

NEW ISSUE
BOOK-ENTRY ONLY

Ratings:
Fitch: _____
Moody's: _____
Standard & Poor's: _____
(See "RATINGS" herein)

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

Commonwealth Transportation Board
\$300,000,000*
Commonwealth of Virginia
Transportation Capital Projects Revenue Bonds, Series 2014

Dated: Date of Delivery

Due: May 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 bonds (the "Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

Security	The Bonds are limited obligations of the Commonwealth of Virginia and the Transportation Board, secured by and payable solely from the revenues, receipts and funds appropriated for such purpose by the General Assembly of the Commonwealth of Virginia, or allocated by the Transportation Board for such purpose from revenues, receipts and funds appropriated to it by the General Assembly of the Commonwealth of Virginia, 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 " <i>Sources of Payment and Security for the Bonds.</i> "
Issued Pursuant to	The Bonds will be issued pursuant to a Master Indenture of Trust dated as of May 1, 2010, and a Fourth Supplemental Indenture of Trust dated as of June 1, 2014.
Purpose	The Bond proceeds are being used to pay (i) certain costs of certain transportation projects in the Commonwealth of Virginia and (ii) certain costs related to the issuance of the Bonds. See the sections " <i>Introduction,</i> " " <i>Capital Projects Revenue Bonds Program,</i> " and " <i>Application of Proceeds of the Bonds.</i> "
Interest Rates/Yields	See inside front cover.
Interest Payment Dates	May 15 and November 15, beginning November 15, 2014.
Denomination	\$5,000 or multiples thereof.
Redemption	See inside front cover and the section " <i>The Bonds.</i> "
Closing/Delivery Date	On or about June 25, 2014.*
Registration	Book-entry only. See the section " <i>The Bonds.</i> "
Trustee/Paying Agent	Wells Fargo Bank, National Association, Columbia, Maryland
Financial Advisor	Public Resources Advisory Group, New York, New York
Bond Counsel	McGuireWoods LLP, Richmond, Virginia

The Bonds will be awarded pursuant to electronic competitive bidding to be held via BiDCOMP/PARITY® on June 11, 2014,* unless postponed, as set forth in the Notice of Sale contained in Appendix F to this Official Statement.

Dated: June ___, 2014

This Preliminary Official Statement and the information contained herein are subject to change, completion and amendment without notice. The Bonds 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 Bonds 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.

* Preliminary, subject to change.
46413009.6

COMMONWEALTH TRANSPORTATION BOARD
\$300,000,000*
Commonwealth of Virginia
Transportation Capital Projects Revenue Bonds, Series 2014
(Base CUSIP[†] Number 927793)

<u>Maturity (May 15)*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†] Suffix</u>
2015	\$	%	%	
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				

* Preliminary, subject to change.

[†] A registered trademark of the American Bankers Association, used by Standard & Poor's in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers 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. The 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.

Optional Redemption

The Bonds maturing on or before May 15, 2024,* will not be subject to optional redemption. The Bonds maturing on and after May 15, 2025,* will be subject to optional redemption, at the sole discretion of the Transportation Board, on and after May 15, 2024,* in whole or in part at any time, at par plus interest accrued thereon 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, in accordance with the Notice of Sale, serial maturities into one or more term bonds. See "Notice of Sale" in Appendix F hereto.

* Preliminary, subject to change.

COMMONWEALTH TRANSPORTATION BOARD

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Charles A. Kilpatrick, *Vice Chairman*

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John W. Lawson, *Chief Financial Officer*

VIRGINIA DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

Jennifer Mitchell, *Director*
William S. Pittard, *Chief Financial Officer*

OFFICE OF THE ATTORNEY GENERAL

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

TRUSTEE

Wells Fargo Bank, National Association
Columbia, Maryland

BOND COUNSEL

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Richmond, Virginia

FINANCIAL ADVISOR

Public Resources Advisory Group
New York, New York

The Bonds are exempt from registration under the Securities Act of 1933, as amended. The Bonds 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 Bonds 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 Bonds. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under it will, under any circumstances, create any implication that there has been no change in the affairs of the Transportation Board since the date of this Official Statement.

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

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

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

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OFFICIAL STATEMENT

Commonwealth Transportation Board
\$300,000,000*
Commonwealth of Virginia
Transportation Capital Projects Revenue Bonds, Series 2014

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"), to furnish information with respect to the offering of \$300,000,000* aggregate principal amount of the Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2014 (the "Bonds"). The Bonds are expected to be offered for sale at competitive bidding on June 11, 2014*. See the section "*Sale at Competitive Bidding*."

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 1, Title 33.1 of the Code of Virginia of 1950, as amended (the "Virginia Code"), and is responsible for general policies for the construction and use of Virginia's highway system and for the efficient and economic development of transportation. The powers and duties of the Transportation Board include, among other things, the allocation of funds in the Transportation Trust Fund to finance transportation needs, including needs for highway and public transportation. See the section "*Commonwealth Transportation Board, Virginia Department of Transportation, and Virginia Department of Rail and Public Transportation*."

The Bonds

The issuance of the Bonds is authorized by the provisions of (i) the Commonwealth Transportation Capital Projects Bond Act of 2007, enactment clause 2 of Chapter 896 of the Acts of the General Assembly of the Commonwealth of Virginia, 2007 Regular Session, as amended (the "2007 Act"); (ii) Item 456.H. of Chapter 874 of the Acts of the General Assembly of the Commonwealth of Virginia, 2010 Regular Session, as amended by Chapter 890 of the Acts of the General Assembly of the Commonwealth of Virginia, 2011 Regular Session (collectively, the "Appropriation Acts" and, together with the 2007 Act, the "Capital Projects Bond Act"); (iii) the State Revenue Bond Act, §§ 33.1-267 *et seq.* (the "Revenue Bond Act") of the Virginia Code and (iv) a resolution adopted by the Transportation Board on April 16, 2014 (the "Resolution"). The Bonds are being issued pursuant to a Master Indenture of Trust dated as of May 1, 2010, as previously supplemented and amended (the "Master Indenture") and as further supplemented by a Fourth Supplemental Indenture of Trust dated as of June 1, 2014 (the "Fourth Supplemental Indenture" and collectively, with the Master Indenture, the "Indenture"), each between the Transportation Board and Wells Fargo Bank, National Association, Columbia, Maryland, as trustee for the Bonds (the "Trustee").

The Bonds are the fourth series of bonds issued by the Transportation Board under the Capital Projects Bond Act. See the section "*Capital Projects Revenue Bonds Program*." The Bonds, any bonds currently outstanding, and any additional bonds issued in the future under the Indenture are referred to collectively as the "Capital Projects Revenue Bonds."

Purpose of the Bonds

The Transportation Board will use the net proceeds of the Bonds to provide for the payment of certain costs (the "Costs") of certain transportation projects in the Commonwealth (the "Projects") and certain costs related to the issuance of the Bonds. See the section "*Capital Projects Revenue Bonds Program*."

* Preliminary, subject to change.

Pursuant to the Fourth Supplemental Indenture, the Transportation Board will deposit a portion of the proceeds of the Bonds into the Project Fund, as hereinafter defined, established pursuant to the Master Indenture. See the section "*Application of Proceeds of the Bonds.*" From time to time, the Transportation Board will requisition funds from the Project Fund pursuant to the terms of the Indenture to pay the Costs of the Projects.

Limited Obligations

The Bonds are limited obligations of the Commonwealth and the Transportation Board, secured by and payable solely from the revenues, receipts and funds appropriated for such purpose by the General Assembly of the Commonwealth (the "General Assembly"), or allocated by the Transportation Board for such purpose from the revenues, receipts and funds 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.

Specifically, the Bonds are secured by and payable from revenues, receipts and funds as follows: (i) from the revenues deposited into the Priority Transportation Fund established pursuant to Section 33.1-23.03:8 of the Virginia Code (the "Priority Transportation Fund"), which is a part of the Transportation Trust Fund, established pursuant to Section 33.1-23.03:1 of the Virginia Code (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. In addition, the Bonds are payable from and secured by moneys held in certain funds established under the Indenture. Future series of Capital Projects Revenue Bonds are expected to be payable from and secured by the above-described revenues, receipts, funds and moneys on a parity basis with the Bonds as provided under the Indenture. See the sections "*Sources of Payment and Security for the Bonds*" and "*Priority Transportation Fund.*"

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

Approval of Issuance of Bonds and Terms and Structure of Bonds

Under the 2007 Act, the consent of the Governor of the Commonwealth of Virginia (the "Governor") must be obtained prior to the issuance of all Capital Projects Revenue Bonds. In addition, Section 2.2-2416(7) of the Virginia Code requires the approval of the Treasury Board of the Commonwealth (the "Treasury Board") to the terms and structure of all proposed bond issues by state agencies, boards or authorities where debt service payments are expected by the issuing agency, board or authority to be made, in whole or in part, from appropriations of the Commonwealth. On May 21, 2014, the Treasury Board adopted a resolution approving the terms and structure of the Bonds 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 Bonds within such parameters. The Transportation Board must obtain the consent of the Governor and the approval of the State Treasurer prior to the issuance of the Bonds and the Transportation Board expects to receive the consent of both prior to the issuance of the Bonds.

CAPITAL PROJECTS REVENUE BONDS PROGRAM

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 (which for the Commonwealth and the Transportation Board ends on June 30th) (each a "Fiscal Year") is less than \$300 million, then the amount by which the issuance is less than \$300 million may be issued in any subsequent Fiscal Year in addition to the \$300 million authorized in the subsequent Fiscal Year. The proceeds of the Capital Projects Revenue Bonds authorized by the 2007 Act will 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 will be used for transit capital, a minimum of 4.3% of the proceeds will be used for rail capital, and the remaining amount of proceeds will be used for paying the costs of transportation projects, with such proceeds used or allocated (i) to match certain federal highway funds, (ii) to provide any required funding to fulfill the Commonwealth's allocation of equivalent revenue sharing matching funds and (iii) 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 Appropriation Acts authorize the Transportation Board to issue additional Capital Projects Revenue Bonds above the \$3 billion authorized by the 2007 Act 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.

Chapters 830 and 868 (HB 2527 and SB1446) of the 2011 Acts of Assembly amended the 2007 Act, which amendments increased the annual issuance limitation in Fiscal Years 2012 and 2013 by \$200 million and \$300 million, respectively. The uses of the Capital Projects Revenue Bonds authorized by the 2007 Act were also amended to permit the Transportation Board flexibility, within the statutory requirements, to determine the amount of the Capital Projects Revenue Bonds to be used to match federal highway funds and to support the revenue sharing program.

Set forth in the following chart are the issue dates, original principal amounts and outstanding principal amounts of three prior series of Capital Projects Revenue Bonds:

<u>Series of Capital Projects Revenue Bonds</u>	<u>Issue Date</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount as of June 1, 2014</u>
Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2010A-1 (Tax-Exempt) and 2010A-2 (Federally Taxable – Build America Bonds)	May 26, 2010	\$492,665,000	\$437,720,000
Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2011	May 25, 2011	600,000,000	567,585,000
Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2012	June 14, 2012	<u>600,000,000</u>	<u>572,150,000</u>
Total		<u>\$1,692,665,000</u>	<u>\$1,577,455,000</u>

THE BONDS

Description of the Bonds

The Bonds will be issued as fully registered Bonds in book-entry form. The Bonds 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 May 15 and November 15, beginning November 15, 2014, at the rates and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. Principal of, premium, if any, and interest on the Bonds will be paid by the Trustee to The Depository Trust Company ("DTC") for distribution as described in the subsection "Book-Entry Only System" below.

Optional Redemption

The Bonds maturing on or before May 15, 2024,* will not be subject to optional redemption. The Bonds maturing on and after May 15, 2025,* will be subject to optional redemption prior to their respective maturities on and after May 15, 2024,* at the sole option of the Transportation Board, in whole or in part (in increments of

* Preliminary, subject to change.

\$5,000), at any time, at par plus interest accrued on the principal amount to be redeemed 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, in accordance with the Notice of Sale, serial maturities into term Bonds. See "Notice of Sale" in Appendix F hereto.

Selection of Bonds for Redemption

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

Notice of Redemption

Notice of redemption will be given by the Trustee by registered or certified mail not less than thirty nor more than sixty days before the redemption date to DTC, or, if DTC is no longer serving as securities depository for the Bonds, to the substitute securities depository, or if none, to the registered owners of the Bonds to be redeemed at their addresses shown on the registration books maintained by the Trustee. Such notice of redemption also will be given to certain securities depositories and certain national information services which disseminate such redemption notices. Such notice may state that the redemption of the Bonds to be redeemed is conditioned upon the occurrence of certain future events, including, without limitation, the deposit of moneys, in an amount sufficient to effect the redemption, with the Trustee on or before the date fixed for redemption. All Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Bonds in accordance with the Master Indenture are on deposit with the Trustee. If such moneys are not available on the redemption date, such Bonds 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 Bonds called for redemption at the place or places of payment, such Bonds will be paid and redeemed provided sufficient funds are on deposit with the Trustee. During the period that DTC or its nominee is the registered owner of the Bonds, the Trustee will not be responsible for mailing notices of redemption to the actual beneficial owners of the Bonds (the "Beneficial Owners").

Book-Entry Only System

The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payments of principal, premium, if any, and interest on the Bonds to DTC, its nominee, Direct Participants, as hereinafter defined, Indirect Participants, as hereinafter defined, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds 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 Bonds. The Bonds 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 Bond certificate will be issued for each maturity of the Bonds 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 3.5 million 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Beneficial Owner of each Bond is in turn to be recorded on the Direct Participants and the Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (an "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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

BECAUSE DTC IS TREATED AS THE OWNER OF THE BONDS 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 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

Principal, redemption premium, if any, and interest payments on the Bonds 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will 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 Bonds, as nominee of DTC, references herein to the Bond owners or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

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

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

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 holder of the Bonds, the Transportation Board and the Trustee shall treat Cede & Co. as the only holder of the Bonds for all purposes under the Indenture, including receipt of all principal of, premium, and interest on the Bonds, 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 or 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, premium, and interest on the Bonds 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 holders of the Bonds; (iv) the selection of the Beneficial Owners to receive payments upon any partial redemption of the Bonds or (v) other action taken by DTC or Cede & Co. as Bondholder of the Bonds, 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 Bonds without the consent of Beneficial Owners or Bondholders of the Bonds.

APPLICATION OF PROCEEDS OF THE BONDS

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

Sources:	
Principal Amount of Bonds	\$
Net Original Issue Premium/Discount	_____
Total	\$ =====
 Uses:	
Deposit to Project Fund	\$
Deposit to Cost of Issuance Fund	_____
Underwriter's Discount	_____
Total	\$ =====

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Limited Obligations

The Bonds are limited obligations of the Commonwealth and the Transportation Board, secured by and payable solely from the revenues, receipts and funds appropriated for such purpose by the General Assembly or allocated by the Transportation Board for such purpose from the revenues, receipts and funds appropriated to it by the General Assembly. The Bonds 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 Bonds 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 Bonds when due, neither the Trustee nor the owners of the Bonds shall have any right to take possession of any transportation facilities or to exclude the Commonwealth or the Transportation Board from possession of them.

The Bonds and Other Capital Projects Revenue Bonds

General. The Bonds and any other Capital Projects Revenue Bonds issued and outstanding under the Indenture will be equally and ratably payable from and secured by (i) "Revenues," defined as 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, (a) from the Priority Transportation Fund, which is a part of the Transportation Trust Fund, (b) to the extent required, from revenues legally available from the rest of the Transportation Trust Fund and (c) to the extent required, from any other legally available funds and (ii) from moneys in certain funds established under the Indenture. See the sections "*Priority Transportation Fund*," "*Transportation Trust Fund*" and "*Summary of the Indenture*."

Payment Agreement. The Transportation Board entered into a Payment Agreement dated as of May 1, 2010, with the Treasury Board and the Secretary of Finance (the "Payment Agreement"). The Payment Agreement provides, among other things, the procedures for requesting appropriations of funds sufficient to pay debt service on the Capital Projects Revenue Bonds and for the payment of such debt service. The Payment Agreement requires the Transportation Board and the Treasury Board to use their best efforts to have (i) the Governor include a sufficient appropriation request in each biennial or any supplemental budget of the Commonwealth and (ii) the General Assembly appropriate the amount requested by the Governor. See the section "*Summary of Payment Agreement*."

Additional Capital Projects Revenue Bonds. The Transportation Board may issue one or more series of additional Capital Projects Revenue Bonds under the Indenture on parity with the Bonds upon satisfaction of various conditions. The Indenture provides that additional Capital Projects Revenue Bonds may be issued only (i) to pay the costs of the projects authorized under the Capital Projects Bond Act or other costs authorized under the Capital Projects Bond Act, (ii) to refund any Capital Projects Revenue Bonds issued under the Indenture and (iii) for a combination of such purposes.

Under the 2007 Act, the Transportation Board must obtain the consent of the Governor prior to the issuance of all Capital Projects Revenue Bonds. The 2007 Act provides that (i) the aggregate principal amount of the Capital Projects Revenue Bonds issued under the 2007 Act may not exceed \$3,000,000,000 and (ii) the aggregate principal amount of Capital Projects Revenue Bonds issued under the 2007 Act in any one Fiscal Year shall not exceed \$300,000,000, excluding any refunding Bonds. If, however, the aggregate principal amount of Capital Projects Revenue Bonds issued under the 2007 Act in any Fiscal Year is less than \$300,000,000, then the amount by which such 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. The \$180,000,000 in aggregate principal amount of Capital Projects Revenue Bonds that may be issued under the Appropriation Acts are not subject to the foregoing limitations set forth in the 2007 Act regarding the amount of principal that may be issued on an aggregate basis or in any one Fiscal Year.

Chapters 830 and 868 (HB 2527 and SB1446) of the 2011 Acts of Assembly amended the 2007 Act, which amendments increased the annual issuance limitation in Fiscal Years 2012 and 2013 by \$200 million and \$300 million, respectively. The uses of the Capital Projects Revenue Bonds authorized by the 2007 Act were also amended to permit the Transportation Board flexibility, within the statutory requirements, to determine the amount of the Capital Projects Revenue Bonds to be used to match federal highway funds and to support the revenue sharing program.

All of the aforementioned limitations on the issuance of the Capital Projects Revenue Bonds could be changed by the General Assembly at any time.

The 2007 Act provides that no bonds, obligations, or other evidences of debt that expressly require as a source for debt service payments thereon or for the repayment thereof the revenues of the Priority Transportation Fund, such as the Capital Projects Revenue Bonds, shall be issued or entered into unless at the time of the issuance the revenues then in the Priority Transportation Fund or reasonably anticipated to be deposited into the Priority Transportation Fund pursuant to the law then in effect are by themselves sufficient to make 100% of the contractually required debt service payments on all such bonds, obligations, or other evidence of debt, including any interest related thereto and the retirement thereof. For purposes of the foregoing, contractually required debt service shall not include debt service scheduled to be paid from the Revenue Stabilization Fund, as hereinafter defined, or the Project Fund. See the section "*Priority Transportation Fund.*"

Additional Bonds In General

In addition to the Capital Projects Revenue Bonds, the General Assembly has authorized and may authorize the issuance of other bonds by the Transportation Board under other transportation financing programs to pay the costs of other transportation improvements in the Commonwealth. Such presently outstanding bonds and such possible future bonds could be payable from amounts which may be appropriated by the General Assembly from the Priority Transportation Fund, other legally available funds in the Transportation Trust Fund, and other legally available funds of the Commonwealth. See the section "*Authorized, Issued and Unissued Bonds Payable from Transportation Trust Fund.*"

Information Pertaining to the Commonwealth

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 2013. See also the section "*Transportation Trust Fund – Sources of Revenues – Economic Conditions Affecting the Commonwealth.*"

PRIORITY TRANSPORTATION FUND

General

The Priority Transportation Fund was established by the General Assembly by adding § 33.1-23.03:8 to the Virginia Code in the first enactment clauses of Chapters 1019 and 1044 of the Acts of the General Assembly of the Commonwealth of Virginia 2000 Regular Session and by subsequently amending the same in (i) the first enactment clause of Chapter 896 of the Acts of the General Assembly of the Commonwealth of Virginia 2007 Regular Session ("Chapter 896") and (ii) the first enactment clause of Chapter 766 of the Acts of the General Assembly of the Commonwealth of Virginia 2013 Regular Session ("HB 2313"). The Priority Transportation Fund is a special non-reverting fund of the Transportation Trust Fund held by the Virginia Department of the Treasury. The legislation creating the Priority Transportation Fund currently provides that all funds as may be designated in an appropriation

act by the General Assembly for deposit to the Priority Transportation Fund shall be paid into the state treasury and credited to the Priority Transportation Fund. Effective July 1, 2013, such funds include:

1. All revenues deposited into the Priority Transportation Fund pursuant to § 58.1-2531 of the Virginia Code, which requires that one-third of the revenues of the annual license tax imposed on insurance companies doing business in the Commonwealth under Chapter 25 of Title 58.1 of the Virginia Code, which annual license tax is equal to a percentage of the insurance companies' direct gross income from its premiums or subscriber fees (the "Insurance Tax"), collected in the most recently ended Fiscal Year, less one-third of the total amount of Insurance Tax refunded in the most recently ended Fiscal Year, shall be directly deposited by the Comptroller of the Commonwealth to the Priority Transportation Fund in the subsequent Fiscal Year;

2. All revenues deposited into the Priority Transportation Fund pursuant to subsection E of § 58.1-2289 of the Virginia Code, which requires that after the disbursements listed in (a) through (d) below, 4% of the remaining revenues of the taxes imposed on motor fuels under the Virginia Fuels Tax Act, Chapter 22 (§ 58.1-2200 *et seq.*) of Title 58.1 of the Virginia Code ("Virginia Fuels Tax Act") which motor fuel taxes (the "Motor Fuel Taxes") include (i) a tax on a gallon of gasoline and gasohol equal to 3.5% of the statewide average wholesale price of a gallon of self-serve unleaded regular gasoline for the applicable Base Period, as hereinafter defined, excluding federal and state excise taxes; provided that the average wholesale price shall in no event be less than the statewide average wholesale price for a gallon of self-serve unleaded regular gasoline on February 20, 2013, (ii) a tax on a gallon of diesel fuel equal to 6% of the statewide average wholesale price of a gallon of self-serve diesel fuel for the applicable Base Period, excluding federal and state excise taxes; provided that the average wholesale price shall in no event be less than the statewide average wholesale price for a gallon of self-serve diesel fuel on February 20, 2013, (iii) a tax on a gallon of liquid alternative fuel that is used to operate a highway vehicle equal to the tax on gasoline and gasohol, (iv) a tax on a gallon of blended fuel that contains gasoline equal to the tax on gasoline and gasohol and (v) a tax on a gallon of blended fuel that contains diesel fuel equal to the tax on diesel fuel. The term "Base Period" means the period from December 1 through May 31 for the tax period beginning the following July 1 and ending on December 31, inclusive and means the period from June 1 through November 30 for the tax period beginning the following January 1 and ending June 30. Prior to the disbursements into the Priority Transportation Fund of 4% of the Motor Fuel Taxes the following amounts shall be paid from the Priority Transportation Fund: (a) one-half cent of the tax collected on each gallon of fuel on which a refund is paid under § 58.1-2259 of the Virginia Code for fuel consumed in tractors and unlicensed equipment used for agricultural purposes shall be paid into the Virginia Agricultural Foundation Fund, (b) one and one-half cents of the tax collected on each gallon fuel used to propel a commercial watercraft on which a refund is paid under § 58.1-2259 of the Virginia Code shall be paid into the Game Protection Fund, (c) one and one-half cents of the tax collected for fuel used by commercial fishing, oystering, clamming and crabbing boats shall be paid to the Department and (d) such sum as the General Assembly may determine from the tax collected from the sales of gasoline used for the propelling of watercraft for use by the Marine Resources Commission, the Virginia Soil and Water Conservation Board, the State Water Control Board, and the Transportation Board to (1) improve the public docks specified in §58.1-2259 of the Virginia Code, (2) improve commercial and sports fisheries in tidal waters (3) make environmental improvements, and (4) further the purposes set forth in §33.1-223 of the Virginia Code.

3. Beginning with Fiscal Year 2000, and for Fiscal Years thereafter, all revenues that exceed the official forecast, pursuant to § 2.2-1503 of the Virginia Code, for (i) the Highway Maintenance and Operating Fund and (ii) the allocation to highway and mass transit improvement projects as set forth in § 33.1-23.03:2 of the Virginia Code, but not including any amounts that are allocated to the Commonwealth Port Fund and the Commonwealth Airport Fund under such section; and

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

Prior to the adoption of HB 2313, instead of the funds specified in (2) above, the funds deposited in the Priority Transportation Fund included a portion of the moneys actually collected, including penalty and interest, attributable to any increase in revenues from the motor fuel taxes and aviation fuel taxes imposed under Virginia Fuels Tax Act on a retail basis, with such increase being calculated as the difference between such motor fuel taxes and aviation fuel taxes revenues collected in the manner prescribed under the prior version of the Virginia Fuels Tax Act less such motor fuel taxes or aviation fuel taxes, as applicable, revenues that would have been collected using the prescribed manner in effect immediately before January 1, 2001, computed without regard to increases in the rates of the motor fuel taxes or the aviation fuel taxes under the Virginia Fuels Tax Act pursuant to enactments of the 2007 Regular Session of the General Assembly. The portion to be deposited to the Priority Transportation Fund was the moneys actually collected from such increase in revenues and allocated for highway and mass transit improvement projects as set forth in § 33.1-23.03:2 of the Virginia Code, but not including any amounts that are

allocated to the Commonwealth Port Fund and the Commonwealth Airport Fund under such section. All additional federal revenues attributable to the prior version of the Virginia Fuels Tax Act were also be deposited into the Priority Transportation Fund.

All moneys in the Priority Transportation Fund shall first be used for debt service payments on the Bonds, any other Capital Projects Revenue Bonds or other bonds for which the Priority Transportation Fund is expressly required for making debt service payments to the extent needed. No other such bonds have been issued or are authorized.

Any moneys remaining in the Priority Transportation Fund, including interest thereon, at the end of each Fiscal Year will not revert to the general fund but shall remain in the Priority Transportation Fund, and may be applied by the Transportation Board to, among other things, support, secure, or leverage financing for any projects listed in the Six-Year Improvement Program as may be adopted from time to time by the Transportation Board. See the subsection below "*Highway Allocation Formula*" and the section "*Commonwealth Transportation Board, Virginia Department of Transportation, and Virginia Department of Rail and Public Transportation-Financial Accountability and Program Delivery.*" Any of the bonds described in the section "*Authorized, Issued and Unissued Bonds Payable from Transportation Trust Fund*" would constitute such financing.

Moneys in the Priority Transportation Fund shall be used by the Transportation Board to facilitate the financing of priority transportation projects throughout the Commonwealth. The Transportation Board may use the Priority Transportation Fund either (i) by expending amounts therein on such projects directly, (ii) by payment to any authority, locality, commission or other entity for the purpose of paying the costs thereof or (iii) by using such amounts to support, secure, or leverage financing for such projects. The Transportation Board shall use the Priority Transportation Fund to facilitate the financing of priority transportation projects as designated by the General Assembly; provided, however, that, at the discretion of the Transportation Board, funds allocated to projects within a transportation district may be allocated among projects within the same transportation district as needed to meet construction cash-flow needs.

HB 2313 and the Priority Transportation Fund

By enacting HB 2313, the Commonwealth changed the manner in which it funds new transportation projects and the repair of existing transportation facilities. The amendments contained in HB 2313 amended the Motor Fuels Taxes by eliminating the existing motor fuels tax that is charged as a per gallon tax on the retail sale of gasoline and replacing it with a motor fuels tax that is charged as a percentage of the statewide average wholesale price of gasoline, see the subsection "*General.*" In addition, HB 2313 amended the taxes that are deposited into the Highway Maintenance and Operating Fund (the "HMO Fund"), which funds the Commonwealth's repair of existing transportation projects, see the section "*Transportation Trust Fund – Highway Maintenance and Operating Fund.*" Specifically, HB 2313 increased the state and local retail sales and use tax and authorized the collection of the state and local retail sales and use tax from remote sellers. Remote sellers are retailers that otherwise have an insufficient connection to the Commonwealth because they do not have a presence in the Commonwealth. Remote sellers generally include online retailers that do not operate a store or shipping facility and do not solicit for sales in the Commonwealth. Under existing federal law, the Commonwealth does not have the authority to collect state and local retail sales and use tax from remote sellers. HB 2313 provides that if the United States Congress has not enacted legislation granting the Commonwealth the authority to compel remote sellers to collect state and local retail sales and use tax (the "Marketplace Equity Tax") for sales made in the Commonwealth by January 1, 2015, then the tax levied upon gasoline will increase to 5.1% of the statewide average wholesale price of a gallon of unleaded regular gasoline (as described in "*General.*") for the applicable Base Period. If the Commonwealth is not granted the authority to collect the Marketplace Equity Tax, it is expected that the Priority Transportation Fund, because it is funded in part by motor fuels taxes, will receive more revenues than if the Commonwealth is granted the authority to collect the Marketplace Equity Tax because the Marketplace Equity Tax is a sales and use tax, which will be used, in part to fund the HMO Fund. See the subsection "*Revenues.*" and the section "*Transportation Trust Fund – Highway Maintenance and Operating Fund.*"

Revenues

The Priority Transportation Fund was initially funded in Fiscal Year 2001. Since its inception, the major source of revenue for the Priority Transportation Fund has been a portion of the revenues of the Insurance Tax, and until June 30, 2008, a portion of the revenues of the Insurance Tax was deposited in the Commonwealth's General Fund and subsequently transferred to the Priority Transportation Fund pursuant to the Appropriation Acts. As a result of the enactment of § 58.1-2531 of the Virginia Code, however, as discussed above, an amount equal to one-third of the revenues of the Insurance Tax collected in the most recently ended Fiscal Year, less one-third of the total amount

of Insurance Tax refunded in the most recently ended Fiscal Year, shall be directly deposited by the Comptroller of the Commonwealth to the Priority Transportation Fund in the subsequent Fiscal Year. In addition, the Priority Transportation Fund has historically received revenues from motor fuel taxes and is projected to continue to receive some of the revenue of the Motor Fuel Taxes, which will be determined, commencing July 1, 2013, in accordance with HB 2313. The Priority Transportation Fund has also received funds designated for (i) the HMO Fund and (ii) the allocation to highway and mass transit improvement projects as set forth in § 33.1-23.03:2 of the Virginia Code, but not including any amounts that are allocated to the Commonwealth Port Fund and the Commonwealth Airport Fund under such section, to the extent that such funds exceed the official forecast, pursuant to § 2.2-1503 of the Virginia Code. Finally, the Priority Transportation Fund retains the interest earned on its cash balance.

The following table shows the amounts of the revenues of the Insurance Tax received by the Commonwealth for Fiscal Years 2004 through 2013.

Historical Insurance Tax Receipts (in millions)

Fiscal Year	Insurance Tax
2004	351.3
2005	373.6
2006	373.8
2007	384.9
2008	396.9
2009	387.3
2010	391.0
2011	411.9
2012	390.2
2013	392.3

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

The following table shows the amounts of the revenues of the Insurance Tax and other sources that were deposited and are forecasted to be deposited into the Priority Transportation Fund for the Fiscal Years 2010 through 2017. As discussed above, starting in 2009, these revenues were directly deposited into the Priority Transportation Fund. The Insurance Tax revenues will be deposited into the Priority Transportation Fund quarterly, based on actual collections. The revenues will be deposited into the Priority Transportation Fund first, before any other distributions are made of the Insurance Tax revenues to other recipients. It is anticipated that most, if not all, of the Insurance Tax revenues received during each Fiscal Year and due to be deposited into the Priority Transportation Fund will be deposited in September of each subsequent Fiscal Year, and the remaining balance due, if any, will be deposited in December.

Historical and Projected Priority Transportation Fund Revenues (in millions)

Fiscal Year :	2010	2011	2012	2013	2014	2015	2016	2017
Insurance Tax ¹	\$129.1	\$130.3	\$137.3	\$141.8	\$130.8	\$140.1	\$143.7	\$148.9
Motor Fuel Taxes ²	20.0	20.0	20.0	20.0	23.7	28.6	33.6	34.2
Investment Income	<u>3.1</u>	<u>2.0</u>	<u>2.2</u>	<u>2.0</u>	<u>2.3</u>	<u>2.9</u>	<u>3.1</u>	<u>3.3</u>
Total Projected Priority Transportation Fund Revenues	<u>\$152.2</u>	<u>\$152.3</u>	<u>\$159.5</u>	<u>\$163.8</u>	<u>\$169.2</u>	<u>\$171.6</u>	<u>\$180.4</u>	<u>\$186.4</u>

- 1 These amounts represent one-third of the total revenues of the Insurance Tax received or projected to be received by the Commonwealth and deposited into the Priority Transportation Fund in each respective year.
- 2 HB 2313 changed how the Motor Fuel Taxes are calculated and allocated to the Priority Transportation Fund effective July 1, 2013. See the section "Priority Transportation Fund – General."

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

The Transportation Board makes no representation that (i) the General Assembly will maintain or continue to make transfers to the Priority Transportation Fund, (ii) that the General Assembly will not repeal

or materially modify the legislation creating the Priority Transportation Fund or imposing the taxes of which the collections are deposited into the Priority Transportation Fund, or (iii) that the United States Congress will authorize the Commonwealth to collect the Marketplace Equity Tax. Without limiting the generality of the foregoing statement, the provisions of Chapter 896 which generate additional revenue for the Transportation Trust Fund, of which the Priority Transportation Fund is a part, shall expire on December 31 of any year in which the General Assembly appropriates any of the revenues designated under general law to the Transportation Trust Fund for any non-transportation related purpose.

Required Payments from the Priority Transportation Fund

Debt service payments on the Capital Projects Revenue Bonds shall be paid from the Priority Transportation Fund, subject to the availability of funds in the Priority Transportation Fund and the appropriation by the General Assembly of funds to the Priority Transportation Fund for such purpose. See the sections *"The Bonds – Limited Obligations"* and *"Sources of Payment and Security for the Bonds."* In addition, as discussed in the section *"Authorized, Issued and Unissued Bonds Payable from Transportation Trust Fund – Federal Highway Reimbursement Anticipation Notes,"* any amounts needed to offset the use of funds of the Transportation Trust Fund to make debt service payments on the Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes (the "FRANs") shall be provided from the Priority Transportation Fund to the extent funds are available.

The following table shows the principal and interest requirements on all of the outstanding FRANs for each Fiscal Year, which figures are based on monthly deposits to the FRANs debt service fund. The Commonwealth does not have the authority to issue additional FRANs. See the section *"Authorized, Issued and Unissued Bonds Payable from Transportation Trust Fund – Federal Highway Reimbursement Anticipation Notes."*

FRANs Debt Service Requirements

<u>Fiscal Year</u>	<u>Fiscal Year Total Debt Service</u>
2014	\$31,715,775
2015	31,717,220
2016	7,925,392

While funds in the Priority Transportation Fund may be utilized to offset the impact of the FRANs debt service payments on the Transportation Trust Fund, security for the FRANs program is provided from reimbursements received from the Federal-Aid Highway Program created under Title 23 of the United States Code. See the section *"Authorized, Issued and Unissued Bonds Payable from Transportation Trust Fund – Federal Highway Reimbursement Anticipation Notes."*

DEBT SERVICE REQUIREMENTS

The following table sets forth for each Fiscal Year the amounts needed in each annual period for payment of principal of and interest on the Capital Projects Revenue Bonds, as of the date of the issuance of the Bonds. The Bonds are the fourth series of Capital Projects Revenue Bonds to be issued. Upon the issuance of the Bonds, there will be \$ _____ in aggregate principal amount of Capital Projects Revenue Bonds outstanding, consisting of \$ _____ in aggregate principal amount of the Bonds and \$1,577,455,000 in aggregate principal amount of Capital Projects Revenue Bonds outstanding as of June 1, 2014. For a description of the debt service requirements of bonds that may be paid from the Priority Transportation Fund other than the Capital Projects Revenue Bonds, see the section "*Priority Transportation Fund – Required Payments from the Priority Transportation Fund.*"

Fiscal Year	Outstanding Bond Debt Service ¹	2014 Bond Principal	2014 Bond Interest	2014 Bond Debt Service	Total Fiscal Year Debt Service
2014	\$119,401,855	\$	\$	\$	\$
2015	119,253,705				
2016	119,108,455				
2017	118,684,455				
2018	118,478,823				
2019	118,270,705				
2020	118,045,975				
2021	117,820,575				
2022	117,586,373				
2023	117,340,075				
2024	117,077,720				
2025	116,801,150				
2026	116,401,038				
2027	116,007,078				
2028	115,618,548				
2029	115,224,058				
2030	114,836,668				
2031	114,437,185				
2032	114,032,855				
2033	113,612,388				
2034	113,176,510				
2035	112,722,133				
2036	82,387,075				
2037	40,279,200				
2038	-				
2039	-				
Total	\$2,686,604,602	\$	\$	\$	\$

¹ A prior series of Capital Projects Revenue Bonds, the \$407,150,000 Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2010A-2 (Federally Taxable – Build America Bonds) were issued as Build America Bonds. As such, that Series is entitled to a subsidy payment from the United States Treasury under Section 54AA of the Tax Code, but the debt service amounts shown above have not accounted for any such subsidy.

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 nonreverting fund administered and allocated by the Transportation Board for the purpose of increased funding for construction and other capital needs of state highways, airports, mass transit and ports. The Transportation Trust Fund is funded primarily from additional revenues generated by increases in the retail sales and use tax, motor fuels tax and motor vehicle related taxes and fees effected by the 1986 Special Session Acts, as amended by HB 2313, and designated for deposit in the Transportation Trust Fund. The 1986 Special Session Acts allocated 85% of these additional revenues to highway purposes with the balance being divided among airports (2.4%), mass transit (8.4%) and ports (4.2%). Legislation passed by the General Assembly in the 1998 Regular Session revised the formula for distribution of funds to the mass transit fund, increasing the allocation from 8.4% to 14.5% for Fiscal Year 1999 and to 14.7% for Fiscal Year 2000 and thereafter and thereby changing the allocation to highway purposes from 85% to 78.9% in Fiscal Year 1999 and to 78.7% for Fiscal Year 2000 and thereafter. The amendments contained in HB 2313 allocate a 0.3% increase in the retail sales and use tax to the Transportation Trust Fund, subject to the following specific allocations: (i) 0.175% of the 0.3% increase is allocated to the HMO Fund, (ii) 0.05% of the 0.3% increase is allocated to passenger rail and (iii) 0.075% of the 0.3% increase is allocated to mass transit. The investment of money in the Transportation Trust Fund is administered by the State Treasurer under guidelines adopted by the Transportation Board. The Transportation Board has adopted the same guidelines as the Treasury Board for the investment of public funds. In its 2000 Regular Session, the General Assembly established the Priority Transportation Fund as a special, non-reverting fund of the Transportation Trust Fund and provided for its funding from a portion of the annual license tax imposed on insurance companies doing business in the Commonwealth and several other taxes and revenues. See the section "*Priority Transportation Fund.*"

HB 2313 and the Transportation Trust Fund

The amendments contained in HB 2313 affect the Transportation Trust Fund by, among other things, amending the revenues that are appropriated to the Priority Transportation Fund. See the section "*Priority Transportation Fund – HB 2313 and the Priority Transportation Fund.*" In addition, HB 2313 provides that, in addition to the revenues described in the above-referenced section, the Transportation Trust Fund receives (i) an amount equal to 15% of the revenues generated from the Fuel Taxes, as hereinafter defined, after making the Initial Fuel Tax Disbursements, as hereinafter defined, and (ii) the revenues attributable to the Marketplace Fairness Tax after making the Initial Marketplace Tax Disbursements, as hereinafter defined. After making the Initial Fuel Tax Disbursements and the distribution of 15% of the revenues generated from the Fuel Taxes to the Transportation Trust Fund, 80% of such revenues shall be deposited into the HMO Fund, (ii) 4% shall be deposited into the Priority Transportation Fund, and (iii) 1% shall be used to meet the necessary expenses of the Department of Motor Vehicles.

The "Fuel Taxes" enacted pursuant to HB 2313 include: (i) a tax on a gallon of gasoline and gasohol equal to 3.5% of the statewide average wholesale price of a gallon of self-serve unleaded regular gasoline for the applicable Base Period, excluding federal and state excise taxes; provided that the average wholesale price shall in no event be less than the statewide average wholesale price for a gallon of self-serve unleaded regular gasoline on February 20, 2013, which was \$3.17; (ii) a tax on a gallon of diesel fuel equal to 6% of the statewide average wholesale price of a gallon of self-serve diesel fuel for the applicable Base Period, excluding federal and state excise taxes; provided that the average wholesale price shall in no event be less than the statewide average wholesale price for a gallon of self-serve diesel fuel on February 20, 2013, which was \$3.36; (iii) a tax on a gallon of liquid alternative fuel that is used to operate a highway vehicle equal to the tax on gasoline and gasohol; (iv) a tax on a gallon of blended fuel that contains gasoline equal to the tax on gasoline and gasohol; and (v) a tax on a gallon of blended fuel that contains diesel fuel equal to the tax on diesel fuel.

The "Initial Fuel Tax Disbursements" required pursuant to HB 2313 are as follows: (i) one-half cent of the tax collected on each gallon of fuel on which a refund is paid under Section 58.1-2259 of the Virginia Code for fuel consumed in tractors and unlicensed equipment used for agricultural purposes shall be paid into the Virginia Agricultural Foundation Fund, (ii) one and one-half cents of the tax collected on each gallon fuel used to propel a commercial watercraft on which a refund is paid under Section 58.1-2259 of the Virginia Code shall be paid into the Game Protection Fund, (iii) one and one-half cents of the tax collected for fuel used by commercial fishing, oystering, clamming and crabbing boats shall be paid to the Department; and (iv) such sum as the General Assembly may determine from the tax collected from the sales of gasoline used for the propelling of watercraft for use by the Marine Resources Commission, the Virginia Soil and Water Conservation Board, the State Water Control Board, and the Transportation Board to (1) improve the public docks specified in Section 58.1-2259 of the Virginia Code, (2) improve commercial and sports fisheries in tidal waters, (3) make environmental improvements, and (4) further the purposes set forth in Section 33.1-223 of the Virginia Code.

The "Initial Marketplace Fairness Tax Disbursements" required pursuant to HB 2313 result in the distribution of 2.25% of the sales and use taxes collected by remote sellers to counties and cities of the Commonwealth and the transfer of up to \$7.5 million per year to localities of the Commonwealth to offset the loss of certain tax revenues repealed by HB 2313.

The term "Base Period" means the period from December 1 through the following May 31 for the tax period beginning the following July 1 and ending on the following December 31, inclusive and means the period from June 1 through the following November 30 for the tax period beginning the following January 1 and ending the following June 30, inclusive.

Also included in HB 2313 were specific taxes that affect the Northern Virginia and Hampton Roads regions of the Commonwealth. Pursuant to HB 2313 the local sales tax, grantor's tax and transit and occupancy taxes were each increased in Northern Virginia and the local sales tax and fuel sales tax were each increased in Hampton Roads. The additional revenues generated from these increases have been dedicated to pay the costs of transportation projects in each region. It is anticipated that these revenues will enhance the ability of the Commonwealth to address transportation needs outside of the Transportation Trust Fund.

The Transportation Board makes no representation that the General Assembly will maintain the Transportation Trust Fund, that the General Assembly will not repeal or materially modify the 1986 Special Session Acts or HB 2313, or both, or that the Congress will authorize the Commonwealth to collect the Marketplace Fairness Tax.

Highway Maintenance and Operating Fund

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

Prior to the enactment of HB 2313, the HMO Fund received certain motor vehicle related taxes and fees (principally the motor fuels tax, vehicle sales tax, vehicle registration fees and vehicle license fees) at the rates in effect before the 1986 Special Session Acts, while the increase in these taxes and fees is directed to the Transportation Trust Fund. See the subsection below "*Sources of Revenues.*" In Fiscal Year 2013, the HMO Fund received \$1.4 billion in such taxes and fees.

Pursuant to HB 2313, the HMO Fund receives (i) an amount equal to the following percentages of revenue generated by a 0.5% sales and use tax: FY 2014, 10%; FY 2015, 20%; FY 2016, 30%; FY 2017 and thereafter 35%, (ii) an amount equal to a 0.175% sales and use tax from the 0.3% increase in such tax effected by HB 2313, (iii) an amount equal to 80% of the revenues generated from the Fuel Taxes after making the Initial Fuel Tax Disbursements, (iv) the revenues generated from the annual license tax imposed on each electric motor vehicle, a hybrid electric motor vehicle, or an alternative fuel vehicle registered in the Commonwealth and (v) certain revenues related to an increase in the vehicle sales tax. However, if the Commonwealth is not granted the authority to collect the Marketplace Fairness Tax prior to January 1, 2015, then the increases specified in (i) above for FY 2016 and 2017 will be not be made.

The construction funds available for allocation in FYs 2014 through 2019 Six-Year Improvement Program (the "Current SYIP") were reduced by \$413.9 million in FY 2014 to provide the revenues needed to meet the obligations of the HMO Fund which includes the maintenance and operations of Virginia's highways.

The Transportation Board makes no representation that the General Assembly will maintain the Transportation Trust Fund, that the General Assembly will not repeal or materially modify the 1986 Special Session Acts or HB 2313 or that the United States Congress will authorize the Commonwealth to collect the Marketplace Equity Tax. See the subsection below "*Sources of Revenues – Economic Conditions Affecting the Commonwealth.*"

Highway Allocation Formula

The Transportation Board is required by Virginia Code to allocate each year all funds made available for highway purposes in accordance with the priorities established by Section 33.1-23.1 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 available funds are then allocated to provide the required interstate matching funds and for the paving of unpaved secondary roads. Of the remaining funds, 40% is allocated to the primary system and 30% each to the urban and secondary systems. However, prior to this allocation, the Transportation Board shall allocate an amount determined by the Transportation Board, not to exceed \$500 million in any given year, as follows: 25% to bridge reconstruction and rehabilitation; 25% to advancing high priority projects statewide; 25% to reconstructing deteriorated interstate and primary system pavements determined to have a Combined Condition Index of less than 60; 15% to projects undertaken pursuant to the Public-Private Transportation Act of 1995 (Section 56-556 et seq.); 5% to paving unpaved roads carrying more than 200 vehicles per day; and 5% to smart roadway technology. At the discretion of the Transportation Board, such percentages of funds may be adjusted in any given year to meet project cash flow needs or when funds cannot be expended due to legal, environmental, or other project management considerations and provided that such allocations shall cease beginning July 1, 2020. After such allocations are made, the Transportation Board may allocate each year up to 10% of the funds remaining for highway purposes for the undertaking and financing of rail projects that, in the Board's determination, will result in mitigation of highway congestion.

The Transportation Board approved an amount to be provided through this alternate distribution process totaling \$34.4 million in FY 2014. Additional allocations were provided through the life of the Six-Year Improvement Program using this alternate formula. Beginning in FY 2017, available funds exceed \$500 million annually, providing allocations in the current Six-Year Improvement Program to be distributed based on the original construction allocation formula. The current Six-Year Improvement Program allocates \$73.9 million in FY 2017 and \$278 million in FYs 2017-2019.

Primary system funds are apportioned among the nine highway construction districts based on a formula taking into account the following factors weighted as indicated: vehicle miles traveled on primary routes (70%), primary road lane mileage (25%) and need as determined by the Transportation Board (5%). Funds for the urban system are distributed based on population, and secondary system funds are distributed based on population (80%) and land area (20%). The Transportation Board determines the projects on which primary system funds are spent. Secondary system funds are distributed to the counties for allocation while urban funds are distributed to cities for project designation. The General Assembly may, in any appropriation act permit the Governor to make changes in the allocation formula set forth in Section 33.1-23.1 of the Virginia Code to increase amounts allocated to highway maintenance or highway construction or both.

Sources of Revenues

The following table summarizes the actual revenues for FYs 2008 through 2013, and the projected revenues for FY 2014, which incorporates the effect of HB 2313, received or to be received in the Transportation Trust Fund. Historical receipts of the Transportation Trust Fund may not be indicative of future receipts, especially because HB 2313 changed how some of the taxes, the revenues of which are dedicated to the Transportation Trust Fund, are charged.

Total Transportation Trust Fund Revenues – All Modes (in millions)¹

Fiscal Year Ending June 30:	2008	2009	2010	2011	2012	2013	2014 ⁶
Retail Sales and Use Tax	\$524.9	\$499.4	\$490.7	\$477.3	\$503.1	\$521.2	\$638.3
Motor Vehicle Sales and Use Tax ²	217.9	172.6	184.3	207.3	223.1	235.2	247.5
Motor Fuel Taxes ³	122.4	116.8	115.0	117.7	115.5	115.2	98.7
Motor Vehicle Registration Fees	21.3	21.6	20.7	21.2	21.1	21.7	21.9
Recordation Tax ⁴	-	23.8	23.5	23.3	26.1	30.9	30.5
Investment Income	55.6	23.7	19.9	16.3	12.2	7.5	10.8
Priority Transportation Fund ⁵	<u>26.5</u>	<u>156.3</u>	<u>152.2</u>	<u>152.3</u>	<u>159.1</u>	<u>151.8</u>	<u>156.8</u>
Total Transportation Trust Fund Revenues	<u>\$968.7</u>	<u>\$1,014.2</u>	<u>\$1,006.2</u>	<u>\$1,015.4</u>	<u>\$1,060.2</u>	<u>\$1,083.6</u>	<u>\$1,204.5</u>

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

2 Motor Vehicle Sales and Use Tax and Motor Vehicle Rental Tax. Note these taxes were amended by HB 2313.

3 Motor Fuel Tax, Special Fuel Tax, Aviation Special Fuel Tax and Road Tax. Note these taxes were amended by HB 2313.

4 Reflects the deposits into the Transportation Trust Fund on and after July 1, 2008, from the revenues collected each FY from \$0.02 of the total state recordation taxes imposed pursuant to Sections 58.1-801 and 58.1-803 of the Virginia Code.

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

6 Based on Commonwealth Transportation Fund Forecast provided in December 2013. Includes the share of the increased Retail Sales and Use Tax dedicated to passenger rail and mass transit as a component of the Transportation Trust Fund. Preliminary estimates and actual results may vary.

Sources: Department of Accounts and Department of Motor Vehicles for FYs 2007 through 2013. Department of Motor Vehicles, Department of Taxation and Department of Transportation for revenue estimates for FY 2014.

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

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

The use tax is imposed on the use or consumption of tangible personal property in the Commonwealth, or the storage of such property outside the Commonwealth for use or consumption in the Commonwealth. This tax applies to (i) tangible personal property purchased outside the Commonwealth that would have been subject to sales tax if purchased in the Commonwealth and (ii) purchases, leases or rentals made in the Commonwealth if the sales tax was

not paid at the time of purchase, lease or rental. In general, the tax is based on the cost price of each item or article of tangible personal property used or consumed in the Commonwealth or the cost price of each item or article of tangible personal property stored outside the Commonwealth for use or consumption in the Commonwealth. The Virginia Code provides various exclusions and exemptions to the retail sales and the use tax.

The state and local retail sales and use taxes were increased from 4.0% to 4.5% by the General Assembly in the 1986 Special Session Acts, and increased again in 2004 from 4.5% to 5.0%. The 1986 Special Session designated the tax revenues from a 0.5% sales and use tax to the Transportation Trust Fund. Pursuant to HB 2313, the taxes increased taxes by 0.3% to 5.3% (a portion of which is allocated to the HMO Fund), and pursuant to HB 2313 the Commonwealth can collect the tax on online sales, if there is a change in federal law.

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

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

The tax on the sale or use of a motor vehicle is paid by the purchaser or user of the new motor vehicle and collected by the Commissioner of the Department of Motor Vehicles 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 HB 2313, effective July 1, 2013, this tax increased from 3.0% to 4.0%, and will increase by 0.1% on each successive July 1st up to and including July 1, 2016, at which time the rate will equal 4.3%.

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

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

Pursuant to HB 2313, after the payment of certain portions of the Motor Fuels Taxes to special funds of the Commonwealth, 4% of the remaining funds shall be paid into the Priority Transportation Fund. See the section "*Priority Transportation Fund – General.*" Under the 1986 Special Session Acts, the tax on motor fuels was determined on a retail basis, and the Priority Transportation Fund received the increase in such motor fuels taxes over the taxes in effect prior to the 1986 Special Session Acts, but pursuant to HB 2313, the tax on motor fuels uses the statewide average wholesale price of a gallon of fuel instead of the retail price.

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

Other Motor Vehicle Related Taxes. Pursuant to HB 2313, certain other taxes related to motor vehicles are levied and a portion of the revenues are appropriated to the Transportation Trust Fund. Such taxes include items (ii) through (v) of the Fuels Tax described in the subsection "*– HB 2313 and the Transportation Trust Fund.*"

Recordation Taxes. Recordation taxes are imposed on every deed and deed of trust (mortgage) admitted to record in the Commonwealth subject to certain exceptions and exemptions. Chapter 896 of the Acts of Assembly, 2007 Regular Session, effective July 1, 2008, 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 \$0.02 of the total tax imposed under each section are deposited into the Transportation Trust Fund.

Priority Transportation Fund Revenues. Since July 1, 2008, the Priority Transportation Fund has been funded primarily by one-third of the revenues of the annual license tax imposed on insurance companies doing business in the Commonwealth under Chapter 25 of Title 58.1 of the Virginia Code. See the section "*Priority Transportation Fund – General.*"

Economic Conditions Affecting the Transportation Trust Fund

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

There is no assurance that any of these taxes or fees will remain in effect or that they will continue at their current levels. The General Assembly is under no obligation to continue the appropriation of the net additional revenues generated by the 1986 Special Session Acts to the Transportation Trust Fund.

Recent Developments and Current Budget of the Commonwealth

[To Be Updated.]

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 Priority Transportation Fund and the other parts of 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 additional revenues that HB 2313 allocates to the Transportation Trust Fund will be available to pay the debt service on these bonds, as described below and the Bonds. **The Transportation Board makes no representation that (i) the General Assembly will maintain the Transportation Trust Fund, (ii) 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 or (iii) that the United States Congress will authorize the Commonwealth to collect the Marketplace Equity Tax.** See the sections "*Transportation Trust Fund – General*" and "*Transportation Trust Fund – Sources of Revenues – Historical and Projected Transportation Trust Fund Revenues.*"

Transportation Revenue Bonds

Northern Virginia Transportation District Program. The General Assembly enacted legislation in 1993, which was amended in the 1994, 1998, 1999, 2002 and the 2005 Regular Sessions ("NVTD Bond Legislation") that authorized the Transportation Board to issue Transportation Revenue Bonds ("NVTD Bonds"), pursuant to the Revenue Bond Act, as amended, in the amount of \$500,200,000, plus an additional amount for issuance costs, capitalized interest, reserve funds and other financing expenses for certain projects in the Northern Virginia Highway Construction District (the "NVTD Program"). Refunding bonds are not included in this limit. It is expected that revenue for payment of the debt service on the NVTD Bonds will be provided from funds appropriated by the General Assembly from (i) the Northern Virginia Transportation District Fund (the "NVTD Fund"), (ii) to the extent required, funds appropriated and allocated, pursuant to the highway allocation formula as provided by law, to the Northern Virginia Highway Construction District or the city or county in which the project or projects to be financed by the NVTD Bonds are located, (iii) to the extent required, legally available revenues of the Transportation Trust Fund, and (iv) such other funds which may be appropriated by the General Assembly. The legislation creating the NVTD Fund currently provides that annually on July 1, there is to be transferred to the NVTD Fund, subject to appropriation by the General Assembly, (1) a portion of the collections of the state recordation taxes that are attributable to the Cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park and the Counties of Arlington, Fairfax, Loudoun, and Prince William (the "NVTD Jurisdictions"), (2) any public rights-of-way use fees appropriated by the General Assembly, (3) any state or local revenues which may be deposited to the NVTD Fund pursuant to a contract between an NVTD Jurisdiction and the Transportation Board and (4) any other funds as may be appropriated by the General Assembly and designated for the NVTD Fund and all earnings on the NVTD Fund. Of the total amount of NVTD Bonds issued, \$227,188,000 is outstanding as of June 1, 2014.

U.S. Route 58 Corridor Development Program. The General Assembly enacted legislation in 1989, which was amended in the 1999 Regular Session and 2013 Regular Session ("U.S. Route 58 Bond Legislation"), that authorized the Transportation Board to issue Transportation Revenue Bonds ("U.S. Route 58 Bonds"), pursuant to the Revenue Bond Act, in an amount not to exceed \$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 first \$40,000,000 of annual collections of the state recordation taxes imposed on deeds, deeds of trust, mortgages and certain other instruments, (ii) to the extent required, other revenues legally available from the Transportation Trust Fund and (iii) to the extent required, other legally available funds. Of the total amount of U.S. Route 58 Bonds issued, \$295,435,000 is outstanding as of June 1, 2014.

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

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

The 1994 Session of the General Assembly authorized the issuance of \$32,500,000 Transportation Program Revenue Bonds, plus an additional amount for issuance costs, capitalized interest, reserve funds and other financing expenses, to finance the cost of the Oak Grove Connector project. In July 1997, the Transportation Board issued bonds to finance the Oak Grove Connector, a portion of which was refunded by the Transportation Program Revenue Bonds Series 2006A (the "Oak Grove Connector Bonds"), of which \$14,390,000 is outstanding as of June 1, 2014. These Transportation Program Revenue Bonds are the only bonds authorized to be paid from the Set-aside Fund.

Transportation Contract Revenue Bonds. In the 1988 Regular Session, the General Assembly enacted legislation which authorized the Transportation Board to issue Transportation Contract Revenue Bonds pursuant to the Revenue Bond Act in an amount not to exceed \$160,700,000 to finance the costs of Phase I of the Route 28

project, plus an amount for issuance costs, reserve funds and other financing expenses. Due to a subsequent reduction in the estimated Phase I cost, the Transportation Board issued \$138,483,372.25 of Transportation Contract Revenue Bonds, Series 1988 (the "Series 1988 Bonds"). The balance of the authorization was not required to complete Phase I of the Route 28 project. In the 1990 Session, the General Assembly amended the legislation to permit any proceeds of the Series 1988 Bonds remaining after the completion of Phase I and any of the unissued Transportation Contract Revenue Bonds authorized under the legislation to be applied to Phase II of the Route 28 project. No other bonds have been authorized for Phase II. In 1992, the Transportation Board refunded all of the outstanding Series 1988 Bonds by issuing \$111,680,000 of Transportation Contract Revenue Bonds, Series 1992 (the "Series 1992 Bonds"). The 1993 Session of the General Assembly provided for the rezoning of commercial and industrial property within the Route 28 Transportation Improvement District to residential property provided the property owner makes a one-time payment equal to the projected tax revenues over the life of the Series 1992 Bonds as if the property had remained zoned for commercial or industrial use. In October 2002, the Transportation Board issued bonds in the amount of \$83,820,000 to refund the outstanding principal balance on the Series 1992 Bonds and issued Transportation Contract Revenue Bonds in the amount of \$36,823,667.45 to finance a portion of the costs of Phase II improvements plus an amount for issuance costs. These Transportation Contract Revenue Bonds were issued under a new Master Indenture of Trust, dated as of October 1, 2002 (the "Route 28 Indenture"), with security features similar to those for the Series 1988 Bonds and Series 1992 Bonds. The Series 2002 Bonds are payable from funds appropriated by the General Assembly for such purpose from the following three sources: (i) special tax revenues collected from a tax levied on commercial and industrial property in the Route 28 Transportation Improvement District, (ii) money appropriated and allocated, pursuant to the highway allocation formula as provided by law, to the Northern Virginia Highway Construction District or to the Counties of Fairfax or Loudoun, and (iii) other legally available money in the Transportation Trust Fund. In the Route 28 Indenture, the Transportation Board agrees that it shall issue no further notes, bonds or other evidence of indebtedness under the provisions of the Master Indenture of Trust, dated as of September 1, 1988, pursuant to which the Series 1988 Bonds and Series 1992 Bonds were issued. Of the total amount of Transportation Contract Revenue Bonds issued, as of June 1, 2014, \$87,330,545 is outstanding (net of unamortized discount on the outstanding Series 2002 capital appreciation bonds).

Federal Highway Reimbursement Anticipation Notes. The General Assembly enacted legislation in the 2000 session, as amended in the 2002 and 2005 Regular Sessions, to authorize the Transportation Board by and with the approval of the Governor, to issue from time to time the FRANs in the maximum aggregate principal amount of \$1.2 billion outstanding at any one time (exclusive of any FRANs that may be issued to pay financing expenses or to refund other FRANs). Under this act, the General Assembly has designated \$2.8 billion in transportation projects that may be funded in whole or in part from the FRANs. The authorizing legislation provides that the principal sources of repayment and security for the FRANs, subject to appropriation by the General Assembly, are federal highway reimbursements and any other federal highway assistance received from time to time by the Commonwealth under the Federal Aid Highway Program created under Title 23 of the United States Code. Pursuant to the Master Indenture of Trust securing the Commonwealth's FRANs program, the Transportation Board has covenanted to transfer monthly into the FRANs debt service fund one twelfth of the amount required for the next scheduled debt service payment. The Transportation Board has also covenanted to certify annually that projected federal reimbursements for the next succeeding bond year will equal at least 1.5 times the applicable debt service requirement. If the projected federal reimbursements do not equal 1.5 times the debt service requirement, then the Transportation Board will transfer all federal reimbursements upon receipt into the debt service fund until the debt service requirement has been met. Projected federal reimbursements have exceeded the required 1.5 times debt service requirement every year since the inception of the FRANs program. Subsequent legislation, including the Appropriation Act, provides that any additional amounts needed to offset the debt service payment requirements on the Transportation Trust Fund attributable to the issuance of FRANs shall be provided from the Priority Transportation Fund to the extent available and then from the portion of the Transportation Trust Fund available for highway construction purposes.

The Transportation Board has issued three series of FRANs totaling \$1,148,320,000, of which \$59,095,000 is outstanding, as of June 1, 2014. Pursuant to Chapters 830 and 868 (HB 2527 and SB1446) of the 2011 Acts of Assembly, which became effective July 1, 2011, the authority to issue additional "new money" FRANs expired on July 1, 2011. See the section "*Priority Transportation Fund – Required Payments from the Priority Transportation Fund.*"

Federal Transportation Grant Anticipation Revenue Notes. In Chapters 830 and 868 (HB 2527 and SB1446) of the 2011 Acts of Assembly, the General Assembly authorized the Transportation Board by and with the consent of the Governor, to issue, pursuant to the provisions of the 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" ("GARVEEs"). The aggregate principal amount of

GARVEEs outstanding at any time shall not exceed \$1.2 billion, less the outstanding principal amount of FRANs issued prior to July 1, 2011, and exclusive of (i) the amount of any revenue obligations that may be issued to refund GARVEEs or FRANs, and (ii) any amounts issued for financing expenses (including, without limitation, any original issue discount). The net proceeds of 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 Transportation Board. In connection with the issuance of each series of GARVEEs, the Transportation Board shall establish a fund, which secures and is used for the payment of such series of GARVEEs. In the fund there shall be deposited such amounts, appropriated therefor by the General Assembly, as are required to pay principal or purchase price of, and redemption premium, if any, and interest on such GARVEEs, as and when due and payable, (i) first from 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 series of GARVEEs; (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, which are designated by the General Assembly for such purpose.

The Transportation Board has issued three series of GARVEES totaling \$691,605,000, of which \$647,425,000 is outstanding as of June 1, 2014.

**COMMONWEALTH TRANSPORTATION BOARD,
VIRGINIA DEPARTMENT OF TRANSPORTATION, AND VIRGINIA DEPARTMENT
OF RAIL AND PUBLIC TRANSPORTATION**

Commonwealth Transportation Board

The Transportation Board consists of 18 members, including the Secretary of Transportation of the Commonwealth, the Commissioner of Highways, the Director of the Department of Rail and Public Transportation, the Executive Director of the Virginia Port Authority and fourteen citizen members from various areas of the Commonwealth appointed by the Governor, subject to confirmation by the General Assembly. One member is chosen from each of the Commonwealth's nine highway construction districts, three members are selected as urban at-large members and two members are selected as rural at-large members. In addition to representing rural and urban transportation needs, the at-large members represent the interests of seaport, airport, railway and mass transit users. The Chairman of the Transportation Board is the Secretary of Transportation. The Vice Chairman is the Commissioner of Highways, who is also the chief executive officer of the Virginia Department of Transportation. Only the fourteen citizen members of the Transportation Board have voting privileges, except that the Chairman has voting privileges in the event of a tie and the Vice Chairman has voting privileges in the event of a tie and when the Vice Chairman is presiding in the absence of the Chairman.

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

<u>Member</u>	<u>Term Expires</u>	<u>Constituency</u>
Aubrey L. Layne, Jr.	At the Pleasure of the Governor	Chairman, Transportation Board; Secretary of Transportation
Charles A. Kilpatrick ¹	At the Pleasure of the Governor	Vice Chairman, Transportation Board; Commissioner of Highways
Jennifer Mitchell	At the Pleasure of the Governor	Director, Department of Rail and Public Transportation
John F. Reinhart	At the Pleasure of the Governor	Executive Director, Virginia Port Authority
Roger Cole	June 30, 2015	Richmond District
Alison DeTuncq	June 30, 2014	Culpeper District
Hollis D. Ellis	June 30, 2017	At-Large Urban
Fran Fisher	June 30, 2014	At-Large Urban
William H. Fralin, Jr.	June 30, 2017	Salem District
F. Gary Garckzynski	June 30, 2016	Northern Virginia District
Allen L. Louderback	June 30, 2014	At-Large Rural
John Malbon	June 30, 2014	Hampton Roads District
Sonny Martin	June 30, 2016	At-Large Rural
John K. Matney	June 30, 2016	Bristol District
W. Sheppard Miller, III	June 30, 2014	At-Large Urban
Mark J. Peake	June 30, 2015	Lynchburg District
Cord A. Sterling	June 30, 2014	Fredericksburg District
F. Dixon Whitworth, Jr.	June 30, 2016	Staunton District

Aubrey L. Layne, Jr. was appointed as Secretary of Transportation of the Commonwealth by Governor Terence R. McAuliffe in January 2014. The Transportation Secretariat provides a wide array of products and services including road construction and repairs, rest area maintenance, regulating sea ports, airports and rail, and issuing license plates and driver's licenses. Prior to being named Secretary, Mr. Layne was President of Achievable Dream Academies in Newport News, Virginia. He began his association with An Achievable Dream over 10 years ago as a Board Member and Endowment Fund Chairman. Prior to joining An Achievable Dream, Mr. Layne was President and Principle Broker of Great Atlantic Properties. He joined the company in 1994 and was responsible for the operational activities, new business acquisition, and capital improvement strategy as well as banking and investor relationships. Before joining Great Atlantic, Mr. Layne worked in a retail business, Hofheimer's Inc., for ten years, most recently as its President. Prior to Hofheimer's, he was a CPA with KPMG where he began his professional career after college. Mr. Layne earned a B.S. in Accounting from The University of Richmond (1979), is a Virginia Certified Public Accountant and received an MBA from Old Dominion University with a concentration in International Business (1997). In 2011, Mr. Layne completed the University of Virginia's Sorensen Institute for Political Leaders program.

Virginia Department of Transportation

The 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 2014 is approximately \$4.7 billion. As of April 1, 2014, VDOT had 152 construction projects underway for an aggregate amount of approximately \$2.3 billion, with an outstanding balance to be paid of approximately \$1.3 billion as these projects progress towards completion. Additionally, VDOT had 219 maintenance projects underway for an aggregate amount of approximately \$563,000,000, with an outstanding balance to be paid of approximately \$331,000,000 as these projects progress towards completion.

The Commonwealth has the nation's third largest system of state-maintained highways totaling approximately 58,000 miles of interstate, primary and secondary roads. The system includes approximately 21,000 bridges and culverts. In addition, independent cities and towns maintain about 11,600 miles of local streets and receive funds from the Transportation Board for such purpose.

The Commonwealth is divided geographically into 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 81% of VDOT's 7,159 employees (as of December 1, 2013) 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 serves an administrative function.

Financial Accountability and Program Delivery

VDOT has been focused on the continuous improvement of its financial accountability and program delivery processes for nearly ten years. 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 reviews performance with the Transportation Board. Historical reporting shows that VDOT has significantly improved its project performance since initial performance tracking began with 2001 results. At that time, 20% of construction contracts were completed on time and 51% of construction contracts were completed within budget while 38% of maintenance contracts were completed on time and 59% of maintenance contracts were completed within budget. VDOT reached a major milestone in Fiscal Year 2007 with performance meeting or exceeding all on-time and on-budget project performance goals for that Fiscal Year. In Fiscal Year 2008, VDOT developed performance targets for all contracts (construction and maintenance combined). The on-time target was set at 76%, and the on-budget target was set at 85%. VDOT has met those targets for three consecutive years (Fiscal Years 2008, 2009, and 2010). For Fiscal Year 2011, the agency met the on-budget goal but did not meet the on-time target as VDOT purposefully extended many contracts past their original completion date to complete more paving. For Fiscal Years 2012 and 2013, the agency met or exceeded all on-time and on-budget project performance goals.

The Current SYIP for Fiscal Years 2014 through 2019, adopted by the Transportation Board in June 2013, is based on the official revenue forecast and cost estimates available. The issuance of Capital Projects Revenue Bonds and the utilization of existing authorization for the issuance of GARVEEs are reflected in the adopted Current SYIP. The program reflects the Transportation Board's commitment to citizen safety, by prioritizing critical safety and maintenance needs of the existing transportation system. The priorities of the update to the Current SYIP include: funding complete project phases, maximizing the use of federal funding, funding deficient bridges and paving projects, increasing funding for preliminary engineering and supporting development and execution of Public-Private Partnerships. The Transportation Board and VDOT strive to be flexible with their project selection and implementation by proceeding with projects in phases. By doing so, the Transportation Board and VDOT remain able to allocate resources between projects in the event that funding decreases or is interrupted.

Virginia Department of Transportation Staff

Charles A. Kilpatrick was named Commissioner of Highways of VDOT in January 2014. Previously, he served as Chief Deputy Commissioner since July 2010. Mr. Kilpatrick is a native Virginian, raised in Fairfax County. He graduated from Virginia Tech in 1986 with a bachelor's degree in civil engineering and is a licensed professional engineer. Mr. Kilpatrick began his professional career with Fairfax County government, reviewing, and then managing, land development and public improvement projects in the county. After seven years, he joined VDOT in Fredericksburg as the Assistant Resident Engineer. He later became Resident Engineer, managing and directing land development, maintenance, and construction. During his 10-year tenure, Mr. Kilpatrick became a Leadership Development and Customer Service Coach and served as the Chair of the Statewide Resident Engineers Committee. In 2004, Mr. Kilpatrick left state service to work for the Silver Companies, a major mixed-use and commercial development company headquartered in Fredericksburg, Virginia and Boca Raton, Florida. As the Vice President for Construction, he managed all commercial construction activities in Virginia. These projects included significant public roadway and infrastructure improvements, as well as innovative financing techniques.

Quintin D. Elliott was named Chief Deputy Commissioner in January 2014. Previously, he served as the administrator of VDOT's Fredericksburg district. In that capacity, he oversaw VDOT's construction and

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

John W. Lawson became VDOT's Chief Financial Officer in October 2010. In his position, he oversees the agency's \$4.7 billion budget and is responsible for the leadership and execution of the agency's financial planning, fiscal management, debt and toll operations programs. Mr. Lawson holds an associate degree of science and arts from Rappahannock Community College, a bachelor's in accounting from Christopher Newport University, and is a graduate of the Virginia Executive Institute. Mr. Lawson worked as an accountant with Engineering Incorporated in Hampton before joining VDOT in 1987. He has served in several financial positions with VDOT in the fiscal division, starting as an accountant and advancing to an assistant division administrator. In 2001, Mr. Lawson became Director of Financial Planning, a position he held until 2010. He has served in a senior advisor role to several administrations and has provided strategic financial oversight to VDOT's senior management, the Secretary of Transportation and the Commonwealth Transportation Board for more than two decades.

Virginia Department of Rail and Public Transportation

The Virginia Department of Rail and Public Transportation ("DRPT"), is one of the agencies that is part of the Transportation Secretariat. DRPT works closely with VDOT. Each of DRPT's three primary areas of activity (rail, public transportation, and commuter services) focuses on the movement of people and goods throughout the Commonwealth.

Rail transportation involves the movement of people and goods on railways owned and operated by private railroad companies. There are more than a dozen railroad companies and services in the Commonwealth, including Norfolk Southern, CSX, Amtrak, VRE, and ten shortline railroads. Freight rail programs help ensure the economic vitality of businesses and communities with a cost-effective, reliable way to bring goods to market, while passenger rail programs relieve congestion on highways and offer travelers more transportation choices. DRPT supports both passenger and freight rail initiatives through funding options, expert advice, research, and advocacy. To safeguard the Commonwealth's connections to the national rail network, DRPT represents the state's interests in interstate and national rail issues.

Public transportation systems help manage traffic congestion and provide transportation choices while safely transporting people to destinations across the Commonwealth. There are sixty seven public transportation systems in the Commonwealth that range in size from two-bus programs in small towns to larger regional systems like WMATA (Metrorail) in Northern Virginia and HRT in Hampton Roads. Some systems are fee-based, while others provide free access for the elderly and disabled. There are forty-nine human transportation services in Virginia. By advising, supporting and funding public transportation programs statewide, DRPT helps provide safe, reliable transportation options for everyone.

Commuter services programs work to promote carpools, vanpools, tele-work and other alternative modes of transportation to the Commonwealth's commuters. These programs not only save people (and employers) time and money, they can also help manage traffic congestion and benefit the environment. DRPT currently partners with eighteen commuter service programs operating in the Commonwealth to provide people with information, business incentives, and ride matching services at no charge.

DRPT Staff

Jennifer Mitchell was named Director of DPRT in January 2014. [Bio to be inserted]

William S. Pittard was selected to become the Chief Financial Officer of DRPT in September 2004. He oversees DRPT's \$450 million annual budget as well as DRPT's activities and initiatives in finance, audit, general accounting, information technology, and procurement. Mr. Pittard previously served in financial management

positions with the Virginia Information Technologies Agency and the Virginia Department of Accounts. Additionally, he has five years of experience with the public accounting firm KPMG. Mr. Pittard earned a B.S. in Commerce from the University of Virginia in 1987, and he is a certified public accountant and a certified government financial manager.

SUMMARY OF THE INDENTURE

The following, in addition to the information presented in the sections "*Bonds*" and "*Sources of Payment and Security for the Bonds*" summarizes certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive and is qualified by reference to the Indenture and any additional supplemental agreements in their entireties, copies of which may be obtained at the office of the Transportation Board. See the section "*Miscellaneous*."

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:

"Account" means any account established in a Fund with respect to a Related Series of Bonds or otherwise pursuant to the terms of the Master Indenture or any Supplemental Indenture.

"Act" means, collectively, the Commonwealth Transportation Capital Projects Bond Act of 2007, enactment clause 2 of Chapter 896 of the Acts of the General Assembly of the Commonwealth of Virginia 2007 Regular Session, as amended; and Item 456.H. of Chapter 874 of the Acts of the General Assembly of the Commonwealth of Virginia, 2010 Regular Session, as amended by Chapter 890 of the Acts of the General Assembly of the Commonwealth of Virginia, 2011 Regular Session.

"Agency Obligations" means senior debt obligations of U.S. government-sponsored agencies that are not backed by the full faith and credit of the U.S. government, including, but not limited to, Federal Home Loan Mortgage Corporation debt obligations, Farm Credit System consolidated system wide bonds and notes, Federal Home Loan Banks consolidated debt obligations, Federal National Mortgage Association debt obligations, Student Loan Marketing Association debt obligations, Resolution Funding Corporation debt obligations, and U.S. Agency for International Development guaranteed notes.

"Amortization Requirement," as applied to any Term Bonds of any maturity for any Bond Year, means the principal amount or amounts fixed by, or computed in accordance with the terms of, the Related Supplemental Indenture for the retirement of such Term Bonds by mandatory purchase or redemption on the Principal Payment Date or Dates established by such Supplemental Indenture.

"Ancillary Contract" means any type of contract or arrangement that the Transportation Board determines is to be used, or is intended to be used, to manage or reduce the cost of any indebtedness on any Bonds or to convert any indebtedness on all or any portion of a Series of Bonds from one form to another, including, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; or (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls or to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk.

"Ancillary Contract Counterparty" means, with respect to an Ancillary Contract, the Person that is identified in such agreement as the counterparty to, or contracting party with, the Transportation Board.

"Ancillary Contract Obligation" means an obligation of the Transportation Board to make payments to an Ancillary Contract Counterparty pursuant to an Ancillary Contract.

"Board Obligations" means any bonds or other evidences of obligations that the Transportation Board is permitted to issue under the Act, including, but not limited to, the Bonds, Parity Obligations, Reimbursement Obligations, Ancillary Contract Obligations, and Subordinate Obligations.

"Board Representative" means the Chairman or the Vice-Chairman of the Transportation Board and any other member, officer or employee of the Transportation Board authorized by resolution of the Transportation Board to perform the act or sign the document in question.

"Bond" or **"Bonds"** means any or all Commonwealth of Virginia Transportation Capital Projects Revenue Bonds issued pursuant to Article V of the Master Indenture and any or all Bond Anticipation Notes.

"Bond Anticipation Notes" means notes issued by the Transportation Board in anticipation of the sale of the Bonds, as authorized in Section 8 of the Act and issued pursuant to Article V of the Master Indenture.

"Bond Counsel" means (i) McGuireWoods LLP or (ii) other Counsel selected by the Office of the Attorney General of the Commonwealth that is nationally recognized as experienced in matters relating to obligations issued or incurred by states and other governmental entities.

"Bond Credit Facility" means a line of credit, letter of credit, standby bond purchase agreement, municipal bond insurance or similar credit enhancement or liquidity facility established to provide credit or liquidity support for all or any portion of a Series of Bonds as provided in the Related Supplemental Indenture.

"Bond Credit Provider" means, as to all or any portion of a Series of Bonds, the Person providing a Bond Credit Facility, as designated in the Related Supplemental Indenture in respect of such Bonds.

"Bond Debt Service Fund" means the Bond Debt Service Fund established pursuant to Section 7.1 of the Master Indenture and required by Section 11 of the Act.

"Capital Appreciation Bonds" means Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in the Related Supplemental Indenture and is payable upon redemption or on the maturity date of such Bonds or on the date, if any, upon which such Bonds become Current Interest Bonds.

"Commonwealth" means the Commonwealth of Virginia.

"Cost of Issuance Fund" means the Cost of Issuance Fund established with respect to a Series of Bonds as provided in Section 7.1 of the Master Indenture.

"Counsel" means any attorney or firm of attorneys, who or which may be Bond Counsel or counsel for the Transportation Board or the Trustee.

"Current Interest Bonds" means Bonds the interest on which is payable currently on the Interest Payment Dates provided therefor in the Related Supplemental Indenture.

"Custodian" means a bank or trust company that is (i) organized and existing under the laws of the United States or any of its states and (ii) acceptable to the Trustee.

"Defeasance Obligations" means noncallable (i) Agency Obligations, (ii) Government Obligations, (iii) Government Certificates, (iv) Defeased Municipal Obligations, and (v) Defeased Municipal Obligation Certificates.

"Defeased Municipal Obligation Certificates" means evidence of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a Custodian.

"Defeased Municipal Obligations" means obligations of the Commonwealth or any county, city, town, district, authority, agency, political subdivision or other public body of the Commonwealth, which are rated in the highest rating category by any Rating Agency, provision for the payment of the principal of and interest on which has been made by the deposit with a trustee or escrow agent of Government Obligations or Government Certificates, the maturing principal of and interest on which, when due and payable, will provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations.

"Department" means the Virginia Department of Transportation, an executive agency of the Commonwealth.

"Escrow Fund" means an escrow fund relating to a Series of Refunding Bonds that may be established pursuant to the Related Supplemental Indenture and Sections 7.2 and 7.9 of the Master Indenture.

"Event of Default" means any of the events enumerated in Section 10.1 of the Master Indenture.

"Fund" means any fund established pursuant to the terms of the Master Indenture or any Supplemental Indenture.

"General Assembly" means the General Assembly of the Commonwealth.

"Government Certificates" mean certificates representing ownership of United States Treasury bond principal at maturity or interest coupons for accrued periods, which bonds or coupons are held in the capacity of custodian by a Custodian that is independent of the seller of such certificates.

"Government Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America.

"Interest Payment Date" means, with respect to each Series of Bonds, each date as provided by the Related Supplemental Indenture on which interest is payable.

"Interest Requirement" means, for any Interest Payment Date, as applied to all of the Current Interest Bonds or a portion thereof, the total of the interest regularly scheduled to become due on such Bonds on such Interest Payment Date. Interest expense shall be excluded from the definition of Interest Requirement to the extent that proceeds of any Bonds are held by the Trustee to pay such interest. Unless the Transportation Board shall otherwise provide in a Supplemental Indenture, interest expense on Bond Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of an Interest Requirement.

"Majority Owners" means the Owners of at least 51% of the aggregate principal amount of the Bonds Outstanding.

"Master Indenture" means the Master Indenture of Trust dated as of May 1, 2010, between the Transportation Board and the Trustee, as the same may be modified, altered, amended and supplemented in accordance with its terms by one or more Supplemental Indentures.

"Officer's Certificate" means a certificate signed by a Board Representative and filed with the Trustee.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"Opinion of Counsel" means a written opinion of Counsel.

"Optional Tender Bonds" means any Bonds issued under the Master Indenture a feature of which is an option on the part of the Owners of such Bonds to tender to the Transportation Board, or to the Trustee or other fiduciary for such Owners, or to an agent of any of the foregoing, all or a portion of such Bonds for payment or purchase.

"Outstanding" when used in reference to the Bonds and as of a particular date, means all Bonds authenticated and delivered under the Master Indenture except:

- (i) any Bond canceled or required to be canceled by the Trustee at or before such date;
- (ii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered under the Master Indenture;
- (iii) any Bond deemed paid under Article IX of the Master Indenture except that any such Bond shall be considered Outstanding until its maturity or redemption date only for the purpose of actually being paid and for purposes of Articles III and IV and Section 6.1 of the Master Indenture (or the corresponding provisions of the Related Supplemental Indenture, as the case may be); and
- (iv) any Bond not deemed Outstanding under, but only to the extent provided for in, Section 12.2 of the Master Indenture.

"Owner" means the registered owner of any Bond.

"Parity Obligations" means any Board Obligations, other than the Bonds, incurred in accordance with Section 5.6 of the Master Indenture, which are secured on a parity with the Bonds. Parity Obligations may include, without limitation, Reimbursement Obligations and Ancillary Contract Obligations.

"Payment Agreement" means the agreement by and among the Transportation Board, the Treasury Board and the Secretary of Finance of the Commonwealth, dated as of May 1, 2010, providing for the request for appropriation of funds from the General Assembly and payments of such funds to the Trustee for payment of debt service on the Bonds, as the same may be modified, altered, amended and supplemented in accordance with its terms.

"Payment Date" means a date that is an Interest Payment Date or a Principal Payment Date or both.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

"Principal" means (i) with respect to a Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except when used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default in which case "principal" means the initial public offering price of the Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) and (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of an Amortization Requirement, if applicable, or at maturity.

"Principal and Interest Requirements" for any Payment Date or for any period means the sum of the Principal Requirements and the Interest Requirements for such date or such period, respectively.

"Principal Payment Date" means, with respect to each Series of Bonds, each date provided by the Related Supplemental Indenture upon which the principal amount of any Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of an Amortization Requirement.

"Principal Requirement" means for any Principal Payment Date, as applied to all Bonds or a portion thereof, the total of the principal regularly scheduled to become due on such Principal Payment Date. Principal payments shall be excluded from the definition of Principal Requirement to the extent that proceeds of any Bonds are held by the Trustee to pay such Principal.

"Priority Transportation Fund" means the Priority Transportation Fund established by Section 33.1-23.03:8 of the Virginia Code.

"Project" means any transportation project for which the net proceeds of the Bonds may be used to provide funds pursuant to the Act.

"Project Fund" means the Project Fund to be established as provided in Section 7.1 of the Master Indenture.

"Rating Agency" means, with respect to any Bonds Outstanding, any nationally recognized credit rating agency if and for so long as such rating agency, at the request of the Transportation Board, maintains a rating on such Bonds.

"Rating Confirmation" means written evidence that no rating that has been requested by the Transportation Board and is then in effect from a Rating Agency with respect to a Bond will be withdrawn, reduced, or suspended solely as a result of an action to be taken hereunder.

"Rebate Amount" means the liability of the Transportation Board under Section 148 of the Tax Code (including any "yield reduction payments") with respect to any Series of Bonds as may be calculated or specified (including with such reserves or error margin as the Transportation Board may deem appropriate) in accordance with the Related Supplemental Indenture or the Related Tax Compliance Agreement.

"Rebate Fund" means the Rebate Fund to be established with respect to a Series of Bonds as provided in Section 7.1.

"Refunding Bonds" shall have the meaning set forth in Section 5.3.

"Reimbursement Fund" means the Reimbursement Fund Related to a Series of Bonds that may be established by the Related Supplemental Indenture and Section 7.2 hereof.

"Reimbursement Obligations" means any reimbursement or payment obligations of the Transportation Board for which moneys in the Reimbursement Fund are pledged or payable pursuant to the provisions of the Master Indenture or any Supplemental Indenture.

"Related" as the context may require, means (i) when used with respect to any Cost of Issuance Fund, Escrow Fund, Rebate Fund or Reimbursement Fund, the Fund so designated and established by the Master Indenture and the Supplemental Indenture authorizing a particular Series of Bonds, (ii) when used with respect to a Supplemental Indenture, the Supplemental Indenture authorizing a particular Series of Bonds, or Supplemental Indenture related thereto, (iii) when used with respect to a Bond Credit Facility or Reimbursement Obligation, the Bond Credit Facility securing a particular Series of Bonds and the Reimbursement Obligation entered into in connection

therewith or (iv) when used with respect to an Ancillary Contract or an Ancillary Contract Obligation, the Ancillary Contract applicable to a particular Series of Bonds and the Ancillary Contract Obligation entered into in connection therewith.

"Revenue Stabilization Fund" means the Revenue Stabilization Fund established pursuant to Section 7.9 of the Master Indenture and Section 4.1 of the Second Supplemental Indenture.

"Revenues" means monies appropriated by the General Assembly from time to time for the payment of the Bonds (i) from revenues deposited into the Priority Transportation Fund pursuant to Section 33.1-23.03:8 of the Virginia Code, (ii) to the extent required, from revenues legally available from the Transportation Trust Fund, and (iii) to the extent required, from any legally available funds.

"Subordinate Obligations" means any Board Obligations that are made specifically subordinate as to payment and security to the Bonds and the Parity Obligations. Subordinate Obligations may include, without limitation, Reimbursement Obligations and Ancillary Contract Obligations.

"Second Supplemental Indenture" means the Second Supplemental Indenture of Trust dated as of May 1, 2011, between the Transportation Board and the Trustee.

"Serial Bonds" means the Bonds of a Series that are stated to mature in semiannual or annual installments and that are so designated in the Related Supplemental Indenture.

"Series" means all of the Bonds of a particular series authenticated and delivered pursuant to the Master Indenture and the Related Supplemental Indenture and identified as such pursuant to such Supplemental Indenture, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Indenture and such Supplemental Indenture, regardless of variations in lien status, maturity, interest rate, sinking fund installments or other provisions.

"State Revenue Bond Act" means Sections 33.1-267 *et seq.* of the Virginia Code.

"Supplemental Indenture" means any indenture supplementary to or amendatory of the Master Indenture or any Supplemental Indenture now or hereafter duly executed and delivered in accordance with the provisions of the Master Indenture.

"Tax Code" means the Internal Revenue Code of 1986, as amended, as in effect upon the issuance of and thereafter applicable to any Series of Bonds and the regulations of the U.S. Department of the Treasury promulgated thereunder as in effect upon the issuance of and thereafter applicable to any Series of Bonds.

"Tax Compliance Agreement" means, with respect to any Series of Bonds, the Federal Tax Certificate and Compliance Agreement, dated the date of the issuance of the Related Series of Bonds, between the Transportation Board and the Trustee, as the same may be modified, altered, amended or supplemented pursuant to its terms.

"Term Bonds" means all or some of the Bonds of a Series, other than Serial Bonds, that shall be stated to mature on one or more dates and that are so designated in the Related Supplemental Indenture.

"Transportation Board" means the Commonwealth Transportation Board, created and existing under the laws of the Commonwealth, and its successors and assigns.

"Transportation Trust Fund" means the Transportation Trust Fund established pursuant to Section 33.1-23.03:1 of the Virginia Code.

"Treasury Board" means the Treasury Board of the Commonwealth, created and existing under the laws of the Commonwealth, and its successors and assigns.

"Trustee" means Wells Fargo Bank, National Association, and its successors serving in the same capacity under the Master Indenture.

"Variable Rate Bonds" means any Bonds the interest rate on which is not established, at the time such Bonds are issued, at a single numerical rate for the entire term of the Bonds.

"Virginia Code" means the Code of Virginia of 1950, as amended, and any successor provisions of law.

Bond Debt Service Fund. Pursuant to the Act, the Transportation Board established the Bond Debt Service Fund under the Master Indenture to secure and be used to pay the debt service on the Capital Projects Revenue Bonds when due, to the credit of which there will be deposited amounts, subject to appropriation by the General Assembly, from (i) revenues deposited into the Priority Transportation Fund; (ii) revenues legally available from Transportation Trust Fund; and (iii) any other legally available funds.

Revenue Stabilization Fund. At one time or from time to time, the Transportation Board may cause funds to be transferred from the Priority Transportation Fund and deposited in the Revenue Stabilization Fund to secure and be used to pay the debt service on the Capital Projects Revenue Bonds pursuant to a direction to the Trustee set forth in a Supplemental Indenture or an Officer's Certificate.

Permitted Investments. Subject to the provisions of any Supplemental Indenture, any amounts held in any Fund or Account established by the Master Indenture or any Supplemental Indenture may be separately invested and reinvested by the Trustee, at the request of and as directed in writing by the State Treasurer after consultation with a Board Representative, in any investments which are at the time legal investments for public funds of the type to be invested under Virginia law, including without limitation the Act and the Investment of Public Funds Act, Chapter 45, Title 2.2 of the Virginia Code, as amended, or any successor provision of law.

Covenants with Bond Credit Providers. The Transportation Board may make such covenants as it may, in its sole discretion determine to be appropriate, with any Bond Credit Provider that shall agree to provide for Bonds of any one or more Series a Bond Credit Facility that shall enhance the security or the value of such Bonds and thereby reduce the Principal and Interest Requirements on such Bonds. Such covenants may be set forth in the Related Supplemental Indenture or other Supplemental Indenture and shall be binding on the Transportation Board, the Trustee, and the Owners of the Bonds the same as if such covenants were set forth in full in the Master Indenture.

Events of Default and Remedies upon Default. Each of the following events shall constitute an Event of Default under the Master Indenture: (i) default in the payment of any installment of interest in respect of the Bonds of any Series as the same shall become due and payable; (ii) default in the payment of the principal of or premium, if any, in respect of the Bonds of any Series as the same shall become due and payable either at maturity, upon redemption, or otherwise; (iii) default in the payment of any Amortization Requirement in respect of any Term Bond as the same shall become due and payable; (iv) subject to certain provisions of the Master Indenture, failure on the part of the Transportation Board duly to observe or perform any other of the covenants or agreements on the part of the Transportation Board contained in the Master Indenture, a Supplemental Indenture, a Tax Compliance Agreement, or any Bond or (v) appointment by a court of competent jurisdiction of a receiver for all or any substantial part of the Revenues and the other Funds and Accounts pledged pursuant to the Master Indenture, or the filing by the Transportation Board of any petition for reorganization of the Transportation Board or rearrangement or readjustment of the obligations of the Transportation Board under the provisions of any applicable bankruptcy or insolvency law.

Notwithstanding any other provision of the Master Indenture, failure to pay the principal or any Amortization Requirement of or interest on any Subordinate Obligation will not constitute an Event of Default with respect to any of the Bonds or Parity Obligations.

The Transportation Board may, pursuant to a Supplemental Indenture, provide for a particular Series of Bonds different or additional Events of Default and remedies upon the occurrence thereof including, but not limited to, Events of Default upon the occurrence of events specified in any agreement entered into in connection with the delivery of a Bond Credit Facility or an Ancillary Contract and acceleration of the full principal amount of such Bonds.

The principal of and interest on the Bonds is not subject to acceleration upon the occurrence or the continuation of an Event of Default.

Upon the occurrence and continuation of an Event of Default, the Trustee may, in its discretion, and shall, at the written request of the Majority Owners of the Bonds Outstanding and subject to certain provisions of the Master Indenture, pursue any available remedy, at law or in equity, to remedy any Event of Default.

Notwithstanding anything in the Master Indenture or any Supplemental Indenture to the contrary, upon the occurrence and continuation of an Event of Default, the Majority Owners of the Bonds Outstanding shall, subject to certain provisions of the Master Indenture, have the right, by an instrument in writing executed and delivered to the Trustee, to control and direct all actions of the Trustee in remedying such Event of Default, provided that such direction is in accordance with law and the Master Indenture and that the Trustee shall have the right to decline to

follow any such direction which, in the sole judgment of the Trustee, would be unduly prejudicial to the rights of Owners not joining in such direction. Notwithstanding the foregoing, the Trustee shall have the right to select and retain Counsel of its choosing to represent it in any such remedial proceedings and the Trustee may take any other action which is not inconsistent with any direction given by the Majority Owners to the Trustee under this Section.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Owners of not less than twenty-five% in aggregate principal amount of the Bonds then Outstanding, shall upon being indemnified to its satisfaction therefore, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts or omissions to act which may be unlawful or in violation hereof or (ii) to preserve or protect the interests of the Owners, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Owners of Bonds not making such request.

Notwithstanding any other provision of the Master Indenture, so long as any Bonds or Parity Obligations are Outstanding, no owner or holder of any Subordinate Obligation may exercise any remedy under the Master Indenture or any Supplemental Indenture.

Defeasance of Bonds. If the Transportation Board shall pay or provide for the payment of the entire indebtedness on all Bonds Outstanding in any one or more of the following ways: (i) by paying or causing to be paid the principal of and premium, if any, and interest on such Bonds, as and when the same shall become due and payable; (ii) by delivering such Bonds to the Trustee for cancellation or (iii) by depositing with the Trustee (or an escrow agent), in trust, cash and/or Defeasance Obligations in such amount as will, together with the income or increment to accrue thereon (the "Payment Amount"), be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds Outstanding at or before their respective maturity dates, without consideration of any reinvestment of the Payment Amount, as a firm of nationally-recognized independent verification agents or a firm of independent certified public accountants shall verify to the Trustee's satisfaction; and if the Transportation Board shall pay or provide for the payment of (on the date of defeasance or over time) all other sums payable hereunder by the Transportation Board, and if any of the Bonds Outstanding are to be redeemed before their maturity, notice of such redemption shall have been given as provided in the Master Indenture (and the corresponding sections of the Supplemental Indentures) or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the Master Indenture and the estate and rights granted hereunder (except for the provisions of the Master Indenture regarding the general terms and conditions of the Bonds and the redemption of the Bonds (and the corresponding sections of the Supplemental Indentures) and payment of the Bonds) shall cease, determine, and become null and void. Thereupon the Trustee shall, upon receipt by the Trustee of an Officer's Certificate and an Opinion of Bond Counsel each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Master Indenture as provided above have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Indenture (except for the provisions of the Master Indenture regarding the general terms and conditions of the Bonds and the redemption of the Bonds (and the corresponding sections of the Supplemental Indentures) and payment of the Bonds) and the lien hereof.

Any moneys, securities, or other property remaining on deposit in any of the Funds or Accounts established by the Master Indenture and held by the Trustee (except the cash and/or Defeasance Obligations deposited in trust as above provided) shall, upon the full satisfaction of the Master Indenture as provided above, forthwith be distributed to the Transportation Board.

Amendments and Supplemental Indentures. The Transportation Board and the Trustee may, without the consent of, or notice to, any of the Owners of the Bonds, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Master Indenture or any Supplemental Indenture for any one or more of the following purposes:

- (a) To cure or correct any ambiguity, formal defect, omission or inconsistent provision in the Master Indenture or in a Supplemental Indenture;
- (b) To grant to or confer on the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Owners or the Trustee or either of them;
- (c) To subject to the lien and pledge of the Master Indenture additional revenues, properties or collateral;
- (d) To provide for the issuance of coupon Bonds if authorized under the Related Supplemental Indenture;

- (e) To amend certain provisions of the Master Indenture or any Supplemental Indenture in any manner consistent with Sections 103 and 141 through 150 of the Tax Code (or such other hereinafter enacted sections of the Tax Code as may be applicable to the Bonds) as in effect at the time of the amendment;
- (f) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Master Indenture or any Supplemental Indenture, of the Revenues or any other moneys, property or Funds or Accounts;
- (g) To modify, amend or supplement the Master Indenture or any Supplemental Indenture as required to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to permit the qualification of any of the Bonds for sale under the securities laws of any of the states of the United States, and, if the Transportation Board and the Trustee so determine, to add to the Master Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or similar federal statute;
- (h) To add to the covenants and agreements of the Transportation Board contained in the Master Indenture or any Supplemental Indenture other covenants and agreements thereafter to be observed for the Owners' protection, including, but not limited to, additional requirements imposed by virtue of a change of law, or to surrender or to limit any right, power or authority therein reserved to or conferred upon the Transportation Board;
- (i) To amend, modify or change the terms of any agreements governing any book-entry-only system for any of the Bonds;
- (j) To provide for the issuance of additional Series of Bonds (including Refunding Bonds) or any Subordinate Obligations, and to provide for such other related matters as may be required or contemplated by or appropriate under the Master Indenture;
- (k) To provide for the issuance of Parity Obligations that, as expressed in a finding or determination by the Transportation Board (which shall be stated in the Related Supplemental Indenture, and may be based on an Opinion of Bond Counsel or the written opinion of the Transportation Board's financial advisor), would not materially affect the security for the Bonds adversely;
- (l) To make any changes necessary to comply with the requirements of a Rating Agency, a Bond Credit Provider, or an Ancillary Contract Counterparty that, as expressed in a finding or determination by the Transportation Board (which shall be stated in the Related Supplemental Indenture, and may be based on an Opinion of Bond Counsel or the written opinion of the Transportation Board's financial advisor), would not materially adversely affect the security for the Bonds;
- (m) To make any other changes that (i) will have no adverse effect upon the ratings currently assigned to the Bonds by any Rating Agency, as expressed in a Rating Confirmation or (ii) shall not prejudice in any material respect the rights of the Owners of the Bonds then Outstanding, as expressed in a determination or finding by the Transportation Board (which shall be stated in the Supplemental Indenture, and may be based upon an Opinion of Bond Counsel or the written opinion of the Transportation Board's financial advisor); and
- (n) To restate in one document the Master Indenture and all Supplemental Indentures, which restatement shall then become the Master Indenture for all purposes, effective as of the date of the Master Indenture with respect to matters set forth therein and as of the date of any Supplemental Indenture included in the restatement as to matters set forth in any such Supplemental Indenture. Supplemental Indentures and the Bonds issued thereunder prior to a restatement shall be deemed to relate to the restated Master Indenture without any further action or amendment.

Exclusive of Supplemental Indentures covered above and subject to the terms and provisions contained in this Section, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right from time to time, notwithstanding any other provision of this Indenture, to consent to and approve the execution by the Transportation Board and the Trustee of such other Supplemental Indenture or Supplemental Indentures as the Transportation Board shall deem necessary or desirable to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Indenture; provided, however, that without the consent and approval of the Owners of all of the affected Bonds then Outstanding nothing in the Master Indenture shall permit, or be construed as permitting (i) an extension of the maturity of the principal of

or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest on it, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided herein, or (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture.

If at any time the Transportation Board shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of the Supplemental Indenture to be mailed to each Owner of Bonds then Outstanding by registered or certified mail to the address of each such Owner as it appears on the registration books for the Bonds; provided, however, that failure to give such notice by mailing, or any defect in it, shall not affect the validity of any proceedings under this Section. Such notice shall briefly state the nature of the proposed Supplemental Indenture and shall state that copies of it are on file at the Trustee's designated corporate trust office for inspection by all Owners. If, within six months or such longer period as shall be prescribed by the Transportation Board following the giving of such notice, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have consented to and approved its execution as provided under this Section, no Owner of any Bond shall have any right to object to any of the terms and provisions contained in it, or its operation, or in any manner to question the propriety of its execution, or to enjoin or restrain the Trustee or the Transportation Board from executing such Supplemental Indenture or from taking any action under its provisions. Upon the execution of any such Supplemental Indenture as in this Section permitted and provided, the Master Indenture shall be deemed to be modified and amended in accordance therewith.

Bonds owned or held by or for the account of the Transportation Board or any Person controlling, controlled by or under common control with the Transportation Board shall not be deemed Outstanding for the purpose of consent or any calculation of Outstanding Bonds for purposes of entering into Supplemental Indentures. At the time of any such calculation, the Transportation Board shall furnish the Trustee an Officer's Certificate, upon which the Trustee may rely, describing all Bonds so to be excluded.

Anything contained in the Master Indenture to the contrary notwithstanding, the Transportation Board and the Trustee may enter into any Supplemental Indenture upon receipt of the consent of the Owners of all Bonds then Outstanding.

SUMMARY OF THE PAYMENT AGREEMENT

The following, in addition to the information presented in the section "*Sources of Payment and Security for the Bonds*," 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 or the office 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 Bonds and all other amounts required to be paid under the Master Indenture during the next succeeding Fiscal Year 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 deposit, 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 on the 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 Fiscal Year or biennial period, as applicable, amounts sufficient to pay all debt service on the Bonds 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.

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 Principal and Interest Requirements coming due on the Bonds and all other amounts required to be paid under the Master Indenture during the next succeeding Fiscal Year or biennial period, as applicable, and (ii) the General Assembly deposit, 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 on the Transfer Date.
- (c) The Treasury Board shall make all debt service payments on the Bonds to the Trustee on the Transfer Dates solely from moneys made available to it.
- (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 Fiscal Year or biennial period, as applicable, amounts sufficient to pay all debt service on the Bonds 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.

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 Principal and Interest Requirements coming due on the Bonds and all other amounts required to be paid under the Master Indenture during the next succeeding Fiscal Year 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 B - Commonwealth of Virginia, Financial and Other Information.

The Trustee is a third party beneficiary of the Payment Agreement and is entitled to enforce, on behalf of the holders of the Bonds, 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.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the Transportation Board upon delivery of the Bonds, substantially in the form set forth in Appendix D. Bond Counsel's opinion will be limited to matters relating to the authorization and the validity of the Bonds and to the federal income status of interest on the Bonds, 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 Bonds, 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 Bonds.

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 Status of Interest

Bond Counsel's opinion will state that, under current law, interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for the purpose of computing the alternative minimum tax imposed on certain corporations, interest on the

Bonds must be included in determining adjusted current earnings. See "Form of Bond Counsel Opinion" in Appendix D hereto.

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

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

Reliance and Assumptions; Effect of Certain Changes

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

In addition, Bond Counsel is assuming continuing compliance with the Covenants, as hereinafter defined, by the Transportation Board. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax compliance agreement to be entered into by the Transportation Board with respect to the Bonds contains covenants (the "Covenants") under which the Transportation Board has agreed to comply with such requirements. Failure by the Transportation Board to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for Federal income tax purposes.

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

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

Certain Collateral Federal Tax Consequences

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

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

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and

Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any Bond is the excess of such Bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such Bond. The "issue price" of a Bond is the initial offering price to the public at which price a substantial amount of such Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement (or, in the case of Bonds sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

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

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

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

Bond Premium

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

Possible Legislative or Regulatory Action

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

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various State legislatures. Such legislation may effect changes in federal or State income tax rates and the application of federal or State income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or State income tax purposes. The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or State tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds' federal or State tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

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

Opinion of Bond Counsel—Virginia Income Tax Consequences

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

LEGALITY FOR INVESTMENT

The 2007 Act provides that the Bonds 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 Bonds 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 Bonds or in any way contest or affect the validity of the Bonds, 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 Bonds.

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 Bonds, officials who signed the Bonds 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 Bonds, 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, including when and if available audited financial information and operating data ("Annual Reports"), to the Municipal Securities Rulemaking Board (the "MSRB") via the MSRB's Electronic Municipal Market Access system ("EMMA"), the internet address of which is <http://emma.msrb.org/>, or any successor system and (ii) notice of various events described in Rule 15c2-12, if material ("Event Notices"), to the MSRB. The events described in Rule 15c2-12 which may result in Event Notices are as follows: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity provider, or their failure to perform; (vi) 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 Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of security holders, if material; (viii) bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Transportation Board;* (xiii) the consummation of a merger, consolidation, or acquisition involving the Transportation Board or the sale of all or substantially all of the assets of the Transportation Board, other than in the ordinary course of business, the entry into a definitive agreement relating to any such actions, other than pursuant to its terms, if material and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

As of the date of this Official Statement, the Transportation Board has complied in all material respects with its undertakings regarding Rule 15c2-12, except as described below. In making timely filings of its Annual Reports for Fiscal Years 2009-2011, the Transportation Board inadvertently neglected to connect the Oak Grove Connector Bonds' CUSIP information to the Annual Reports. The Transportation Board remedied the inadvertent omission in October 2013. In addition the outstanding FRANs received a ratings upgrade to "AA+" from Fitch Ratings, Inc. in April 2013, and the Transportation Board filed an Event Notice of the upgrade in October 2013. The Transportation Board has taken steps to ensure future compliance with its undertakings regarding Rule 15c2-12.

Commonwealth Continuing Disclosure. The Commonwealth, which the Transportation Board has determined to be a MOP for purposes of Rule 15c2-12, will covenant in a Continuing Disclosure Agreement, in substantially the form set forth in Appendix E, to be executed prior to the issuance of the Bonds for the benefit of the holders of the Bonds, 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.

As of the date of this Official Statement, the Commonwealth has complied in all material respects with its undertakings regarding Rule 15c2-12, except as described below. In making timely filings of its Annual Reports for Fiscal Years 2008-2011, the Commonwealth inadvertently neglected to connect the FRANs' CUSIP information to

* The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Transportation Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Transportation Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Transportation Board.

the Annual Reports. The Commonwealth remedied the inadvertent omission in October 2013. The Commonwealth has taken steps to ensure future compliance with its undertakings regarding Rule 15c2-12.

See "Continuing Disclosure Agreement" in Appendix E hereto.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") assigned the Bonds ratings of _____, _____, and _____, 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 Bonds.

SALE AT COMPETITIVE BIDDING

The Bonds will be offered for sale at competitive bidding on June 11, 2014,* unless changed as described in the Notice of Sale in Appendix F 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 Bonds 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 and the managers of the syndicate, if any, submitting the winning bid (the "Underwriter"), the expected selling compensation to the Underwriter of the Bonds and other information on the interest rates and offering prices or yields of the Bonds, as supplied by the Underwriter.

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 Bonds. PRAG has assisted in the preparation of this Official Statement and in matters relating to the planning, structuring and issuance of the Bonds 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.

MISCELLANEOUS

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

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

The purpose of this preliminary Official Statement is to supply information to prospective buyers of the Bonds. 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.

* Preliminary, subject to change.

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

COMMONWEALTH TRANSPORTATION BOARD

By: _____
Aubrey L. Layne, Jr., Chairman

COMMONWEALTH OF VIRGINIA

**FINANCIAL STATEMENTS OF THE COMMONWEALTH
FOR THE YEAR ENDED JUNE 30, 2013**

COMMONWEALTH OF VIRGINIA

**FINANCIAL AND OTHER
INFORMATION**

COMMONWEALTH OF VIRGINIA

**DEMOGRAPHIC AND ECONOMIC
INFORMATION**

FORM OF BOND COUNSEL OPINION

*Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the Bonds.
It is preliminary and subject to change prior to the delivery of the Bonds.*

[Letterhead of McGuireWoods LLP]

June __, 2014

Commonwealth Transportation Board
Richmond, Virginia

COMMONWEALTH TRANSPORTATION BOARD
\$300,000,000*
COMMONWEALTH OF VIRGINIA
Transportation Capital Projects Revenue Bonds, Series 2014

Ladies and Gentlemen:

We have served as Bond Counsel to the Commonwealth Transportation Board (the "Transportation Board") in connection with the issuance of the Transportation Board's \$300,000,000* Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2014 (the "Bonds"). The Bonds are issued under a Master Indenture of Trust dated as of May 1, 2010, as previously supplemented (the "Master Indenture"), and as further supplemented by a Fourth Supplemental Indenture of Trust dated as of June 1, 2014 (the "Fourth Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each between the Transportation Board and Wells Fargo Bank, National Association, as trustee (the "Trustee").

We refer you to the Indenture and the forms of the Bonds for certain information concerning the details of the Bonds, including payment and redemption provisions, their purpose, and the proceedings pursuant to which they are issued.

In connection with this opinion, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation, (1) the State Revenue Bond Act, Sections 33.1-267 *et seq.* of the Code of Virginia of 1950, as amended, (2) enactment clause 2 of Chapter 896 of the Acts of Assembly of the 2007 Regular Session, as amended and (3) Item 456.H. of Chapter 874 of the Acts of the General Assembly of the Commonwealth of Virginia, 2010 Regular Session, as amended by Chapter 890 of the Acts of the General Assembly of the Commonwealth of Virginia, 2011 Regular Session and (B) the United States of America, including without limitation, the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) copies of certified proceedings and other documents relating to the Transportation Board's issuance and sale of the Bonds as we have deemed necessary to render this opinion.

Without undertaking to verify them by independent investigation, as to questions of fact material to this opinion we have relied on (i) representations of the Transportation Board, including without limitation, representations as to the use of proceeds of the Bonds, (ii) certifications of public officials furnished to us and (iii) certifications and representations contained in certificates of the Transportation Board and others delivered at closing.

* Preliminary, subject to change.

We have assumed all documents, certificates, and instruments relating to this financing have been duly authorized, executed, and delivered by all parties to them other than the Transportation Board, and we have further assumed the due organization, existence and powers of such parties other than the Transportation Board. In addition, we have assumed that all signatures on documents, certificates, and instruments examined by us are genuine, all documents, certificates, and instruments submitted to us as originals are authentic, and all documents, certificates, and instruments submitted to us as copies conform to the originals.

Based on the foregoing, in our opinion, under current law:

(1) The Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the Commonwealth and constitute valid and binding limited obligations of the Transportation Board payable as to principal, premium, if any, and interest solely from the revenues, receipts, and funds appropriated by the General Assembly therefor and paid to the Trustee in accordance with the Payment Agreement and certain funds held under the Indenture, all as provided in the Indenture.

(2) The Indenture has been duly authorized, executed, and delivered by the Transportation Board and constitutes a valid and binding obligation of the Transportation Board enforceable against the Transportation Board in accordance with its terms. The Fourth Supplemental Indenture is authorized by, and complies in all respects with the requirements of, the Master Indenture.

(3) Interest on the Bonds, including any accrued "original issue discount" properly allocable to the holders of the Bonds, (i) is excludable from gross income for federal income tax purposes under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for purposes of the alternative minimum tax imposed on corporations, as defined for federal income tax purposes under Section 56 of the Code, interest on the Bonds must be included in computing adjusted current earnings. The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same series and maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in the preceding paragraph, we are (i) relying upon and assuming the accuracy of certifications and representations of representatives of the Transportation Board, the underwriters of the Bonds, and others as to facts material to the opinions, without undertaking to verify them by independent investigation and (ii) assuming continuing compliance with the Covenants, as hereinafter defined, by the Transportation Board, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Code and not become a Specific Tax Preference Item. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Code. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The Transportation Board's Federal Tax Certificate and Compliance Agreement dated the date hereof (the "Tax Certificate") contains covenants (the "Covenants") with which the Transportation Board has agreed to comply with such requirements. Failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to its date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated, or referred to in the Tax Certificate, including the Covenants, may be changed, and certain actions may be taken or omitted under the circumstances and

subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal tax purposes under Section 103 of the Code of any such subsequent change or action that may be made, taken, or omitted upon the advice or approval of counsel other than this firm.

(4) Interest on the Bonds is exempt from income taxation by the Commonwealth and any of its political subdivisions. We express no opinion regarding (i) other Commonwealth tax consequences arising with respect to the Bonds or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The rights of the holders of the Bonds and the enforceability of the Transportation Board's obligations under the Bonds and the Indenture may be limited or otherwise affected by bankruptcy, insolvency, reorganization, moratorium, and similar laws now or hereafter in effect affecting creditors' rights. The enforceability of those rights and obligations is also subject to the exercise of judicial discretion in accordance with general principles of equity.

The obligations to make payments of principal, premium, if any, and interest on the Bonds are subject to and dependent on appropriations by the General Assembly. The General Assembly is not obligated to make such appropriations. The Bonds 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.

Additional Series of Bonds may be issued from time to time hereafter under the conditions, limitations, and restrictions set forth in the Master Indenture and may be secured equally and ratably thereunder on a parity with the Bonds and other Outstanding Bonds issued under the Master Indenture.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest thereon and the enforceability of the above-described related documents. The foregoing opinion is in no respect an opinion as to the business or financial resources of the Transportation Board and the Commonwealth or their ability to provide for the payment of the Bonds or the accuracy, completeness or sufficiency of any information, including the Transportation Board's Preliminary Official Statement dated May ___, 2014, and Official Statement dated June ___, 2014, that anyone may have relied upon in making the decision to purchase the Bonds. We have not been requested to give any opinion, and therefore, we express no opinion as to the compliance by the Transportation Board or the Commonwealth with any terms and conditions that may be required as a condition to the purchase of the Bonds.

This opinion is rendered as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

[To be signed: MCGUIREWOODS LLP]

APPENDIX E

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

APPENDIX E

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