



# COMMONWEALTH of VIRGINIA

## Commonwealth Transportation Board

W. Sheppard Miller, III  
Chairperson

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*Agenda item #14*

### RESOLUTION OF THE COMMONWEALTH TRANSPORTATION BOARD

July 16, 2024

#### MOTION

Made By: Mr. Davis, Seconded By: Mr. Laird

Action: Motion Carried, Unanimously

#### AUTHORIZING THE ISSUANCE AND SALE OF COMMONWEALTH OF VIRGINIA FEDERAL TRANSPORTATION GRANT ANTICIPATION REVENUE NOTES, SERIES 2024 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$140,000,000

**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 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 principal 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 previously 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**, 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 the 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 specifically identified project or projects to be financed by such 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 Trust Company, National Association, formerly U.S. Bank National Association, as trustee (the “Trustee”);

**WHEREAS**, the Board has the authority to issue 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 “2024 GARVEEs”) and to take such action as may be necessary or advisable in order to effect the issuance and sale of the 2024 GARVEEs;

**WHEREAS**, Section 33.2-1513 of the Virginia Code provides that the net proceeds of the 2024 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 projects to be designated by the Board, and the Board intends that the net proceeds of the 2024 GARVEEs are to be used to pay costs of the projects listed on Schedule 1 to this Resolution (collectively, the “Projects”); 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) an Eighth Supplemental Trust Indenture expected to be dated as of October 1, 2024 (the “Eighth Supplemental Indenture” and together with the Master Indenture, the “Indenture”), between the Board and the Trustee;

(2) a Preliminary Official Statement of the Board related to the offering for sale of the 2024 GARVEEs containing, among other things, information relating to the Commonwealth, the Board, the Virginia Department of Transportation (the “Department”) and the terms of the 2024 GARVEEs to be used in the public offering for sale of the 2024 GARVEEs (the “Preliminary Official Statement”); and

(3) 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 2024 GARVEEs (the “Continuing Disclosure Agreement” and, together with the Eighth Supplemental Indenture and the Preliminary Official Statement, the “Basic Documents”).

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

**1. Authorization of the 2024 GARVEEs.** The Board hereby finds and determines that it is in the best interest of the Commonwealth and the Board for the Board (i) to enter into the Eighth Supplemental Indenture to provide for the issuance of the 2024 GARVEEs, (ii) to issue the 2024 GARVEEs in accordance with the provisions of the Act, the Indenture and the Basic Documents, (iii) to sell the 2024 GARVEEs in the manner provided herein, and (iv) to use a portion of the proceeds of the 2024 GARVEEs to pay costs of the Projects, including such other project or projects as may be designated in a resolution adopted by the Board and approved in writing by FHWA. The issuance and sale of the 2024 GARVEEs within the following parameters is authorized: (i) the aggregate principal amount of the 2024 GARVEEs, including any original issue premium in excess of a de minimis amount as required by Section 2.2-5002.1 of the Virginia Code, shall not exceed \$140,000,000, (ii) the final maturity date of the 2024 GARVEEs shall not exceed 20 years from their date of issuance, and (iii) the aggregate true interest cost of the 2024 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 2024 GARVEEs. The Board hereby finds and determines that the issuance and sale of the 2024 GARVEEs in accordance with this Resolution conforms with the purposes set forth in the Act and the Indenture.

**2. Limited Obligations.** The 2024 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 2024 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 Details of the 2024 GARVEEs.** The Chairperson of the Board (the “Chairperson”) is authorized, subject to the parameters set forth in paragraph 1 of this Resolution, to determine the final terms and details of the 2024 GARVEEs, including, without limitation, the aggregate principal amount, the maturity schedule, the interest rates, the redemption provisions, the sale date, the sale price and the reoffering prices. The Chief Financial Officer of the Department and the Director, Financial Planning Division of the Department (either of whom may act) are authorized to effect the Chairperson’s award of the 2024 GARVEEs. Upon the Chairperson’s determination of the final terms and details of the 2024 GARVEEs, the Chairperson and the Secretary of the Board (the “Secretary”) are authorized (i) to have the 2024 GARVEEs prepared and executed in accordance with the Indenture, (ii) to deliver the 2024 GARVEEs to the Trustee for authentication, and (iii) to cause the 2024 GARVEEs so executed and authenticated to be delivered by the Trustee to the purchaser of purchasers thereof upon payment of the purchase price of the 2024 GARVEEs. Execution and delivery by the Chairperson and the Secretary of the 2024 GARVEEs shall constitute conclusive evidence of the approval of the 2024 GARVEEs and the terms and details thereof by the Chairperson and the Secretary on behalf of the Board.

**4. Sale of the 2024 GARVEEs.** The Chairperson is authorized to sell the 2024 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 2024 GARVEEs by resolution of the Treasury Board. Alternatively, if in consultation with Public Resources Advisory Group, the Board’s financial advisor (the “Financial Advisor”), the Chairperson determines a negotiated sale of the 2024 GARVEEs is in the best interest of the Commonwealth, the Chairperson is authorized to solicit and consider proposals for such sale and to negotiate the terms thereof not inconsistent with the terms of this Resolution with an underwriter or group of underwriters (the “Underwriter”); provided, however, no purchase contract or agreement may be executed prior to the approval of the terms and details of the 2024 GARVEEs by resolution of the Treasury Board. In addition to the Chairperson, any such purchase contract or agreement may be executed and delivered by either of the Chief Financial Officer of the Department or the Director, Financial Planning Division of the Department.

**5. Preliminary Official Statement.** The Preliminary Official Statement in substantially the form presented at this meeting is approved. The Chairperson is authorized, in collaboration with Department staff, Bond Counsel and 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 2024 GARVEEs, as the Chairperson may approve. The Chairperson is authorized to deem the Preliminary Official Statement 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 2024 GARVEEs in accordance with a resolution adopted by the Treasury Board.

**6. Official Statement.** The Chairperson is authorized, in collaboration with Department staff, Bond Counsel and the Financial Advisor, to complete the Preliminary Official

Statement as an official statement in final form (the “Official Statement”) to reflect the provisions of the winning bid or an executed purchase contract, as appropriate, with respect to the purchase and sale of the 2024 GARVEEs. The Chairperson is authorized to execute the Official Statement, which execution shall constitute conclusive evidence of the approval of the Official Statement by the Chairperson on behalf of the Board and that it has been deemed final within the meaning of the Rule. The Department staff is authorized and directed to arrange for delivery of a sufficient number of copies of the Official Statement to the winning bidder or Underwriter, as appropriate, for distribution to each potential investor requesting a copy and to each initial purchaser of the 2024 GARVEEs from the winning bidder or Underwriter, as appropriate, and to the Municipal Securities Rulemaking Board (“MSRB”) via the MSRB’s Electronic Municipal Market Access system. The distribution by the winning bidder or Underwriter of the Official Statement as executed by the Chairperson is authorized.

**7. 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 2024 GARVEEs and to assist the winning bidder or Underwriter, as applicable, in complying with the Rule, all in accordance with the Continuing Disclosure Agreement. The Chairperson is authorized and directed to prepare, execute and deliver the final form of the Continuing Disclosure Agreement, with such completions, omissions, insertions and changes as are necessary or desirable to effect the issuance and sale of the 2024 GARVEEs, as the Chairperson may approve. The Chief Financial Officer of the Department and the Director, Financial Planning Division of the Department (either of whom may act) are designated as the initial Dissemination Agent under the Continuing Disclosure Agreement. Execution and delivery by the Chairperson of the Continuing Disclosure Agreement shall constitute conclusive evidence of the approval of the Continuing Disclosure Agreement by the Chairperson on behalf of the Board.

**8. Eighth Supplemental Indenture.** The Eighth Supplemental Indenture is approved in substantially the form presented at this meeting. The Chairperson is authorized and directed to prepare, execute and deliver the final form of the Eighth Supplemental Indenture with such completions, omissions, insertions and changes as are necessary or desirable to effect the issuance and sale of the 2024 GARVEEs, including without limitation changes to the dated date thereof, as the Chairperson may approve. Execution and delivery by the Chairperson of the Eighth Supplemental Indenture shall constitute conclusive evidence of the approval of the Eighth Supplemental Indenture by the Board.

**9. Authorization of Further Action.** The Department staff is authorized (i) to request the Treasury Board to approve the terms and structure of the 2024 GARVEEs in accordance with Section 2.2-2416(7) of the Virginia Code and the Act, (ii) to request the Governor to approve the issuance of the 2024 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 2024 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 2024 GARVEEs.

The Chairperson is authorized 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 2024 GARVEEs, including, without limitation, the execution and delivery of documents, certificates or instruments that include without limitation (a) agreements or amendments to existing agreements concerning Federal Highway Reimbursements or the GARVEEs generally to account for the 2024 GARVEEs or the proceeds of the 2024 GARVEEs or other GARVEEs in a manner consistent with the intent of this Resolution, and (b) certificates or agreements concerning tax items related to the 2024 GARVEEs, such as: (I) the expected use and investment of the proceeds of the 2024 GARVEEs to show that such expected use and investment will not cause the 2024 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 (II) providing for the computation and payment to the United States of any arbitrage rebate liability under Section 148(f) of the Tax Code. The Chairperson 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 2024 GARVEEs as the Chairperson 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 Chairperson or the Secretary under this Resolution shall also be deemed to be an authorization of or a direction to (i) the Vice-Chairperson 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 Chairperson or the Secretary, respectively, including without limitation the Commonwealth’s Commissioner of Highways or the Chief Financial Officer of the Department.

**11. Effective Date.** This Resolution is effective upon adoption and shall remain in effect for one year after adoption.

## **SCHEDULE 1**

### **List of Projects**

1. Route 58/Holland Road Corridor Improvements
2. Route 95- Relocation of Interchange at Route 630
3. Route 7 Corridor Improvements Phase II
4. Route 277 Widening
5. I-66 Inside the Beltway Initiatives
6. Interchange Construction Route 15/17/29 at Route 15/17/29 Business
7. I-81 Northbound Auxiliary Lane from Exit 141 to 143
8. Route 7 Corridor Improvements – Phase I and Phase II
9. Route 11 S. Valley Pike Roadway Improvements
10. I-81 at State Route 75 (Exit 17) Interchange Modification
11. Route 10 (Bermuda Triangle Road to Meadowville Road)
12. Route 682 Reconstruction
13. 81 Southbound Auxiliary Lane from Exit 143 to 141
14. I-95 Rappahannock River Crossing (Southbound)
15. I-95 Aux Lanes (NB & SB) between Route 288 and Route 10
16. Route 419 & Route 220 Diverging Diamond Interchange
17. Potomac Town Center Commuter Garage
18. Progress Park Connector

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

If any of the foregoing identified projects or the related financing plan is delayed, altered, or terminated, such other project or projects as approved in the Six-Year Improvement Program, as amended from time to time, and approved in writing by FHWA shall be added to this Schedule I and will become eligible for Project-Specific Reimbursements.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER \_\_, 2024

NEW ISSUE  
BOOK-ENTRY ONLY

**Ratings:**  
Fitch: \_\_\_\_\_  
Moody's: \_\_\_\_\_  
S&P: \_\_\_\_\_  
(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 Commonwealth Transportation Board and other persons described herein, interest on the 2024 Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax for individuals. Interest on the 2024 Notes may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that interest on the 2024 Notes is exempt from income taxation by the Commonwealth of Virginia. See the section "Tax Matters" regarding certain other tax considerations.

# Commonwealth Transportation Board

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Commonwealth of Virginia

## Federal Transportation Grant Anticipation Revenue Notes, Series 2024

**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 "2024 Notes"). Selected information is presented on this cover page as a matter of convenience. To make an informed decision regarding the 2024 Notes, a prospective investor should read this Official Statement in its entirety.

<b>Security</b>	The 2024 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 2024 Notes will be issued pursuant to a Master Trust Indenture dated as of February 1, 2012, as previously supplemented and amended, and an Eighth Supplemental Trust Indenture dated as of October 1, 2024, each between the Transportation Board and U.S. Bank Trust Company, National Association, as trustee.
<b>Purpose</b>	The 2024 Note proceeds are being used to pay (i) the costs of certain eligible transportation projects in the Commonwealth and (ii) certain costs related to the issuance of the 2024 Notes. See the sections "Introduction," "GARVEE Notes Program," and "Estimated Sources and Uses of Proceeds of the 2024 Notes."
<b>Interest Rates/Yields</b>	See inside front cover.
<b>Interest Payment Dates</b>	March 15 and September 15, commencing March 15, 2025.
<b>Denomination</b>	\$5,000 or multiples thereof.
<b>Redemption</b>	See inside front cover and the section "The 2024 Notes."
<b>Closing/Delivery Date</b>	On or about October __, 2024*.
<b>Registration</b>	Book-entry only through the facilities of The Depository Trust Company.
<b>Trustee/Paying Agent</b>	U.S. Bank Trust Company, 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.

The 2024 Notes will be awarded pursuant to electronic competitive bidding to be held via BiDCOMP/PARITY® on October 1, 2024,\* unless postponed, as set forth in the Notice of Sale contained in Appendix H to this Official Statement.

Dated: \_\_\_\_\_, 2024

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion and amendment without notice. The 2024 Notes may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2024 Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.



**COMMONWEALTH TRANSPORTATION BOARD**

\$ \_\_\_\_\_<sup>1</sup>

**Commonwealth of Virginia**

**Federal Transportation Grant Anticipation Revenue Notes, Series 2024**

**(Base CUSIP\*\* Number 92778U)**

<u>Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP** Suffix</u>
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**Optional Redemption**

The 2024 Notes maturing on or before September 15, 2034\* are not subject to optional redemption prior to their respective maturity dates. The 2024 Notes maturing on and after March 15, 2035\* are subject to optional redemption, at the sole discretion of the Transportation Board, prior to their maturity on and after September 15, 2034\*, in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the 2024 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 successful bidder elects to combine serial maturities into one or more term bonds in the manner set forth in the Notice of Sale. See "Notice of Sale" in Appendix H hereto.

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<sup>1</sup> Preliminary, subject to change.

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

**COMMONWEALTH TRANSPORTATION BOARD**

W. Sheppard Miller, III, *Chairperson of the Transportation Board and Secretary of Transportation*

E. Scott Kasprowicz, *Vice-Chairman*

Stephen C. Brich	H. Randolph Laird
Darrell R. Byers	Thomas Moore Lawson
Burwell Wayne Coleman	Laura A. Sellers
J. Rex Davis	Raymond D. Smoot, Jr.
Tom Fowlkes	Frederick T. Stant, III
Linda Green	[Zach Trogdon]

**VIRGINIA DEPARTMENT OF TRANSPORTATION**

Stephen C. Brich, *Commissioner of Highways*

Laura Farmer, *Chief Financial Officer*

**OFFICE OF THE ATTORNEY GENERAL**

Jason S. Miyares, *Attorney General*

Chandra Lantz, *Senior Assistant Attorney General/Section Chief*

**TRUSTEE**

U.S. Bank Trust Company, National Association  
Richmond, Virginia

**BOND COUNSEL**

Kutak Rock LLP  
Richmond, Virginia

**FINANCIAL ADVISOR**

Public Resources Advisory Group  
New York, New York

The 2024 Notes are exempt from registration under the Securities Act of 1933, as amended. The 2024 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 2024 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 2024 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. The information presented in this Official Statement has been obtained from the Transportation Board and other sources that are believed to be reliable, but such information is not guaranteed to be accurate or complete and should not be construed as a representation by a source as to the information provided by another source.

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.

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Third parties may engage in transactions that stabilize, maintain or otherwise affect the price of the 2024 Notes, including transactions to (i) over allot in arranging the sales of the 2024 Notes and (ii) make purchases in sales of 2024 Notes, for long or short accounts, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as such third parties may determine. Such stabilization, if commenced, may be discontinued at any time.

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, and as that term is defined in, SEC rule 15c2-12.

CUSIP is a registered trademark of the American Bankers Association (the “ABA”). CUSIP Global Services is managed on behalf of the ABA by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services database. The 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.

## TABLE OF CONTENTS

INTRODUCTION .....	1
GARVEE NOTES PROGRAM .....	3
THE 2024 NOTES.....	4
ESTIMATED SOURCES AND USES OF PROCEEDS OF THE 2024 NOTES.....	6
THE 2024 PROJECT.....	7
SOURCES OF PAYMENT AND SECURITY FOR THE GARVEE NOTES.....	7
RECENT DEVELOPMENTS .....	11
INFORMATION PERTAINING TO THE COMMONWEALTH .....	11
DEBT SERVICE REQUIREMENTS .....	12
DEBT SERVICE COVERAGE .....	13
INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS.....	13
COMMONWEALTH RECEIPTS OF FEDERAL TRANSPORTATION FUNDS .....	25
TRANSPORTATION TRUST FUND .....	25
AUTHORIZED, ISSUED AND UNISSUED BONDS PAYABLE FROM TRANSPORTATION TRUST FUND.....	35
COMMONWEALTH TRANSPORTATION BOARD AND VIRGINIA DEPARTMENT OF TRANSPORTATION .....	38
CERTAIN LEGAL MATTERS .....	40
TAX MATTERS .....	41
LEGALITY FOR INVESTMENT .....	43
LITIGATION .....	43
CERTIFICATE CONCERNING OFFICIAL STATEMENT .....	43
CONTINUING DISCLOSURE.....	43
RATINGS.....	44
SALE AT COMPETITIVE BIDDING.....	45
FINANCIAL ADVISOR.....	45
TRUSTEE.....	45
RELATIONSHIP OF PARTIES .....	45
MISCELLANEOUS.....	45
APPENDIX A: Definitions and Summaries of the Indenture and the Payment Agreement .....	A-1
APPENDIX B: Commonwealth of Virginia, Financial and Other Information .....	B-1
APPENDIX C: Commonwealth of Virginia, Demographic and Economic Information .....	C-1
APPENDIX D: Financial Statements of the Commonwealth of Virginia for the Fiscal Year ended June 30, 2023 .....	D-1
APPENDIX E: Form of Bond Counsel Opinion .....	E-1
APPENDIX F: Continuing Disclosure Undertakings of the Commonwealth Transportation Board and the Commonwealth of Virginia.....	F-1
APPENDIX G: Book-Entry-Only System.....	G-1
APPENDIX H: Notice of Sale.....	H-1

**OFFICIAL STATEMENT**  
**Commonwealth Transportation Board**  
\$ \_\_\_\_\_\*  
**Commonwealth of Virginia**  
**Federal Transportation Grant Anticipation Revenue Notes, Series 2024**

**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 \$ \_\_\_\_\_\* aggregate principal amount of the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2024 (the “2024 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 “Code of Virginia”), 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 2024 Notes**

The issuance of the 2024 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 Code of Virginia (as amended from time to time, the “GARVEE Act”); (ii) the Transportation Development and Revenue Bond Act, Article 4, Chapter 17, Title 33.2 of the Code of Virginia (as amended from time to time, the “Revenue Bond Act”); and (iii) a resolution adopted by the Transportation Board on \_\_\_\_\_, 2024. The 2024 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 an Eighth Supplemental Trust Indenture dated as of October 1, 2024 (the “Eighth Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), each between the Transportation Board and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The 2024 Notes are the eighth series of notes issued by the Transportation Board under the GARVEE Act. See the section “*GARVEE Notes Program.*” The 2024 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 2024 Notes**

The Transportation Board will use the net proceeds of the 2024 Notes to provide for the payment of certain costs of the 2024 Project, as hereinafter defined, and costs related to the issuance of the 2024 Notes. The Transportation Board expects to pay costs associated with approximately [eighteen] transportation projects with the net proceeds of the 2024 Notes (the “2024 Project”). See the section “*The 2024 Project.*”

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\* Preliminary, subject to change.

Pursuant to the Eighth Supplemental Indenture, the Transportation Board will deposit portions of the proceeds of the 2024 Notes into the 2024 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 2024 Notes.”* From time to time, the Transportation Board will requisition funds from the 2024 Notes COI Account or the VDOT Funding Account pursuant to the terms of the Indenture to pay the issuance costs of the 2024 Notes or a portion of the costs of the 2024 Project, respectively.

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

The 2024 Notes are limited obligations of the Commonwealth and the Transportation Board payable solely from and secured by certain federal highway assistance payments received by the Commonwealth 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 2024 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 2024 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 33.2-1524.1 of the Code of Virginia (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 2024 Notes pursuant to the Indenture. In addition, the 2024 Notes are payable from and secured by moneys held in certain funds established under the Indenture. The 2024 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 2024 Notes COI Account and the VDOT Funding Account, are expressly excluded from the Trust Estate and do not secure the 2024 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 2024 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 2024 Notes when due, neither the Trustee nor the registered owners of the 2024 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 2024 Notes and Terms and Structure of the 2024 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 Code of Virginia 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 \_\_\_\_\_, 2024, the Treasury Board adopted a resolution approving the terms and structure of the 2024 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 2024 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 2024 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 Transportation Development and 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, 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 Code of Virginia, 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 selected 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 (“SYIP”). Beginning in 2016, the eligible projects funded by the GARVEE Notes Program are selected through the High Priority Projects Program pursuant to Section 33.2-370 of the Code of Virginia or the Construction District Grant Program pursuant to Section 33.2-371 of the Code of Virginia. The Virginia Secretary of Transportation must ensure that available GARVEE proceeds are allocated to projects in these program areas (Chapter 2, 2018 General Assembly Special Session I, Item 433.11.). Other state and federal funding sources are also provided to these program areas. Beginning on July 1, 2024, the Interstate Operations and Enhancement Program became eligible to receive GARVEE Notes (Chapter 2, 2024 General Assembly Special Session I, Item 420.B.10).

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 eligible 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 set forth in the Code of Virginia.

The Interstate Operations and Enhancement Program was established to improve the safety, reliability, and travel flow along interstate highway corridors in the Commonwealth. The Board may use funds in the GARVEE Notes Program to address identified needs in the Statewide Transportation Plan pursuant to § 33.2-353 or an interstate corridor plan approved by the Transportation Board through (i) operational and transportation demand management strategies and (ii) other transportation improvements, strategies, or services.

### **Memorandum of Agreement**

The Transportation Board, FHWA and the Virginia Department of Transportation (“VDOT”) have entered into a Memorandum of Agreement as amended and dated August 21, 2017 (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 debt service costs. The MOA currently includes FHWA’s agreement to pay costs of the 2024 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 2024 Notes. See the section “*Debt Service Requirements*” for the annual debt service requirements on the Outstanding Notes.

<u>Series of GARVEE Notes Outstanding</u>	<u>Issue Date</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount as of September 15, 2024*</u>
Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2016 (the “2016 Notes”)	November 9, 2016	\$316,930,000	\$178,140,000
Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue and Refunding Notes, Series 2017 (the “2017 Notes”)	December 7, 2017	\$483,000,000	\$312,490,000
Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2018 (the “2018 Notes”)	December 5, 2018	\$75,750,000	\$52,455,000
Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2020 (the “2020 Notes”)	September 22, 2020	\$100,760,000	\$80,765,000
<b>Total:</b>		<b>\$976,440,000</b>	<b>\$623,850,000</b>

\* Excludes the September 15, 2024 principal payments.

The Transportation Board does not expect to issue additional GARVEE Notes in 2024, 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.

Under the GARVEE Act, the Transportation Board was authorized to issue Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes (“FRANs”), and the pledge of Federal Highway Reimbursements to the payment of any of the GARVEE Notes, was expressly made subordinate to the pledge of Federal Highway Reimbursements securing outstanding FRANs. The final maturity for FRANs was September 28, 2015, and there are no longer any FRANs outstanding. The authority of the Transportation Board to issue additional FRANs expired on July 1, 2011, and the Master Indenture prohibits the granting of any additional liens on the Revenues senior to the lien securing the GARVEE Notes.

## THE 2024 NOTES

### Description of the 2024 Notes

The 2024 Notes will be issued as fully registered obligations in book-entry form. The 2024 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, 2025, 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 2024 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 2024 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 2024 Notes. For so long as the 2024 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 2024 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 2024 Notes.

The 2024 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 2024 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 2024 Notes of the same Series, maturity and initial rate of any other authorized denominations. For every exchange or transfer of 2024 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 2024 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 Eighth Supplemental Indenture. So long as 2024 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 2024 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 2024 Notes maturing on or before [September 15, 2034]\* are not subject to optional redemption prior to their respective maturity dates. The 2024 Notes maturing on and after [March 15, 2035]\* are subject to redemption prior to their maturity at the option of the Transportation Board on and after [September 15, 2034]\*, in whole or in part at any time, in whole multiples of \$5,000, and if in part from the maturities of the 2024 Notes as the Transportation Board shall determine and from any of the 2024 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 2024 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 successful bidder elects to combine serial maturities into one or more term bonds in the manner set forth in the Notice of Sale. See “Notice of Sale” in Appendix H hereto.

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

If less than all of the 2024 Notes are called for optional redemption, the maturities of the 2024 Notes to be redeemed will be called in such order as the Transportation Board may determine. If less than all of the 2024 Notes of any maturity are called for optional or mandatory redemption, the 2024 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, 2024 Notes 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 2024 Note for such purpose.

### **Notice of Redemption**

Notice of the call for any redemption, identifying the 2024 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 2024 Notes, to the substitute securities depository, or if none, to each registered owner of the 2024 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

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\* Preliminary, subject to change.

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 2024 Notes at the option of the Transportation Board there shall not have been deposited with the Trustee moneys sufficient to redeem all the 2024 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 2024 Notes called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such 2024 Notes in accordance with the Indenture are on deposit with the Trustee. If such moneys are not available on the redemption date, such 2024 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 2024 Notes called for redemption at the place or places of payment, such 2024 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 2024 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 2024 NOTES**

Set forth below are the amount and components of the proceeds of the sale of the 2024 Notes and the application of such proceeds on the date of delivery of the 2024 Notes:

**Sources:**

Principal Amount of 2024 Notes

Original Issue Premium

Total

\_\_\_\_\_

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**Uses:**

Deposit to VDOT Funding Account (for the 2024 Project)

Deposit to 2024 Notes COI Account (for the Costs of Issuance)

Underwriters' Discount

Total

\_\_\_\_\_

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## THE 2024 PROJECT

The Transportation Board expects to use the proceeds of the 2024 Notes to pay a portion of costs associated with the transportation projects set forth below.

- Route 58/Holland Road Corridor Improvements
- Route 95- Relocation of Interchange at Route 630
- Route 277 Widening
- Interchange Construction Route 15/17/29 at Route 15/17/29 Business
- Route 7 Corridor Improvements Phase I and Phase II
- Route 10 (Bermuda Triangle Road to Meadowville Road)
- I-95 Rappahannock River Crossing (Southbound)
- I-95 Aux Lanes (NB & SB) between Route 288 and Route 10
- Route 419 & Route 220 Diverging Diamond Interchange
- Route 7 Corridor Improvements Phase II
- Route 11 S. Valley Pike Roadway Improvements
- I-66 Inside the Beltway Initiatives
- I-81 Northbound Auxiliary Lane from Exit 141 to 143
- I-81 at State Route 75 (Exit 17) Interchange Modification
- Route 682 Reconstruction
- I-81 Southbound Auxiliary Lane from Exit 143 to 141
- Potomac Town Center Commuter Garage
- Progress Park Connector

In the event that any component of the 2024 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 2024 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 2024 Notes that were expected to be used to pay certain costs of the 2024 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*.”

## SOURCES OF PAYMENT AND SECURITY FOR THE GARVEE NOTES

### Limited Obligations; Security and Sources of Payment

The GARVEE Notes, including the 2024 Notes, are payable, subject to appropriation by the General Assembly, from the Revenues (as herein defined), which are comprised of (i) first, 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) then, such other funds, if any, 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 2024 Notes pursuant to the Indenture. In addition, the 2024 Notes are payable from and secured by moneys held in certain funds established under the Indenture. The 2024 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 2024 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 2024 Notes COI Account and the VDOT Funding Account, are expressly excluded from the Trust Estate and do not secure the 2024 Notes. See Appendix A, “*Definitions and Summaries of the Indenture and the Payment Agreement*.”

The 2024 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 2024 Notes when due, neither the Trustee nor the registered owners of the 2024 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 multi-year authorizing legislation. The current legislative authorization was provided by “Infrastructure Investments and Job Act,” (the “IIJA”) enacted on November 15, 2021. In total, the IIJA authorizes \$350.8 billion in highway spending through September 30, 2026. Currently, the IIJA 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 2024 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 Code of Virginia, 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.”*

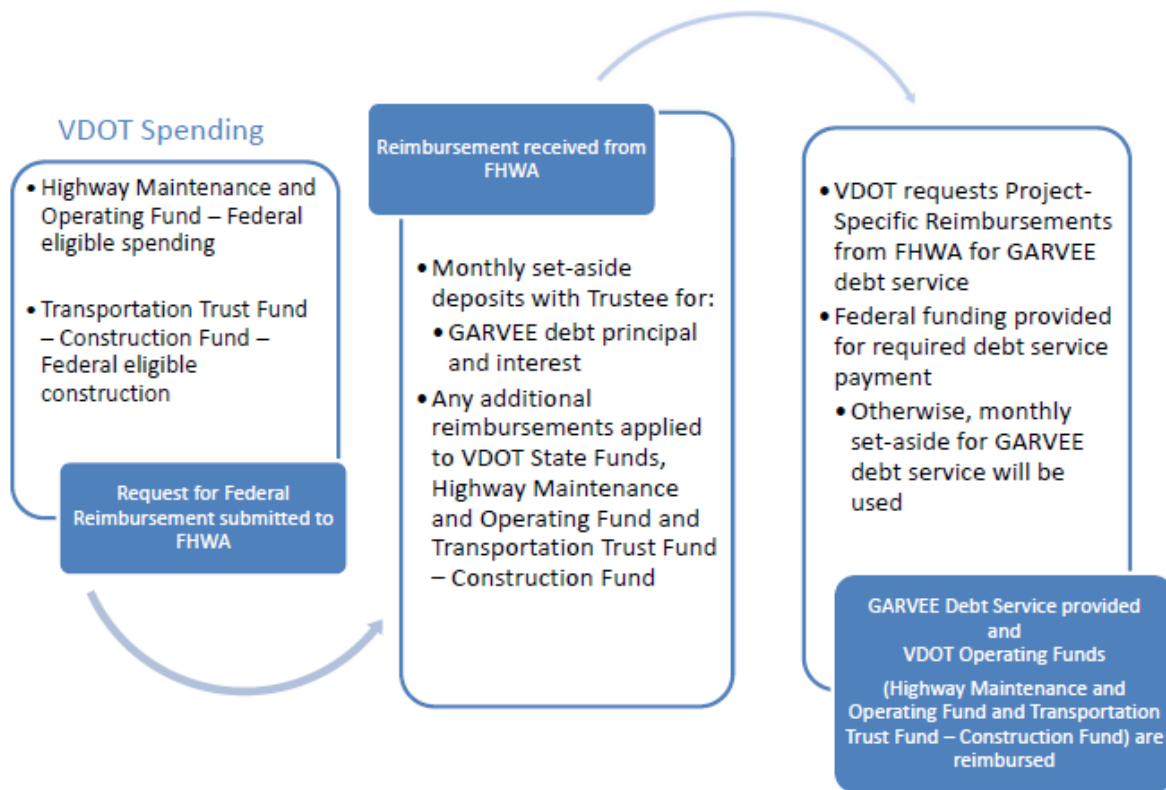
Pursuant to the Master Indenture, the Transportation Board has agreed, to the extent permitted by law, to maintain the Federal Fund and the deposit of Federal Highway Reimbursements therein, including both the Project-Specific Reimbursements and the Indirect Reimbursements. As more specifically described below, all Federal Highway Reimbursements constitute a portion of the Revenues pledged to the payment of the 2024 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 2024 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 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 2024 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 funds to cover debt service on the GARVEE Notes for that year as the first obligation of the year, 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 2024 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 2024 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 the obligation of funds sufficient to make the payments on the GARVEE Notes and Program Costs coming due in that FFY prior to obligating funds for Federal Highway purposes. 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 funds are obligated for Federal Highway Reimbursements 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 2024 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 Code of Virginia 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.

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 Code of Virginia, 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 Available for Debt Service**

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.*”

#### **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. Chapter 2 (the “2024 Appropriation Act”), includes appropriation of \$133.7 million in Fiscal Year 2025 and \$145.5 million in Fiscal Year 2026 in Item 443 for anticipated debt service payments on the GARVEE Notes, including the 2024 Notes. See Appendix A, “*Definitions and Summaries of the Indenture and the Payment Agreement.*”

### **RECENT DEVELOPMENTS**

[UPDATE]

### **INFORMATION PERTAINING TO THE COMMONWEALTH**

Appendices B and C attached hereto contain, respectively, certain financial and demographic/economic information pertaining to the Commonwealth. Appendix D attached hereto contains the comprehensive financial statements of the Commonwealth for its fiscal year ended June 30, 2023.

**The financial and operating data concerning the Commonwealth contained in this Official Statement, and in particular Appendices B and C attached hereto, are as of the dates and for the periods indicated.**

## DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts needed in each Fiscal Year for payment of principal of and interest on the Outstanding Notes and the 2024 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.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Outstanding</u> <u>GARVEE Notes</u> <u>Debt Service</u>	<u>2024 Notes</u> <u>Principal</u>	<u>2024 Notes</u> <u>Interest</u>	<u>2024 Notes</u> <u>Debt Service</u>	<u>Total Fiscal</u> <u>Year</u> <u>Debt Service</u>
2025 <sup>(1)</sup>	\$ 127,143,600	\$	\$	\$	\$
2026	127,144,050				
2027	127,039,675				
2028	108,896,550				
2029	78,322,675				
2030	66,045,550				
2031	66,037,925				
2032	50,806,175				
2033	26,141,775				
2034	13,108,700				
2035	9,498,500				
2036	4,753,200				
2037	-				
2038	-				
2039	-				
2040	-				
Total	<u>\$804,938,375</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

<sup>(1)</sup> Includes debt service payment to be made on September 15, 2024.

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## DEBT SERVICE COVERAGE

The following table compares annual debt service on the Outstanding Notes and the 2024 Notes to the Commonwealth's average annual Federal Highway Reimbursements over the period FFY 2012 through 2023. 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.*"

Fiscal Year Ending June 30	Outstanding GARVEE Notes Debt Service	2024 Notes Debt Service	Average Historical Federal Highway Reimbursements (FFYs 2012-2023)	Coverage Ratio
2025 <sup>(1)</sup>	\$127,143,600	\$	\$1,214,980,000	x
2026	127,144,050		1,214,980,000	
2027	127,039,675		1,214,980,000	
2028	108,896,550		1,214,980,000	
2029	78,322,675		1,214,980,000	
2030	66,045,550		1,214,980,000	
2031	66,037,925		1,214,980,000	
2032	50,806,175		1,214,980,000	
2033	26,141,775		1,214,980,000	
2034	13,108,700		1,214,980,000	
2035	9,498,500		1,214,980,000	
2036	4,753,200		1,214,980,000	
2037	-		1,214,980,000	
2038	-		1,214,980,000	
2039	-		1,214,980,000	
2040	-		1,214,980,000	

Source: Virginia Department of Transportation

<sup>(1)</sup> Includes debt service payment to be made on September 15, 2024.

## 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 the 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, including the National Highway Performance Program, the Highway Safety Improvement Program, and the Surface Transportation Block Grant Program. The FHWA is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. The FAHP is primarily funded by transportation user-related revenues that are 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. Since 2008, Congress has passed a number of laws that have transferred amounts from other

sources to ensure that the FHTF could promptly pay its bills when due. The majority of these funds have come from the general fund of the United States Treasury. See the subsection “*The Federal Highway Trust Fund*” below.

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 an approved project. With few exceptions, the federal government does not pay for the entire cost of a federal-aid project. Federal reimbursements are typically matched with state and/or local funds allocated to the project. The maximum federal share of funding is specified in the federal legislation authorizing the program. Most projects have an 80% base federal share, while interstate construction and highway safety and maintenance projects typically have been funded with a 90% base federal share. The act of obligation commits the federal government to reimburse expenditures on the project up to a predetermined matching share.

The present FAHP continues to reimburse a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that:

- the FAHP is based on dedicated revenues from a user-tax source deposited in a dedicated trust fund (the FHTF). Further;
- the budget and contract authority of the FHWA is typically established by a multi-year authorization act rather than annually through appropriation acts. As a result,
- contract authority is not at risk during the annual appropriations process, as authorized amounts are available for obligation according to the provisions of the authorization act (in this case, the IJA), although an appropriations act is required in order to liquidate obligations. Accordingly, a lapse in annual appropriations would not typically be expected to disrupt operations of the FHWA. This is in contrast to most other federal programs that require appropriated budget authority, and therefore need both an authorization act and appropriations act before any funds can be obligated. As such, the failure of Congress to enact an annual appropriation prior to the start of a Federal Fiscal Year, which would result in a “government shutdown,” typically does not impact FHWA operations. Further, FHWA in the past has typically maintained sufficient liquidated cash to continue operations due a lapse in annual appropriation.

Funding under the FAHP is provided to states through a multi-step funding cycle that includes: (i) a multi-year authorization by Congress of the funding for various highway programs; (ii) the apportionment and allocation of funds to the states each FFY according to statutory formulas or, for certain funding categories, through administrative action; (iii) the obligation of funds, which is the federal government’s commitment to pay or reimburse states for the federal share of an approved project’s eligible costs; (iv) appropriations acts by Congress specifying the amount of funds available for that year to liquidate obligations; (v) program implementation which covers the programming and authorization phases; and (vi) the 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.

Title 23 of the United States Code, entitled “Highways,” includes many of the laws that govern the FAHP. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and that need not be reenacted each time the FAHP is reauthorized. These provisions may be considered for amendment by Congress when and if the FAHP is reauthorized. Reauthorization has tended to be evolutionary, with a moderate number of sections of Title 23 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. Any changes in law, regulation or policy or any decrease in revenues at the federal level may materially and adversely affect the availability of Federal Highway Reimbursements in the future. There can be no assurance that there will not be any such future changes in law, regulation, policy, or the availability of revenues at the federal level which may materially and adversely affect the future availability of Federal Highway Reimbursements to pay debt service on the 2024 Notes and any other GARVEE Notes.**

## Authorization

**Generally.** The FAHP is required to be periodically reauthorized by Congress and has historically been authorized under multi-year authorizing legislation. The most recent multi-year authorizing legislation, entitled the “Infrastructure Investment and Jobs Act,” or IJJA, enacted November 15, 2021, provides for the funding of the FAHP with highway user fees through FFY 2026.

**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 when Congress fails to enact reauthorizing 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, “Obligation Authority” or “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. Examples of the two mechanisms in particular that have kept federal revenues flowing include:

Access to Unobligated Balances: The 1987 Surface Transportation and Uniform Relocation Assistance Act (“STURAA”) expired on September 30, 1991 and the Intermodal Surface Transportation Efficiency Act (“ISTEA”) was not enacted until December 18, 1991. For nearly three months between the expiration of STURAA and the enactment of ISTEA, the FHWA was able to act administratively to keep federal-aid funding flowing because states were able to use their unobligated balances to provide contract authority to use new OA. See the subsection “*Federal Aid Funding Procedures – Unobligated Balances.*”

Short-Term Authorization: ISTEA expired on September 30, 1997, and until the passage 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 the passage of an appropriations act plus access to their unobligated balances. On November 13, 1997, Congress enacted 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 that 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 of their normal annual OA levels and an authorization act is not required to 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 the passage of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (“SAFETEA-LU”) on August 10, 2005, Congress passed twelve authorization extension acts that reauthorized the FAHP through May 31, 2005 and, through the 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 ten authorization extension acts that reauthorized the FAHP through June 30, 2012. On July 6, 2012, Congress passed the Moving Ahead for Progress in the 21<sup>st</sup> Century Act (“MAP-21”), which provided funding for the FAHP through September 30, 2014, and following the expiration of MAP-21, Congress used a series of five short-term authorizations to provide funding for the FAHP until the enactment of the Fixing America’s Surface Transportation Act (the “FAST Act”) on December 4, 2015, which reauthorized the FAHP through FFY 2022. On September 30, 2020, Congress enacted the Continuing Appropriations Act, 2021 and Other Extensions Act (HR 8337) (the “Continuing Resolution”), to provide appropriations for the FAHP through December 11, 2020 and to extend the FAST Act for an additional year, through September 30, 2021. The Continuing Resolution also provided an additional \$13.6 billion in funding to the FHTF in order to preserve its solvency and to maintain current funding levels. Between the end of the FAST Act and passage of the IJJA (the current authorization), Congress passed several continuing resolutions.

**Although measures have been taken by Congress and/or 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, in trust, dedicated highway-user revenues that are used for reimbursement of a 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. The FHTF is required under current federal law to maintain a positive balance to ensure that prior commitments for the distribution of federal revenues can be met.

**Revenue Sources.** 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 on gasoline and 21.44 cents per gallon out of the current 24.4 cents per gallon tax on diesel, go to the Highway Account, with the remainder deposited to the Mass Transit Account.

**History of Highway Account Balances.** At least since 2007, the Congressional Budget Office ("CBO") has, from time to time, reported or testified that if Congress adhered to the highway and safety spending levels which it had authorized, absent other measures, the Highway Account of the FHTF would go into deficit within a year or two after such report or testimony was presented. As part of the testimony provided on May 18, 2021, concerning the status of the FHTF and the options for financing highway spending, CBO stated that for more than a decade, the revenues credited to the Highway Account of the FHTF have fallen short of federal spending on highways, prompting transfers from the general fund of the United States Treasury to make up the difference.

The table below sets forth the balances in the Highway Account from FFY 2015 through FFY 2023 and as of April 30, 2024:

**HIGHWAY ACCOUNT BALANCE**  
**Federal Fiscal Years 2015 through 2024<sup>(1)</sup>**  
**(in Billions)**

Federal Fiscal Year Highway Account	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Opening Balance</b>	\$11.376	\$9.040	\$51.436	\$41.443	\$32.605	\$24.652	\$12.621	\$14.264	\$98.913	\$89.649
<b>Receipts</b>										
Net Tax Receipts	35.740	36.062	35.699	37.265	38.267	37.458	37.933	40.865	37.358	20.560
Interest Income	0.001	0.092	0.281	0.543	0.621	0.145	0.008	0.728	4.205	2.669
Other Receipts	6.092 <sup>(2)</sup>	52.119 <sup>(3)</sup>	0.128 <sup>(4)</sup>	0.120 <sup>(5)</sup>	0.098	0.107	10.505	90.019 <sup>(6)</sup>	0.081	0.009
<b>Total Receipts</b>	<b>41.834</b>	<b>88.274</b>	<b>36.108</b>	<b>37.928</b>	<b>38.985</b>	<b>37.710</b>	<b>48.445</b>	<b>131.611</b>	<b>41.645</b>	<b>23.238</b>
<b>Transfers</b>										
To Mass Transit Account	1.246	1.170	1.175	1.700	1.401	1.615	1.200	1.000	1.200	0.800
From Mass Transit Account	0.029	0.078	0.052	0.066	0.069	0.058	0.115	0.115	0.135	0.059
<b>Outlays</b>	<b>42.952</b>	<b>44.786</b>	<b>44.977</b>	<b>45.132</b>	<b>45.607</b>	<b>48.265</b>	<b>45.717</b>	<b>46.350</b>	<b>50.157</b>	<b>26.375</b>
<b>Receipt Account</b>	--	--	--	--	--	0.080	--	0.273	0.313	0.026
<b>Closing Balance</b>	<b>\$9.040</b>	<b>\$51.436</b>	<b>\$41.443</b>	<b>\$32.605</b>	<b>\$24.652</b>	<b>\$12.621</b>	<b>\$14.264</b>	<b>\$98.913</b>	<b>\$89.649</b>	<b>\$85.796</b>

Source: Federal Highway Administration Table FE-1 as of April 2024. Totals may not sum due to rounding.

- (1) Each Federal Fiscal Year from 2015-2023 is October 1 through the following September 30, except for 2024, the period is from October 1, 2023 through April 30, 2024. *[2024 to be updated prior to posting.]*
- (2) Includes a transfer of \$6.068 billion to the Highway Account from the General Fund pursuant to P.L. 114-41.
- (3) Includes transfers of \$51.9 billion to the Highway Account from the General Fund pursuant to Section 31201 of P.L. 114-94 and \$100.0 million to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to Section 31203 of P.L. 114-94.
- (4) Includes a transfer of \$100 million (reduced to \$93,100,000 by a sequester) to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to Section 31203 of P.L. 114-94.
- (5) Includes a transfer of \$100 million (reduced to \$93,100,000 by a sequester) to the Highway Account from the Leaking Underground Storage Tank Trust Fund pursuant to Section 31203 of P.L. 114-94.
- (6) Includes a transfer of \$118 billion to the Highway Account from 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 by Congress periodically. The life of the FHTF has been extended several times since its inception, most recently by the IIJA, which (i) reauthorized imposing most taxes dedicated to the FHTF through September 30, 2028, (ii) allocated the resulting revenues to the FHTF, and (iii) extended authority to expend funds from the Highway Account of the FHTF for programs under the IIJA and previous authorization acts through September 30, 2028. The FHTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

Amounts in the FHTF can be affected by the rate of expenditure of money in the fund as well as a number of revenue-impacting factors. One significant factor is the decline in vehicle miles traveled since 2007, which impacts revenue from gasoline and diesel sales. In response to shortfalls predicted by the CBO as well as other governmental entities, Congress transferred from the federal General Fund to the FHTF in Federal Fiscal Years 2013-2016 and 2021, an aggregate total of approximately \$91.9 billion, of which approximately \$13 billion was provided to the Mass Transit Account within the FHTF. The IIJA provided an additional \$118 billion in federal General Fund transfers to the FHTF to support the programs over the five-year life of the IIJA. Intragovernmental transfers have also been authorized from the Leaking Underground Storage Tank Trust Fund. The CBO assumes that spending from the FHTF will continue to be controlled by limitations on obligations set in appropriation acts.

**FHTF Revenue Projections.** Since 2008, Congress has authorized a series of transfers to the FHTF to avoid delaying payments to state and local governments. The IIJA authorized the latest transfer of \$118 billion, largely from the general fund of the United States Treasury, to the FHTF in November 2021 to maintain the fund's solvency and

cover estimated revenue shortfalls through at least Federal Fiscal Year 2026. Including the transfer under the IIJA, transfers into the FHTF since 2008 have totaled over \$275 billion.

The IIJA extended the taxes that are credited to the FHTF through September 30, 2028. The primary source of funds in the FHTF is federal excise taxes on the consumption of motor fuels, the use of certain kinds of vehicles, and retail sales of trucks, trailers, and truck tires. Annual receipts from these taxes are projected to decrease slightly each year from 2024 to 2034, with receipts estimated to range between approximately \$43 billion in 2024 to \$35 billion in 2034. Gasoline consumption is expected to decline because improved fuel economy (spurred by increases in the federal government’s fuel-economy standards) and increasing use of electric vehicles are expected to more than offset the increase in the number of per capita miles driven due to population growth. Increased fuel economy is also expected to reduce the consumption of diesel fuel over the next ten years.

In the latest baseline projections prepared in February 2024, CBO predicts that, assuming that the obligations paid from the FHTF increase at the rate of inflation, the balance in both the Highway Account and the Mass Transit account of the FHTF will be exhausted in Federal Fiscal Year 2028. The CBO estimates that in Federal Fiscal Year 2029, the first year after the projected exhaustion of the FHTF, spending from the fund would be 44% below the amounts in the baseline projections and the gap between revenues and spending in the FHTF would continue to increase each year, resulting in a projected 51% spending reduction by 2034. Under current federal law, a positive balance is required to be maintained in the FHTF to ensure that the prior commitments for the 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 IIJA expires, which may impact the availability of federal transportation funds to pay debt service on the 2024 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 or if any of these proposals are enacted, that they will provide sufficient funding to eliminate projected FHTF deficits.**

The FHWA operates under the contract authority authorized by the IIJA, and accordingly, any lapse in annual appropriations does not materially disrupt operations. Thus, the failure of 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 in the event of 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*.”

The FHTF was not among the discretionary funding sources affected by the federal government shutdown from December 22, 2018 through January 25, 2019. In the absence of an appropriations act or a continuing resolution, the overall limitation on obligations was based on the levels authorized in the FAST Act. As a result, FHWA did not shut down and there was no lapse in FAHP reimbursements to the states. VDOT received all FAHP reimbursements requested during this period.

The United States Treasury Offset Program (the “TOP”) is administered pursuant to the Debt Collection Improvement Act of 1996 (the “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. Under the DCIA, “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. *[VDOT to update/edit]* In the last five years, VDOT had five offset actions totaling \$116,425.20 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.]

## Federal Aid Funding Procedures

There are several major steps in reimbursing state expenditures under the FAHP. The authorization step establishes overall spending authority for federal highway funding. The next step, obligation, is the process through which states make use of, or “obligate,” the contract authority that has been apportioned or allocated to them in the authorization process. The final step, program implementation, is the receipt of federal funds by states.

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 by Congress 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 under the IIJA ends on September 30, 2026.

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 the states. Typically, federal programs operate using appropriated budget authority, which means that funds, although authorized, will not be available until the passage of an appropriations act. However, most programs within the FAHP do not require this two-step process. Through “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 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 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 of the FAHP will not lapse. See the subsection “*Authorization – Lapsing of Authorization.*”

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

**Apportionments.** The distribution of funds using a formula provided by law is called an apportionment. Most federal-aid highway funds are distributed to states through apportionments. Each FFY, the FHWA has responsibility for apportioning the authorized funding for the various highway programs under the FAHP among the states according to formulas established in the authorizing act. 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 statutorily mandated distribution formula. 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, federal-aid highway apportionments are available for three years plus the year that they are apportioned. Consequently, when new apportionments or allocations are made, the new 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 required 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) during a specific time period. See "*Obligation Ceiling*" below.

Once Congress establishes an overall obligation limitation, FHWA distributes Obligation Authority 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 these 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 a state does not use all available OA in a FFY, the unused balance will be redistributed to other states to ensure that the total limitation nationwide will be used. A state may receive additional OA through a redistribution process each August that reallocates OA from states or programs unable to obligate fully their share of OA for the year to other states that are able to obligate more than their initial share of OA (this process is known as "August Redistribution"). The Commonwealth typically uses all of its OA in each FFY and typically receives additional OA that has been redistributed by FHWA. See "*Commonwealth Receipts of Federal Transportation Funds*" for Virginia's OA, apportionments and total Federal Aid Revenues received in prior FFYs.

**Obligation Ceiling.** Unlike most other federal programs, most of the FAHP does not receive budget authority through appropriations acts. Instead, 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 ceiling is the amount of authorized funding that Congress allows states to obligate in any given 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 total amount of funds that can be used by a state. 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 obligation limitation to transfer among certain apportioned highway programs. Certain amounts 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 will be carried forward into the subsequent FFY and is available for use by the state, contingent upon the availability of Obligation Authority issued in such FFY. Typically, if a state does not obligate a particular year's funding within the period of availability, the state's authority to obligate any remaining amount of funding lapses. VDOT has been successful in obligating its full amount of Obligation Authority and the additional Obligation Authority made available to it through the annual process of redistributing federal funds from the states and programs that are unable to utilize all of their Obligation Authority.

**Unobligated Balances.** Because congressional authorization of federal-aid highway revenues represents a commitment to make all authorized revenues available to the states for highway purposes, any shortfall between the limit on Obligation Authority created through the annual appropriations process and the amount of contract authority apportioned and allocated to the states does not disappear. Instead, the difference between obligation limitations and authorization levels creates what are known as "unobligated balances."

Although most federal-aid apportionments lapse after four years, this rarely happens with apportioned highway revenues because old apportionments are always spent before new apportionments. That is, when a state receives new apportionments and Obligation Authority at the beginning of a FFY, obligations are first made against remaining prior year apportionments and allocations until such amounts are depleted. The net effect of this process, in conjunction



with the year-to-year establishment of obligation limitations, has been that states have amassed considerable unobligated balances.

As explained above, these unobligated balances permit the FAHP to continue to fund state highway projects during periods when Congress fails to enact reauthorization legislation before the expiration of the previous authorization period. During such periods, the unobligated balances allow states to continue to fund their programs for several months, or even longer, after an authorization act has expired.

***Rescission of Unobligated Balances.*** Congress took ten separate actions to reduce previously authorized spending levels, between FFYs 2006 through 2011 by issuing rescissions. Additionally, Congress took action to rescind, on June 30, 2017, \$857 million of unobligated balances of federal-aid highway funds apportioned to the states pursuant to the Department of Transportation Appropriations Act, 2017, title I of division K, Public Law 115-31. 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 \$461.93 million, which was applied to reduce any unobligated apportionment balances for prior years. Section 1438 of the FAST Act had mandated that on July 1, 2020, \$7.569 billion in unobligated balances of certain federal highway funds apportioned to the states and the District of Columbia be rescinded. However, legislation enacted by Congress in November 2019 repealed the scheduled rescission. Future rescissions are possible and may have an 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 upon expected apportionments. Although future rescissions could be large enough to impact the Commonwealth's use of its 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 2024 Project may be reduced. See the section "*Sources of Payment and Security for the GARVEE Notes.*"

***Program Implementation.*** The final step in the overall federal-aid highway funding process occurs after authorized revenues have been distributed to the states and after states have had the opportunity to obligate such revenues. Once federal-aid highway revenues have been authorized and obligated, states must develop highway programs that describe, at a project-by-project level, exactly how its federal reimbursements for a project will be earned. Generally, the process of developing and implementing these state highway programs has three broad stages: (i) Budgeting, (ii) Planning and Programming, and (iii) Fiscal Management and Federal Highway Reimbursements. Each stage helps ensure that states develop highway programs that match funding availability and that the FHWA is able to distribute federal reimbursements to states in a timely manner.

**Budgeting.** Budgetary information about the availability of state and federal funding is crucial to the development of state highway programs. Projected state and federal funding levels are used to budget transportation needs. Consequently, state transportation budget officials track the availability of funding and develop forecasts of future state and federal revenues. States must estimate the availability of short and long-term state and federal funding in order to plan their highway programs and will use the information as a guide for long-range planning and a strict constraint on short-term programming.

**Planning and Programming.** The budget process, particularly the identification of available funding, provides the context for transportation planning and programming. The long-range planning process provides a big-picture perspective of anticipated projects needs regionally across the state. 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 four-year Statewide Transportation Improvement Program ("STIP") that lists all projects proposed for financing in that four-year period. The STIP must be approved by FHWA and Federal Transit Administration ("FTA").

**Fiscal Management and Federal Highway Reimbursements.** 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 joint FHWA/FTA regulations for Statewide and Metropolitan Transportation Planning at 23 CFR 450. 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 SYIP, which provides the basis for the STIP. The SYIP summarizes current estimated costs for all projects and all phases for the next six years. Total available resources are based on best estimates of Federal Aid Revenues and state revenues. Within the STIP for Federal Fiscal Years [2024 through 2026], as well as in the draft STIP for Federal Fiscal Years [2026 through 2029], debt service on the Series 2024 Notes will be included as an anticipated expenditure supported by eligible federal aid highway reimbursements.

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 or categories 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 OA and also sets aside an equivalent amount of apportionments by program. Accordingly, the state must have sufficient OA 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 [October 3, 2019.] 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 some or all of the federal funds planned to pay for the project. The state will provide the up-front financing for the project and then at a later date “convert” the AC balance 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 bill 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 2012 through FFY 2023. The ability to pay the 2024 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, FAST Act and IIJA Federal Fiscal Years 2012 Through 2023

<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>
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
2017	1,047	985	1,173
2018	1,071	992	1,039
2019	1,099	992	1,172
2020	1,121	1,003	902
2021	1,114	1,003	1,047
2022	1,348	1,191	1,565
2023	1,375	1,165	1,268
Totals 2012 – 2023 <sup>(1)</sup>	<u>\$13,139</u>	<u>\$12,086</u>	<u>\$14,580</u>
Annual Average 2012 – 2023 <sup>(1)</sup>	<u>\$1.095</u>	<u>\$1.007</u>	<u>\$1.215</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, including the support of transportation bond programs described in the section "Authorized, Issued and Unissued Bonds Payable from Transportation Trust Fund." From the effective date of the 1986 Special Session Acts through Fiscal Year 2020, the Transportation Trust Fund was funded primarily from a base of revenues derived from the retail sales and use tax, motor vehicle fuels tax and motor vehicle related taxes and fees. As described below, Chapter 1230 of the Acts of the General Assembly of the Commonwealth of Virginia, 2020 Regular Session ("Chapter 1230") effected numerous changes in the

Commonwealth’s transportation funding system commencing in Fiscal Year 2021. See the subsection below “Chapter 1230 and the Commonwealth Transportation Fund.”

The following table summarizes the actual Transportation Trust Fund revenues for Fiscal Years 2016 through 2020. Historical receipts of the Transportation Trust Fund may not be indicative of future receipts, particularly because of the changes related to Chapter 1230. In addition, the information below includes data for periods prior to the outbreak of COVID-19 and should not be relied upon as representing revenue amounts or trends that may be available in future years.

**Total Transportation Trust Fund Revenues – All Modes (Before Chapter 1230)**  
(in millions)<sup>1</sup>

<b>Fiscal Year:</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Retail Sales and Use Tax	\$723.7	\$743.3	\$751.3	\$786.4	\$813.9
Motor Vehicle Sales and Use Tax <sup>2</sup>	265.4	275.4	272.8	285.9	269.9
Motor Fuels Taxes <sup>3</sup>	138.9	138.6	136.5	136.5	136.9
Motor Vehicle Registration Fees <sup>4</sup>	21.6	22.2	21.6	22.5	41.3
Recordation Tax <sup>5</sup>	29.5	48.1	47.8	47.1	59.7
Investment Income	2.4	3.9	5.4	9.4	10.9
Priority Transportation Fund <sup>6</sup>	186.0	199.9	205.2	209.2	226.5
<b>Total Transportation Trust Revenues</b>	<b><u>\$1,367.5</u></b>	<b><u>\$1,431.4</u></b>	<b><u>\$1,440.6</u></b>	<b><u>\$1,497.0</u></b>	<b><u>\$1,558.2</u></b>

Sources: Department of Accounts and Department of Motor Vehicles.

<sup>1</sup> Net of moneys deposited in the Federal Fund, which is part of the Transportation Trust Fund. Totals may not add due to rounding.

<sup>2</sup> Motor Vehicle Sales and Use Tax and Motor Vehicle Rental Tax. Note these taxes were amended by Chapter 766 (as hereinafter defined).

<sup>3</sup> Motor Fuels Tax, Special Fuel Tax, Aviation Special Fuel Tax and Road Tax for Diesel Fuel. Note these taxes were amended by Chapter 766 and Chapter 837 of the Acts of Assembly, 2019 Regular Session (“Chapter 837”). The 2019 increase in road taxes was committed to Interstate Improvements.

<sup>4</sup> Motor Vehicle Registration Fees includes the revenue anticipated from an increase in truck registration fees beginning July 1, 2019 in accordance with Chapter 837. These funds were committed to Interstate Improvements in Fiscal Year 2020.

<sup>5</sup> 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 §§ 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 HMO Fund and subsequently dedicated to the Commonwealth Transit Capital Fund.

<sup>6</sup> 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.

**Transportation Trust Fund in Fiscal Years 2021-2023**

In the 2021-2022 Appropriation Act the General Assembly authorized the Transportation Board to take the steps necessary to address the projected reduction in revenues as a result of the COVID-19 pandemic in a manner to reduce the impacts on currently programmed projects and allow for a phased implementation of the allocation of the revenues in the Commonwealth Transportation Fund as directed by Chapter 1230.

In Item 430 of the 2021-2022 Appropriation Act, the Transportation Board was authorized to utilize revenue sharing funds, which had been allocated to any construction project in Fiscal Year 2020 or previous Fiscal Years and not currently needed to support the project based on the project’s current schedule, to increase the funding available for the Commonwealth Transportation Fund for distribution to the funds and programs supported by the Commonwealth Transportation Fund to help mitigate the impacts of the projected reduced revenues resulting from COVID-19. The Virginia Department of Transportation (“VDOT”) identified \$495.1 million of project funding that met this criterion of which \$303.7 million was provided in Fiscal Year 2021 and \$191.4 million was provided in Fiscal Year 2023 from construction projects to the Commonwealth Transportation Fund for distribution. These project commitments were replaced in Fiscal Years 2021 through 2024 from funds made available for revenue sharing distribution under § 33.2-357 of the Virginia Code.

The Transportation Board also planned for targeted investments in program areas through Fiscal Year 2023. These include: funding for construction programs to support High Priority Projects, the Construction District Grant Program, and the Highway Safety Improvement Program; funding for match to Passenger Rail Investment and Improvement Act Projects; funding for transit to support operating and capital costs; funding for the Washington

Metropolitan Area Transit Authority; funding for the Transit Ridership Incentive Program; funding for Rail Programs; and additional funds for the Port Fund, the Aviation Fund, the Commonwealth Spaceflight Fund and for the Department of Motor Vehicles.

**Commonwealth Transportation Fund and Transportation Trust Fund –  
Phased Implementation of Chapter 1230  
(in millions)<sup>1</sup>**

<b>Fiscal Year:</b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Retail Sales and Use Tax	\$1,265.1	\$1,344.2	\$1,440.7
Motor Vehicles Sales and Use Tax	1,110.5	1,200.2	1,206.6
Motor Fuels Taxes	971.6	1,216.8	1,384.8
Road Tax for Diesel Fuel	56.4	71.2	87.6
International Registration Plan	121.4	118.7	115.1
Motor Vehicle Registration Fees	241.6	231.0	196.6
State Insurance Premium Tax	181.4	180.7	202.5
Recordation Tax	83.8	81.6	52.6
Motor Vehicles Rental Tax	25.8	36.5	40.5
Highway Use Fee	42.7	53.8	58.4
Revenue Sharing Allocation	<u>303.7</u>	<u>--</u>	<u>191.4</u>
<b>Total Commonwealth Transportation Fund Revenues</b>	<b><u>\$4,403.9</u></b>	<b><u>\$4,534.7</u></b>	<b><u>\$4,976.8</u></b>
 <b>Distribution of Commonwealth Transportation Fund</b>			
Route 58 Corridor Development Fund	\$40.0	\$40.0	\$40.0
Northern Virginia Transportation District Fund	40.0	40.0	40.0
Special Structures Fund	--	60.0	80.0
Targeted Investments	183.8	220.9	228.2
CTF Administrative Costs	1.1	3.7	3.1
Highway Maintenance and Operating Fund	<u>2,262.4</u>	<u>2,240.7</u>	<u>2,403.3</u>
<b>Allocation to Transportation Trust Fund</b>	<b><u>\$1,876.7</u></b>	<b><u>\$2,152.8</u></b>	<b><u>\$2,242.0</u></b>

Sources: Commonwealth of Virginia Department of Accounts, Department of Motor Vehicles, and Department of Taxation.

<sup>1</sup> Totals may not add due to rounding.

### Chapter 1230 and the Commonwealth Transportation Fund

The General Assembly enacted Chapter 1230 in 2020 to effect numerous structural changes to the transportation funding system in the Commonwealth. The General Assembly preserved for transportation purposes the base of revenues allocated to the Transportation Trust Fund in the 1986 Special Session Acts and added new revenue sources. Under Chapter 1230 most of the Commonwealth’s transportation-related revenues have been directed to a new, special non-reverting fund known as the Commonwealth Transportation Fund, and the distribution of revenues has been streamlined, based on codified formulas, to sub-funds established to meet the Commonwealth’s varying transportation needs and different modes of transportation.

Under Chapter 1230, the transportation revenues allocated to the Commonwealth Transportation Fund include: (i) motor fuels taxes and road taxes for diesel fuel; (ii) vehicle registration fees; (iii) highway use fees; (iv) 0.5% statewide sales and use taxes; (v) 0.3% statewide sales and use taxes for transportation; (vi) 4.15% motor vehicles sales and use taxes; (vii) motor vehicle rental taxes (10% of gross proceeds from rentals for most passenger vehicles); (viii) \$0.03 of the \$0.25 per \$100 of assessed value of the statewide recordation taxes; (ix) International Registration Plan fees; and (x) one-third of the revenue from insurance premium taxes. See the subsection below “*Sources of Revenues.*”

The revenues in the Commonwealth Transportation Fund must be applied to make several “off-the-top” allocations before any amounts are available to be transferred to the Transportation Trust Fund; provided that in Fiscal Years 2021 through 2023 the “off-the-top” allocations were subject to change under the provisions of the 2021-2022 Appropriation Act. Commencing in Fiscal Year 2024, the “off-the-top” allocations will be (i) \$40 million annually to be deposited into the Route 58 Corridor Development Fund; (ii) \$40 million annually to be deposited into the Northern Virginia Transportation District Fund; and (iii) \$80 million annually (as adjusted annually based on changes in consumer price index for urban consumers) to be deposited into the Special Structure Fund. Additionally, certain costs related to the administration of the Commonwealth Transportation Fund are deducted before distribution.

Commencing in Fiscal Year 2024, the revenues remaining in the Commonwealth Transportation Fund following the “off-the-top” allocations will be allocated 51% to the HMO Fund and 49% to the Transportation Trust Fund (the “49% Share”).

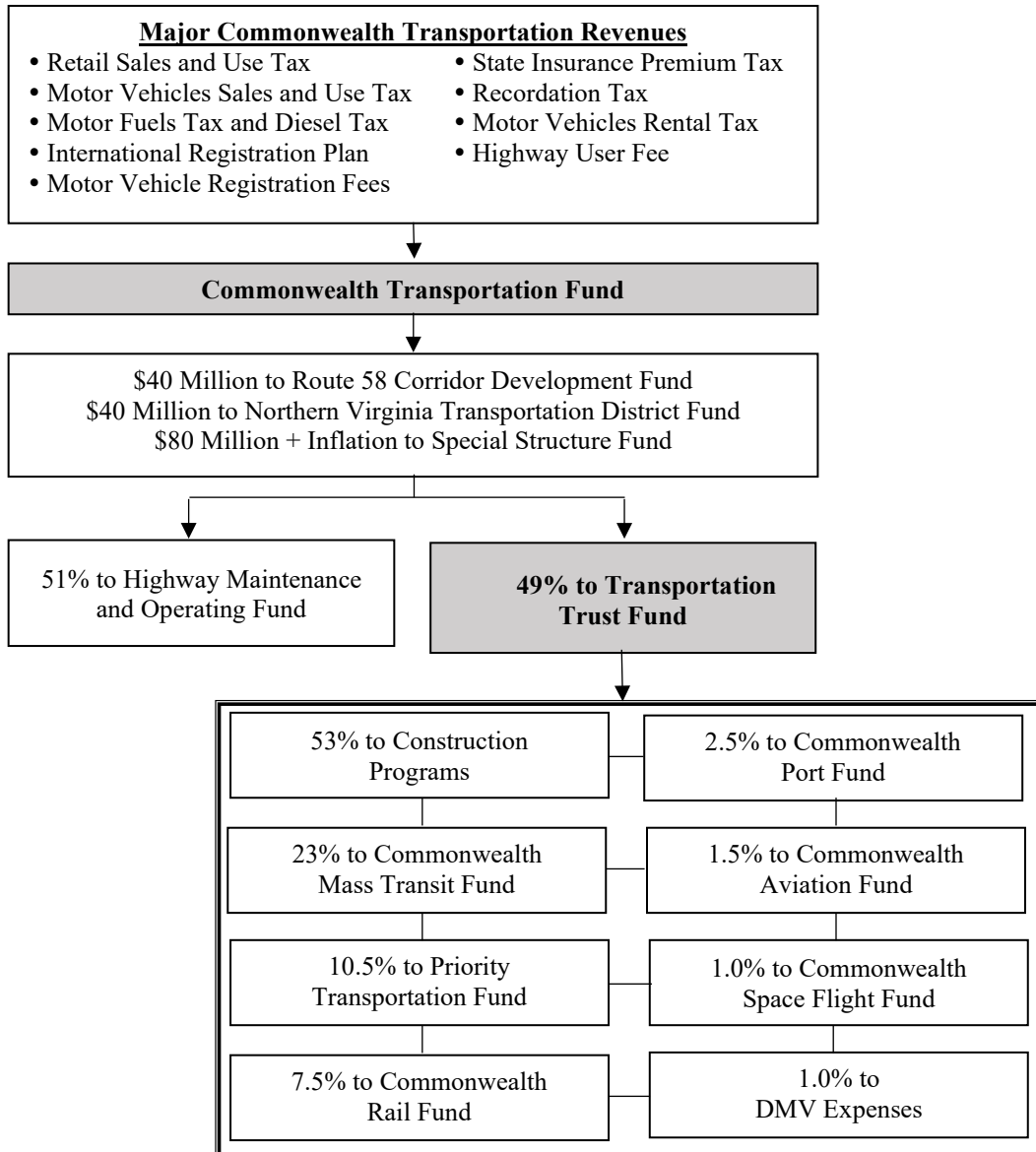
#### **Transfers from the Transportation Trust Fund to Other Funds and Programs**

Following the full implementation of Chapter 1230 in Fiscal Year 2024, the 49% Share will be distributed from the Transportation Trust Fund as follows: (i) 53% for construction programs; (ii) 23% to the Commonwealth Mass Transit Fund; (iii) 7.5% to the Commonwealth Rail Fund; (iv) 2.5% to the Commonwealth Port Fund; (v) 1.5% to the Commonwealth Aviation Fund; (vi) 1% to the Commonwealth Space Flight Fund; (vii) 10.5% to the Priority Transportation Fund; and (viii) 1% to a special fund within the Commonwealth Transportation Fund to be used to meet the necessary expenses of the Department of Motor Vehicles.

The following chart depicts the transportation revenues (see the subsection below “*Sources of Revenues*”) to be allocated to the Commonwealth Transportation Fund and from the Commonwealth Transportation Fund to the Transportation Trust Fund following the full implementation of Chapter 1230.

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**The Transportation Board makes no representation (i) that the General Assembly will maintain the Commonwealth Transportation Fund or the Transportation Trust Fund or (ii) that the General Assembly will not repeal or materially modify Chapter 1230 or any other legislation affecting such funds.**

**Highway Maintenance and Operating Fund**

The HMO Fund is established in the Virginia Code to address the highway maintenance and operating needs of VDOT. The HMO Fund was initially created in 1987, separating funding for this purpose from funds meant for highway construction. Since this time, the revenue sources dedicated to the HMO Fund have been updated to provide for additional funding to meet highway maintenance and operating needs. Chapter 1230 dedicates a significant share of the Commonwealth Transportation Fund to the HMO Fund.

The construction funds available for allocation in the Six-Year Improvement Program for Fiscal Years 2025 through 2030 adopted by the Transportation Board in June 2024 were reduced by \$510.0 million in Fiscal Year 2025 to provide the allocations 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.**

### **Sunset Provision**

The provisions of Chapter 1230 that generate additional state revenue for transportation purposes 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 Provision”).

The General Assembly has from time to time made appropriations of portions of transportation revenue for non-transportation-related purposes which would have activated similar sunset provisions under other transportation legislation had the General Assembly not also enacted a savings clause to override such sunset provisions (a “Savings Clause”).

**No assurance can be given that the General Assembly will not activate the Sunset Provision of Chapter 1230 in future appropriation acts, and no assurance can be given that, if the 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, including the 53% of the 49% share allocable to the Transportation Trust Fund for “construction programs,” in accordance with the priorities established by § 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 1230.

After the first allocation of highway purposes funds as described above, the Transportation Board shall allocate all such funds remaining, as follows: (i) 30% to the Transportation Board’s “State of Good Repair Purposes,” (ii) 20% to the Transportation Board’s “High Priority Project Program,” (iii) 20% to the “Construction District Grant Program,” (iv) 20% to the “Interstate Operations and Enhancement Program,” and (v) 10% to the “Virginia Highway Safety Improvement Program.”

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 Public-Private Transportation Act of 1995 (§ 33.2-1800 et. seq.) (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 was 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 and the availability of funds in the Transportation Trust Fund to pay debt service on bonds for which the Transportation Trust Fund serves as a secondary source of payment (such as the GARVEE Notes). The Transportation Board, VDOT and the other agencies regularly adjust the allocation of the funds among transportation projects to account for a variety of factors. See the sections “*Authorized, Issued and Unissued Bonds Payable from Transportation Trust Fund*” and “*Commonwealth Transportation Board, Virginia Department of Transportation.*”

## Sources of Revenues

The following is a brief description of the various taxes and fees designated for deposit to the Commonwealth Transportation 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 of the Acts of the General Assembly of the Commonwealth of Virginia 2013 Regular Session ("Chapter 766"), the 2013 General Assembly increased taxes by 0.3% to 5.3% (a portion of which was 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. On June 19, 2018, the U.S. Supreme Court in *South Dakota v. Wayfair, Inc.* held that states may require an out-of-state retailer to collect and remit sales tax on purchases by residents within that state. Under Chapter 815 of the Acts of the General Assembly of the Commonwealth of Virginia, 2019 Regular Session, remote sellers and marketplace facilitators who sell or facilitate the sale of greater than \$100,000 in annual gross revenue from retail sales into the Commonwealth or 200 annual transactions to Virginia customers are required to collect and remit retail sales and use tax beginning July 1, 2019. Chapter 1230 dedicates Retail Sales and Use Taxes committed to transportation to the Commonwealth Transportation Fund.

Under current law, certain dealers are required to make an accelerated payment of a portion of the retail sales and use taxes estimated to be due for the last month of each Fiscal Year before the end of the Fiscal Year (rather than on the normal payment date occurring in the subsequent Fiscal Year).

Under current law, food purchased for human consumption and essential personal hygiene products are taxed at the reduced rate of 1%. The rate of tax levied on those items is a 1% local option tax. Prior to January 1, 2023, the tax rate was 2.5% with 1.5% of this rate representing a state retail sales and use tax. Of this amount, revenue equal to 0.5% of the state's 1.5% rate is provided to the Commonwealth Transportation Fund. The impact of this change is reflected in the revenue estimates provided for Retail Sales and Use Tax.

**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 the Department of Motor Vehicles (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 increased by 0.05% on each successive July 1 up to and including July 1, 2016, at which time the rate equaled 4.15%. Chapter 1230 dedicates the Motor Vehicle Sales and Use Tax to the Commonwealth Transportation Fund.

**Motor Fuels Tax and Diesel 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 § 58.1-2226 of the Virginia Code, 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. Chapter 1230 increased the statewide tax on motor fuels incrementally from 16.2 cents to 21.2 cents per gallon in Fiscal Year 2021 and from 21.2 cents to 26.2 cents per gallon in Fiscal Year 2022 and then indexes the tax for inflation thereafter. Chapter 1230 also increased the statewide tax on diesel fuels to 20.2 cents per gallon in Fiscal Year 2021 and to 27 cents per gallon in Fiscal Year 2022 and then indexes the tax for inflation thereafter. Chapter 1230 dedicates all motor fuels tax and diesel tax to the Commonwealth Transportation Fund.

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 DMV Commissioner.

**International Registration Plan Fees.** The Governor may enter into reciprocal agreements on behalf of the Commonwealth with the appropriate authorities of any state of the United States or a state or province of a country providing for the assessing and collecting of license fees for motor vehicles, tractor trucks, trucks, trailers, and semitrailers on an apportionment or allocation basis, as outlined in the International Registration Plan. The DMV Commissioner may assess any owner, lessor, or lessee for any license fees due to the Commonwealth. Trip permit registration may be issued for any vehicle or combination of vehicles that could be lawfully operated in the jurisdiction if registration were obtained. The fee for this permit is \$15, and the permit is valid for 10 days. Chapter 1230 dedicates this fee to the Commonwealth Transportation Fund.

**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. Chapter 1230 captures all registration fees for the Commonwealth Transportation Fund, including those previously dedicated to the HMO Fund and truck registration fees formerly committed to Interstate Improvements.

**Recordation Taxes.** Recordation taxes are imposed on every deed and deed of trust (mortgage) recorded in the Commonwealth subject to certain exceptions and exemptions. The 2007 Act provides that, effective July 1, 2008, of the state recordation taxes imposed pursuant to §§ 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 the General Assembly of the Commonwealth of Virginia 2015 Regular Session (“Chapter 684”), effective July 1, 2017, provides that, of the state recordation taxes imposed pursuant to § 58.1-801 and § 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 through Fiscal Year 2020. Chapter 1230 now dedicates all of these revenues to the Commonwealth Transportation Fund for distribution.

**Insurance License Tax.** Chapter 25 of Title 58.1 of the Virginia Code imposes an annual license tax on insurance companies doing business in the Commonwealth, which tax is equal to a percentage of the insurance companies' direct gross income from its premiums or subscriber fees collected in the most recently ended Fiscal Year. Under § 58.1-2531 of the Virginia Code, one-third of the revenues derived from such tax, less one-third of the total amount of such tax refunded in the most recently ended Fiscal Year, will be deposited in the Commonwealth Transportation Fund.

**Motor Vehicle Rental Tax.** A tax upon the rental of motor vehicles in Virginia, without regard to whether such vehicles are required to be licensed by the Commonwealth, is levied at a rate of up to 10% of the gross proceeds from rentals of most passenger vehicles. Chapter 1230 dedicates the revenues from this tax to the Commonwealth Transportation Fund.

**Highway Use Fee.** Chapter 1230 imposes a highway use fee on fuel efficient, alternative fuel, and electric vehicles. The fee, which is paid at the time of registration, is based on 85% of the difference between fuel taxes paid by the average vehicle (based on 23.7 miles per gallon) and the fuel tax paid by the fuel-efficient vehicle. In the alternative, motorists will have the option of participating in a "mileage based user fee" program, effective July 1, 2022. Such user fee is a per-mile fee, capped at the applicable highway use fee, determined by dividing the applicable highway use fee by the average number of miles travelled by passenger vehicles in Virginia. In connection with the new fee structure, Chapter 1230 repeals the \$64 vehicle license tax for electric vehicles previously in place and dedicates the revenues from the highway use fee to the Commonwealth Transportation Fund.

**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 revenues generated by Chapter 1230 to the Commonwealth Transportation Fund or 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.**

#### **Projected Transportation Revenues for Fiscal Years 2024 through 2027**

The following table provides the projected revenues for Fiscal Years 2024 through 2027 to be received in the Commonwealth Transportation Fund and allocated to the Transportation Trust Fund following the full implementation of the Chapter 1230 changes. The projected revenues are based on the Commonwealth's revenue estimate from December 2023.

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**Commonwealth Transportation Fund After Chapter 1230 Full Implementation  
(in millions)**

<b>Fiscal Year:</b>	<b>Forecast <u>2024<sup>1</sup></u></b>	<b>Forecast <u>2025<sup>1</sup></u></b>	<b>Forecast <u>2026<sup>1</sup></u></b>	<b>Forecast <u>2027<sup>1</sup></u></b>
Retail Sales and Use Tax	\$1,372.1	\$1,392.2	\$1,467.4	\$1,524.6
Motor Vehicles Sales and Use Tax	1,178.9	1,193.5	1,220.6	1,215.2
Motor Fuels Taxes	1,452.8	1,506.3	1,556.6	1,601.8
Road Tax for Diesel Fuel	85.4	85.1	82.9	84.0
International Registration Plan	114.1	119.6	120.0	120.3
Motor Vehicle Registration Fees	225.6	219.5	221.9	220.3
State Insurance Premium Tax	217.8	221.3	220.2	224.2
Recordation Tax	52.5	55.9	56.0	56.0
Motor Vehicles Rental Tax	41.9	41.5	42.1	42.2
Highway Use Fee	<u>61.8</u>	<u>65.4</u>	<u>67.9</u>	<u>68.5</u>
<b>Total Commonwealth Transportation Fund Revenues</b>	<b><u>\$4,802.9</u></b>	<b><u>\$4,900.3</u></b>	<b><u>\$5,055.6</u></b>	<b><u>\$5,157.1</u></b>
<b>Distribution of Commonwealth Transportation Fund</b>				
Route 58 Corridor Development Fund	40.0	40.0	40.0	40.0
Northern Virginia Transportation District Fund	40.0	40.0	40.0	40.0
Special Structures Fund	85.0	87.7	89.4	91.3
Distribution to Transportation Partnership Opportunity Fund <sup>2</sup>	-	15.0	15.0	15.0
CTF Administrative Costs	1.1	1.2	1.2	1.2
Highway Maintenance and Operating Fund	<u>2,364.8</u>	<u>2,434.3</u>	<u>2,483.7</u>	<u>2,534.5</u>
<b>Allocation to Transportation Trust Fund</b>	<b><u>\$2,272.0</u></b>	<b><u>\$2,282.1</u></b>	<b><u>\$2,386.3</u></b>	<b><u>\$2,435.1</u></b>

Sources: Commonwealth of Virginia Department of Accounts, Department of Motor Vehicles, and Department of Taxation.

<sup>1</sup> Projections for Fiscal Years 2024 through 2027 based on Commonwealth Transportation Fund Forecast provided in December 2023.

<sup>2</sup> Reflects the direction of \$15 million per year in accordance with the 2024 Appropriation Act.

**Economic Conditions Affecting Commonwealth Transportation Revenues**

The availability of revenues in the Commonwealth Transportation Fund for transfer to the Transportation Trust Fund is dependent on a number of economic factors. The bulk of such funds dedicated to the Commonwealth Transportation Fund consists of the motor fuels taxes, motor vehicles sales and uses taxes and retail sales and use taxes described herein, 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 funds to make timely payments on the 2024 Notes. See the section “Recent Developments Affecting the Commonwealth,” and Appendix C, “Commonwealth of Virginia, Demographic and Economic Information” for certain information regarding some of these factors. The availability of funds in the Commonwealth Trust Fund and the Transportation Trust Fund is also subject to appropriation by the General Assembly.

**Information Pertaining to the Commonwealth**

The GARVEE Act provides that payment on the 2024 GARVEE Notes and other GARVEE Notes, will be paid subject to appropriation of funds for such purpose, (i) first from Federal Highway Reimbursements with respect to the project or projects to be financed by such GARVEE Notes, (ii) then, at the discretion of the Transportation Board, to the extent required, from legally available revenues of the Transportation Trust Fund and (iii) then from such other funds, if any, designated by the General Assembly for such purpose. Appendices B and C contain, respectively, certain financial, demographic and economic information pertaining to the Commonwealth, and Appendix A contains the

comprehensive financial statements of the Commonwealth for its Fiscal Year 2023. See also the subsection below “*Current Budget Appropriation Status Related to Transportation*” and the section “*Recent Developments Affecting the Commonwealth.*”

### **Current Budget Appropriation Status Related to Transportation [TO BE PROVIDED]**

[For further discussion, see the subsections entitled “Budgetary Process,” “2024 Appropriation Act and “2024 Budget” in the section “FINANCIAL FACTORS” in Appendix B.]

The Virginia Constitution provides that no funds are to be paid out of the state treasury unless appropriated by law by the General Assembly. The General Assembly has never failed to adopt a biennial budget in a timely fashion. There is no definitive guidance from the courts of the Commonwealth as to whatever emergency or implied executive spending powers the Governor of the Commonwealth may have, if any, including the power to make debt service payments that are subject to appropriation, in the absence of a budget or other appropriation therefor having been enacted by the General Assembly.

### **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 section “*Transportation Trust Fund.*”

**Northern Virginia Transportation District Program.** The General Assembly enacted legislation in 1993, which was amended in the 1994, 1998, 1999, 2002, 2005 and the 2020 Regular Sessions (“NVTD Bond Legislation”), to authorize the Transportation Board to issue Transportation Revenue Bonds (“NVTD Bonds”), pursuant to the State Revenue Bond Act, as amended, in the amount of \$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 NVTD Fund consists of (i) transfers of \$40,000,000 annually from the Commonwealth Transportation Fund; (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 a jurisdiction participating in the Northern Virginia Transportation District Program 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 \$505,415,000 to refund NVTD Bonds that had been previously issued. Of the total amount of NVTD Bonds issued, \$38,950,000 is currently outstanding. Chapters 854 and 856 of the 2018 Acts of the General Assembly and Chapter 1230 amended § 33.2-2400 of the Virginia Code, requiring \$20 million each year be transferred from the NVTD Fund to the Washington Metropolitan Area Transit Authority Capital Fund established pursuant to § 33.2-3401, beginning in Fiscal Year 2019, and to the Northern Virginia Transportation Authority Fund established pursuant to § 33.2-2509, beginning in Fiscal Year 2021.

***U.S. Route 58 Corridor Development Program.*** The General Assembly enacted legislation in 1989, which was amended in the 1999, 2013 and 2020 Regular Sessions (“U.S. Route 58 Bond Legislation”), to authorize the Transportation Board to issue Transportation Revenue Bonds (“U.S. Route 58 Bonds”), pursuant to the State Revenue Bond Act, in an amount not to exceed \$1,300,000,000, 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 \$40,000,000 of annual collections from the Commonwealth Transportation Fund, (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 inception in 1989, the Transportation Board has issued \$1,057,130,000 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 \$963,715,000 to refund U.S. Route 58 Bonds that had been previously issued. Of the total amount of U.S. Route 58 Bonds issued, \$336,780,000 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 State 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 in the amount of \$32,500,000 to finance the Oak Grove Connector, a portion of which was refunded by the Transportation Program Revenue Refunding Bonds Series 2006A, which were refunded by the Transportation Program Revenue Refunding Bonds, Series 2016A (the “Oak Grove Connector Bonds”). These Transportation Program Revenue Bonds are the only bonds authorized to be paid from the Set-aside Fund, and the Oak Grove Connector Bonds were retired on May 15, 2022.

***Transportation Contract Revenue Bonds.*** In the 1988 Regular Session, the General Assembly enacted legislation to authorize the Transportation Board to issue Transportation Contract Revenue Bonds pursuant to the State 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, as of September 1, 2024, \$22,489,472 is outstanding (net of unamortized discount on the outstanding Series 2002 capital appreciation bonds).

**Capital Projects Revenue Bonds.** The Commonwealth Transportation Capital Projects Bond Act of 2007, enactment clause 2 of Chapter 896 of the Acts of the General Assembly, 2007 Regular Session, as amended by Chapters 830 and 868 of the Acts of the General 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 Fiscal Year 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 Fiscal Year in addition to the \$300,000,000 authorized in the subsequent Fiscal Year. Chapters 830 and 868 of the Acts of the General Assembly, 2011 Regular Session amended the 2007 Act to increase the annual issuance limitation in Fiscal Years 2012 and 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 the General Assembly, 2010 Regular Session, as amended by Chapter 890 of the Acts of the General 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 the General 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.

Chapter 854 of the Acts of the General Assembly, 2018 Regular Session, the 2007 Act was amended to authorize the Transportation Board to issue Capital Projects Revenue Bonds at one time in an aggregate principal amount not to exceed an additional \$50 million, after all costs, with the net proceeds to be used exclusively to match federal funds provided for capital projects by the Washington Metropolitan Area Transit Authority. All of such additional \$50 million in issuing authority for Capital Projects Revenue Bonds has been used.

Since its first issuance in 2010, the Transportation Board has issued \$2,972,470,000 Capital Projects Revenue Bonds to finance the cost of certain eligible transportation projects plus an addition \$1,223,650,000 to refund Capital Projects Revenue Bonds that had been previously issued. Of the total amount of Capital Projects Revenue Bonds issued, \$1,962,830,000 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 14 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 Chairperson of the Transportation Board is the Secretary of Transportation. Only the 14 citizen members of the Transportation Board have voting privileges, except that the Chairperson has voting privileges in the event of a tie.

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>
W. Sheppard Miller, III	At the Pleasure of the Governor	Chairperson, Transportation Board; Secretary of Transportation
Stephen C. Brich	At the Pleasure of the Governor	Commissioner of Highways
Zach Trogdon	Acting Director	Acting Director, Department of Rail and Public Transportation
E. Scott Kasprowicz	June 30, 2025	Vice Chairperson, Transportation Board, At-Large Urban
Darrell R. Byers	June 30, 2026	Culpeper District
Wayne Coleman	June 30, 2026	At-Large Urban
J. Rex Davis	June 30, 2027	Richmond District
[Tom Fowlkes]	June 30, 2024	Bristol District
Linda Green	June 30, 2027	Lynchburg District
[Vacant]		Northern Virginia District
Thomas Moore Lawson	June 30, 2026	At-Large Rural
H. Randolph Laird	June 30, 2026	At-Large Rural
[Vacant]		Staunton District
Laura A. Sellers	June 30, 2026	Fredericksburg District
Raymond D. Smoot, Jr.	June 30, 2025	Salem District
Frederick T. Stant, III	June 30, 2025	Hampton Roads District
Vacant		At-Large Rural

*W. Sheppard Miller, III* Sheppard “Shep” Miller III was appointed as Secretary of Transportation of the Commonwealth by Governor Glenn Youngkin, and confirmed by the General Assembly. The Transportation Secretariat provides a wide array of products and services including road construction and repairs, rest area maintenance, regulating seaports, airports and rail, and issuing license plates and driver’s licenses. Prior to being named Secretary, Mr. Miller was a member of the Transportation Board, having served from 2011 to 2014 and again from 2018 to his appointment as Secretary. In 2017, he retired as Chairman upon his sale of KITCO Fiber Optics, a defense-contracting firm. Mr. Miller received a B.A. from Hampden-Sydney College and a MBA from the College of William & Mary. In addition to serving as Secretary, Mr. Miller is a member of the Virginia House Ethics Advisory

Council, the Board of Directors of Virginia Free, the Board of Trustees of Hampden-Sydney College, the Board of Visitors & Governors of Washington College, and the Board of Trustees of the Virginia Foundation for Independent Colleges. He further serves as Vice Chairman of the Norfolk Board of TowneBank and is an Executive Board member of both the Greater Norfolk Corporation and the Hampton Roads Chamber of Commerce. His past community activities include service as Chairman and President of the Norfolk Economic Development Authority, the Norfolk Redevelopment & Housing Authority, the Hampton Roads Chamber of Commerce Political Action Committee, the Better Business Bureau of Greater Hampton Roads, the Peninsula United Way Campaign, Hampton Roads Ventures and the Norfolk Rotary Club. He lives in Norfolk, Virginia.

### **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 Fiscal Year 2025 is approximately \$8.9 billion. VDOT's revenues provide funding for debt service, maintenance, administration and construction and VDOT's budget reflects the planned use of the revenues available to the agency and also includes pass-through funds to regional Commonwealth transportation entities. VDOT's Highway Construction Program as approved by the Transportation Board in June 2024 is valued at \$19.3 billion and supports more than 4,700 projects.

The Commonwealth has the nation's third largest system of state-maintained highways totaling approximately 59,450 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 nine construction districts for highway purposes as follows:

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 82% of VDOT's nearly 7,300 employees (as of June 3, 2024) 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. 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 Transportation Board. Since tracking began in 2001, VDOT's performance shows a continued trend of improvement.

For Fiscal Year 2024, the agency attained on-time and on-budget performance goals by delivering more than 82% of all construction and maintenance projects on or before their original due dates, and by completing more than 93% 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 2025 through 2030 is based on the revenue forecast updates and cost estimates available. The issuance of U.S. Route 58 Bonds and the utilization of existing authorization for the issuance of GARVEEs reflected in the adopted Current SYIP or in previously adopted SYIPs. 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: fully funding projects, maximizing the use of federal funding, funding deficient bridges and paving projects, and implementation of a statewide prioritization process for project selection mandated by Section 33.2-214.1 of the Virginia Code. 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**

*Stephen C. Brich, P.E.* was named Commissioner by then Governor-Elect Ralph Northam in December 2017. At the time, Mr. Brich was a vice president with Kimley-Horn and Associates, Inc., focusing on transportation-related matters in Virginia. He has more than 25 years of experience, specializing in traffic engineering, safety, operations, transportation planning and research. Prior to joining Kimley-Horn, he served in several senior roles with VDOT, including as the assistant district urban program manager, division administrator – Operations Management and assistant division administrator – Mobility Management. He successfully led and managed a wide array of transportation-related projects and studies during his tenure with VDOT, as well as in a consultant capacity. He also has been instrumental in developing various policy directives for VDOT as it relates to traffic engineering and transportation system management and operations. He began his career as an engineering technician in Norfolk. Mr. Brich holds a Bachelors of Science degree in civil engineering from Old Dominion University and a Masters of Science degree in civil engineering from the University of Virginia. He is a registered engineer in Maryland and Virginia. Mr. Brich is from the Hampton Roads area.

*Laura Farmer* was named the Virginia Department of Transportation's (VDOT) Chief Financial Officer in October 2019. She is responsible for the agency's \$8.9 billion annual budget and nearly 150 team members serving VDOT's financial planning, capital investment, fiscal management, public-private partnerships, and tolling programs. During this time, she has managed the financial implications of the pandemic and the financial arrangements for the Interstate 81 Corridor Improvement Program to deliver over \$3 billion in capital and operational improvements.

She previously served as the agency's Director of Financial Planning. In this role, she was instrumental in establishing the GARVEE Notes Program and provided financial arrangements around the agency's innovative finance programs and public-private partnership projects, including the Elizabeth River Tunnels projects and I-95 Express Lanes. Prior to joining VDOT, Laura served as a budget analyst for health and human resources agencies at the Virginia Department of Planning and Budget.

Mrs. Farmer earned a bachelor's in history from Chowan University in Murfreesboro, N.C., and a master's degree in public policy from the College of William and Mary. She is a graduate of the Commonwealth Leadership Academy, Virginia Executive Institute, the Commonwealth Management Institute and the International Bridge, Tunnel and Turnpike Association Leadership Academy.

### **CERTAIN LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the 2024 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 2024 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 2024 Notes and to the federal income status of interest on the 2024 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 2024 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 2024 Notes.

Certain legal matters will be passed upon for the Commonwealth by the Office of the Attorney General of Virginia.

## TAX MATTERS

### Opinion of Bond Counsel – Federal Income Tax

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the 2024 Notes is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individuals. Interest on the 2024 Notes may affect the federal alternative minimum tax imposed on certain corporations. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Transportation Board with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the 2024 Notes. Failure to comply with such requirements could cause interest on the 2024 Notes to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Transportation Board will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the 2024 Notes.

The accrual or receipt of interest on the 2024 Notes may otherwise affect the federal income tax liability of the owners of the 2024 Notes. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the 2024 Notes, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the 2024 Notes.

**Original Issue Discount.** The 2024 Notes that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Notes"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Notes and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Note is added to the cost basis of the owner thereof in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Note (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Note that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Note, on days that are determined by reference to the maturity date of such Discount Note. The amount treated as original issue discount on such Discount Note for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Note (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Note at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Note during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Note the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Note is sold between semiannual compounding dates, original issue discount that would have been 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.

Owners of Discount Notes should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Note. Subsequent purchasers that purchase Discount Notes for a price that is higher or lower than the "adjusted issue price" of such Discount Notes at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

**Recognition of Income Generally.** Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the 2024 Notes under the Code

**Original Issue Premium.** The 2024 Notes that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Notes”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Note over its stated redemption price at maturity constitutes premium on such Premium Note. A purchaser of a Premium Note must amortize any premium over such Premium Note’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Notes callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Note is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Note prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Notes should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Note.

**Backup Withholding.** As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the 2024 Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the 2024 Notes that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the 2024 Notes from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

**Internal Revenue Service Audits.** The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is included in the gross income for federal income tax purposes. It cannot be predicted whether or not the Internal Revenue Service will commence an audit of any of the 2024 Notes. If an audit is commenced, under current procedures the Internal Revenue Service may treat the Transportation Board, as the issuer of the 2024 Notes, as a taxpayer, and the registered owners of the 2024 Notes may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the related 2024 Notes until the audit is concluded, regardless of the ultimate outcome.

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

Bond Counsel’s opinion also will state that, under current law, interest on the 2024 Notes is exempt from income taxation by the Commonwealth and any of its political subdivisions. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the 2024 Notes or (ii) any consequences arising with respect to the 2024 Notes under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2024 Notes should consult their own tax advisors regarding such other Commonwealth tax consequences or the tax status of interest on the 2024 Notes in a particular state or local jurisdiction other than the Commonwealth.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the 2024 Notes. It cannot be predicted whether or in what form any such proposal might be enacted

or whether if enacted it would apply to obligations issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2024 Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2024 Notes or the market value thereof would be impacted thereby. Purchasers of the 2024 Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2024 Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

**PROSPECTIVE PURCHASERS OF THE 2024 NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE 2024 NOTES AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE 2024 NOTES.**

### **LEGALITY FOR INVESTMENT**

The GARVEE Act provides that the 2024 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 2024 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 2024 Notes or in any way contest or affect the validity of the 2024 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 2024 Notes.

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

### **CERTIFICATE CONCERNING OFFICIAL STATEMENT**

Concurrently with the delivery of the 2024 Notes, officials who signed the 2024 Notes will certify that, to the best of their knowledge, the Official Statement did not as of its date, and does not as of the date of delivery of the 2024 Notes, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. Such certificate will also state, however, that such officials did not independently verify the information in the Official Statement from sources other than the Transportation Board and VDOT, but that they have no reason to believe that such information contains any untrue statement of a material fact or omits to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

### **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" (hereinafter referred

to as “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 2024 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.

### **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 2024 Notes for the benefit of the holders of the 2024 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. See “*Continuing Disclosure Agreement*” in Appendix F hereto.

The Commonwealth has entered into numerous continuing disclosure undertakings with respect to its own debt issuances, as well as debt issuances by related Virginia authorities. Such undertakings require in part that the Commonwealth annually file on the MSRB’s Electronic Municipal Market Access System (the “EMMA System”) its audited Annual Financial Statements and its Annual Report (consisting of a separately filed Appendix B - Financial and Other Information and a separately filed Appendix C – Demographic and Economic Information). The Commonwealth has become aware that (a) for Fiscal Years 2019 and 2020, such filings were not successfully linked on the EMMA System to all of the CUSIPs for the Educational Facilities Revenue Bonds (21<sup>st</sup> Century College and Equipment Programs), Series 2011A, issued by the Virginia College Building Authority (“VCBA”), (b) for Fiscal Year 2020, such filings were not successfully linked on the EMMA System to any of the CUSIPs for the Educational Facilities Revenue Bonds (21<sup>st</sup> Century College and Equipment Programs), Series 2020A, and Educational Facilities Federally Taxable Revenue and Revenue Refunding Bonds (21<sup>st</sup> Century College and Equipment Programs), Series 2020B, issued by VCBA, (c) for fiscal year 2022, the audited Annual Financial Statements were not successfully linked on the EMMA System to the CUSIPs for the Commonwealth Port Fund Revenue Refunding Bonds, Series 2018 (Taxable), issued by the Virginia Port Authority, and (d) for fiscal year 2023, such filings were not successfully linked on the EMMA System to all of the CUSIPs for the Educational Facilities Revenue Bonds (21<sup>st</sup> Century College and Equipment Programs), Series 2023A, issued by the VCBA. Such filings were otherwise available on the EMMA System with respect to other continuing disclosure undertakings of the Commonwealth. The Commonwealth has made a remedial filing to correct the linkage problem for any such bonds that are currently outstanding.

More generally, the Commonwealth is aware that, notwithstanding timely and accurate filings of its annual financial information and event notices, certain filings made by the Commonwealth and related bond issuing authorities have from time to time not remained linked to all of the pertinent Commonwealth-related CUSIP numbers on the EMMA System. Such de-linkage issues may be related to the frequent refunding and partial refunding of specific bond maturities and the splitting of pre-refunded and unrefunded maturities into different CUSIPs. When the Commonwealth has become aware of such CUSIP linkage issues, either as a result of its own review or otherwise, the Commonwealth has worked promptly to remediate and re-link the particular filings to the pertinent CUSIPs.

## **RATINGS**

Fitch Ratings, Moody’s Investors Service, Inc. and S&P Global Ratings assigned the 2024 Notes ratings of “\_\_\_\_” (\_\_\_\_ outlook), “\_\_\_\_” (\_\_\_\_ outlook) and “\_\_\_\_” (\_\_\_\_ 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 2024 Notes.

## **SALE AT COMPETITIVE BIDDING**

The 2024 Notes will be offered for sale pursuant to several electronic competitive bidding processes on October 1, 2024,\* unless changed as described in the Notice of Sale in Appendix H hereto. This Preliminary Official Statement has been deemed final as of its date by the Transportation Board in accordance with the meaning and requirements of Rule 15c2-12, except for the omission of certain pricing and other information permitted to be omitted by Rule 15c2-12. After the 2024 Notes have been awarded, the Transportation Board will deem the Official Statement final as of its date, and the Official Statement as so completed will be a final official statement within the meaning of Rule 15c2-12 (the “Final Official Statement”). The Final Official Statement will include, among other matters, the identity of the winning bidder(s) and the managers of the syndicate, if any, submitting the winning bid(s) (the “Underwriter(s)”), the expected selling compensation to the Underwriter(s) of the 2024 Notes and other information on the interest rates and offering prices or yields of the 2024 Notes, as supplied by the Underwriter(s).

## **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 2024 Notes. PRAG has assisted in the preparation of this Official Statement and in matters relating to the planning, structuring and issuance of the 2024 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.

## **TRUSTEE**

The Transportation Board has appointed U.S. Bank Trust Company, National Association (formerly U.S. Bank, National Association), a national banking association under the laws of the United States, as trustee for the 2024 Notes. The Trustee shall carry out those duties assigned to it under the Indenture. Except for the material under this heading, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement, the Indenture or the 2024 Notes, or for the validity, sufficiency, or legal effect of any of those documents.

Other than verifying that the Transportation Board has satisfied the procedures for requisitioning moneys from Funds established under the Indenture, the Trustee is not accountable for the Transportation Board’s use or application of the proceeds of the 2024 Notes. The Trustee is not responsible or liable for any loss suffered in connection with any investment of money made by it in accordance with the Indenture. The Trustee has not evaluated the risks, benefits or propriety of any investment in the 2024 Notes and makes no representation, and has reached no conclusions, regarding the value or condition of any of the assets or revenues pledged or assigned as security for the 2024 Notes, the technical or financial feasibility of any Project, or the investment quality of the 2024 Notes, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

## **RELATIONSHIP OF PARTIES**

Kutak Rock LLP, Bond Counsel, represents the Commonwealth and U.S. Bank Trust Company, National Association (the Trustee), 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

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\* Preliminary, subject to change.

is made to such documents, copies of which will be furnished by the Transportation Board, upon request made to Laura Farmer, Chief Financial Officer, Virginia Department of Transportation, 1401 East Broad Street, Richmond, Virginia 23219 (telephone: 804-786-3096).

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 2024 Notes.

The purpose of this Preliminary Official Statement is to supply information to prospective buyers of the 2024 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 execution, distribution and delivery of this Preliminary Official Statement has been duly authorized by the Transportation Board.

**COMMONWEALTH TRANSPORTATION BOARD**

By: \_\_\_\_\_  
W. Sheppard Miller, III, Chairperson

**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.

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

**“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 Code of Virginia.

**“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.

***“Eighth Supplemental Indenture”*** means the Eighth Supplemental Trust Indenture dated as of October 1, 2024 between the Transportation Board and the Trustee.

***“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 33.2-1524.1 and 33.2-1525 of the Code of Virginia, 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.

**“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.

**“Indenture”** means the Master Trust Indenture as further supplemented by the Eighth Supplemental Indenture.

**“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 Code of Virginia.

**“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 Code of Virginia, 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, provided 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 33.2-1524.1 of the Code of Virginia.

**“Trustee”** means U.S. Bank Trust Company, 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 (i) any Defeasance Escrow Account, and (b) any fund or account created by a Supplemental Indenture that is expressly excluded from the Trust Estate.

**“2024 Notes”** means the Commonwealth Transportation Board Federal Transportation Grant Anticipation Revenue Notes, Series 2024 that are authorized by the Eighth Supplemental Indenture.

**“2024 Notes COI Account”** means the account by that name in the Project Fund established under the Eighth Supplemental Indenture.

**“2024 Project”** means the Project described in Appendix B to the Eighth Supplemental Indenture to be financed with the proceeds of the 2024 Notes.

**“VDOT Funding Account”** means the account by that name in the Project Fund established under the Eighth Supplemental Indenture.

## THE INDENTURE

The 2024 Notes are being issued pursuant to the Master Indenture and the Eighth Supplemental Indenture. The 2024 Notes will be the eighth 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 2024 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.

***2024 Notes COI Account and VDOT Funding Account and Certain Subaccounts: Exclusion from Trust Estate.*** The Eighth Supplemental Indenture establishes in the Project Fund two accounts to be called the “2024 Notes COI Account” and the “VDOT Funding Account.” On the issuance date of the 2024 Notes, the Transportation Board shall cause to be deposited the proceeds from the sale of the 2024 Notes into the 2024 Notes COI Account and the VDOT Funding Account. Pursuant to the Eighth Supplemental Indenture, as permitted by the Master Indenture, the 2024 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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## **APPENDIX B**

### **COMMONWEALTH OF VIRGINIA FINANCIAL AND OTHER INFORMATION**

The financial and operating data contained in Appendix B are as of the dates and for the periods indicated.

## **APPENDIX C**

### **COMMONWEALTH OF VIRGINIA DEMOGRAPHIC AND ECONOMIC INFORMATION**

The financial and operating data contained in Appendix C are as of the dates and for the periods indicated.

**APPENDIX D**

**COMMONWEALTH OF VIRGINIA  
FINANCIAL STATEMENTS OF THE COMMONWEALTH  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**APPENDIX E**

**FORM OF BOND COUNSEL OPINION**

**APPENDIX F**

**CONTINUING DISCLOSURE UNDERTAKINGS OF THE COMMONWEALTH  
TRANSPORTATION BOARD AND THE COMMONWEALTH OF VIRGINIA**



**APPENDIX F**

**TABLE OF CONTENTS**

	<u>PAGE</u>
FORM OF CONTINUING DISCLOSURE UNDERTAKING - COMMONWEALTH TRANSPORTATION BOARD .....	F-1
FORM OF CONTINUING DISCLOSURE UNDERTAKING - COMMONWEALTH OF VIRGINIA.....	F-8

## **APPENDIX G**

### **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 2024 Notes, payments of principal and interest on the 2024 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 2024 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 2024 Notes. The 2024 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 2024 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 2024 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Notes on DTC's records. The ownership interest of each actual purchaser of each 2024 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 2024 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 2024 Notes, except in the event that use of the book-entry system for the 2024 Notes is discontinued.

To facilitate subsequent transfers, all 2024 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 2024 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 2024 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts the 2024 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 2024 Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of the 2024 Notes to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2024 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 2024 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 2024 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 2024 Notes THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

Principal and interest payments on the 2024 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 2024 Notes, as nominee of DTC, references herein to the 2024 Note owners or registered owners of the 2024 Notes shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2024 Notes.

DTC may discontinue providing its services as securities depository with respect to the 2024 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, 2024 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, 2024 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 2024 Notes, the Transportation Board and the Trustee shall treat Cede & Co. as the only noteholder of the 2024 Notes for all purposes under the Indenture, including receipt of all principal of and interest on the 2024 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 2024 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 2024 Notes; (iv) the selection of the Beneficial Owners to receive payments upon any partial redemption of the 2024 Notes; or (v) other action taken by DTC or Cede & Co. as noteholder of the 2024 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 2024 Notes without the consent of Beneficial Owners or Noteholders of the 2024 Notes.

**APPENDIX H**

**NOTICE OF SALE**

**EIGHTH SUPPLEMENTAL TRUST INDENTURE**

between

**COMMONWEALTH TRANSPORTATION BOARD**

and

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

authorizing

**\$ \_\_\_\_\_  
Commonwealth of Virginia  
Federal Transportation Grant Anticipation Revenue Notes  
Series 2024**

Dated as of October 1, 2024

## TABLE OF CONTENTS

		<u>Page</u>
ARTICLE I	DEFINITIONS.....	1
Section 1.1	Definitions.....	1
ARTICLE II	AUTHORIZATION AND TERMS OF NOTES; CREATION OF ACCOUNTS.....	2
Section 2.1	Authorization, Purpose and Name.....	2
Section 2.2	Principal Amounts, Dated Dates, Maturity Dates and Interest.....	3
Section 2.3	Redemption Provisions.....	4
Section 2.4	Limited Obligations.....	4
Section 2.5	Form of 2024 Notes.....	4
Section 2.6	Application of Proceeds; Establishment of Certain Accounts and Subaccounts; Exclusion from Trust Estate.....	5
Section 2.7	Flow of Funds.....	5
ARTICLE III	CERTIFICATIONS AND COVENANTS OF THE BOARD.....	5
Section 3.1	Findings, Determinations and Certifications.....	5
Section 3.2	Representations, Covenants and Warranties.....	6
ARTICLE IV	REPRESENTATIONS, COVENANTS AND WARRANTIES OF TRUSTEE.....	7
Section 4.1	Representations, Covenants and Warranties.....	7
ARTICLE V	MISCELLANEOUS.....	7
Section 5.1	Prior Amendments to the Master Indenture.....	7
Section 5.2	Table of Contents, Titles and Headings.....	8
Section 5.3	Interpretation and Construction.....	8
Section 5.4	Further Assurances and Corrective Instruments.....	8
Section 5.5	Tax Covenants.....	9
Section 5.6	Parties Interested Herein.....	9
Section 5.7	Severability.....	9
Section 5.8	Applicable Law.....	9
Section 5.9	Identifying Information.....	9
Section 5.10	Execution in Counterparts.....	9
APPENDIX A	FORM OF 2024 NOTE	
APPENDIX B	DESCRIPTION OF 2024 PROJECT	
APPENDIX C	PRIOR AMENDMENTS TO MASTER INDENTURE	



**THIS EIGHTH SUPPLEMENTAL TRUST INDENTURE** (this “Eighth Supplemental Indenture”) is dated as of October 1, 2024 and is entered into by the **COMMONWEALTH TRANSPORTATION BOARD** (the “Board”) and **U.S. BANK TRUST COMPANY, 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 secured by and payable from federal highway assistance funds and other revenues pledged therefore to finance certain costs of certain eligible transportation Projects and any other such purposes as may be authorized under the Act (as defined in the Master Indenture) , 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 Eighth Supplemental Indenture 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 2024 (the “2024 Notes”);

**WHEREAS**, the Board at the request of the Trustee desires to amend the Master Indenture to permit notices, consents, direction, opinions and other communications required or permitted under the terms of the Master Indenture and any supplement thereto to be provided by electronic means and signed by digital or other electronic means upon which the Trustee may rely, and the Master Indenture permits such amendment without the consent or approval of the holders of any Notes or other obligations issued thereunder;

**WHEREAS**, the Board has full power and authority, pursuant to the Act and the Master Indenture to enter into this Eighth Supplemental Indenture, to issue the 2024 Notes and amend the Master Indenture for the purpose described above; and

**WHEREAS**, the Board has found and determined the issuance and sale of the 2024 Notes and amendment of the Master Indenture 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 Eighth 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 Eighth Supplemental Indenture and the 2024

Notes. In addition to the foregoing, the following capitalized terms have the following meanings unless the context otherwise requires:

“*2024 Notes*” means the Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2024, which are authorized by this Eighth Supplemental Indenture.

“*2024 Notes COI Account*” means the account by that name in the Project Fund established under Section 2.6 below.

“*2024 Projects*” means collectively the projects described in Appendix B.

“*2024 VDOT Funding Account*” means the account by that name in the Project Fund established under Section 2.6.

“*Eighth Supplemental Indenture*” means this Eighth Supplemental Indenture and any amendment hereto adopted in accordance with the terms hereof.

“*First Amendatory Supplemental Trust Indenture*” means the First Amendatory Supplemental Trust Indenture, dated as of November 1, 2016 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.

“*Interest Payment Date*” means [March 15] and [September 15] of each calendar year, commencing [March 15, 2025].

“*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.

“*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.

“*Seventh Supplemental Indenture*” means the Seventh Supplemental Trust Indenture dated as of September 1, 2020, 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 2024 Notes.

## 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 2024 Notes for the purpose of financing the 2024 Projects in accordance with the Act and the Master Indenture. The 2024 Notes shall be named “Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2024.”

**Section 2.2 Principal Amounts, Dated Dates, Maturity Dates and Interest.**

- (a) The aggregate principal amount of the 2024 Notes shall be \$\_\_\_\_\_.
- (b) The 2024 Notes shall be dated as of their date of delivery and shall bear interest from their dated date, which is [October 16], 2024. Any 2024 Note issued upon transfer and exchange for another 2024 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 2024 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 2024 Note shall bear interest from its dated date.
- (c) Interest on the 2024 Notes shall be calculated based on a 360-day year consisting of twelve 30-day months.
- (d) The 2024 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 2024 Notes shall be numbered consecutively from 1 upward with the prefix “R-” preceding such number.

(f) Payments of principal and interest on the 2024 Notes to the registered Owners thereof shall be made as set forth in the Master Indenture.

**Section 2.3 Redemption Provisions.** (a) The 2024 Notes maturing on or before [September 15, 2034], are not subject to optional redemption prior to their respective maturity dates. The 2024 Notes maturing on and after [March 15, 2035], are subject, at the sole discretion of the Board, to optional redemption prior to their maturity on and after [September 15, 2034], in whole or in part at any time, in whole multiples of \$5,000, and if in part from the maturities of 2024 Notes as the Board shall determine and from any of the 2024 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 2024 Notes redeemed, plus accrued interest to the date fixed for redemption.

(b) The 2024 Notes maturing on \_\_\_\_\_ are subject to mandatory sinking fund redemption on the dates and in the amounts set forth below, at par plus accrued and unpaid interest to the date fixed for redemption.

Date

Amount

(c) The Board will receive a credit for payments required to be made on any mandatory sinking fund redemption date in an amount equal to the principal amount of the 2024 Notes subject to mandatory sinking fund redemption on such date that have been redeemed (otherwise than by mandatory sinking fund redemption) before such mandatory sinking fund redemption date or purchased by the Board or by anyone acting on behalf of the Board and delivered to the Trustee for cancellation at least sixty days before such date; provided, however, that the principal amount of the 2024 Notes has not previously been applied as a credit against any mandatory sinking fund redemption payment.

(d) Mandatory redemption of the 2024 Notes pursuant to this Section 2.3 shall not require the Board or a Board Representative to provide notice of the pending redemption to the Trustee.

**Section 2.4 Limited Obligations.** (a) The Note Payments for the 2024 Notes are payable solely from Revenues and moneys held in the Debt Service Fund. The Owners of the 2024 Notes may not look to any other revenues of the Board or the Commonwealth for the payment of the 2024 Notes.

(b) All financial obligations of the Board under the Master Indenture, this Eighth Supplemental Indenture and every other Supplemental Indenture and the 2024 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. The 2024 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 2024 Notes.** The 2024 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 Eighth 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 2024 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 “2024 Notes COI Account,” and the “2024 VDOT Funding Account.”

(b) On the issuance date of the 2024 Notes, the underwriter for the 2024 Notes will wire to the Trustee \$ \_\_\_\_\_, representing the purchase price for the 2024 Notes, less the underwriter’s discount and good faith deposit for the 2024 Notes previously provided by the underwriter to the Board on the date of sale of the 2024 Notes, and the Board will immediately cause \$ \_\_\_\_\_, representing such good faith deposit from the underwriter, to be transferred to the Trustee. The Trustee will immediately upon receipt of such amounts deposit (i) \$ \_\_\_\_\_ thereof into the 2024 Notes COI Account and (ii) \$ \_\_\_\_\_ thereof into the 2024 VDOT Funding Account.

(c) The amounts in the 2024 Notes COI Account, together with the investment earnings thereon, shall be applied to pay the costs of issuance of the 2024 Notes, and any balance remaining after payment of costs of issuance shall be transferred to the 2024 VDOT Funding Account.

(d) The amounts in the 2024 VDOT Funding Account, together with the investment earnings thereon, shall be applied to pay the costs of the 2024 Projects. The Trustee shall disburse sums from the 2024 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 2024 Notes COI Account nor the 2024 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, Federal Highway Reimbursements from the Federal Fund for deposit in the Series 2024 Account of the Debt Service Fund in an amount equal to one-sixth of the Note Payment due on the 2024 Notes on the next ensuing Interest Payment Date.

### ARTICLE III

#### CERTIFICATIONS AND COVENANTS OF THE BOARD

**Section 3.1 Findings, Determinations and Certifications.** An Authorized Board Representative, by executing this Eighth Supplemental Indenture on behalf of the Board, hereby finds, determines and certifies that:

(a) The 2024 Notes are authorized by the Act and the Master Indenture.

(b) As of the date of issuance of the 2024 Notes, the conditions set forth in Section 3.2 of the Master Indenture have been satisfied.

(c) This Eighth Supplemental Indenture contains all information required to be included in a Supplemental Indenture authorizing a Series of Notes under the Master Indenture.

(d) This Eighth Supplemental Indenture is authorized by and is being executed and delivered pursuant to and in accordance with (i) Section 9.1(g) of the Master Indenture for the purpose of authorizing the issuance of the 2024 Notes in accordance with Article III of the Master Indenture and (ii) Section 9.1(o) of the Master Indenture for the purpose of the amendment to the Master Indenture contained in Article V hereof, 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 2024 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 2024 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 Eighth 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 2024 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 Eighth Supplemental Indenture and the issuance of the 2024 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 Eighth Supplemental Indenture and the issuance, execution, delivery and performance of the 2024 Notes by the Board is authorized by the Act and, upon the execution and delivery of this Eighth Supplemental Indenture by the Trustee and an Authorized Board Representative, this Eighth Supplemental Indenture and the 2024 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 Eighth Supplemental Indenture and the issuance, execution, delivery and performance of its obligations under the 2024 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 Eighth 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 Eighth Supplemental Indenture or to issue, execute, deliver or perform its obligations under the 2024 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 Eighth Supplemental Indenture and to authenticate and deliver the 2024 Notes.

(b) The execution, delivery and performance of this Eighth Supplemental Indenture and the authentication and delivery of the 2024 Notes by the Trustee have been duly authorized by the Trustee.

(c) This Eighth 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 Eighth Supplemental Indenture and the authentication and delivery of the 2024 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 Eighth 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 Eighth Supplemental Indenture or to authenticate or deliver the 2024 Notes.

(f) Except for actions to be taken pursuant to the terms hereof, all conditions to the execution and delivery of this Eighth Supplemental Indenture and the authentication and delivery of the 2024 Notes by the Trustee have been satisfied.

## ARTICLE V

### MISCELLANEOUS

**Section 5.1 Prior Amendments to the Master Indenture.** Reference is hereby made to the amendments to the Master Indenture contained in the Seventh Supplemental Indenture, the Second Supplemental Indenture and in the First Amending Supplemental Trust Indenture, which provisions are incorporated in the Master Indenture and made a part thereof. Such amended provisions are 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 Eighth 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 Eighth Supplemental Indenture or any provision hereof or in ascertaining intent, if any question of intent should arise.

**Section 5.3 Interpretation and Construction.** This Eighth 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 Eighth Supplemental Indenture. For purposes of this Eighth Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Eighth 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 Eighth Supplemental Indenture;

(b) The words “herein,” “hereof,” “hereto,” “hereby,” “hereunder” and other words of similar import refer to this Eighth 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 Eighth 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 Eighth 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 Eighth 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 2024 Notes or any other funds of the Board or take or omit to take any action that would cause the 2024 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 2024 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 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 2024 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 Eighth 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 Eighth 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 Eighth Supplemental Indenture or any terms hereof.

**Section 5.7 Severability.** In the event that any provision of this Eighth 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 Eighth 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 Eighth 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 Eighth Supplemental Indenture to be executed in its name by its Chairperson, and to evidence its acceptance of the trusts hereby created the Trustee has caused this Eighth 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: \_\_\_\_\_  
W. Sheppard Miller, III, Chairperson

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

By: \_\_\_\_\_  
[Elizabeth Boyd]

**APPENDIX A**  
**FORM OF 2024 NOTE**

R-\_\_\_\_\_ \$ \_\_\_\_\_

**UNITED STATES OF AMERICA**  
**COMMONWEALTH OF VIRGINIA**  
**COMMONWEALTH TRANSPORTATION BOARD**

**COMMONWEALTH OF VIRGINIA FEDERAL TRANSPORTATION GRANT**  
**ANTICIPATION REVENUE NOTES, SERIES 2024**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
_____ %	[March][September] 15, 20__	[October 16], 2024	92778U ____

**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, 2025]. This Note shall bear interest (a) from [October 16], 2024, if this Note is authenticated before [March 15, 2025], 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 Trust Company, 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 2024 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 2024 (the “2024 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, as amended, to pay the costs of certain eligible transportation projects designated by the Board and located in the Commonwealth of Virginia and the costs related to the issuance of the 2024 Notes (the “Project”). The 2024 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 an Eighth Supplemental Trust Indenture, dated as of October 1, 2024 (the “Eighth Supplemental Indenture”), each between the Board and the Trustee. The Master Indenture, together with all of the supplements and amendments thereto (including the Eighth Supplemental Indenture), is referred to collectively in this Note as the “Indenture.” The 2024 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 2024 Notes may be issued on the terms provided in the Indenture.

The 2024 Notes maturing on or before [September 15, 2034], are not subject to optional redemption prior to their respective maturity dates. The 2024 Notes maturing on and after [March 15, 2035], are subject to redemption prior to their maturity at the option of the Board on and after [September 15, 2034], in whole or in part at any time, in whole multiples of \$5,000, and if in part from the maturities of the 2024 Notes as the Board shall determine and for any of the 2024 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 100% of the principal amount of the 2024 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 2024 Notes maturing on \_\_\_\_\_ are subject to mandatory sinking fund redemption on the dates and in the amounts set forth below, at par plus accrued and unpaid interest to the date fixed for redemption.

Date

Amount

The Board will receive a credit for payments required to be made on any mandatory sinking fund redemption date in an amount equal to the principal amount of the 2024 Notes subject to mandatory sinking fund redemption on such date that have been redeemed (otherwise than by mandatory sinking fund redemption) before such mandatory sinking fund redemption date or purchased by the Board or by anyone acting on behalf of the Board and delivered to the Trustee for cancellation at least sixty days before such date; provided, however, that the principal amount of the 2024 Notes has not previously been applied as a credit against any mandatory sinking fund redemption payment.

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 2024 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 2024 Notes are issued as registered bonds without coupons. The 2024 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, 2024 Notes may be exchanged for an equal aggregate principal amount of 2024 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 2024 Note or 2024 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 the manual or facsimile signature of its Chairperson, its seal to be affixed to this Note and attested by the manual or facsimile signature of its [Assistant] Secretary.

**COMMONWEALTH TRANSPORTATION BOARD**

By: \_\_\_\_\_  
W. Sheppard Miller, III, Chairperson

[SEAL]

ATTEST:

By: \_\_\_\_\_  
[Carol Mathis], [Assistant] Secretary



**CERTIFICATE OF AUTHENTICATION**

AUTHENTICATION DATE: October \_\_, 2024

This Note is one of the 2024 Notes described in the within-mentioned Master Indenture, as supplemented by the Eighth Supplemental Trust Indenture dated as of October 1, 2024, between the Commonwealth Transportation Board and U.S. Bank Trust Company, National Association, as Trustee.

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

By: \_\_\_\_\_  
Authorized Officer

**ASSIGNMENT**

**FOR VALUE RECEIVED** the undersigned hereby sell(s), assign(s) and transfer(s) unto

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PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

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(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 2024 PROJECT

1. Route 58/Holland Road Corridor Improvements
2. Route 95- Relocation of Interchange at Route 630
3. Route 7 Corridor Improvements Phase II
4. Route 277 Widening
5. I-66 Inside the Beltway Initiatives
6. Interchange Construction Route 15/17/29 at Route 15/17/29 Business
7. I-81 Northbound Auxiliary Lane from Exit 141 to 143
8. Route 7 Corridor Improvements – Phase I and Phase II
9. Route 11 S. Valley Pike Roadway Improvements
10. I-81 at State Route 75 (Exit 17) Interchange Modification
11. Route 10 (Bermuda Triangle Road to Meadowville Road)
12. Route 682 Reconstruction
13. 81 Southbound Auxiliary Lane from Exit 143 to 141
14. I-95 Rappahannock River Crossing (Southbound)
15. I-95 Aux Lanes (NB & SB) between Route 288 and Route 10
16. Route 419 & Route 220 Diverging Diamond Interchange
17. Potomac Town Center Commuter Garage
18. Progress Park Connector

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

If any of the foregoing identified projects or the related financing plan is delayed, altered, or terminated, such other project or projects as approved in the Six-Year Improvement Program, as amended from time to time, and approved in writing by FHWA shall be added to this Schedule I and will become eligible for Project-Specific Reimbursements.

## 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.*

2. Section 3.2(a)(4) of the Master Indenture was amended and restated by the First Amendatory Supplemental Trust Indenture to increase required coverage from Federal Highway Reimbursements in connection with the issuance of New Money Notes. The amended and restated provision reads as follows:

*(4) 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.*

3. Section 11.8 of the Master Indenture was amended by Article V of the Seventh Supplemental Indenture to add the following paragraph at the end of such section regarding Trustee notices and notification:

*The Trustee shall have the right to accept and, as applicable, act upon notices, approvals, consents, requests, instructions or directions pursuant to this Master Indenture sent in writing, (provided that any communication sent to the Trustee hereunder must be in the form of a document signed manually or by way of a digital signature provided via DocuSign (or such other digital signature provider as specified in writing by an Authorized Board Representative), in English (herein "Digital Signatures"), by unsecured e-mail, facsimile transmission, portable data format ("PDF"), or other similar unsecured electronic methods, provided, however, that the sender shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions and containing specimen signatures of such designated persons, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If a sender elects to give the Trustee e-mail, PDF or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the trustee's reliance upon and compliance with such instructions notwithstanding that such instructions conflict or are inconsistent with a subsequent written instruction. The sender agrees to assume all risks arising out of the use of Digital Signatures and electronic methods to submit communications, instructions and directions to the Trustee, including, without limitation, the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.*

*Commonwealth Transportation Board*

**CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed as of October [16], 2024 (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 2024 (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 an Eighth Supplemental Trust Indenture dated as of October 1, 2024 (collectively, the “Indenture”), both between the Board and U.S. Bank Trust Company, 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.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

“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 October 1, 2024.

“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.

“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.

**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, 2024, 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 a 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, or shall cause the Dissemination Agent (if different from the Board) to send, in a timely manner, 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 (an “Event Notice”) 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, if material, and tender offers;
- (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.

(o) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The Board does not undertake to provide the above-described Event 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 Event 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 Event 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 an Event 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 Chairperson of the Commonwealth Transportation Board has executed this Continuing Disclosure Agreement as of the Closing Date.

**COMMONWEALTH TRANSPORTATION BOARD**

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

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 2024

CUSIP Numbers:  
92778U \_\_\_ to \_\_\_

Dated: October [16], 2024

**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 Notes. 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: \_\_\_\_\_

**NOTICE OF SALE**  
**Commonwealth Transportation Board**

\$ \_\_\_\_\_\*  
**Commonwealth of Virginia**  
**Federal Transportation Grant Anticipation Revenue Notes,**  
**Series 2024**

Electronic bids, via *PARITY*® Competitive Bidding System (*PARITY*®) for the purchase of all, and not less than all, of the \$ \_\_\_\_\_\* preliminary aggregate principal amount of Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series 2024 (the “Notes”) will be received by the Commonwealth Transportation Board (the “Transportation Board”) until 10:30 a.m. (Eastern) on October 1, 2024 (unless changed as described herein). Capitalized terms not defined herein shall have the meanings defined in the Preliminary Official Statement dated the date hereof.

**Description of Notes; Interest Payment Dates**

The Notes will be dated their date of delivery and will be issued as fully registered notes in book-entry form only. Interest on the Notes will be calculated on a 30/360 basis and will be payable semiannually on March 15 and September 15, commencing March 15, 2025.

**Principal Amortization**

Principal on the Notes will be paid (subject to prior redemption) through serial maturities and/or term maturities with semi-annual sinking fund redemptions on the following dates and in the following amounts:

<u>Maturity</u>	<u>Preliminary Semi-Annual Amounts*</u>	<u>Maturity</u>	<u>Preliminary Semi-Annual Amounts*</u>
March 15, 2025	\$	September 15, 2032	\$
September 15, 2025		March 15, 2033	
March 15, 2026		September 15, 2033	
September 15, 2026		March 15, 2034	
March 15, 2027		September 15, 2034	
September 15, 2027		March 15, 2035	
March 15, 2028		September 15, 2035	
September 15, 2028		March 15, 2036	
March 15, 2029		September 15, 2036	
September 15, 2029		March 15, 2037	
March 15, 2030		September 15, 2037	
September 15, 2030		March 15, 2038	
March 15, 2031		September 15, 2035	
September 15, 2031		March 15, 2039	
March 15, 2032		September 15, 2039	

**Optional Redemption**

The Notes maturing on or before September 15, 2034,\* will not be subject to optional redemption prior to maturity. The Notes maturing on or after March 15, 2035,\* will be subject to optional redemption prior to maturity, at the sole discretion of the Transportation Board, on and after September 15, 2034,\* in whole or in part (in increments of \$5,000) at any time, at par plus interest accrued on the principal amount to be redeemed to the date fixed for redemption.

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\* Preliminary, subject to change.

## **Serial Notes, Term Notes and Mandatory Sinking Fund Redemption**

All of the Notes will be serial notes unless the bidder designates consecutive semi-annual principal amounts to be combined into one or more term notes. Each such term note shall be subject to mandatory sinking fund redemption commencing on March 15 or September 15 of the first semi-annual period which has been combined to form such term note and continuing on March 15 or September 15 in each semi-annual period thereafter until the stated maturity date of that term note. The amount redeemed in any semi-annual period shall be equal to the principal amount for such semi-annual period set forth in the appropriate amortization schedule, as adjusted in accordance with the provisions described below under the caption “Adjustments to Principal Amount.” The Notes to be redeemed in any semi-annual period by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from among the Notes of the maturity being redeemed.

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

If less than all of the Notes are called for optional redemption, the maturities of the Notes to be redeemed will be called in such order as the Transportation Board may determine. If less than all of the Notes of any maturity are called for optional or mandatory redemption, the Notes to be redeemed will be selected by The Depository Trust Company (“DTC”) or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the Trustee (as defined below) 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 Note for such purpose.

### **Book-Entry Only**

Initially, one note certificate for each maturity will be issued to DTC or its nominee, which will be designated as the securities depository for the Notes. So long as DTC is acting as securities depository for the Notes, a book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$5,000 and multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Principal of, redemption premium, if any, and interest on the Notes will be payable to DTC or its nominee as registered owner of the Notes. Principal of, redemption premium, if any, and interest on the Notes will be payable in lawful money of the United States of America by the Trustee.

Transfer of principal, premium, if any, and interest payments to Beneficial Owners will be the responsibility of such participants and other nominees of the Beneficial Owners. The Transportation Board will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes, or (b) the Transportation Board in its sole discretion determines (1) that Beneficial Owners will be able to obtain certificated notes or (2) to select a new securities depository, the Transportation Board will discontinue the book-entry system with DTC. If the Transportation Board fails to identify another qualified securities depository to replace DTC, the Transportation Board will cause the execution and delivery of replacement notes in the form of fully registered certificates.

### **Authorization and Security**

**The Notes are limited obligations of the Commonwealth of Virginia (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 of Virginia (the “General Assembly”), or allocated by the Transportation Board for such purpose from the 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 of any of its political subdivisions. The General Assembly is not obligated to make any such appropriation.**

Specifically, the 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 or refinanced by the 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 Notes pursuant

to the Indenture. In addition, the Notes are payable from and secured by moneys held in certain funds established under the Indenture.

**The 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 Notes when due, the Trustee and the owners of the Notes shall have no right to take possession of any transportation facilities or to exclude the Commonwealth or the Transportation Board from possession or operations of any transportation facilities.**

The issuance of the 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; (ii) the Transportation Development and Revenue Bond Act, Article 4, Chapter 17, Title 33.2 of the Virginia Code; and (iii) a resolution adopted by the Transportation Board on [July 17, 2024]. The 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 an Eighth Supplemental Trust Indenture dated as of October 1, 2024 (together with the Master Indenture, the “Indenture”), each between the Transportation Board and U.S. Bank National Association, as trustee (the “Trustee”).

### **Bid Specifications**

No bid for other than all of the Notes will be considered. All bids must be unconditional. Each proposal for the Notes must specify the amount bid for such Notes not less than 100% of the par value of the aggregate principal amount of the Notes based on the Revised Amounts as described below. Each bidder must specify in its bid a single rate for each maturity of the Notes, and the interest rate for each maturity must be 5.00%.

### **Electronic Bidding and Bidding Procedures**

*Registration to Bid.* All prospective electronic bidders must be contracted customers of *PARITY*®. If you do not have a contract with *PARITY*®, call (212) 849-5021 to become a customer. By submitting a bid for the Notes, a prospective bidder represents and warrants to the Transportation Board that the bidder has an established industry reputation for underwriting new issuances of municipal bonds and that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Notes.

If any provisions of this Notice of Sale shall conflict with earlier information provided by *PARITY*® as approved provider of electronic bidding services, this Notice of Sale shall control. Further information about *PARITY*®, including any fee charged, may be obtained from *PARITY*® at (212) 849-5021.

*Disclaimer.* Each prospective bidder shall be solely responsible to register to bid via *PARITY*®. Each prospective bidder shall be solely responsible to make necessary arrangements to access *PARITY*® for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Transportation Board nor *PARITY*® shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Transportation Board nor *PARITY*® shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by *PARITY*®. The Transportation Board is using *PARITY*® as a communication mechanism, and not as the Transportation Board's agent, to conduct the electronic bidding for the Notes. The Transportation Board is not bound by any advice and determination of *PARITY*® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the “Bid Specifications” hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via *PARITY*® are the sole responsibility of the bidders; and the Transportation Board is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Notes, it should telephone *PARITY*® and notify the Chief Financial Officer of the Virginia Department of Transportation by telephone at (804) 786-3096.

*Bidding Procedures.* Bids submitted electronically for the purchase of the Notes (all or none) must be by means of the Commonwealth Transportation Board Bid Form (the “Bid Form”) via *PARITY*® by 10:30 A.M. (Eastern) on October 1, 2024, unless changed as described herein (see “Change of Date and Time for Receipt of Bids”). Prior to that time, a prospective bidder may input and save proposed terms of its bid in *PARITY*®. Once the final bid has been saved in *PARITY*®, the bidder may select the final bid button in *PARITY*® to submit the bid to *PARITY*®. Once the bids are communicated electronically via *PARITY*® to the Transportation Board, each bid will constitute an irrevocable offer to purchase the Notes on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on *PARITY*® shall constitute the official time.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than by means of the Bid Form via *PARITY*®. No bid will be received after the time for receiving such bids specified above.

### **Good Faith Deposit**

A good faith deposit in the amount of \$ \_\_\_\_\_\* (the "Deposit") is required in connection with the sale and bid for the Notes. The Deposit is to be provided for by a federal funds wire transfer to be submitted to the Transportation Board by the successful bidder not later than 4:00 P.M., (Eastern), on the date of sale (the "Wire Transfer Deadline") as set forth below under "Wire Transfers." The Deposit of the successful bidder will be collected and the proceeds thereof retained by the Transportation Board to be applied in partial payment for the Notes and no interest will be allowed or paid upon the amount thereof, but in the event a successful bidder shall fail to comply with the terms of its bid, the proceeds thereof will be retained as and for full liquidated damages.

*Wire Transfers.* The Transportation Board will distribute wiring instructions for the Deposit to the successful bidder upon verification of the bids submitted by the bidders and prior to the Wire Transfer Deadline. If the Deposit is not received by the Wire Transfer Deadline, the award of the sale of the Notes to the successful bidder may be cancelled by the Transportation Board in its discretion without any financial liability of the Transportation Board to the successful bidder or any limitation whatsoever on the Transportation Board's right to sell the Notes to a different purchaser upon such terms and conditions as the Transportation Board shall deem appropriate.

### **Adjustments to Principal Amount**

*Changes Prior to Bidding.* The preliminary aggregate principal amount of the Notes and the preliminary semi-annual principal amounts as set forth in this Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Semi-Annual Principal Amounts," respectively; collectively, the "Preliminary Amounts") may be revised before the opening of sealed bids for the purchase of the Notes. Any such revisions (the "Revised Aggregate Principal Amount" and the "Revised Semi-Annual Principal Amounts," respectively; collectively, the "Revised Amounts") WILL BE ANNOUNCED ON THOMSON MUNICIPAL MARKET MONITOR ("TM3") (www.tm3.com) NOT LATER THAN 9:30 A.M. (EASTERN) ON ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS.

*Changes to the Winning Bid.* After selecting the winning bid, the Transportation Board will determine the final aggregate principal amount of the Notes and each final semi-annual principal amount (the "Final Aggregate Principal Amount" and the "Final Semi-Annual Principal Amounts," respectively; collectively, the "Final Amounts"). In determining the Final Amounts, the Transportation Board will not reduce or increase the Revised Aggregate Principal Amount by more than 15% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) FOR THE NOTES AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Notes. Such adjusted bid price will reflect changes in the dollar amount of the underwriters discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of the Notes from the selling compensation that would have been received based on the purchase price in the applicable winning bid and the Initial Reoffering Prices (as defined below). The interest rate specified by the successful bidder for each maturity as the Initial Reoffering Prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder by 10:00 A.M. (Eastern) on the business day following the sale.

### **Basis of Award**

ALL BIDS SHALL REMAIN FIRM UNTIL 5:00 P.M. (EASTERN) ON THE DATE OF THE SALE. An award of the Notes, if made, will be made by the Transportation Board by such time. Unless all bids are rejected, the Notes will be awarded to the bidder whose bid results in the lowest true interest cost to the Transportation Board, based on the Revised Amounts described above. The true interest cost (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semi-annually, which, when applied against each semi-annual debt service payment (interest, or principal and interest, as due, including any mandatory sinking fund payment) for the Notes, will equate the sum of such discounted semi-annual payments to the total purchase price for the Notes. The true interest cost shall be calculated from the dated date of the Notes. In case of a tie, the Transportation Board, at its sole discretion, may select the successful bidder. THE TRANSPORTATION BOARD RESERVES THE RIGHT TO WAIVE IRREGULARITIES IN ANY BID AND TO REJECT ANY OR ALL BIDS.

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\* Preliminary, subject to change.



## **Establishment of Issue Price**

The Transportation Board expects and intends that the bid for the Notes will satisfy the federal tax requirements for a qualified competitive sale of bonds, including, among other things, receipt of bids for the Notes from at least three underwriters, who have established industry reputations for underwriting new issuances of municipal bonds (a “Qualified Competitive Bid”). The Transportation Board will advise the successful bidder as promptly as possible after the bids are opened whether the bid constitutes a Qualified Competitive Bid or whether the bid fails to satisfy such requirements (a “Nonqualified Competitive Bid”).

If the bid is a Qualified Competitive Bid for the Notes, as promptly as possible after the bids are opened, the Transportation Board will notify the successful bidder, and such bidder, upon such notice, shall advise the Transportation Board within 30 minutes of the reasonably expected initial offering price to the public of each maturity of the Notes. In addition, the winning bidder shall be required to provide to the Transportation Board information to establish the initial expected offering price for each maturity of the Notes for federal income tax purposes by completing a certificate acceptable to Bond Counsel to the Transportation Board, on or before the date of issuance of the Notes, substantially in the form set forth in Exhibit A to the Notice of Sale, with appropriate completions, amendments and attachments.

If the bid is a Nonqualified Competitive Bid for the Notes, as promptly as possible after the bids are opened, the Transportation Board will notify the successful bidder, and such bidder, upon such notice, shall advise the Transportation Board within 30 minutes of the initial sale price or initial offering price to the public, as applicable, of each maturity of the Notes. In addition, the winning bidder shall be required to provide to the Transportation Board information and assurances to establish the initial sale price or the initial offering price to the public, as applicable, for each maturity of the Notes for federal income tax purposes by completing a certification acceptable to Bond Counsel in substantially the form set forth in Exhibit B to the Notice of Sale, with appropriate completions, omissions and attachments. It is noted that procedures for a Nonqualified Competitive Bid may require the winning bidder and, if applicable, other underwriters of the Notes, to hold the initial offering prices for certain maturities of the Notes for up to five business days after the sale date, as further specified in the form of such certification.

## **Undertakings of the Successful Bidder**

The successful bidder shall make a bona fide public offering of the Notes and shall, within 30 minutes after being notified of the award of the Notes, advise the Transportation Board in writing (via electronic transmission) of the initial public offering prices of the Notes (the “Initial Reoffering Prices”). The successful bidder must, by electronic transmission or delivery received by the Transportation Board within 24 hours after notification of the award, furnish the following information to the Transportation Board to complete the Final Official Statement in final form (the “Final Official Statement”):

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Notes are sold at the Initial Reoffering Prices).
- B. The identity of the underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the Transportation Board determines is necessary to complete the Final Official Statement.

After the award of the Notes, the Transportation Board will prepare copies of the Final Official Statement and will include therein such additional information concerning the reoffering of the Notes as the successful bidder may reasonably request; provided, however, that the Transportation Board will not include in the Final Official Statement a “NRO” (“not reoffered”) designation with respect to any maturity of the Notes. The successful bidder will be responsible to the Transportation Board in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The Transportation Board expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Notes and the Municipal Securities Rulemaking Board (“MSRB”) via the MSRB’s Electronic Municipal Market Access system (“EMMA”). The successful bidder will be required to acknowledge receipt of such Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB and such repositories, to acknowledge that the Transportation Board expects such successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Notes and to certify that the Notes will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

*It is the policy of the Commonwealth of Virginia pursuant to Executive Order 35 (2019) to ensure that small businesses and businesses owned by women and minorities receive every opportunity to compete for the Commonwealth's business. Following award of the Notes, the Transportation Board requires that the winning bidder provide a listing of syndicate members noting any minority, women or disadvantaged business enterprises participating in the syndicate.*

### **Bond Insurance**

In the event the successful bidder has on its own obtained a commitment for a municipal bond insurance policy or other credit enhancement, the Transportation Board shall indicate in the Final Official Statement those maturities that the successful bidder has informed the Transportation Board for which credit enhancement is being sought. The Transportation Board will also indicate within the Final Official Statement that further information concerning such potential credit enhancement may be obtained through the successful bidder. The Transportation Board will not include the identity of the potential credit enhancer or other information with respect to the potential credit enhancer in the Final Official Statement. In addition, the Transportation Board will not place a statement of insurance on the Notes or provide such documentation, or make such covenants or arrangements, as would customarily be provided, made or arranged if the Transportation Board were to obtain a commitment for municipal bond insurance or other credit enhancement on its own.

If the successful bidder obtains a municipal bond insurance policy or other form of credit enhancement for the Notes, at the same time it provides the initial reoffering prices and yields it shall advise the Transportation Board of the cost of such credit enhancement and whether it will provide to the Transportation Board, at or before the closing of the Notes, a certificate prepared by Kutak Rock LLP, Richmond, Virginia ("Bond Counsel") to the effect that (i) the present value of the fees paid for such credit enhancement are less than the present value of the interest reasonably expected to be saved as a result of obtaining such credit enhancement, using the yield on the Notes (determined with regard to the payments for such credit enhancement) as the discount factor for this purpose, and (ii) to the best of its knowledge, such fees were obtained in arm's length negotiations and do not exceed a reasonable charge for the transfer of credit risk. In addition, the successful bidder will cooperate with the Transportation Board and Bond Counsel to obtain the necessary certifications from the credit enhancement provider. Failure of the Notes to be so insured or of any such policy to be issued shall not in any manner relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Notes.

### **Delivery of Notes; Closing Papers and Certificates**

The Notes are expected to be delivered on or about October 16, 2024 (UNLESS A NOTICE OF A CHANGE IN THE DELIVERY DATE IS ANNOUNCED ON TM3 NOT LATER THAN 4:00 P.M. (EASTERN) ON ANY ANNOUNCED DATE FOR RECEIPT OF BIDS) (the "Closing Date") through the facilities of DTC against payment of the purchase price therefor (less the amount of the good faith deposit) in Federal Funds.

There will also be furnished the usual closing papers, including among others, certificates signed by (1) the officials who signed the Notes stating that no litigation of any kind is now pending or, to their information, knowledge or belief, threatened to restrain or enjoin the issuance or delivery of the Notes or in any manner questioning the proceedings and authority under which the Notes are issued, or affecting the validity of the Notes and (2) appropriate Transportation Board or Commonwealth officials, respectively, relating to the Final Official Statement, as described in the Preliminary Official Statement under the section entitled "Certificate Concerning Official Statement."

It shall be a condition of closing that the foregoing items be delivered and that, as described below, Bond Counsel deliver its opinion in substantially the form set forth in an appendix to the Preliminary Official Statement. If the delivery of any such item fails to occur, the successful bidder shall be entitled to the return of its good faith deposit, the Transportation Board shall not be obligated to deliver the Notes, and the successful bidder and the Transportation Board shall be relieved of their obligations to each other arising out of this Notice of Sale.

### **Legal Opinion**

The approving opinion of Kutak Rock LLP, Richmond, Virginia, Bond Counsel, in substantially the form set forth in an appendix to the Preliminary Official Statement, will be furnished at no expense to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the excludability from gross income of interest on the Notes and a discussion of Bond Counsel's opinion insofar as it concerns such tax status.

## **CUSIP Numbers**

Public Resources Advisory Group, municipal advisor to the Transportation Board, will timely apply for CUSIP numbers with respect to the Notes as required by MSRB Rule G-34. The successful bidder will be responsible for the cost of assignment of such CUSIP numbers. It is anticipated that CUSIP numbers will be printed on the Notes, but the Transportation Board will assume no obligation for the assignment or printing of such numbers on the Notes or for the correctness of such numbers, and neither the failure to print such numbers on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Notes.

## **Official Statement**

The Preliminary Official Statement dated the date hereof and the information contained therein have been deemed final by the Transportation Board as of its date within the meaning of the Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”) with permitted omissions but is subject to change without notice and to completion or amendment in the Final Official Statement.

The Transportation Board, at its expense, will make available to the successful bidder a reasonable number of Final Official Statements, for delivery to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Notes, within seven business days of the award of the Notes, provided that the successful bidder cooperates in a timely manner in providing the information required to complete the Final Official Statement.

The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the MSRB, including an obligation, if any, to update the Final Official Statement.

## **Continuing Disclosure**

Rule 15c2-12 prohibits an underwriter from purchasing or selling municipal securities, such as the Notes, unless it has determined that the issuer of such securities and/or other persons deemed to be material “obligated persons” (hereinafter referred to as “MOPs”) have committed to provide (i) on an annual basis, certain financial and operating data (“Annual Reports”) and, if available, audited financial statements, to the MSRB via EMMA, as described in 1934 Act Release No. 59062 and (ii) notice of the events described in Rule 15c2-12 (“Event Notices”), to the MSRB via EMMA.

The Transportation Board will covenant, in a Continuing Disclosure Agreement in substantially the form provided in an appendix to the Preliminary Official Statement, for the benefit of the holders of the Notes, to provide to the MSRB via EMMA Annual Reports with respect to itself, as issuer. Similarly, the Transportation Board will provide Event Notices to the MSRB via EMMA.

The continuing disclosure undertaking of the Commonwealth, which the Transportation Board has determined to be a MOP for purposes of Rule 15c2-12, will be evidenced by a Continuing Disclosure Agreement in substantially the form set forth in an appendix to the Preliminary Official Statement, for the benefit of the holders of the Notes, to be executed and delivered prior to the delivery of the Notes, pursuant to which the Commonwealth also will provide Annual Reports and Event Notices solely with respect to rating changes affecting the Commonwealth's general obligation bonds.

## **Change of Date and Time for Receipts of Bids**

The Transportation Board expects to take bids on October 1, 2024 at 10:30 A.M. (Eastern) for the Notes. However, the Transportation Board reserves the right to change the date and times established for the receipt of bids and will undertake to notify potential bidders of such changes in the date or times for the receipt of bids. Prospective bidders may request notification by e-mail of any such change by so advising, and furnishing their emails to, Public Resources Advisory Group, Inc. at (212) 566- 7800 by Noon, (Eastern), two days prior to the date fixed for the receipt of bids.

A change of the bid date will be announced via TM3 not later than 9:30 A.M. (Eastern) on any announced date for receipt of bids, and an alternative sale date and times will be announced via TM3 at least 20 hours prior to such alternative date and times for receipt of bids.

On any such alternative sale date and times, the Transportation Board will accept bids for the purchase of the Notes, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and times of sale and any other changes announced by TM3 at the time the sale date and times are announced. In

addition, the Transportation Board reserves the right to make changes to this Notice of Sale. Such changes will be announced on TM3.

**Additional Information**

For further information relating to the Notes, reference is made to the Preliminary Official Statement, dated the date hereof, prepared for and authorized by the Transportation Board. The Preliminary Official Statement may be obtained from representatives of the Commonwealth Transportation Board, 1401 East Broad Street, Richmond, VA 23219 (telephone 804-786-3096) or from the financial advisor Public Resources Advisory Group, Inc., 39 Broadway, Suite 1210, New York, NY 10006 (telephone (212) 566-7800).

Commonwealth Transportation Board  
By: W. Sheppard Miller, III, Chairperson

Dated: September \_\_, 2024

**Exhibit A To Notice of Sale**  
**Form of Issue Price Certificate**  
**For Qualified Competitive Sale**

**Commonwealth Transportation Board**

\$ \_\_\_\_\_ \*  
**Commonwealth of Virginia**  
**Federal Transportation Grant Anticipation Revenue Notes,**  
**Series 2024**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of \_\_\_\_\_ (the “Initial Purchaser”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Notes”).

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by the Initial Purchaser are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Notes used by the Initial Purchaser in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by the Initial Purchaser to purchase the Notes.

(b) The Initial Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Initial Purchaser constituted a firm offer to purchase the Notes.

**2. Defined Terms.**

(a) “*Issuer*” means the Commonwealth Transportation Board.

(b) “*Maturity*” means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have (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).

(d) “*Sale Date*” means the date that the Notes are awarded by the Issuer to the successful bidder. The Sale Date of the Notes is [DATE].

(e) “*Underwriter*” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described

in clause (i) of this paragraph to participate in the initial sale of the 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 Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Initial Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Kutak Rock LLP, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

[INITIAL PURCHASER]

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

Dated: [ISSUE DATE]

**[SCHEDULE A]**

**[EXPECTED INITIAL OFFERING PRICES OF THE NOTES]**

(To Be Attached)

**SCHEDULE B**

**PRICING WIRE OR EQUIVALENT COMMUNICATION**

(To Be Attached)

**Exhibit B To Notice of Sale**  
**Form of Issue Price Certificate**  
**For Nonqualified Competitive Sale**

**Commonwealth Transportation Board**

\$ \_\_\_\_\_\*  
**Commonwealth of Virginia**  
**Federal Transportation Grant Anticipation Revenue Notes,**  
**Series 2024**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of \_\_\_\_\_ (the “Initial Purchaser”) [and other Underwriters, as defined below], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Notes”).

1. ***Sale of the General Rule Maturities.*** As of the date of this Certificate, for each Maturity of the General Rule Maturities, the first price at which 10% of such Maturity was sold by the Initial Purchaser to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
  - (a) The Initial Purchaser offered the Hold-the-Offering Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Notes is attached to this Certificate as Schedule B.
  - (b) As set forth in the Notice of Sale and bid award, the Initial Purchaser has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Notes of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to the foregoing, no Underwriter has offered or sold any Maturity of the Hold-the-Offering Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Notes during the Holding Period.
3. ***Defined Terms.***
  - (a) “*General Rule Maturities*” means those Maturities of the Notes shown in Schedule A hereto as the “General Rule Maturities.”
  - (b) “*Hold-the-Offering-Price Maturities*” means those Maturities of the Notes listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”
  - (c) “*Holding Period*” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Initial Purchaser has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
  - (d) “*Issuer*” means the Commonwealth Transportation Board.
  - (e) “*Maturity*” means Notes with the same credit and payment terms and maturity date. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have (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).

(g) “*Sale Date*” means the date that the Notes are awarded by the Issuer to the successful bidder. The Sale Date of the Notes is [DATE].

(h) “*Underwriter*” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the 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 Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Initial Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Kutak Rock LLP, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Notes.

[INITIAL PURCHASER]

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

Dated: [ISSUE DATE]

**[SCHEDULE A]**

**[Sale Prices of the General Rule Maturities]**

**[Initial Offering Prices of the Hold-The Offering-Price Maturities]**

(To Be Attached)

**SCHEDULE B**

**PRICING WIRE OR EQUIVALENT COMMUNICATION**

(To Be Attached)