRAG is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal or any other negotiable instruments.

### **RELATIONSHIP OF PARTIES**

Bond Counsel represents \_\_\_\_\_ and the Trustee) from time to time in unrelated matters.

Christian & Barton, L.L.P., counsel to the Underwriters, represents \_\_\_\_\_ from time to time in unrelated matters.

### **MISCELLANEOUS**

The references in this Preliminary Official Statement to the Indenture, the Payment Agreement and other documents are brief outlines of certain of their provisions. These outlines do not purport to be complete and reference is made to such documents, copies of which will be furnished by the Transportation Board upon request made to John W. Lawson, Chief Financial Officer, Virginia Department of Transportation, 1401 East Broad Street, Richmond, Virginia 23219 (telephone: 804-786-2707).

So far as any statements made in this Preliminary Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Preliminary Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the 2017 Notes.

The purpose of this Preliminary Official Statement is to supply information to prospective buyers of the 2017 Notes. All quotations from and summaries and explanations of laws contained in this Preliminary Official Statement do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

The Transportation Board has deemed this Preliminary Official Statement final as of its date within the meaning of Rule 15c2-12, except for the omission of certain pricing and other information permitted to be omitted by Rule 15c2-12.

The distribution of this Preliminary Official Statement has been duly authorized by the Transportation Board.

**COMMONWEALTH TRANSPORTATION BOARD**

By: \_\_\_\_\_  
Aubrey L. Layne, Jr., Chairman

**APPENDIX A**

**DEFINITIONS AND SUMMARIES OF THE INDENTURE  
AND THE PAYMENT AGREEMENT**

**DEFINITIONS AND SUMMARIES OF  
THE INDENTURE AND THE PAYMENT AGREEMENT**

**DEFINITIONS**

In addition to the terms previously defined in this Official Statement, the following words used in this summary will have the following meanings unless a different meaning clearly appears from the context:

**"Accreted Value"** means any amount defined as such in a Supplemental Indenture for purposes of determining the Note Payments on, certain rights of the Owner of or certain other matters with respect to a Capital Appreciation Note.

**"Accretion Date"** means any date defined as such in a Supplemental Indenture for purposes of determining the Accreted Value or Maturity Value of a Capital Appreciation Note.

**"Act"** means, collectively, the Transportation Development and Revenue Bond Act and the Note Act.

**"Authorized Board Representative"** means (i) the Chairman or (ii) any other officer or employee of the Transportation Board authorized by law or by a writing signed by the Chairman to act as an Authorized Board Representative under the Master Indenture or any Supplemental Indenture.

**"Balloon Indebtedness"** means any Notes 25% or more of the principal payments of which are due in a single Federal Fiscal Year, which portion of the principal is not required by the Supplemental Indenture authorizing the issuance of such Notes to be amortized by payment or redemption prior to such Federal Fiscal Year.

**"Bond Counsel"** means a firm of attorneys with nationally recognized expertise in the issuance of municipal securities, the interest on which is excluded from gross income for federal income tax purposes.

**"Business Day"** means any day other than a Saturday, a Sunday or a day on which banks in New York, New York, Richmond, Virginia or any city identified in a Supplemental Indenture are authorized by law to remain closed.

**"Capital Appreciation Note"** means a Note the interest on which is compounded and accumulated at the rate and on the dates set forth in the related Supplemental Indenture and is payable upon redemption or on the maturity date of such Note or on the date, if any, upon which such Note becomes a Current Interest Note.

**"Chairman"** means the Chairman or Vice Chairman of the Transportation Board.

**"Code"** means the Internal Revenue Code of 1986, as amended, and any successor statute. Each citation to a Code section shall include the applicable Treasury Regulations, revenue procedures, revenue rulings and notices.

**"Commonwealth"** means the Commonwealth of Virginia.

**"Costs"** or **"Costs of the Project"** means, with respect to a Project, any or all costs described in subsection (5) or (6), as applicable, of Section 33.2-1700 of the Virginia Code.

**"Credit Facility"** means any letter of credit, insurance, stand-by credit or liquidity agreement or other form of credit ensuring timely payment of any Notes, including the Note Payments on or the purchase price of such Notes, which is entered into in accordance with the Master Indenture.

**"Current Interest Note"** means a Note on which interest is payable on Interest Payment Dates prior to maturity or redemption prior to maturity.

**"Debt Service Fund"** means the Debt Service Fund, a special fund created by the Master Indenture in accordance with the Act.



**"Defeasance Escrow Account"** means any trust account into which money and/or Defeasance Securities are deposited for the purpose of defeasing any Notes in accordance with the Master Indenture.

**"Defeasance Securities"** means Permitted Investments that, at the time they are deposited into a Defeasance Escrow Account:

(a) either (i) cannot be redeemed prior to maturity at the option of any Person other than the owner thereof or (ii) the redemption date of which has been irrevocably fixed by an irrevocable exercise of an option to redeem on such date or an irrevocable covenant to exercise an option to redeem on such date (in which case the fixed redemption date shall be treated as the maturity date); and

(b) either (i) are direct obligations of the United States government or (ii) obligations the principal of and interest on which are unconditionally guaranteed by the United States government, or any combination thereof.

**"Department"** means the Virginia Department of Transportation.

**"Event of Default"** means any one or more of those events set forth in the Master Indenture as follows: (i) default in the payment of any portion of the Note Payments on any Note when due; (ii) subject to certain provisions of the Master Indenture, failure by the Transportation Board to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Master Indenture; and (iii) any additional Event of Default set forth in a Supplemental Indenture.

**"Expenditures"** means expenditures made from the Highway Maintenance and Operating Fund and the Transportation Trust Fund that may be reimbursed from Federal Highway Reimbursements in the Federal Fund after provision for the payments and deposits is set forth in the Master Indenture and described below in the subsection *"Creation of Funds – Flow of Funds from Federal Fund to Debt Service Fund."*

**"Federal Aid Agreement"** means one or more agreements, including the Memorandum of Agreement, or memoranda of understanding between the Transportation Board and FHWA pursuant to which FHWA agrees to pay Federal Highway Reimbursements to pay or to reimburse the Transportation Board for Note Payments for Notes issued to finance specific Projects, as such agreement or agreements may be supplemented, amended or modified or replaced by another agreement or instrument regarding the payment of Federal Highway Reimbursements by FHWA to pay or to reimburse the Transportation Board for Note Payments.

**"Federal Fiscal Year"** means the period commencing on October 1 in each calendar year and ending on the last day of September of the next succeeding calendar year, or any other twelve-month period which any appropriate authority may hereafter establish for the federal government as its fiscal year.

**"Federal Fund"** means the subaccount with the Transportation Trust Fund, established according to Sections 33.2-1524 and 33.2-1525 of the Virginia Code, into which all Federal Highway Reimbursements are deposited. The Federal Fund is sometimes referred to the "Federal Highway Fund" in the Department's annual reports and other documentation.

**"Federal Highway Reimbursements"** means all federal-aid highway construction reimbursements and any other federal highway assistance received from time to time by the Commonwealth under or in accordance with Title 23 of the United States Code or any successor program established under federal law from the Federal Highway Administration and any successor or additional federal agencies.

**"FHWA"** means the United States Department of Transportation, Federal Highway Administration, its successors and assigns and any other agency or branch of government of the United States which succeeds to the powers of FHWA, which term includes the United States Secretary of Transportation and any other appropriate officer of FHWA with authority to grant approvals or consents or to take other appropriate action as is necessary to approve the Projects, federal grants to finance the Projects and the payment of Note Payments and to take such other action as is necessary for those purposes under Title 23.

**"Fifth Supplemental Indenture"** means the Fifth Supplemental Trust Indenture dated as of December 1, 2017 between the Transportation Board and the Trustee.

**"Highway Maintenance and Operating Fund"** means the fund by that name maintained by the Department to account for revenues and expenditures for the general administration of the Department, the maintenance of highways, assistance to localities in the Commonwealth, and support to other state agencies. The Highway Maintenance and Operating Fund is not part of the Transportation Trust Fund.

**"Indirect Reimbursements"** means Federal Highway Reimbursements other than Project-Specific Reimbursements.

**"Interest Payment Date"** means any date defined as such in a Supplemental Indenture for purposes of paying the interest on a Series of Current Interest Notes.

**"Interest Rate Exchange Agreement"** means any interest rate exchange agreement authorized by law and entered into with respect to the Notes or any portion of the Trust Estate that is entered into in accordance with the Master Indenture.

**"Master Indenture"** means the Master Trust Indenture dated as of February 1, 2012 between the Transportation Board and the Trustee, and any supplement or amendment hereto.

**"Maturity Value"** means any amount defined as such in a Supplemental Indenture for purposes of determining the amount payable to the Owner of a Capital Appreciation Note at the maturity of such Capital Appreciation Note.

**"Memorandum of Agreement" or "MOA"** means the Memorandum of Agreement between FHWA and the Transportation Board, dated as of December 28, 2011, as supplemented or amended from time to time in accordance with the terms thereof.

**"New Money Notes"** means Notes issued for the purpose of financing the Projects.

**"Note Act"** means the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes Act of 2011, Article 4, Chapter 15, Title 33.2 of the Virginia Code.

**"Note Payment Date"** means each date on which Note Payments are due and includes, but is not limited to, the maturity date of any Note; each Interest Payment Date for each Current Interest Note; and the mandatory sinking fund redemption dates of term Notes that are subject to mandatory sinking fund redemption in accordance with a mandatory sinking fund redemption schedule set forth in a Supplemental Indenture.

**"Note Payments"** means (i) with respect to a Current Interest Note, the interest due on such Note on each Interest Payment Date and the principal, redemption premium, if any, and interest due on such Note at maturity or on the redemption date; (ii) with respect to a Capital Appreciation Note, the Maturity Value due on such Note at maturity; (iii) with respect to term Notes that are subject to mandatory sinking fund redemption in accordance with a schedule set forth in a Supplemental Indenture, the principal, redemption premium, if any, and interest or the Accreted Value payable on such Notes on the date on which they are subject to mandatory sinking fund redemption in accordance with such schedule; and (iv) any amounts payable to the provider of a Credit Facility or an Interest Rate Exchange Agreement that are treated as Note Payments pursuant to clause (c) below.

For purposes of this definition:

(a) Note Payments due on any Interest Payment Date that are payable from accrued interest or capitalized interest held in the Debt Service Fund pursuant to the Master Indenture will be excluded in determining the amount of Note Payments due in the Federal Fiscal Year in which such Interest Payment Date occurs for purposes of determining the amount of Federal Highway Reimbursements for which Federal Aid Agreements are to be in force and effect pursuant to the Master Indenture.

(b) If any Notes bear interest at an adjustable or variable interest rate such that the Note Payments due in a Federal Fiscal Year or on a Note Payment Date cannot be determined with certainty on the date on which Federal Highway Reimbursements are to be paid to the Trustee pursuant to the Master Indenture, the amount of interest included in the Note Payments due on such Notes in such Federal Fiscal Year or on such Note Payment Date shall be based on the interest rate estimated by the Transportation Board, or as stated in any Supplemental Indenture relating thereto.

(c) If the Transportation Board purchases or arranges for a Credit Facility or an Interest Rate Exchange Agreement with respect to any Notes pursuant to the Master Indenture, (i) moneys paid to the provider of the Credit Facility to reimburse the provider for moneys paid by the provider that are used to make Note Payments (as defined in (i) and (ii) of the first paragraph of this definition) and (ii) moneys paid to the provider of the Interest Rate Exchange Agreement may, if and to the extent provided in a Supplemental Indenture or in a separate agreement between the Transportation Board and the Credit Facility or Interest Rate Exchange Agreement provider entered into pursuant to the Master Indenture, be treated as Note Payments on the Notes to which the Credit Facility or Interest Rate Exchange Agreement relates.

(d) With respect to Balloon Indebtedness, there shall be excluded from Note Payments due in any period any principal installment of Balloon Indebtedness due in such period, whether at maturity or pursuant to mandatory redemption, if the Transportation Board has designated prior to the payment or redemption date available and unrestricted funds for such payment or redemption or has received a binding commitment from a recognized financial institution to refinance such principal on reasonable terms.

**"Notes"** means the Federal Transportation Grant Anticipation Revenue Notes authorized by the Act and the Master Indenture, and which are commonly referred to as "GARVEEs."

**"Obligation Authority"** means a limitation placed on Federal-aid highway program obligations to act as a ceiling on the obligation of contract authority that can be made within a specified time period, usually a fiscal year, regardless of the year in which the funds are authorized.

**"Opinion of Bond Counsel"** means a written opinion of Bond Counsel to the effect (which may be subject to customary assumptions and limitations) that (i) the additional Notes have been duly authorized, executed and delivered by the Transportation Board and are valid and binding special, limited obligations of the Transportation Board, payable from the sources provided in the Master Indenture and the applicable Supplemental Indenture; (ii) the Master Indenture and the applicable Supplemental Indenture create a valid pledge of and lien on the Trust Estate, subject to the terms thereof; and (iii) if the interest on the additional Notes is intended by the Transportation Board to be excludable from gross income for federal income tax purposes, interest on the additional Notes is excludable from gross income for federal income tax purposes.

**"Original Principal Amount"** means any amount defined as such in a Supplemental Indenture for purposes of determining certain rights of the Owner of, or certain other matters with respect to, a Capital Appreciation Note.

**"Outstanding"** means all Notes that have been executed and delivered, except:

(a) any Note on which all Note Payments due or to become due have been paid at maturity or earlier redemption;

(b) Notes in lieu of which other Notes have been executed and delivered pursuant to the provisions the Master Indenture or any Supplemental Indenture relating to the transfer and exchange of Notes or the replacement of mutilated, lost, stolen or destroyed Notes;

(c) Notes that have been canceled by the Trustee or that have been surrendered to the Trustee for cancellation;

(d) Notes on which all Note Payments is due and for which the Trustee holds moneys sufficient to pay the Note Payments for the benefit of the Owner thereof pursuant to the Master Indenture; and

- (e) Notes that have been defeased pursuant to the Master Indenture.

**"Owner"** of a Note means the registered owner of such Note as shown in the registration records of the Trustee.

**"Payment Agreement"** means the Payment Agreement dated as of February 1, 2012, by and among the Transportation Board, the Treasury Board of the Commonwealth, and the Secretary of Finance of the Commonwealth.

**"Permitted Investments"** means with respect to the investment of any fund created under the Master Indenture, the following to the extent permitted by law:

- (a) Defeasance Securities; and
- (b) any other investments which are at the time legal investments for public funds of the type to be invested under Virginia law, including without limitation the Act and the Investment of Public Funds Act, Chapter 45, Title 2.2 of the Virginia Code, as amended from time to time, or any successor provision of law.

**"Person"** means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

**"Principal"** or **"principal"** means (i) with respect to any Outstanding Current Interest Note, the principal amount due at maturity of such Note; (ii) with respect to any Outstanding Capital Appreciation Note, the Accreted Value of such Note as of the date on which the principal amount thereof is being determined; and (iii) with respect to all the Outstanding Notes together, the sum of the amounts determined pursuant to clauses (i) and (ii).

**"Program Costs"** means costs of the following types, including ongoing expenses of the type described in items (b), (c) and (d):

- (a) financing costs, including, but not limited to, costs and expenses that an Authorized Board Representative deems necessary or advantageous in connection with the sale of the Notes and the administration of the Notes, the Trust Estate, the Master Indenture and any Supplemental Indenture, including, but not limited to, costs and expenses relating to the engagement of consultants, financial advisors, underwriters, bond insurers, letter of credit banks, rating agencies, attorneys, trustees, paying agents, registrars, remarketing or auction agents, other agents and other Persons in connection with the issuance of the Notes, the Trust Estate, the Master Indenture or any Supplemental Indenture;
- (b) costs and expenses relating to any Credit Facility entered into in accordance with the Master Indenture, whether initial or ongoing costs and expenses, including the reimbursement of the provider of any Credit Facility as provided in the Master Indenture, unless the reimbursement is treated as a Note Payment pursuant to item (c) of the definition of Note Payments;
- (c) payments, costs and expenses relating to any Interest Rate Exchange Agreement entered into in accordance with the Master Indenture, whether initial or ongoing payments, costs or expenses, unless such payments are treated as Note Payments pursuant to item (c) of the definition of Note Payments; and
- (d) arbitrage rebate payments payable to the United States with respect to any of the Notes.

**"Project"** means any Qualified Federal Aid Transportation Project (i) that is designated by the Transportation Board from time to time, and (ii) with respect to which a Federal Aid Agreement is in full force and effect.

**"Project Fund"** means the Project Fund, a special fund created under the Master Indenture and the Act.

**"Project-Specific Reimbursements"** means the Federal Highway Reimbursements received by the Commonwealth from time to time only with respect to the Project or Projects to be financed by the Notes or any Series thereof.

**"Qualified Federal Aid Transportation Project"** means any project that may be financed, in whole or in part, with Federal Highway Reimbursements.

**"Rating Agency"** means, with respect to the Notes, each nationally recognized securities rating service that has, at the request of the Transportation Board, a rating then in effect for the unenhanced Notes.

**"Rating Confirmation"** means, with respect to the Notes, written evidence from a Rating Agency that no rating then in effect for unenhanced Notes from such Rating Agency will be withdrawn, reduced or suspended solely as a result of an action to be taken under the Master Indenture.

**"Refunding Notes"** means Notes issued for the purpose of refunding, and proceeds of which are used to refund, New Money Notes or other Refunding Notes.

**"Revenues"** means amounts, appropriated therefor by the General Assembly, as are required to pay Note Payments and Program Costs, as and when due and payable, (i) first from the Project-Specific Reimbursements; (ii) then, at the discretion of the Transportation Board, to the extent required, from legally available revenues of the Transportation Trust Fund, including without limitation Indirect Reimbursements deposited from time to time in the Federal Fund; and (iii) then from such other funds, if any, which are designated by the General Assembly for such purpose.

**"Series"** means the Notes designated as a separate series in a Supplemental Indenture and any Notes authenticated and delivered in lieu of or in substitution for such Notes pursuant to the Master Indenture or any Supplemental Indenture.

**"Subordinated Obligation"** means any obligation, including without limitation any Note, which is secured on a subordinated basis by the lien of the pledge and security interest on the Revenues created under the Master Indenture and the payment of which is expressly subordinated in any manner to the payment of any other Notes or obligations secured Under the Master Indenture. Any such obligation shall be expressly designated as a "Subordinated Obligation" in the Supplemental Indenture or other instrument providing for its issuance or incurrence.

**"Supplemental Indenture"** means any indenture supplementing or amending the Master Indenture that is adopted pursuant to the Master Indenture.

**"Title 23"** means Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

**"Transfer Date"** means (i) each date that is five days prior to any Note Payment Date on the Notes or (ii) each date any deposit to the Debt Service Fund or other deposit or payment is due to be made to the Trustee under the Master Indenture.

**"Transportation Trust Fund"** means the Transportation Trust Fund established pursuant to Section 33.2-1524 of the Virginia Code.

**"Trustee"** means U.S. Bank National Association, a national banking association, acting in its capacity as trustee under the Master Indenture, and any successor thereto appointed under the Master Indenture.

**"Trust Estate"** means the property granted to the Trustee, described in the granting clauses of the Master Indenture as follows: (i) the Revenues and (ii) all money from time to time held by the Trustee under the Master Indenture or any Supplemental Indenture in any fund or account other than (a) any Defeasance Escrow Account and (b) any fund or account created by a Supplemental Indenture that is expressly excluded from the Trust Estate.

**"2017 Notes"** means the Commonwealth Transportation Board Federal Transportation Grant Anticipation Revenue Notes, Series 2017 that are authorized by the Fifth Supplemental Indenture.

**"2017 Notes COI Account"** means the account by that name in the Project Fund established under the Fifth Supplemental Indenture.

**"2017 Project"** means the Project described in Appendix B to the Fifth Supplemental Indenture to be financed with the proceeds of the 2017 Notes.

**"VDOT Funding Account"** means the account by that name in the Project Fund established under the Fifth Supplemental Indenture.

**"Virginia Code"** means the Code of Virginia of 1950, as the same may be amended from time to time.

## **THE INDENTURE**

The 2017 Notes are being issued pursuant to the Master Indenture and the Fifth Supplemental Indenture. The 2017 Notes will be the fifth Series of Notes issued under the Master Indenture and will be equally and ratably secured by the Indenture with the first Series of Notes and any other additional subsequent Series of Notes, without preference, priority or distinction.

The following, in addition to the information presented in the sections *"The 2017 Notes"* and *"Sources Of Payment and Security for the GARVEE Notes"* in this Official Statement, summarizes certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive and is qualified by references to the Indenture in its entirety, copies of which may be obtained at the offices of the Transportation Board or the Trustee.

### **Pledge of Trust Estate; Parity of Pledge; Limited Obligation**

The Transportation Board, pursuant to the Master Indenture and any Supplemental Indenture, pledges to the Owners of the Notes the Trust Estate. The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of all Outstanding Notes, and any of them, without preference, priority or distinction as to lien or otherwise, except as expressly set forth in the Master Indenture or any Supplemental Indenture.

The Note Payments and Program Costs shall be payable solely from Revenues and moneys held in the Debt Service Fund or other funds and accounts pledged or described under the Master Indenture. The Owners and holders of the Notes may not look to any other revenues of the Transportation Board or the Commonwealth for the payment of the Notes. All financial obligations of the Transportation Board under the Master Indenture, every Supplemental Indenture, the Notes and any other contract entered into pursuant to the Master Indenture, any Supplemental Indenture or the Notes or otherwise pursuant to the Act, including, without limitation, Note Payments and Program Costs, (i) are special, limited obligations of the Transportation Board payable solely from the Trust Estate and (ii) shall not be deemed or construed as creating debt of the Commonwealth or a pledge of the full faith and credit of the Commonwealth within the meaning of the Virginia Constitution or the laws of the Commonwealth concerning or limiting the creation of indebtedness by the Commonwealth.

The Master Indenture constitutes a contract authorized by the Act among the Transportation Board, the Trustee, and the Owners from time to time of the Notes and the pledge, covenants and agreements of the Transportation Board set forth in the Master Indenture are for the equal and ratable benefit, protection and security of the Owners of any and all of the Notes, all of which, regardless of maturity, shall be of equal rank without preference, priority or distinction of any of such Notes over any other thereof, except as expressly provided in or permitted by the Master Indenture.

### **Issuance of Notes**

Notes may be issued under the Master Indenture for the purpose of financing the Projects or refunding Notes that were issued to finance the Projects or other Refunding Notes.

## Conditions to Issuance of Notes

No Series of Notes may be issued unless each of the conditions applicable thereto under the Master Indenture and any applicable Supplemental Indenture have been satisfied, including the following (i) until all Note Payments and Program Costs are paid in full and while any Notes (other than Notes constituting Subordinated Obligations) are Outstanding, no bonds, notes, debentures or other obligations shall be issued or incurred or create a lien on the Revenues prior and superior to the lien created under the Master Indenture for the benefit of the initial Series of Notes; (ii) the Trustee shall have received an Opinion of Bond Counsel; (iii) a Federal Aid Agreement shall have been entered into providing for the authorization of the Project or Projects to be financed or refinanced with the Series of Notes to be issued; and (iv) an Authorized Board Representative and the Trustee shall have entered into a Supplemental Indenture authorizing the issuance of the additional Series of Notes.

***Additional Conditions to the Issuance of New Money Notes.*** Before any New Money Notes are issued a certificate of an Authorized Board Representative to the effect that, as of the date of issuance of such Series:

(1) (i) There exists no Event of Default or (ii) if there exists an Event of Default, the Event of Default will be cured upon the issuance of the additional Notes and the application of the proceeds of the additional Notes in accordance with the Supplemental Indenture authorizing the issuance of the additional Notes.

(2) There is compliance with all applicable provisions of Title 23 and any other applicable law necessary on the date of the delivery of a Series of Notes to receive and continue to receive Federal Highway Reimbursements for the payment of the Notes pursuant to Title 23 without penalty.

(3) The amount of Federal Highway Reimbursements to be received and actually received, if that is the case, as shown in a certificate of an Authorized Board Representative, in either the Federal Fiscal Year in which the proposed Series of Notes are to be issued or in the immediately preceding Federal Fiscal Year, shall have been sufficient to pay an amount representing at least 4.00 times the sum of (i) the maximum combined annual Note Payments of all Outstanding Notes (other than Notes constituting Subordinated Obligations) and the Series of Notes proposed to be issued (unless such Notes are Subordinated Obligations) and (ii) any payments to be paid in such year for Program Costs.

***Additional Conditions to the Issuance of Refunding Notes.*** Before any Series of Notes constituting Refunding Notes are issued, all of the following additional conditions shall be satisfied:

(1) The Notes to be refunded are defeased in accordance with the Master Indenture.

(2) If any of the Notes to be refunded are to be redeemed prior to their scheduled maturity date, an Authorized Board Representative has directed the Trustee to deliver redemption notices and to redeem the Notes to be refunded in accordance with the provisions of the Master Indenture and any applicable provisions of any Supplemental Indenture.

(3) FHWA has agreed, through modification of the related Federal Aid Agreements or otherwise, that Federal Highway Reimbursements will be paid with respect to the Note Payments on the Refunding Notes.

## Creation of Funds

The Master Indenture establishes the Debt Service Fund and the Project Fund to be held by the Trustee for the benefit of the Owners as specified in the Master Indenture, subject to the terms thereof and any Supplemental Indenture.

***Debt Service Fund.*** The Trustee shall create and maintain separate accounts within the Debt Service Fund for each Series of Notes issued under the Master Indenture. Moneys in the Debt Service Fund are to be used to pay the principal or purchase price of and redemption premium, if any, and interest on Notes then Outstanding, to redeem or purchase Notes and to make payments under any applicable Credit Facility.

***Flow of Funds from Federal Fund to Debt Service Fund.*** Not later than the last day of each month, the Transportation Board shall transfer from the Federal Fund to the Trustee for deposit in each account of the Debt

Service Fund the amount provided for such month pursuant to the respective Supplemental Indenture. The Transportation Board shall cause each Project-Specific Reimbursement to be transferred upon receipt in the Federal Fund to the appropriate account of the Debt Service Fund. The Trustee shall return to the Transportation Board for re-deposit in the Federal Fund all Indirect Reimbursements in such account to the extent the Project-Specific Reimbursement is sufficient to make the corresponding Note Payment on the Notes. Each month, any remaining Indirect Reimbursements in the Federal Fund may be applied to pay Program Costs, to reimburse Expenditures or to any other purpose permitted by law.

If and to the extent an account in the Debt Service Fund does not contain Federal Highway Reimbursements in an amount sufficient to pay the next ensuing Note Payment ten days before the Note Payment Date, the Trustee shall notify the Transportation Board and the Transportation Board will, subject to appropriation by the General Assembly, pay or cause to be paid to the Trustee from Revenues an amount sufficient to make the Note Payment pursuant to the Payment Agreement within 24 hours after the receipt of such notice.

***Project Fund.*** The Trustee shall create and maintain separate accounts within the Project Fund to account for the receipt and disbursement of proceeds of each Series of Notes, but such separate accounts shall not, unless otherwise specifically provided by Supplemental Indenture, affect the rights of the Owners of the Notes with respect to moneys in the Project Fund. There shall be deposited into the appropriate account of the Project Fund, proceeds of each Series of Notes as provided in the applicable Supplemental Indenture. So long as no Event of Default then exists, moneys held in the Project Fund shall be disbursed to or upon the direction of the Transportation Board to pay Costs upon receipt of a requisition signed by an Authorized Board Representative.

*2017 Notes COI Account and VDOT Funding Account and Certain Subaccounts; Exclusion from Trust Estate.* The Fifth Supplemental Indenture establishes in the Project Fund three accounts to be called the "2017 Notes COI Account," "VDOT Funding Account." On the issuance date of the 2017 Notes, the Transportation Board shall cause to be deposited the proceeds from the sale of the 2017 Notes into the 2017 Notes COI Account and the VDOT Funding Account. Pursuant to the Fifth Supplemental Indenture, as permitted by the Master Indenture, the 2017 Notes COI Account and the VDOT Funding Account, and any money or investments held therein shall not be part of the Trust Estate.

### **Security for Deposits; Investment of Funds**

All moneys held as part of any fund or account created under the Master Indenture shall be deposited or invested and reinvested by the Trustee, at the written direction of an Authorized Board Representative, in Permitted Investments. The Trustee shall, when and as directed by an Authorized Board Representative, sell and reduce to cash a sufficient amount of the investments held in any fund or account whenever the cash balance therein is insufficient to make any payment to be made therefrom. In computing the amount in any fund or account for any purpose under the Master Indenture, investments shall be valued at cost (exclusive of accrued interest) or par, whichever is less.

### **Indenture Covenants Concerning Federal Highway Reimbursements**

In the Master Indenture, the Transportation Board makes certain covenants related to the Projects and Federal Highway Reimbursements, including but not limited to the following:

***Qualification of Projects and Federal Aid Agreements.*** To the extent permitted by law, the Transportation Board covenants that it will take all action necessary to ensure that (i) each Project at all times qualifies as a Qualified Federal Aid Transportation Project; (ii) each Project that may be financed, in whole or in part, with Federal Highway Reimbursements paid pursuant to Title 23, at all times qualifies as a project with respect to which the Transportation Board is entitled to reimbursement of previously-expended funds under 23 U.S.C. Section 115, as amended, and the regulations promulgated thereunder (or any successor provision thereto); and (iii) Federal Aid Agreements are maintained in full force and effect pursuant to which FHWA has agreed to make payments of Project-Specific Reimbursements with respect to the Note Payments due on each Note Payment Date. Such action shall include, but shall not be limited to (i) entering into any modification of a Federal Aid Agreement required to assure that Federal Highway Reimbursements payable thereunder are payable with respect to any Refunding Notes;



and (ii) the repayment to FHWA, from moneys other than moneys included in the Trust Estate, of any Federal Highway Reimbursements paid pursuant to a Federal Aid Agreement during any period in which the Project did not qualify under clause (i) or (ii) above.

***Application for Federal Highway Reimbursements.*** To the extent permitted by law, the Transportation Board covenants that it will annually apply for, and reasonably cooperate with FHWA in order to receive, the greatest amount of Federal Highway Reimbursements reasonably available to the Commonwealth that will become Revenues for payment of the principal of and interest on the Note Payments, any Program Costs and the debt service on any Subordinated Obligations.

***Requests for Obligation Authority.*** For each of the Federal Fiscal Years during which Notes are or will be Outstanding, (i) as soon as practicable prior to or in such Federal Fiscal Year the Transportation Board will request Obligation Authority sufficient to pay the principal of and interest on the Note Payments and any Program Costs coming due in that Federal Fiscal Year, and (ii) the Transportation Board will obligate (to the extent not previously obligated) FHWA to pay Federal Highway Reimbursements sufficient to pay the principal of and interest on the Note Payments and any Program Costs coming due in that Federal Fiscal Year prior to obligating Federal Highway Reimbursements for any other purpose. Additionally, the Transportation Board covenants that all Notes are, or will be, eligible debt financing instruments under Title 23 and the payment of Note Payments and Program Costs are all eligible for payment or reimbursement from Federal Highway Reimbursements.

***Construction of Projects.*** The Transportation Board covenants to ensure that each Project will be constructed expeditiously. Upon completion of construction for each Project, the Transportation Board will take all steps necessary to obtain any required approval of FHWA of such Project so that the Transportation Board may receive the maximum amount of Project-Specific Reimbursements with respect thereto.

***General Assembly Appropriations.*** The Transportation Board, pursuant to the Payment Agreement, will utilize its best efforts to have included in each Commonwealth appropriations act an appropriation for any amounts required for Note Payments and Program Costs coming due during the period covered by each such act; provided, however, and notwithstanding any provision of the Master Indenture which may be to the contrary, no failure of the General Assembly to include in any appropriation act an appropriation for any amounts required for Note Payments and Program Costs coming due during the period covered by such act shall constitute an Event of Default under the Master Indenture.

### **Remedies Upon Default**

Upon the occurrence of any Event of Default (other than such an Event of Default relating to payment of Notes constituting Subordinated Obligations), the Trustee shall, without further demand or notice, transfer such amount of moneys held in the Project Fund as is necessary and available to the Debt Service Fund. Further, upon the occurrence of any Event of Default, the Trustee may (i) proceed by mandamus or other action or proceeding or suit at law or in equity to enforce any rights under the Master Indenture against the Transportation Board and compel the Transportation Board to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained in the Master Indenture, and (ii) take whatever action at law or in equity may appear necessary or desirable to enforce the rights of the Owners and shall deposit any moneys received as a result of such action in the Debt Service Fund.

Notwithstanding any other provision of the Master Indenture which may be to the contrary, neither the Trustee, any Owner of a Note, any provider of a Credit Facility, any provider of an Interest Rate Exchange Agreement nor any holder of any Subordinated Obligation shall have the right to declare any Note Payments or other payments to be immediately due and payable upon the occurrence of an Event of Default. A judgment requiring a payment of money entered against the Transportation Board arising under the Master Indenture may be satisfied only from the Trust Estate.

### **Application of Moneys After Default**

Moneys received by the Trustee resulting from the exercise of remedies following an Event of Default shall be deposited in the Debt Service Fund and shall, together with other moneys in the Debt Service Fund and other moneys available for such purpose, be applied in the following order of priority:

*First*, to the payment of the reasonable and proper fees and expenses of the Trustee determined in accordance with the Master Indenture.

*Second*, to the payment of (i) interest due on the Notes (other than Notes constituting Subordinated Obligations), including interest on past due interest on any Note at the interest rate borne by such Note, compounded on each Interest Payment Date, (ii) the interest component of any unpaid draws on a Credit Facility that are treated as Note Payments and (iii) any unpaid regularly scheduled payments (but excluding any termination payments or settlement amounts) that are treated as Note Payments. If more than one installment of interest is due on such Notes, such installments shall be paid in the order in which they were due, with the first installment being paid first. If more than one draw is unpaid on a Credit Facility or more than one regularly scheduled payment is unpaid under an Interest Rate Exchange Agreement, such amounts shall also be repaid in the order in which they were originally due. If the amount available is insufficient to pay all of any particular installment of interest due on such Notes, unpaid draw on a Credit Facility or unpaid regularly scheduled payment under an Interest Rate Exchange Agreement (including interest on the past due amounts), the amount available shall be paid ratably, based on the ratio of the amount due as interest on each such Note, to each such provider of a Credit Facility or to each provider of an Interest Rate Exchange Agreement to the total amount due.

*Third*, to the payment of (i) principal due on the Notes (other than Notes constituting Subordinated Obligations) (ii) the principal component of any unpaid draws on a Credit Facility that are treated as Note Payments and (iii) any unpaid termination payments or settlement amounts (but excluding any regularly scheduled payments) that are treated as Note Payments. If any of such amounts is due that was to have been paid on more than one date, the amount due on the earliest dates shall be paid first. If the amount available is insufficient to pay all such amounts due on any particular date, the amount available shall be paid ratably, based on the ratio of the amount due on each such Note, to each such provider of a Credit Facility or to each such provider of an Interest Rate Exchange Agreement to the total amount due.

After payment of all amounts set forth above, the amount remaining in the Debt Service Fund, if any, will be applied to the payment of any Subordinated Obligations, in the manner and priority set forth in such Subordinated Obligations.

### **Control of Proceedings**

Notwithstanding any other provision of the Master Indenture, the Owners of a majority in aggregate principal amount of Notes Outstanding (but not including Notes constituting Subordinated Obligations so long as any senior Notes are Outstanding) shall always have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in pursuit of remedies following an Event of Default or otherwise in connection with the enforcement of the terms of the Master Indenture.

### **Individual Noteholder Action Restricted**

No Owner shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any remedy under the Master Indenture or for the enforcement of the terms thereof, unless an Event of Default under the Master Indenture has occurred and the Owners of not less than a majority of the Notes Outstanding (but not including Notes constituting Subordinated Obligations) have made a written request to the Trustee, have agreed to indemnify the Trustee as provided in the Master Indenture and have given the Trustee a reasonable opportunity to take such action in its capacity as Trustee, but the Trustee has failed to take such action. The purpose of the preceding sentence is to assure that no Owner or Owners shall have the right to affect, disturb or prejudice the lien of the Master Indenture by his, her, its or their action or to enforce any right under the Master Indenture except in the manner provided in the Master Indenture and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Master Indenture and for the equal benefit of the Owners of all

Outstanding Notes. Nothing contained in the Master Indenture shall, however, affect or impair the right of any Owner to enforce the payment of the Note Payments on any Note at and after the date such payment is due.

### **Waiver of Event of Default**

The Trustee may in its discretion waive any Event of Default and its consequences under the Master Indenture, and notwithstanding anything else to the contrary contained in the Master Indenture shall do so upon the written request of the Owners of a majority in aggregate principal amount of the Notes then Outstanding (but not including Notes constituting Subordinated Obligations); provided, however, that there shall not be waived without the consent of the Owners of 100% of the aggregate principal amount of Notes then Outstanding any Event of Default in the payment of the Note Payments when due, unless, prior to such waiver, all such amounts (with interest on amounts past due on any Note at the interest rate on such Note or, in the case of a Capital Appreciation Note, the interest rate determined by straight-line interpolation between Accretion Dates) and all expenses of the Trustee in connection with such Event of Default have been paid or provided for. In case of any such waiver, then and in every such case the Transportation Board, the Trustee and the Owners shall be restored to their former positions and rights under the Master Indenture, but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

### **Removal and Resignation of Trustee; Successor Trustee**

The Trustee may resign by giving 60 days' written notice to the Transportation Board. Such resignation shall take effect only upon the appointment of a successor qualified as provided in the Master Indenture. If no successor is appointed within 60 days following the date designated in the notice, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor. The Trustee may be removed at any time (i) by the Transportation Board, provided that the Trustee may not be removed during the pendency of an Event of Default without the written consent of the Owners of a majority in aggregate principal amount of Notes then Outstanding; or (ii) by an instrument in writing executed by the Owners of a majority in aggregate principal amount of Notes Outstanding, for any reason or for no reason.

In case the Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Transportation Board. Upon making any such appointment, an Authorized Board Representative shall give notice thereof to each Owner. Subject to the provisions of the Master Indenture, any successor Trustee appointed by an Authorized Board Representative pursuant to the Master Indenture shall be removed by the Transportation Board if the Owners of a majority in aggregate principal amount of Notes then Outstanding object to the appointment within 60 days following the date of the Transportation Board's notice of the appointment of such successor. If the Owners of a majority in aggregate principal amount of Notes then Outstanding object to the appointment of a successor Trustee pursuant to the Master Indenture, the Transportation Board shall appoint another successor Trustee and the Owners shall have the same right to object to the new successor Trustee.

### **Consolidation, Conversion or Merger of Trustee**

Any bank or trust company that otherwise meets the requirements set forth in the Master Indenture into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole shall be the successor of the Trustee under the Master Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties to the Master Indenture.

### **Supplemental Indentures Not Requiring Consent of Owners**

The Transportation Board and the Trustee may, without the consent of, or notice to, the Owners, enter into a Supplemental Indenture for any one or more or all of the following purposes:

(a) to add additional covenants to the covenants and agreements of the Transportation Board set forth in the Master Indenture;

- (b) to add additional revenues, properties or collateral to the Trust Estate;
- (c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Master Indenture;
- (d) to amend any existing provision of the Master Indenture or to add additional provisions which, in the opinion of Bond Counsel, are necessary or advisable (i) to qualify, or to preserve the qualification of, the interest on any Notes for exclusion from gross income for federal income tax purposes or for exclusion from federal alternative minimum tax; (ii) to qualify any Notes for exemption from taxation and assessment in the Transportation Board; (iii) to qualify, or to preserve the qualification of, the Master Indenture or any Supplemental Indenture under the federal Trust Indenture Act of 1939, as amended; or (iv) to qualify, or preserve the qualification of, any Notes for an exemption from registration or other limitations under the laws of any state or territory of the United States;
- (e) to provide for or eliminate book-entry registration of any of the Notes;
- (f) to obtain or maintain a rating of the Notes by a nationally recognized securities rating agency;
- (g) to authorize the issuance of any Series of Notes in accordance with the Master Indenture;
- (h) to facilitate the provision of a Credit Facility or an Interest Rate Exchange Agreement in accordance with the Master Indenture and the treatment of reimbursements or payments thereunder as Note Payments;
- (i) to facilitate the receipt or use of Federal Highway Reimbursements that will become Revenues to pay Note Payments, Program Costs or Subordinated Obligations;
- (j) to establish additional funds, accounts or subaccounts necessary or useful in connection with any Supplemental Indenture;
- (k) to authorize the issuance of notes or other obligations secured by a pledge of the Trust Estate expressly subordinate to the pledge thereof in favor of the Notes and, in connection therewith, specify and determine (or provide procedures for an Authorized Board Representative to specify or determine) the matters and things required or permitted by the Master Indenture in connection therewith, and also any other matters and things relative to such Subordinated Obligations which are not contrary to or inconsistent with the Master Indenture;
- (l) to make any amendment, with Rating Confirmation from each Rating Agency, that such amendment will not, in itself, result in the uninsured, underlying rating on the Notes following such amendment being lower than such rating on the Notes immediately prior to such amendment;
- (m) to modify any of the provisions in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Notes of each Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Notes of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Notes issued in exchange therefor or in place thereof;
- (n) to make any amendment required to comply with any continuing disclosure undertaking or obligation applicable to any of the Notes; or
- (o) for any other purpose, provided that Bond Counsel has delivered a written opinion stating that the provisions of the Supplemental Indenture do not materially adversely affect the rights of the Owners of any Notes.

#### **Supplemental Indentures Requiring Consent of Owners**

Except as expressly provided in the Master Indenture, the Transportation Board and the Trustee may not enter into a Supplemental Indenture without the written consent of the Owners of not less than a majority of the aggregate

principal amount of Notes then Outstanding (but not including Notes constituting Subordinated Obligations); provided, however, that no Supplemental Indenture containing any of the provisions described below may be entered into without the written consent of the Owner of each Note affected thereby:

- (a) a reduction of the interest rate or Note Payments payable on any Note, a change in the maturity date of any Note, a change in the Original Principal Amount of any Capital Appreciation Note, a change in any Interest Payment Date for any Current Interest Note or any Accretion Date for any Capital Appreciation Note or a change in the redemption provisions applicable to any Note;
- (b) the deprivation of an Owner to the lien on the Trust Estate granted in the Master Indenture;
- (c) the creation of a priority right in the Trust Estate of another Note over the right of the affected Note, except as permitted in the Master Indenture; or
- (d) a reduction in the percentage of the aggregate principal amount of Notes then Outstanding whose Owners are required to consent to any Supplemental Indenture.

### **Discharge of Master Indenture**

If 100% of the Note Payments due, or to become due, on all the Notes, the fees and expenses due to the Trustee and all other amounts payable under the Master Indenture have been paid, or provision shall have been made for the payment thereof in accordance with the Master Indenture, then (i) the right, title and interest of the Trustee in and to the Trust Estate shall terminate and be discharged; (ii) the Trustee shall transfer and convey to or to the order of the Transportation Board all excess property that was part of the Trust Estate, including but not limited to any moneys held in any fund or account under the Master Indenture, except any escrow account created pursuant to the Master Indenture (which escrow account shall continue to be held in accordance with the agreement governing the administration thereof); and (iii) the Trustee shall execute any instrument requested by the Transportation Board to evidence such discharge, transfer and conveyance.

### **Defeasance of Notes**

All or any portion of the Outstanding Notes shall be deemed to have been paid (referred to herein as "defeased") prior to their maturity or earlier redemption if:

- (a) the defeased Notes are to be redeemed prior to their maturity, an Authorized Board Representative has irrevocably instructed the Trustee to give notice of redemption of such Notes in accordance with the Master Indenture and any applicable Supplemental Indenture;
- (b) there has been deposited in trust in a Defeasance Escrow Account either (i) money in an amount which shall be sufficient, or (ii) Defeasance Securities, the principal of and the interest on which when due, without any reinvestment thereof, will provide moneys which, together with the money, if any, deposited into or held in the Defeasance Escrow Account, shall be sufficient, to pay when due the Note Payments due and to become due on the defeased Notes on and prior to the redemption date or maturity date thereof, as the case may be; and
- (c) a certified public accountant or other verification agent acceptable to the Transportation Board and the Trustee has delivered a verification report verifying the deposit described in clause (2) above.

### **Applicable Law**

The laws of the Commonwealth shall be applied in the interpretation, execution and enforcement of the Master Indenture.

## **THE PAYMENT AGREEMENT**

In addition to the information presented in the section "*Sources of Payment and Security for the GARVEE Notes*" in this Official Statement the following summarizes certain provisions of the Payment Agreement. This summary does not purport to be comprehensive or definitive and is qualified by reference to the Payment Agreement in its entirety, copies of which may be obtained at the office of the Treasury Board, the Trustee or the Transportation Board.

### **Obligations of the Transportation Board**

Under the Payment Agreement, the Transportation Board is obligated to do the following:

(a) Each year and in accordance with the schedule of the Department of Planning and Budget of the Commonwealth, the Transportation Board or the Transportation Board's designee shall request that the Governor include in the budget to be delivered to the General Assembly during their next session a provision that there be appropriated Revenues sufficient to pay the Principal and Interest Requirements coming due on the GARVEE Notes and all other amounts required to be paid under the Master Indenture during the next succeeding FY or biennial period, as applicable.

(b) The Transportation Board shall use its best efforts to have (i) the Governor include, in each biennial or any supplemental budget that is presented to the General Assembly, the amounts described in (a) above and (ii) the General Assembly appropriate and reappropriate, as applicable, such amounts.

(c) The Transportation Board shall provide to the Treasury Board, as and when reasonably requested by the Treasury Board, all requisitions and documents and shall take all actions necessary to have paid to the Treasury Board from Revenues appropriated as described in (a) above all amounts due under the Payment Agreement and to direct the Treasury Board to make from such funds all payments due under the Master Indenture to the Trustee not later than the respective Transfer Date.

(d) The Transportation Board shall take all actions necessary to have payments which are made pursuant to (c) above charged against the proper appropriation made by the General Assembly.

(e) The Transportation Board shall notify the Treasury Board, the Secretary of Finance, and the Trustee promptly upon becoming aware of any failure by the General Assembly to appropriate for the next succeeding FY or biennial period, as applicable, amounts sufficient to pay all debt service on the GARVEE Notes coming due or expected to come due and all other amounts required to be paid under the Master Indenture coming due or expected to come due.

### **Obligations of the Treasury Board**

Under the Payment Agreement, the Treasury Board is obligated to do the following:

(a) The Treasury Board shall use its best efforts to have (i) the Governor include in each biennial or any supplemental budget of the Commonwealth Revenues sufficient to pay the Note Payments coming due on the GARVEE Notes and all other amounts required to be paid under the Master Indenture during the next succeeding FY or biennial period, as applicable, and (ii) the General Assembly appropriate and reappropriate, as applicable, such amounts.

(b) The Treasury Board shall use its best efforts to obtain each year the appropriate requisitions and documents needed from the Transportation Board to make all payments due under the Master Indenture to the Trustee not later than the respective Transfer Date.

(c) The Treasury Board shall make all payments described in the Payment Agreement solely from moneys appropriated or reappropriated by the General Assembly.

(d) The Treasury Board shall notify the Transportation Board, the Secretary of Finance, and the Trustee promptly upon becoming aware of any failure by the General Assembly to appropriate for the next succeeding FY or biennial period, as applicable, amounts sufficient to pay all Note Payments coming due or expected to come due on the GARVEE Notes and all other amounts required to be paid under the Master Indenture coming due or expected to come due.

#### **Obligations of the Secretary of Finance**

Under the Payment Agreement, the Secretary of Finance is obligated to use his best efforts to have (i) the Governor include in each biennial or any supplemental budget of the Commonwealth Revenues sufficient to pay the Note Payments coming due on the GARVEE Notes and all other amounts required to be paid under the Master Indenture during the next succeeding FY or biennial period, as applicable, and (ii) the General Assembly deposit, appropriate and reappropriate, as applicable, such amounts.

The Commonwealth's budgetary process, to which the Payment Agreement provisions relate, is described in the subsection "*Budgetary Process*" within the section "*Financial Factors*" in Appendix C, "*Commonwealth of Virginia, Financial and Other Information.*"

#### **Trustee as Third Party Beneficiary**

The Trustee is a third party beneficiary of the Payment Agreement and is entitled to enforce, on behalf of the holders of the GARVEE Notes, all of the obligations of the Transportation Board and the obligations and the rights of the parties thereto to the same extent as if the Trustee were one of the contracting parties.

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**COMMONWEALTH OF VIRGINIA**

**FINANCIAL AND OTHER  
INFORMATION**



**COMMONWEALTH OF VIRGINIA**

**DEMOGRAPHIC AND ECONOMIC  
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### **BOOK-ENTRY-ONLY SYSTEM**

## APPENDIX G

### Book-Entry-Only System

*The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the 2017 Notes, payments of principal and interest on the 2017 Notes to DTC, its nominee, Direct Participants, as hereinafter defined, Indirect Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interest in the 2017 Notes and other bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners is based solely on information furnished by DTC and is not, and should not be construed as, a representation by the Transportation Board as to its accuracy, completeness or otherwise.*

DTC will act as securities depository for the 2017 Notes. The 2017 Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each maturity of the 2017 Notes and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3,500,000 issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P rating of AA+. The DTC Rules applicable to its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2017 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Notes on DTC's records. The ownership interest of each actual purchaser of each 2017 Note ("Beneficial Owner") is in turn to be recorded on the Direct Participants and Indirect Participants' records. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 Notes are to be accomplished by entries made on the books of the Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2017 Notes, except in the event that use of the book-entry system for the 2017 Notes is discontinued.

To facilitate subsequent transfers, all 2017 Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017 Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts the 2017 Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2017 Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of the 2017 Notes to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2017 Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

BECAUSE DTC IS TREATED AS THE OWNER OF THE 2017 NOTES FOR SUBSTANTIALLY ALL PURPOSES UNDER THE INDENTURE, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE TRANSPORTATION BOARD, THE COMMONWEALTH OR DTC, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE 2017 NOTES THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

Principal and interest payments on the 2017 Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Transportation Board or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the Trustee or the Transportation Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Transportation Board or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants. THE TRANSPORTATION BOARD AND THE COMMONWEALTH CAN GIVE NO ASSURANCES THAT DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENT TO BENEFICIAL OWNERS.

So long as Cede & Co. is the registered owner of the 2017 Notes, as nominee of DTC, references herein to the 2017 Note owners or registered owners of the 2017 Notes shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2017 Notes.

DTC may discontinue providing its services as securities depository with respect to the 2017 Notes at any time by giving reasonable notice to the Transportation Board or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2017 Note certificates are required to be printed and delivered.

The Transportation Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2017 Note certificates will be printed and delivered.

The foregoing information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither, the Transportation Board, the Commonwealth nor the Trustee makes any representation or warranty regarding the accuracy or completeness thereof.

**So long as Cede & Co., as nominee for DTC, is the sole noteholder of the 2017 Notes, the Transportation Board and the Trustee shall treat Cede & Co. as the only noteholder of the 2017 Notes for all purposes under the Indenture, including receipt of all principal of and interest on the 2017 Notes, receipt of notices, voting**



**and requesting or directing the Transportation Board and the Trustee to take or not to take, or consenting to, certain actions under the Indenture.**

**The Transportation Board and the Trustee have no responsibility or obligation to the Direct Participants, Indirect Participants or the Beneficial Owners with respect to (i) the accuracy or the maintenance of any records maintained by DTC or any Direct Participant or Indirect Participant; (ii) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner with respect to the principal of and interest on the 2017 Notes or the sending of any transaction statements; (iii) the delivery or timeliness of delivery by DTC or any Direct or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to noteholders of the 2017 Notes; (iv) the selection of the Beneficial Owners to receive payments upon any partial redemption of the 2017 Notes; or (v) other action taken by DTC or Cede & Co. as noteholder of the 2017 Notes, including the effectiveness of any action taken pursuant to an Omnibus Proxy.**

The Transportation Board or the Trustee may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the 2017 Notes without the consent of Beneficial Owners or Noteholders of the 2017 Notes.

**FIFTH SUPPLEMENTAL TRUST INDENTURE**

between

**COMMONWEALTH TRANSPORTATION BOARD**

and

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

authorizing

**\$ \_\_\_\_\_  
Commonwealth of Virginia  
Federal Transportation Grant Anticipation Revenue Notes  
Series 2017**

Dated as of December 1, 2017

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**THIS FIFTH SUPPLEMENTAL TRUST INDENTURE** (this "Fifth Supplemental Indenture") is dated as of December 1, 2017, and is entered into by the **COMMONWEALTH TRANSPORTATION BOARD** (the "Board") and **U.S. BANK NATIONAL ASSOCIATION** (the "Trustee"), a national banking association, having power and authority to accept and execute trusts, as trustee, paying agent and registrar.

## RECITALS

**WHEREAS**, the Board and the Trustee have entered into a Master Trust Indenture dated as of February 1, 2012, as previously supplemented and amended (the "Master Indenture"), under which the Board has provided for (i) the issuance of Notes to finance certain costs of Projects and any other such purposes as may be authorized under the Act, and (ii) the security for and the sources of payment of the debt service on the Notes;

**WHEREAS**, pursuant to the Master Indenture, certain terms of and other matters relating to each Series of Notes are to be specified in a Supplemental Indenture;

**WHEREAS**, this Fifth Supplemental Indenture is a Supplemental Indenture that is being entered into to authorize and to set forth certain terms of and other matters relating to the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017 (the "2017 Notes");

**WHEREAS**, the Board has full power and authority, pursuant to the Act and the Master Indenture to enter into this Fifth Supplemental Indenture and to issue the 2017 Notes; and

**WHEREAS**, the Board has found and determined the issuance and sale of the 2017 Notes to be in conformity with the purposes set forth in the Act and the Master Indenture and in the best interest of the Commonwealth and the Board.

**NOW, THEREFORE**, for and in consideration of the mutual covenants, and the representations and warranties, set forth herein, the Board and the Trustee agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.1 Definitions.** Unless the context otherwise requires, capitalized terms used in this Fifth Supplemental Indenture have the meanings assigned to them in the Master Indenture, except that if any term is defined in both the Master Indenture and this Article, the definition set forth in this Article controls for purposes of this Fifth Supplemental Indenture and the 2017 Notes. In addition to the foregoing, the following capitalized terms have the following meanings unless the context otherwise requires:

"2017 Notes" means the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017, which are authorized by this Fifth Supplemental Indenture.

"2017 Notes COI Account" means the account by that name in the Project Fund established under Section 2.6 below.

"2017 Project" means collectively the projects described in Appendix B.

"Interest Payment Date" means March 15 and September 15 of each calendar year, commencing [March 15, 2018].

"Master Indenture" means the Master Trust Indenture, dated as of February 1, 2012, between the Board and the Trustee, as the same may be modified, altered, amended and supplemented from time to time in accordance with its terms.

"Note Purchase Agreement" means the Note Purchase Agreement dated \_\_\_\_\_, 2017, between the Board and the Original Purchasers pursuant to which the Original Purchasers have agreed to purchase the 2017 Notes from the Board.

"Original Purchasers" means \_\_\_\_\_, as representative of the underwriting group composed of itself and the other underwriters named in the Note Purchase Agreement.

"Second Supplemental Indenture" means the Second Supplemental Trust Indenture dated as of July 1, 2012, between the Board and the Trustee, as the same may be modified, altered, amended and supplemented from time to time in accordance with its terms.

"Tax Certificate" means the Non-Arbitrage Certificate and Tax Compliance Agreement executed by an Authorized Board Representative in connection with the issuance of the 2017 Notes.

"Fifth Supplemental Indenture" means this Fifth Supplemental Indenture and any amendment hereto adopted in accordance with the terms hereof.

"VDOT Funding Account" means the account by that name in the Project Fund established under Section 2.6.

## ARTICLE II

### AUTHORIZATION AND TERMS OF NOTES; CREATION OF ACCOUNTS

**Section 2.1 Authorization, Purpose and Name.** The Board hereby authorizes the issuance of the 2017 Notes as New Money Notes for the purpose of financing the 2017 Project in accordance with the Act and the Master Indenture. The 2017 Notes shall be named "Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017."

**Section 2.2 Principal Amounts, Dated Dates, Maturity Dates and Interest.**

(a) The aggregate principal amount of the 2017 Notes shall be \$\_\_\_\_\_.

(b) The 2017 Notes issued on the date the 2017 Notes are first issued shall be dated as of their date of delivery and shall bear interest from their dated date, which is December \_\_, 2017. Any 2017 Note issued upon transfer and exchange of another 2017 Note shall be dated as of its date of authentication and shall bear interest from the Interest Payment Date next preceding its date of authentication, unless the date of authentication is an Interest Payment Date in which case such Note shall bear interest from such Interest Payment Date or unless the date of authentication precedes the first Interest Payment Date in which case such Note shall bear interest from its dated date.

(c) Interest on the 2017 Notes shall be calculated based on a 360-day year consisting of twelve 30-day months.

(d) The 2017 Notes shall mature on [March 15] and [September 15] of the years and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
-----------------	-------------------------	----------------------

(e) The 2017 Notes shall be numbered consecutively from 1 upward with the prefix "R-" preceding such number.

**Section 2.3 Redemption Provisions.** (a) The 2017 Notes maturing on or before \_\_\_\_\_, 20\_\_, are not subject to optional redemption prior to their respective maturity dates. The 2017 Notes maturing on and after \_\_\_\_\_, 20\_\_, are subject to optional redemption prior to their maturity at the option of the Board on and after \_\_\_\_\_, 20\_\_, in whole or in part at any time, in whole multiples of \$5,000, and if in part from the maturities of 2017 Notes as the Board shall determine and from any of the 2017 Notes with the same maturity date and interest rate in a manner determined by the Trustee (or DTC if then registered in the name of a nominee of DTC), at a redemption price equal to 100% of the principal amount of the 2017 Notes redeemed, plus accrued interest to the date fixed for redemption.

(b) The 2017 Notes are not subject to mandatory redemption.

**Section 2.4 Limited Obligations.** (a) The Note Payments for the 2017 Notes are payable solely from Revenues and moneys held in the Debt Service Fund. The Owners of the

2017 Notes may not look to any other revenues of the Board or the Commonwealth for the payment of the 2017 Notes.

(b) All financial obligations of the Board under the Master Indenture, this Fifth Supplemental Indenture and every other Supplemental Indenture and the 2017 Notes shall not be deemed to constitute a debt of the Commonwealth or a pledge of the full faith and credit of the Commonwealth within the meaning of the Constitution of Virginia or the laws of the Commonwealth concerning or limiting the creation of indebtedness by the Commonwealth, and the 2017 Notes shall be payable solely, subject to their appropriation by the General Assembly, from the Revenues and certain funds and accounts pledged therefor in the Master Indenture.

**Section 2.5 Form of 2017 Notes.** The 2017 Notes shall be in substantially the form set forth in Appendix A hereto, with such changes thereto, not inconsistent with the Master Indenture and this Fifth Supplemental Indenture, as may be necessary or desirable and approved by an Authorized Board Representative whose signature appears thereon (and whose manual or facsimile signature thereon shall constitute conclusive evidence of such approval). All statements set forth in the 2017 Notes are hereby approved and adopted as statements of the Board.

**Section 2.6 Application of Proceeds; Establishment of Certain Accounts and Subaccounts; Exclusion from Trust Estate.** (a) There is hereby established in the Project Fund two accounts to be called the "2017 Notes COI Account," the "VDOT Funding Account."

(b) On the issuance date of the 2017 Notes, the Original Purchasers will deposit into the State Treasury \$\_\_\_\_\_, pursuant to the terms of the Note Purchase Agreement and the Board will immediately cause the purchase price to be transferred to the Trustee. The Trustee will immediately upon receipt of the purchase price deposit (i) \$\_\_\_\_\_ thereof into the 2017 Notes COI Account, (ii) \$\_\_\_\_\_ thereof into the VDOT Funding Account.

(c) The amounts in the 2017 Notes COI Account, together with the investment earnings thereon, shall be applied to pay the costs of issuance of the 2017 Notes.

(d) The amounts in the VDOT Funding Account, together with the investment earnings thereon, shall be applied to pay the costs of the 2017 Project. The Trustee shall disburse sums from the VDOT Funding Account in accordance with the terms of Section 5.3(c) of the Master Indenture.

(e) As permitted by Section 2.1(b) of the Master Indenture, neither the 2017 Notes COI Account nor the VDOT Funding Account nor any money or investments held therein shall be part of the Trust Estate.

**Section 2.7 Flow of Funds.** As provided in Section 5.2(a) of the Master Indenture, the Board shall provide for the transfer to the Trustee on or before the last day of each month, of Federal Highway Reimbursements from the Federal Fund for deposit in the Series 2017 Account of the Debt Service Fund in an amount equal to one-sixth of the Note Payment due on the 2017 Notes on the next ensuing Interest Payment Date; provided however, that for the months

preceding the first Interest Payment Date, the Board shall transfer an amount equal to one-third of the Note Payment due on the 2017 Notes.

### **ARTICLE III**

#### **CERTIFICATIONS AND COVENANTS OF THE BOARD**

**Section 3.1 Findings, Determinations and Certifications.** An Authorized Board Representative, by executing this Fifth Supplemental Indenture on behalf of the Board, hereby finds, determines and certifies that:

- (a) The 2017 Notes are authorized by the Act and the Master Indenture.
- (b) As of the date of issuance of the 2017 Notes, the conditions set forth in Section 3.2 of the Master Indenture have been satisfied.
- (c) This Fifth Supplemental Indenture contains all information required to be included in a Supplemental Indenture authorizing a Series of Notes under the Master Indenture.
- (d) This Fifth Supplemental Indenture is authorized by and is being executed and delivered pursuant to and in accordance with Section 9.1(g) of the Master Indenture for the purpose of authorizing the issuance of the 2017 Notes in accordance with Article III of the Master Indenture and the Act and will, as provided in Section 9.3 of the Master Indenture, become effective when (i) it has been executed by an Authorized Board Representative and an authorized representative of the Trustee and (ii) Bond Counsel has delivered a written opinion to the effect that it complies with the provisions of Article IX of the Master Indenture.
- (e) The 2017 Notes will not be issued until Bond Counsel has delivered a written opinion to the effect (which may be subject to customary assumptions and limitations) that (i) the 2017 Notes have been duly authorized, executed and delivered by the Board and are valid and binding limited obligations of the Board, payable solely from the sources provided in the Master Indenture and this Fifth Supplemental Indenture; (ii) the Master Indenture creates a valid pledge of and lien on Revenues and the Trust Estate, subject to the terms thereof; and (iii) the interest on the 2017 Notes is excludable from gross income for federal income tax purposes under Section 103 of the Code.
- (f) Except for actions being taken pursuant to the terms hereof, all conditions to the execution and delivery of this Fifth Supplemental Indenture and the issuance of the 2017 Notes have been satisfied.

**Section 3.2 Representations, Covenants and Warranties.** The Board represents, covenants and warrants, as applicable, that:

- (a) The execution, delivery and performance of this Fifth Supplemental Indenture and the issuance, execution, delivery and performance of the 2017 Notes by the Board is authorized by the Act and, upon the execution and delivery of this Fifth Supplemental Indenture by the Trustee and an Authorized Board Representative, this Fifth Supplemental Indenture and the 2017 Notes will be enforceable against the Board in accordance with their terms, limited only by



bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the Board of its powers under the laws of the Commonwealth and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States.

(b) The execution, delivery and performance of its obligations under this Fifth Supplemental Indenture and the issuance, execution, delivery and performance of its obligations under the 2017 Notes by the Board does not and will not conflict with or result in violation or a breach of any law or the terms, conditions or provisions of any restriction or any agreement or instrument to which the Board is now a party or by which the Board is bound, or constitute a default under any of the foregoing, or, except as specifically provided in the Master Indenture or this Fifth Supplemental Indenture, result in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the Board.

(c) There is no litigation or proceeding pending or threatened against the Board affecting the right of the Board to execute, deliver or perform its obligations under this Fifth Supplemental Indenture or to issue, execute, deliver or perform its obligations under the 2017 Notes.

#### **ARTICLE IV**

##### **REPRESENTATIONS, COVENANTS AND WARRANTIES OF TRUSTEE**

**Section 4.1 Representations, Covenants and Warranties.** The Trustee represents, covenants and warrants that:

(a) The Trustee (i) is a national banking association with full trust powers that is duly organized, validly existing and in good standing under the laws of the United States of America, (ii) is duly qualified to do business in the Commonwealth and (iii) is authorized, under its articles of association, action of its board of directors and applicable law, to own and manage its properties, to conduct its affairs in the Commonwealth, to execute, deliver and perform its obligations under this Fifth Supplemental Indenture and to authenticate and deliver the 2017 Notes.

(b) The execution, delivery and performance of this Fifth Supplemental Indenture and the authentication and delivery of the 2017 Notes by the Trustee have been duly authorized by the Trustee.

(c) This Fifth Supplemental Indenture is enforceable against the Trustee in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the Board of its powers under laws of the Commonwealth and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States.

(d) The execution, delivery and performance of this Fifth Supplemental Indenture and the authentication and delivery of the 2017 Notes by the Trustee do not and will not conflict with or result in a violation or a breach of any law or the terms, conditions or provisions of any

restriction or any agreement or instrument to which the Trustee is now a party or by which the Trustee is bound, or constitute a default under any of the foregoing or, except as specifically provided in the Master Indenture or this Fifth Supplemental Indenture, result in the creation or imposition of any lien or encumbrance whatsoever upon the Trust Estate or any of the property or assets of the Trustee.

(e) There is no litigation or proceeding pending or threatened against the Trustee affecting the right of the Trustee to execute, deliver or perform its obligations under this Fifth Supplemental Indenture or to authenticate or deliver the 2017 Notes.

(f) Except for actions to be taken pursuant to the terms hereof, all conditions to the execution and delivery of this Fifth Supplemental Indenture and the authentication and delivery of the 2017 Notes by the Trustee have been satisfied.

## ARTICLE V MISCELLANEOUS

**Section 5.1 Amendment to the Master Indenture.** Reference is hereby made to the amendment to the Master Indenture contained in Article V of the Second Supplemental Indenture, which provision is incorporated in the Master Indenture and made a part thereof. The amended provision is set forth in Appendix C.

**Section 5.2 Table of Contents, Titles and Headings.** The table of contents, titles and headings of the Articles and Sections of this Fifth Supplemental Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Fifth Supplemental Indenture or any provision hereof or in ascertaining intent, if any question of intent should arise.

**Section 5.3 Interpretation and Construction.** This Fifth Supplemental Indenture and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Fifth Supplemental Indenture. For purposes of this Fifth Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Fifth Supplemental Indenture to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Fifth Supplemental Indenture;

(b) The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Fifth Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision;

(c) The terms defined in Article I hereof have the meanings assigned to them in that Article and include the plural as well as the singular;

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time;

(e) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder;

(f) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding;" and

(g) Although attached hereto as appendices for the convenience of the reader, the appendices attached hereto are integral parts of this Fifth Supplemental Indenture and are incorporated herein as if set forth in full in the body hereof.

**Section 5.4 Further Assurances and Corrective Instruments.** The Board and the Trustee agree that so long as this Fifth Supplemental Indenture is in full force and effect, the Board and the Trustee shall have full power to carry out the acts and agreements provided herein and they will, from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may be required for correcting any inadequate or incorrect description of the Trust Estate, or for otherwise carrying out the intention of or facilitating the performance of this Fifth Supplemental Indenture.

**Section 5.5 Tax Covenants.** The Board agrees that it will not directly or indirectly use or permit the use of any proceeds of the 2017 Notes or any other funds of the Board or take or omit to take any action that would cause the 2017 Notes to be "arbitrage bonds" under Section 148(a) of the Code. To these ends, the Board will comply with all requirements of Sections 141 through 150 of the Code, including the rebate requirement. Without limiting the generality of the foregoing, the Board agrees that (i) it will not directly or indirectly use or permit the use of the proceeds of the 2017 Notes except in accordance with the Tax Certificate and (ii) insofar as the Tax Certificate imposes duties and obligations on the Board, the Tax Certificate is specifically incorporated by reference into this Section. The Trustee agrees to comply with all written instructions of a the Board given in accordance with the Tax Certificate, but the Trustee shall not be required to ascertain that the instructions comply with the Tax Certificate. The Trustee shall be entitled to receive and may request from time to time from the Board written instructions from Bond Counsel or other nationally-recognized bond counsel acceptable to the Trustee regarding the interpretation of Sections 141 through 150 of the Code, and the Trustee agrees that it will comply with such directions (upon which the Trustee and the Board may conclusively rely) so as to enable the Board to perform its covenants under this Section. Notwithstanding any provisions of this Section, if the Board shall provide to the Trustee an opinion of Bond Counsel or other nationally-recognized bond counsel addressed and acceptable to the Board and the Trustee to the effect that any action required under this Section by incorporation or otherwise is not required to maintain the excludability from gross income of the interest on the 2017 Notes under Section 103 of the Code, the Board and the Trustee may rely conclusively on such opinion in complying with the provisions of this Section.

**Section 5.6 Parties Interested Herein.** This Fifth Supplemental Indenture shall be for the sole and exclusive benefit of the Board, the Trustee, the Owners and their respective successors and assigns. Nothing in this Fifth Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Board, the Trustee and the Owners, any right, remedy or claim under or by reason of this Fifth Supplemental Indenture or any terms hereof.

**Section 5.7 Severability.** In the event that any provision of this Fifth Supplemental Indenture, other than the grant of the Trust Estate to the Trustee, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 5.8 Applicable Law.** The laws of the Commonwealth shall be applied in the interpretation, execution and enforcement of this Fifth Supplemental Indenture.

**Section 5.9 Identifying Information.** To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust or other legal entity the Trustee will ask for documentation to verify its formation and existence as a legal entity. The Trustee may also ask to see financial statements, licenses, identification, and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

**Section 5.10 Execution in Counterparts.** This Fifth Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the Commonwealth Transportation Board has caused this Fifth Supplemental Indenture to be executed in its name by its Chairman, and to evidence its acceptance of the trusts hereby created the Trustee has caused this Fifth Supplemental Indenture to be executed in its corporate name by its authorized officer, all as of the date first above written.

**COMMONWEALTH TRANSPORTATION BOARD**

By: \_\_\_\_\_  
Chairman

**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

[Signature Page of Fifth Supplemental Trust Indenture]

**APPENDIX A**

**FORM OF 2017 NOTE**

R-\_\_ \$ \_\_\_\_\_

**UNITED STATES OF AMERICA**

**COMMONWEALTH OF VIRGINIA**

**COMMONWEALTH TRANSPORTATION BOARD**

**COMMONWEALTH OF VIRGINIA FEDERAL TRANSPORTATION GRANT  
ANTICIPATION REVENUE NOTES, SERIES 2017**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
_____ %	[March][September] 15, 20__	December __, 2017	927790 ____

**REGISTERED OWNER: CEDE & CO.**

**PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS (\$ )**

The Commonwealth Transportation Board (the "Board"), for value received, promises to pay, solely from the revenues and other property pledged to the payment of this Note, to the registered owner of this Note or legal representative, the principal sum stated above on the maturity date stated above, and to pay solely from such source, interest on the principal amount of this Note at the annual rate stated above, payable semi-annually on each March 15 and September 15, commencing on [March 15, 2018]. This Note shall bear interest (a) from December \_\_, 2017, if this Note is authenticated before [March 15, 2018], or (b) otherwise, from the March 15 or September 15 that is, or immediately precedes, the date on which this Note is authenticated (unless the payment of the interest on this Note is in default, in which case this Note shall bear interest from the date to which interest has been paid). The final installment of principal of this Note shall be payable upon presentation and surrender of this Note at a corporate trust office of U.S. Bank National Association, Richmond, Virginia, as trustee under the Indenture, as hereinafter defined, or its successor in trust (the "Trustee"). Principal of, other than the final installment thereof, and interest on this Note shall be paid by check or draft mailed to the person registered on March 1 or September 1, as appropriate, next preceding the interest payment date as the registered owner of this Note at the address of such person on the registration books of the Board maintained by the Trustee, provided, however, that when the 2017 Notes, as hereinafter defined, are held in book-entry form through a securities depository such amounts shall be paid by wire transfer to or as directed by such securities depository. Interest on this Note shall be computed on the basis of a year of 360 days and twelve 30-day months. Principal of and interest on this Note are payable in lawful money of the United States of America. In case the date of maturity of the principal of this Note or the date fixed for the payment of interest on this Note is a date on which banking institutions are authorized or

obligated by law to close at the place where the principal office of the Trustee is located, then payment of the principal and interest need not be made on such date, but may be made on the next succeeding date which is not such a date at the place where the principal office of the Trustee is located, and if made on such next succeeding date no additional interest shall accrue for the period after such date of maturity or the date fixed for the payment of interest.

This Note and the issue of which it is a part and interest on this Note are limited obligations of the Board and payable solely from the revenues and other property pledged and assigned to the Trustee under the terms of the Indenture to secure payment of this Note. The principal of and interest on this Note shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth of Virginia nor any of its political subdivisions. Neither the Commonwealth of Virginia nor any of its political subdivisions, including the Board, shall be obligated to pay the principal of or interest on this Note or other costs incident to it except from the revenues, money or property pledged for such purpose, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any of its political subdivisions is pledged to the payment of the principal or interest on this Note.

This Note is one of an issue of \$\_\_\_\_\_ Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2017 (the "2017 Notes"), of like tenor, except as to number, denomination, interest rate and maturity, authorized and issued by the Board, pursuant to the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes Act of 2011, Section 33.2-1511 et seq. of the Code of Virginia of 1950, as amended (the "Virginia Code") and the Transportation Development and Revenue Bond Act, Sections 33.2-1700 et seq. of the Virginia Code, to pay the costs of certain transportation projects designated by the Board and located in the Commonwealth of Virginia and the costs related to the issuance of the 2017 Notes (the "Project"). The 2017 Notes are issued under a Master Trust Indenture, dated as of February 1, 2012 (the "Master Indenture"), as previously supplemented and amended and as further supplemented by a Fifth Supplemental Trust Indenture, dated as of December 1, 2017 (the "Fifth Supplemental Indenture"), each between the Board and the Trustee. The Master Indenture, together with all of the supplements and amendments thereto (including the Fifth Supplemental Indenture), is referred to collectively in this Note as the "Indenture." The 2017 Notes, together with all other notes issued or to be issued by the Board under the Indenture (collectively, the "Notes"), are equally and ratably secured by the Indenture. Reference is made to the Indenture for a description of the revenues and property pledged and assigned and the provisions, among other things, with respect to the nature and extent of the security, the rights and obligations of the Board and the Trustee, the terms on which the Notes are issued and secured, the rights of the registered owners of the Notes and the provisions for defeasance of such rights. Additional Notes equally and ratably secured with the 2017 Notes may be issued on the terms provided in the Indenture.

The 2017 Notes maturing on or before \_\_\_\_\_, are not subject to optional redemption prior to their respective maturity dates. The 2017 Notes maturing on and after \_\_\_\_\_, are subject to redemption prior to their maturity at the option of the Board on and after \_\_\_\_\_, in whole or in part at any time, in whole multiples of \$5,000, and if in part from the maturities of the 2017 Notes as the Board shall determine and within any group of 2017 Notes with the same maturity date and interest rate in a manner determined by the Trustee (or The Depository Trust Company ("DTC") if then registered in the name of a nominee of DTC), at a redemption price equal to \_\_\_% of the principal amount of the 2017 Notes redeemed, plus accrued interest to the

date fixed for redemption. The Trustee shall provide all notices of redemption in accordance with the terms of the Indenture.

The registered owner of this Note shall have no right to enforce the provisions of the Indenture or to take any action with respect to any Event of Default under the Indenture or to institute, appear in or defend any suit or other proceeding with respect to the Indenture, except as provided in the Indenture. Upon the occurrence of certain events or upon certain conditions, in the manner and with the effect set forth in the Indenture, the principal of all of the 2017 Notes issued under the Indenture and then outstanding, together with any accrued interest on them, may become or may be declared due and payable before their stated maturities. Modifications or alterations in the Indenture, or any supplements to it, may be made only to the extent and under the circumstances provided by the Master Indenture.

The 2017 Notes are issued as registered bonds without coupons. The 2017 Notes are issued in denominations of \$5,000 (or any integral multiple of \$5,000). At a corporate trust office of the Trustee, in the manner and subject to the limitations and conditions upon payment of charges provided for in the Indenture, 2017 Notes may be exchanged for an equal aggregate principal amount of 2017 Notes of like date and tenor and of authorized denominations and bearing interest at the same rate.

The transfer of this Note may be registered by the registered owner in person or by his or her duly authorized attorney or legal representative at the corporate trust office of the Trustee, but only in the manner and subject to the limitations and conditions provided for in the Indenture and upon surrender and cancellation of this Note. Upon any such registration of transfer, the Board shall execute and the Trustee shall authenticate and deliver in exchange for this Note a new 2017 Note or 2017 Notes, registered in the name of the transferee, of like date and tenor and of authorized denominations for the aggregate principal amount which the registered owner is entitled to receive. The Trustee shall before due presentment of registration of transfer treat the registered owner as the person exclusively entitled to payment of principal of, premium, if any, and interest on this Note, and the exercise of all other rights and powers of the owner.

All acts and conditions, required to happen, exist or be performed precedent to and in connection with the issuance of this Note have happened, exist and have been performed.

This Note shall not become obligatory for any purpose or be entitled to any security or benefit under the Indenture or be valid until the Trustee has executed the Certificate of Authentication appearing on this Note.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]



**IN WITNESS WHEREOF**, the Commonwealth Transportation Board has caused this Note to be executed by its Chairman, its seal to be affixed to this Note and attested by its Secretary.

**COMMONWEALTH TRANSPORTATION  
BOARD**

By: \_\_\_\_\_  
Aubrey L. Layne, Jr., Chairman

[SEAL]

ATTEST:

By: \_\_\_\_\_  
F. Gary Garczynski, Secretary

**CERTIFICATE OF AUTHENTICATION**

AUTHENTICATION DATE: December \_\_, 2017

This Note is one of the 2017 Notes described in the within-mentioned Master Indenture, as supplemented by the Fifth Supplemental Trust Indenture dated as of December 1, 2017, between the Commonwealth Transportation Board and U.S. Bank National Association, as Trustee.

**U.S. BANK NATIONAL ASSOCIATION, as  
Trustee**

By: \_\_\_\_\_  
Authorized Officer

**ASSIGNMENT**

**FOR VALUE RECEIVED** the undersigned hereby sell(s), assign(s) and transfer(s) unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_  
\_\_\_\_\_  
  
\_\_\_\_\_  
\_\_\_\_\_

(Please print or type Name and Address, including postal zip code of Transferee)

the foregoing Note and all rights thereunder, hereby irrevocably constituting and appointing \_\_\_\_\_, Attorney to transfer said Note on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
**Registered Owner**

**NOTICE:** The signature above must correspond with the name of the Registered Owner as it appears on the front of this Note in every particular, without alteration or enlargement or any change whatsoever.

**Signature guaranteed:**

(**NOTICE:** The signature of the transferor of this Note must be guaranteed by an institution participating in the Securities Transfer Agent Medallion Program ("STAMP") or similar program.)

Please affix signature guarantee ink stamp below with appropriate signature, title of officer and date:

## **APPENDIX B**

### **DESCRIPTION OF 2017 PROJECT**

1. Route 29/460 – D/B Interchange & Extension (Odd Fellows Road)
2. I-66/Route 15 Interchange Reconstruction
3. Route 95 – Relocation of Interchange at Route 630 with Southbound General Purpose Lane Option Between Exits 143 & 140
4. Route 165 – 6 & 8 Lanes
5. Route 13 – 8 Lanes
6. I-66 Inside the Beltway Initiatives
7. Route 7 Corridor Improvements – Phase 1 and Phase 2
8. Emmet Street Corridor Streetscape & Intersections
9. Route 10 (Bermuda Triangle Road to Meadowville Road)
10. Route 64 – Major Widening
11. I-81 at State Route 75 (Exit 17) Interchange Mod.
12. I-64 Southside Widening & High-Rise Bridge Phase 1
13. Route 29 Widening - Phase II
14. I-95 Auxiliary Lanes (Northbound & Southbound) between Route 288 & Route 10
15. Route 11 S. Valley Pike Roadway Improvements
16. Oddfellows Road Segment B2-Reconstruction

(each as described in the Board's Six-Year Improvement Plan, as amended from time to time)

if any of the foregoing or the related financing plan is delayed, altered, or terminated, such other project or projects as may be designated by the Board and approved by FHWA.

## APPENDIX C

### AMENDMENTS TO MASTER INDENTURE

1. Section 1.1 of the Master Indenture was amended by Article V of the Second Supplemental Indenture by removing the existing definition for "Program Costs" and inserting the following therefor:

*"Program Costs" means costs of the following types, including ongoing expenses of the type described in items (b), (c) and (d):*

*(a) financing costs, including, but not limited to, costs and expenses that an Authorized Board Representative deems necessary or advantageous in connection with the sale of the Notes and the administration of the Notes, the Trust Estate, this Master Indenture and any Supplemental Indenture, including, but not limited to, costs and expenses relating to the engagement of consultants, financial advisors, underwriters, bond insurers, letter of credit banks, rating agencies, attorneys, trustees, paying agents, registrars, remarketing or auction agents, other agents and other Persons in connection with the issuance of the Notes, the Trust Estate, this Master Indenture or any Supplemental Indenture;*

*(b) costs and expenses relating to any Credit Facility entered into in accordance with Section 6.6 hereof, whether initial or ongoing costs and expenses, including the reimbursement of the provider of any Credit Facility as provided in Section 6.6 hereof, unless the reimbursement is treated as a Note Payment pursuant to item (c) of the definition of Note Payments;*

*(c) payments, costs and expenses relating to any Interest Rate Exchange Agreement entered into in accordance with Section 6.6 hereof, whether initial or ongoing payments, costs or expenses, unless such payments are treated as Note Payments pursuant to item (c) of the definition of Note Payments; and*

*(d) arbitrage rebate payments payable to the United States with respect to any of the Notes.*