

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 29, 2011**

**NEW ISSUE/BOOK-ENTRY**

**RATINGS: Fitch: "AA"**

**Moody's: "Aa2"**

**See the subsection "Ratings"**

*In the opinion of Bond Counsel, under current law and subject to conditions described in the subsection "Tax Matters" in Section Four, interest on the 2011A Bonds is (a) excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In the opinion of Bond Counsel, interest on the 2011B Bonds is (a) excludable from gross income for federal income tax purposes under Section 103 of the Code and (b) a specific item of tax preference for purposes of the federal alternative minimum tax. Interest on all of the 2011 Bonds is includable in the calculation of a corporation's federal alternative minimum tax and may be subject to other federal income tax consequences as described herein. Bond Counsel is further of the opinion that interest on all of the 2011 Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the subsection "Tax Matters" in Section Four regarding certain other tax considerations.*



**Airports Revolving Fund Revenue Bonds  
Refunding Series 2011A and B  
consisting of:**

**\$16,110,000\* Refunding Series 2011A  
(Tax-Exempt Non-AMT)**

**\$17,410,000\* Refunding Series 2011B  
(Tax-Exempt AMT)**

**Dated: Date of Delivery**

**Due: August 1, as shown on the inside of this cover**

*This Official Statement has been prepared by the Virginia Resources Authority ("VRA") to provide information on the 2011 Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the 2011 Bonds, a prospective investor should read this Official Statement in its entirety.*

**Security**

The 2011 Bonds are limited obligations of VRA, payable from (a) principal and interest payments received by VRA under the bonds issued by the state and local political subdivisions and governmental entities benefiting from the 2011 Bonds, (b) amounts held in certain funds and accounts that have been pledged to the 2011 Bonds under the Indenture (as herein defined), and (c) earnings, if any, derived from the investment of such funds and accounts. Also pledged to the 2011 Bonds on a parity basis with the other Bonds outstanding under the Indenture are (a) the General Reserve Fund (as herein defined), and (b) the payments on certain direct loans. VRA has in addition covenanted to use uncommitted amounts in the Virginia Airports Revolving Fund to pay debt service on the 2011 Bonds on a parity basis with the other outstanding Bonds. See the subsection "**Security and Source of Payment for the 2011 Bonds**" in Section Two.

The principal of and premium, if any, and interest on the 2011 Bonds do not constitute a debt of the Commonwealth of Virginia or any of its political subdivisions other than VRA. Neither the Commonwealth of Virginia nor any political subdivision thereof, including VRA, will be obligated to pay the principal of or premium, if any, or interest on the 2011 Bonds or other costs incident thereto except from the revenues, money or property of VRA pledged for such purposes. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof is pledged to the payment of the principal of or premium, if any, or interest on the 2011 Bonds. VRA has no taxing power.

**Redemption**

The 2011 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in this Official Statement.

**Issued Pursuant to**

Master Indenture of Trust dated as of January 1, 2001, between VRA and the Trustee, as previously supplemented and amended, and as further supplemented by a Seventh Supplemental Series Indenture of Trust dated as of August 1, 2011 (the "Indenture").

**Purpose**

VRA will use the net proceeds of the 2011 Bonds, along with other available funds, to refund all or a portion of VRA's outstanding 2001 Bonds (as defined herein) previously issued under the Indenture. See the subsection "**Plan of Refunding**" in Section Two.

**Interest Rates/Yields**

See inside front cover.

**Interest Payment Dates**

February 1 and August 1, commencing February 1, 2012.

**Denomination**

\$5,000 or integral multiples thereof.

**Regular Record Date**

The 15th day of the month preceding each payment date.

**Closing/Delivery Date**

On or about August 23, 2011.

**Registration**

Book-entry only through the facilities of The Depository Trust Company.

**Trustee**

U.S. Bank National Association, Richmond, Virginia, as successor trustee.

**General Counsel**

Stephanie L. Hamlett, Esquire

**Bond Counsel**

McGuireWoods LLP, Richmond, Virginia.

**Underwriter's Counsel**

Kutak Rock LLP, Richmond, Virginia

**Financial Advisor**

Davenport & Company, LLC, Richmond, Virginia.

**Conditions Affecting  
Issuance**

The 2011 Bonds are offered when, as and if issued, subject to, among other conditions, the approving legal opinion of McGuireWoods LLP.

**BB&T Capital Markets**  
**a division of Scott & Stringfellow, LLC**

**Morgan Keegan**

Dated: August \_\_, 2011

\* Preliminary, subject to change.

**VIRGINIA RESOURCES AUTHORITY**

**\$16,110,000\***

**Airports Revolving Fund Revenue Bonds  
Refunding Series 2011A (Tax-Exempt Non-AMT)**

**\$16,110,000 Serial Bonds\***

<u>Maturity</u>	Principal <u>Amount</u> *	Interest <u>Rate</u>	Price/ <u>Yield</u>	CUSIP <u>92817A</u>
2012	\$945,000	%	%	
2013	940,000			
2014	965,000			
2015	995,000			
2016	1,020,000			
2017	1,055,000			
2018	1,095,000			
2019	1,140,000			
2020	1,185,000			
2021	1,235,000			
2022	1,285,000			
2023	1,350,000			
2024	1,415,000			
2025	1,485,000			

\$\_\_\_\_\_ % Term Bonds due August 1, 20\_\_; Priced at \_\_\_\_\_%, CUSIP 92817A\_

**\$17,410,000\***

**Airports Revolving Fund Revenue Bonds  
Refunding Series 2011B (Tax-Exempt AMT)**

**\$17,410,000 Serial Bonds\***

<u>Maturity</u>	Principal <u>Amount</u> *	Interest <u>Rate</u>	Price/ <u>Yield</u>	CUSIP <u>92817A</u>
2012	\$1,020,000	%	%	
2013	1,015,000			
2014	1,040,000			
2015	1,070,000			
2016	1,105,000			
2017	1,140,000			
2018	1,185,000			
2019	1,235,000			
2020	1,285,000			
2021	1,245,000			
2022	1,270,000			
2023	1,290,000			
2024	1,350,000			
2025	1,420,000			
2026	740,000			

\$\_\_\_\_\_ % Term Bonds due August 1, 20\_\_; Priced at \_\_\_\_\_%, CUSIP 92817A\_

\_\_\_\_\_  
Dated: Date of Delivery  
\_\_\_\_\_

\_\_\_\_\_  
\* Preliminary, subject to change.

## Redemption Provisions

Optional Redemption. The 2011 Bonds maturing on or after August 1, 20\_\_, may be redeemed prior to their respective maturities, at the option of VRA, from any moneys that may be made available for such purpose, either in whole or in part (in \$5,000 increments), on any date and in such order as VRA may determine on and after August 1, 20\_\_, at a redemption price equal to the principal amount of the 2011 Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption:

*Mandatory Sinking Fund Redemption.* The 2011A Bonds maturing on August 1, 20\_\_, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of the 2011A Bonds to be redeemed plus accrued interest to the date fixed for redemption, all in the manner provided in the Indenture:

Year

Amount

The 2011B Bonds maturing on August 1, 20\_\_, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of the 2011B Bonds to be redeemed plus accrued interest to the date fixed for redemption, all in the manner provided in the Indenture:

Year

Amount

*This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2011 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the 2011 Bonds, and if given or made, such information or representation must not be relied upon. The information set forth herein has been obtained from VRA and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by any of such sources as to information provided by any other source. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in affairs of VRA or in any other matters described herein since the date hereof or, as in the case of certain information incorporated herein by reference to certain publicly available documents, since the date of such documents.*

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 VRA's business and financial results could cause actual results to differ materially from those stated in the forward-looking statements.

**The Underwriters (as defined in the subsection "Underwriting" in Section Four) may engage in transactions that stabilize, maintain or otherwise affect the price of the 2011 Bonds, including transactions to (a) over allot in arranging the sales of the 2011 Bonds and (b) make purchases in sales of 2011 Bonds, for long or short accounts, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the Underwriters may determine. Such stabilization, if commenced, may be discontinued at any time.**

## TABLE OF CONTENTS

	<u>Page</u>
<b>SECTION ONE: INTRODUCTION .....</b>	<b>1</b>
The Issuer.....	1
Airports Revolving Fund; Previous Bond Issues.....	1
The 2011 Bonds .....	2
Use of Proceeds .....	2
Redemption .....	3
Security and Source of Payment .....	3
Corpus Allocations .....	3
2011 Debt Service Reserve Fund.....	3
General Reserve Fund.....	4
2011 Local Obligations.....	4
Investment Considerations.....	5
Delivery .....	5
Ratings .....	5
Continuing Disclosure .....	5
Additional Information .....	5
<b>SECTION TWO: THE 2011 BONDS .....</b>	<b>6</b>
<b>AUTHORITY FOR ISSUANCE OF 2011 BONDS .....</b>	<b>6</b>
<b>PLAN OF REFUNDING .....</b>	<b>6</b>
<b>SOURCES AND USES OF FUNDS .....</b>	<b>7</b>

SECURITY AND SOURCE OF PAYMENT FOR THE 2011 BONDS .....	7
General .....	7
Corpus Allocation .....	8
2011 Debt Service Reserve Fund.....	8
Pledge of Direct Loan Payments.....	10
General Reserve Fund.....	10
Payments From 2011 Debt Service Reserve Fund and General Reserve Fund .....	11
Flow of Funds .....	11
ADDITIONAL INDEBTEDNESS .....	13
SECURITY FOR THE LOCAL OBLIGATIONS .....	13
General .....	13
Pledge Securing Local Obligations.....	13
Credit Enhancement for Certain Local Obligations.....	15
Commonwealth Aid Intercept Provision .....	15
2011 Local Obligations.....	16
PROJECTED LOCAL DEBT SERVICE .....	17
DESCRIPTION OF THE 2011 BONDS .....	20
General .....	20
Redemption .....	20
Book-Entry-Only System .....	22
INVESTMENT CONSIDERATIONS .....	22
Limited Obligations of VRA .....	22
Possible Defaults on Local Obligations .....	22
Investment of Certain Funds .....	23
Unknown Future Participants and Credit Standard Changes.....	23
SECTION THREE: PROGRAM PARTICIPANTS .....	23
VIRGINIA RESOURCES AUTHORITY .....	23
Members of the Board .....	24
VRA Staff .....	25
VIRGINIA AIRPORTS REVOLVING FUND.....	25
Establishment of Revolving Fund; Project Requirements .....	25
Loan Administration .....	26
THE OBLIGORS .....	27
THE AGREEMENTS .....	28
SECTION FOUR: MISCELLANEOUS.....	28
LITIGATION.....	28
LEGAL MATTERS .....	29
TAX MATTERS.....	29
Federal Income Tax Status of Interest .....	29
Certain Collateral Federal Tax Consequences .....	30
Original Issue Discount .....	31
Bond Premium .....	32
Possible Legislative or Regulatory Action .....	32
State Tax Treatment of the 2011 Bonds .....	32
LEGALITY FOR INVESTMENT .....	32
UNDERWRITING .....	33
RATINGS .....	33
FINANCIAL ADVISOR .....	33
CONTINUING DISCLOSURE UNDER RULE 15c2-12.....	33
APPROVAL OF OFFICIAL STATEMENT.....	34

**APPENDICES:**

- A – SELECTED INFORMATION CONCERNING THE OBLIGORS
- B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
- C – PROPOSED FORMS OF BOND COUNSEL OPINIONS
- D – INFORMATION WITH RESPECT TO THE COMMONWEALTH OF VIRGINIA –  
INCLUDED BY REFERENCE
- E – FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE COMMONWEALTH  
OF VIRGINIA
- F – SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS BY VRA
- G – SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS BY OBLIGORS
- H – BOOK-ENTRY ONLY SYSTEM

**OFFICIAL STATEMENT  
of the  
VIRGINIA RESOURCES AUTHORITY**

**Airports Revolving Fund Revenue Bonds  
Refunding Series 2011A and B  
consisting of:**

**\$16,110,000\* Refunding Series 2011A  
(Tax-Exempt Non-AMT)**

**\$17,410,000\* Refunding Series 2011B  
(Tax-Exempt AMT)**

**SECTION ONE: INTRODUCTION**

This Official Statement (including the cover page, the inside cover page and the appendices hereto) is furnished to provide information concerning the above-referenced bonds (respectively, the "2011A Bonds" and the "2011B Bonds" and, collectively, the "2011 Bonds"), which are being issued by the Virginia Resources Authority ("VRA"). This Official Statement has been approved and authorized by VRA for use in connection with the sale of the 2011 Bonds. The information speaks as of its date and is not intended to indicate future or continuing trends in the financial position of VRA.

*The following introductory information is furnished solely to provide limited introductory information regarding the 2011 Bonds and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto. All capitalized terms not otherwise defined shall have the meanings assigned to them as set forth in **Appendix B**. Any estimates and assumptions in this Official Statement are based on the best information available but do not constitute factual information. All estimates of future performance or events constituting "forward looking statements" may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward-looking statements are numbers and other information from budgets for current and future fiscal years.*

**The Issuer**

VRA is the issuer of the 2011 Bonds. VRA was created in July of 1984 under the Virginia Resources Authority Act (the "Act"), Chapter 21, Title 62.1 of the Code of Virginia of 1950, as amended (the "Virginia Code"), as a public body corporate and a political subdivision of the Commonwealth of Virginia (the "Commonwealth").

VRA manages a variety of similar programs for other local government infrastructure projects. The 2011 Bonds are not secured by the assets, revenues or funds associated with these other programs.

**Airports Revolving Fund; Previous Bond Issues**

In 1999 the Commonwealth established the Virginia Airports Revolving Fund (the "Revolving Fund") as a permanent and perpetual fund pursuant to Chapter 2.1, Title 5.1 of the Virginia Code. The Commonwealth designated VRA to administer and manage the Revolving Fund. In this capacity VRA may, among other things, establish the interest rates and repayment terms for loans from the Revolving Fund, subject to the right of the Virginia Aviation Board to direct the distribution of such loans to particular state and local political subdivisions and governmental entities ("Obligors"). The Revolving Fund was established to finance airport infrastructure projects at government-owned facilities.

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\* Preliminary, subject to change.

The 2011 Bonds are the sixth issue of Bonds to be issued under the Master Indenture of Trust dated as of January 1, 2001, as amended and supplemented through the date hereof (the "Master Indenture"), between VRA and U.S. Bank National Association, Richmond, Virginia (as successor trustee to Wells Fargo Bank Minnesota, N.A.), as trustee (the "Trustee"). In February, 2001, VRA issued its \$52,825,000 Airports Revolving Fund Revenue Bonds, Series 2001A (Non-AMT) and Series 2001B (AMT) (the "2001 Bonds"), to finance certain qualified airport facilities for the Capital Region Airport Commission (Richmond International Airport), the Dinwiddie Airport and Industrial Authority (Dinwiddie County Airport) and the Norfolk Airport Authority (Norfolk International Airport). In July, 2002, VRA issued its \$11,575,000 Airports Revolving Fund Revenue Bonds, Series 2002A (Non-AMT), Series 2002B (AMT) and Series 2002C (Taxable) (the "2002 Bonds"), to finance certain airport facilities for the Virginia Aviation Board, the Charlottesville-Albemarle Airport Authority (Charlottesville-Albemarle Airport) and the Peninsula Airport Commission (Newport News – Williamsburg International Airport). In April, 2004, VRA issued its \$10,820,000 Airports Revolving Fund Revenue Bonds, Series 2004 (Taxable) (the "2004 Bonds"), to finance certain airport facilities for the Charlottesville-Albemarle Airport Authority, the City of Manassas, Virginia, the Stafford Regional Airport Authority and the Winchester Regional Airport Authority. In March, 2005, VRA issued its \$4,090,000 Airports Revolving Fund Revenue Bonds, Series 2005 (Taxable) (the "2005 Bonds"), to finance certain airport facilities for the Middle Peninsula Airport Authority, the Roanoke Regional Airport Commission, the Shenandoah Valley Regional Airport Commission, and the Stafford Regional Airport Authority. In March, 2007, VRA issued its \$5,425,000 Airports Revolving Fund Revenue Bonds, Series 2007 (Taxable) (the "2007 Bonds"), to finance certain airport facilities for Hanover County, Virginia (the Hanover County Airport), Middle Peninsula Airport Authority, Stafford Regional Airport Authority, Tappahannock-Essex County Airport Authority, and Tazewell County Airport Authority. As of February 1, 2011, the outstanding aggregate principal amount of the 2001 Bonds, the 2002 Bonds, the 2004 Bonds, the 2005 Bonds and the 2007 Bonds was \$58,300,000 (collectively, the "Outstanding Bonds").

### **The 2011 Bonds**

The specific terms of the 2011 Bonds are set forth in the Seventh Supplemental Series Indenture of Trust dated as of August 1, 2011 (the "Seventh Supplemental Series Indenture" and, collectively with the Master Indenture, the "Indenture"), between VRA and the Trustee. The 2011 Bonds will be dated the date of their issuance and delivery and will be issued in authorized denominations of \$5,000 and multiples thereof and will be held through the facilities of The Depository Trust Company, New York, New York ("DTC"), or by its nominee as securities depository with respect to the 2011 Bonds.

Interest on the 2011 Bonds will be payable on February 1 and August 1, commencing February 1, 2012, until the earlier of maturity or redemption. As long as the 2011 Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date.

### **Use of Proceeds**

The proceeds of the 2011 Bonds will be used, along with other available funds, to (a) refund all or a portion of the 2001 Bonds, and (b) pay the costs of issuance of the 2011 Bonds. A more complete description of the plan of refunding and the use of proceeds is provided in Section Two.

The Obligors issuing Local Obligations in connection with the 2011 Bonds are the Capital Region Airport Commission, the Dinwiddie Airport and Industrial Authority, and the Norfolk Airport Authority (collectively, the "2011 Obligors"). The 2001 Bonds financed airport projects for the three 2011 Obligors and VRA is passing the debt service savings to be realized from the refunding to the 2011 Obligors (after



providing for the payment of VRA's costs of issuance). The Local Obligations to be issued to VRA in connection with the 2011 Bonds will be referred to collectively as the "2011 Local Obligations."

### **Redemption**

The 2011 Bonds maturing on or after August 1, 20\_\_, are subject to redemption at the option of VRA prior to maturity at any time on or after August 1, 20\_\_, par plus accrued interest to the date fixed for redemption. The 2011A Bonds maturing August 1, 20\_\_ (the "2011A Term Bonds"), and the 2011B Bonds maturing August 1, 20\_\_ (the "2011B Term Bonds"), are subject to mandatory sinking fund redemption at par, plus accrued interest to the date fixed for redemption, commencing August 1, 20\_\_, with respect to the 2011A Term Bonds, and August 1, 20\_\_, with respect to the 2011B Term Bonds. See the subsection "**Redemption**" in Section Two for a more complete description of the optional and mandatory sinking fund redemption features.

### **Security and Source of Payment**

The 2011 Bonds are limited obligations of VRA payable from (a) principal and interest payments received by VRA on the 2011 Local Obligations, (b) amounts held in certain funds and accounts created under the Indenture and pledged to the 2011 Bonds, including the 2011 Debt Service Reserve Fund and the General Reserve Fund, the funding for which has been derived primarily from the Revolving Fund, and (c) the earnings, if any, derived from the investment of such funds and accounts. **The General Reserve Fund is also pledged on a parity basis to each Series of Bonds issued under the Indenture, as are payments on certain Direct Loans.** To the extent the foregoing are insufficient to pay the principal of and interest on the 2011 Bonds and other series of Bonds, VRA has also covenanted to use uncommitted amounts in the Revolving Fund to pay debt service on each Series of Bonds on a parity basis. See the subsection "**Security and Source of Payment for the 2011 Bonds**" in Section Two.

### **Corpus Allocations**

For each 2011 Local Obligation, VRA will use certain funds originally derived from the Revolving Fund and released from the Debt Service Reserve Fund established for the 2001 Bonds (the "2001 Debt Service Reserve Fund") to provide a reserve to secure such 2011 Local Obligation (the amount allocated to each 2011 Local Obligation is herein referred to as a "Corpus Allocation"). The Corpus Allocation for each 2011 Local Obligation at any time shall be an aggregate amount equal to at least the greater of (a) 25% of the principal of such 2011 Local Obligation outstanding from time to time, or (b) the maximum amount of the scheduled Interest and Principal Requirements payable on the Outstanding 2011 Bonds Related to such 2011 Local Obligation (as specified in the Seventh Supplemental Series Indenture) in the current or any future Bond Year. See the subsection "**Security and Source of Payment for the 2011 Bonds**" in Section Two and **Appendix B** - Summary of Certain Provisions of the Indenture.

### **2011 Debt Service Reserve Fund**

The Seventh Supplemental Series Indenture creates within the 2011 Debt Service Reserve Fund a separate account (a "Local Account") for each 2011 Local Obligation into which the Corpus Allocation for such 2011 Local Obligation will be deposited. The Corpus Allocation for a particular 2011 Local Obligation will be available to cure payment defaults on such 2011 Local Obligation. The Corpus Allocation for a particular 2011 Local Obligation will not be available to cure a payment default on any other 2011 Local Obligation. As principal on a 2011 Local Obligation is repaid, the respective Corpus Allocation may be reduced to reflect the reduction in the principal balance outstanding on such 2011

Local Obligation. See the subsection **"Security and Source of Payment for the 2011 Bonds"** in Section Two.

VRA expects that amounts within the 2011 Debt Service Reserve Fund will be invested in United States Treasury obligations for the term of the 2011 Bonds.\* Pursuant to the Master Indenture, interest earnings on the 2011 Debt Service Reserve Fund will be transferred at least semiannually to the 2011 Revenue Fund established under the Seventh Supplemental Series Indenture. Such earnings, when added to the payments on the 2011 Local Obligations, are designed to be sufficient to exceed in each year scheduled debt service on the 2011 Bonds. See the subsections **"Projected Local Debt Service"** and **"Investment Considerations"** in Section Two.

One of the 2011 Obligors, the Capital Region Airport Commission ("CRAC") is issuing two separate 2011 Local Obligations. The Seventh Supplemental Series Indenture divides each of the Local Accounts in the 2011 Debt Service Reserve Fund established for CRAC's 2011 Local Obligations into two subaccounts, a capital reserve subaccount (a "Capital Reserve Subaccount") and a secondary reserve subaccount (a "Secondary Reserve Subaccount"). The minimal requirement for a Capital Reserve Subaccount at any time is maximum amount of the Interest and Principal Requirements payable on the Outstanding Related 2011 Bonds in the then current or any future Bond Year plus the amount of the Interest Requirement for such Related 2011 Bonds on the next ensuing Interest Payment Date. The balance of the related Corpus Allocation will be maintained in the Secondary Reserve Subaccount. Similar Capital Reserve Fund Subaccounts were established for CRAC in the 2001 Debt Service Reserve Fund.

VRA has designated each Capital Reserve Subaccount as a "capital reserve fund" within the meaning of the VRA Act. The Chairman of VRA is required to deliver annually to the Governor and Secretary of Administration of the Commonwealth a certificate stating the amount, if any, necessary to restore the Capital Reserve Subaccounts to their minimum requirements. The General Assembly of the Commonwealth (the "General Assembly") is authorized by the VRA Act, but not obligated, to appropriate such amount. See the subsection **"Security and Source of Payment for the 2011 Bonds-2011 Debt Service Reserve Fund"** in Section Two.

### **General Reserve Fund**

The Indenture requires that the amounts represented by reductions in Corpus Allocations are to be deposited in the General Reserve Fund and are to be available to cure deficiencies in the payment of principal and interest with respect to any Series of Bonds issued under the Master Indenture to the extent transfers from the Related Debt Service Reserve Fund are insufficient. To the extent not needed for such purpose, such amounts will be transferred from the General Reserve Fund to the Revolving Fund and released from the lien of the Indenture. See the subsection **"Security and Source of Payment for the 2011 Bonds"** in Section Two for a more detailed discussion of the application of the amounts on deposit in the General Reserve Fund.

### **2011 Local Obligations**

Each 2011 Local Obligation will provide for the repayment of the principal amount thereof, together with interest on the unpaid principal amount thereof at an interest rate set by VRA. The specific interest rate set by VRA for each 2011 Local Obligation will be at a rate below the rate such 2011 Local Obligation would bear if sold on the open market. The debt service payments from the 2011 Local Obligations will be insufficient by themselves to pay the debt service on the 2011 Bonds. The security

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\* Preliminary, subject to change.

and sources of payment for each 2011 Local Obligation varies. The subsection "**Security for 2011 Local Obligations**" in Section Two contains a description of the security and sources of payment for each 2011 Local Obligation, and Part I of **Appendix A** contains a general description of the characteristics of Obligors that can borrow through the Revolving Fund.

### **Investment Considerations**

Prospective purchasers of the 2011 Bonds should be aware that investment in the 2011 Bonds may entail some degree of risk and may not be suitable for all investors. Payment of debt service due on the 2011 Bonds will depend in part on the timely payment by the 2011 Obligors of debt service on the 2011 Local Obligations. The ability of the 2011 Obligors to make such payments will depend on various economic and financial circumstances. In addition, payment of debt service due on the 2011 Bonds will depend in part on earnings derived from the investment of certain funds and accounts under the Indenture. There is no assurance, however, that VRA will realize any level of earnings on its investments or not suffer investment losses. See the subsection "**Investment Considerations**" in Section Two.

### **Delivery**

The 2011 Bonds are offered for delivery, when, as and if issued, subject to the approval of validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Richmond, Virginia. Certain legal matters will be passed upon for VRA by its general counsel, Stephanie L. Hamlett, Esquire. It is expected that the 2011 Bonds will be available for delivery, at the expense of VRA, in New York, New York, through the facilities of DTC, on or about August 23, 2011.

### **Ratings**

The 2011 Bonds have been rated by Moody's Investors Service, Inc. ("Moody's"), 99 Church Street, New York, New York, 10007, and Fitch Ratings ("Fitch"), One State Street Plaza, New York, New York 10004, as shown on the cover page. See the subsection "**Ratings**" in Section Four for a more complete description of such ratings.

### **Continuing Disclosure**

Each of (a) VRA, (b) the Commonwealth and (c) each 2011 Obligor that is or later becomes a "Material Obligor" will each undertake to provide certain limited information at specified times under certain conditions to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") and as in effect on the date hereof. Presently, CRAC is the only Material Obligor. See the subsection "**Continuing Disclosure under Rule 15c2-12**" in Section Four.

### **Additional Information**

Any question concerning the content of this Official Statement should be directed to Stephanie L. Hamlett, Executive Director, Virginia Resources Authority, 1111 East Main Street, Suite 1920, Richmond, Virginia 23219 (804-644-3100), or James M. Traudt, Senior Vice President, Davenport & Company, LLC, 901 East Cary Street, 14th Floor, Richmond, Virginia 23219 (804-697-2904), VRA's financial advisor.

## SECTION TWO: THE 2011 BONDS

### AUTHORITY FOR ISSUANCE OF 2011 BONDS

The 2011 Bonds are being issued pursuant to the Act, a resolution of VRA adopted on June 14, 2011, and the Indenture. Additional Series of Bonds (collectively with the Outstanding Bonds and the 2011 Bonds, the "Bonds") may be issued under the terms and conditions of the Indenture as described herein. See **Appendix B** for a summary of certain provisions of the Indenture.

### PLAN OF REFUNDING

VRA will apply the proceeds of the 2011 Bonds to (a) refund all or a portion of the outstanding 2001 Bonds (the portion to be refunded will be referred to herein as the "Refunded 2001 Bonds"), and (b) pay the costs of issuance of the 2011 Bonds.

The Refunded 2001 Bonds are more particularly described below:

<u>Issue</u>	<u>Maturities or Portions Thereof Being Refunded (Years Inclusive)*</u>	<u>Aggregate Principal Amount to be Refunded*</u>	<u>Redemption Date*</u>	<u>Redemption Price</u>
Airports Revolving Fund Revenue Bonds, Series 2001A (Non-AMT)	2012-2027	\$20,070,000	By October 1, 2011	100%
Airports Revolving Fund Revenue Bonds, Series 2001B (AMT)	2012-2027	17,775,000	By October 1, 2011	100%

VRA will cause a total of \$\_\_\_\_\_ of the proceeds of the 2011 Bonds to be deposited with the Trustee in an irrevocable escrow fund (the "2011 Escrow Account") to be established under the Seventh Supplemental Series Indenture. The Trustee will hold the balance in the 2011 Escrow Account in cash or direct, non-callable obligations of the United States Treasury the maturing principal of and interest on which will be sufficient without reinvestment to pay the principal of and interest on the Refunded 2001 Bonds through their redemption date.

VRA issued the 2001 Bonds and applied the net proceeds thereof to purchase Local Obligations issued by the 2011 Obligors to finance Airport Projects at below-market interest rates. In consideration of VRA's refunding of the Refunded 2001 Bonds, the 2011 Obligors will provide the 2011 Local Obligations to VRA pursuant to an Agreement between VRA and each of the 2011 Obligors. VRA will determine the specific interest rates and principal amortization schedule for the 2011 Local Obligations so that (a) the scheduled payments on the 2011 Local Obligations will, when combined with the expected earnings on the 2011 Debt Service Reserve Fund, be sufficient to pay the scheduled debt service on the 2011 Bonds and (b) the 2011 Obligors will receive the benefit of the debt service savings realized from the refunding of the Refunded 2001 Bonds after provision for the payment of VRA's costs of issuance.

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\* Preliminary, subject to change.

## SOURCES AND USES OF FUNDS

It is anticipated that the proceeds of the 2011 Bonds, together with the funds held by the Trustee in the 2001 Debt Service Reserve Fund, will be used as follows:

### Sources

2011 Bond Proceeds	\$ _____ .00
Transfer from 2001 Debt Service Reserve Fund	\$ _____ .00
Total Sources	<u>\$ _____ .00</u>

### Uses

Deposit to 2011 Escrow Account	\$ _____ .00
VRA Costs of Issuance <sup>(1)</sup>	\$ _____ .00
Deposit to 2011 Debt Service Reserve Fund <sup>(2)</sup>	\$ _____ .00
Total Uses	<u>\$ _____ .00</u>

<sup>(1)</sup> Including Underwriters' discount.

<sup>(2)</sup> For a discussion of the uses of the 2011 Debt Service Reserve Fund, see the subsection "**Security and Source of Payment for the 2011 Bonds – 2011 Debt Service Reserve Fund**" in Section Two.

## SECURITY AND SOURCE OF PAYMENT FOR THE 2011 BONDS

### General

The 2011 Bonds are limited obligations of VRA payable from (a) the principal and interest payments received by VRA under the 2011 Local Obligations, (b) amounts held in certain funds and accounts created under the Indenture, including the 2011 Debt Service Reserve Fund and the General Reserve Fund, that have been pledged to the 2011 Bonds, and (c) the earnings, if any, derived from the investment of such funds and accounts. **The General Reserve Fund is also pledged on a parity basis to each Series of Bonds that is Outstanding under the Master Indenture. Also pledged on a parity basis are payments on certain Direct Loans made from the Revolving Fund.**

To the extent the foregoing are insufficient to pay principal of and interest on each Series of Bonds issued under the Indenture, VRA has covenanted to use uncommitted amounts in the Revolving Fund to pay debt service on the 2011 Bonds on a parity basis with all other Bonds Outstanding under the Master Indenture. Notwithstanding this covenant, however, there is no requirement or agreement by VRA to maintain any particular uncommitted balance in the Revolving Fund. Under the Act, VRA is authorized to transfer assets of the Revolving Fund to funds and accounts pledged to secure Bonds issued by VRA. The assets consist of any moneys appropriated or otherwise deposited by the Commonwealth into the Revolving Fund. The assets also may include amounts released from the General Reserve Fund, amounts repaid to the Revolving Fund under current or future Direct Loans made to Obligors, earnings on the investments held in the Revolving Fund and any other sums designated for deposit into the Revolving Fund from any public or private source. Under the Revolving Fund Act, VRA is authorized to transfer assets of the Revolving Fund to funds or accounts pledged to secure bonds issued by VRA. VRA in its discretion may transfer moneys from the Revolving Fund in whole or in part at any time to fund the Corpus Allocations for Local Obligations and to pay for any costs eligible under the Act and applicable regulations thereunder. As of June 30, 2011, the uncommitted balance in the Revolving Fund was \$7,649,938.

*The 2011 Bonds are limited obligations of VRA. The principal of and premium, if any, and interest on the 2011 Bonds do not constitute a debt of the Commonwealth of Virginia or any of its political subdivisions other than VRA. Neither the Commonwealth of Virginia nor any political subdivision thereof, including VRA, will be obligated to pay the principal of or premium, if any, or interest on the 2011 Bonds or other costs incident thereto except from the revenues, money or property of VRA pledged for such purposes. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof is pledged to the payment of the principal of or premium, if any, or interest on the 2011 Bonds. VRA has no taxing power.*

## **Corpus Allocation**

VRA is required under the Master Indenture to use a portion of the Revolving Fund assets to provide a reserve to secure the repayment of each 2011 Local Obligation. The Corpus Allocation for each 2011 Local Obligation at any time shall be an aggregate amount equal to at least the greater of (a) 25% of the principal of such 2011 Local Obligation outstanding from time to time, or (b) the maximum amount of the scheduled Interest and Principal Requirements payable on the Outstanding 2011 Bonds related to such 2011 Local Obligation (as specified in the Seventh Supplemental Series Indenture) in the current or any future Bond Year.

As the principal of a particular 2011 Local Obligation is repaid, the corresponding Corpus Allocation may be reduced to reflect the reduction in the principal balance outstanding on such 2011 Local Obligation. Each Corpus Allocation for each 2011 Local Obligation will be fully funded on the date of delivery of the 2011 Bonds.

## **2011 Debt Service Reserve Fund**

General. The Master Indenture requires a Debt Service Reserve Fund to be established for each separate Series of Bonds. Within each Debt Service Reserve Fund there will be created one or more Local Accounts, each corresponding to and securing only a particular Local Obligation. The Trustee will promptly deposit in the respective Local Accounts of the Debt Service Reserve Fund established for a Series of Bonds (a) any amounts attributable to the Corpus Allocation for the Related Local Obligations, (b) any earnings attributable to the respective Local Account of the Debt Service Reserve Fund, (c) any amounts transferred from the General Reserve Fund as required by the Master Indenture, (d) any amounts transferred from the Revenue Fund or otherwise made available by VRA or the Obligor in order to reimburse such Local Accounts for existing deficiencies in the accounts, and (e) any other amounts made available by VRA for such purpose. As of June 30, 2011, the aggregate balance in all of the Debt Service Reserve Funds established under the Master Indenture was \$19,780,430.

The 2011 Debt Service Reserve Fund will be established and held by the Trustee under the Seventh Supplemental Series Indenture. VRA expects that amounts within the 2011 Debt Service Reserve Fund will be invested in United States Treasury obligations for the term of the 2011 Bonds.\* As the Master Indenture requires for all Debt Service Reserve Funds, interest earnings on the 2011 Debt Service Reserve Fund will be transferred at least semiannually to the Related Revenue Fund (the "2011 Revenue Fund"). Such earnings, when added to the scheduled payments on the 2011 Local Obligations, are designed to be sufficient to exceed in each year scheduled debt service on the 2011 Bonds. See the subsections "**Projected Local Debt Service**" and "**Investment Considerations**" in Section Two.

Amounts in the 2011 Debt Service Reserve Fund will be used to cure deficiencies in payment of principal of and premium, if any, and interest on the 2011 Bonds resulting from a 2011 Obligor's failure

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\* Preliminary, subject to change.

to make full and timely payments when due under its 2011 Local Obligation, as described below in "Payments from the 2011 Debt Service Reserve Fund and General Reserve Fund." After curing any deficiencies as aforesaid, on each Principal Payment Date for the 2011 Bonds, VRA may authorize the Trustee to transfer to the General Reserve Fund from each Local Account of the 2011 Debt Service Reserve Fund an amount such that the amount remaining in such Local Account shall be equal to the Corpus Allocation of such 2011 Local Obligation. The Master Indenture provides for the same release from each Debt Service Reserve Fund.

"Capital Reserve Fund" Designation; "Moral Obligation" Credit Enhancement for CRAC's 2011 Local Obligations. CRAC is issuing two separate 2011 Local Obligations. The Seventh Supplemental Series Indenture divides each of the two related Local Accounts in the 2011 Debt Service Reserve Fund into two subaccounts, a Capital Reserve Subaccount and a Secondary Reserve Subaccount. The minimal requirement for a Capital Reserve Subaccount at any time is maximum amount of the Interest and Principal Requirements payable on the Outstanding Related 2011 Bonds in the then current or any future Bond Year plus the amount of the Interest Requirement for such Related 2011 Bonds on the next ensuing Interest Payment Date. The balance of the related Corpus Allocation will be maintained in the Secondary Reserve Subaccount.

In the Seventh Supplemental Series Indenture, VRA has designated each Capital Reserve Subaccount as a "capital reserve fund" within the meaning of the VRA Act. This designation provides the "moral obligation" of the Commonwealth to enhance the credit on the 2011 Bonds Related to CRAC's 2011 Local Obligations. VRA established similar Capital Reserve Subaccounts for CRAC in the 2001 Debt Service Reserve Fund and also designated them as "capital reserve funds."

The Local Accounts in the 2011 Debt Service Reserve Fund for the 2011 Obligors other than CRAC will not be credit enhanced by the "moral obligation" of the Commonwealth.

The VRA Act provides that to maintain a capital reserve fund at its minimal requirement, the Chairman of VRA, on or before December 1 of each year, must deliver to the Governor and the Secretary of Administration of the Commonwealth a certificate setting forth the amount, if any, required to restore the capital reserve fund to its minimal requirement. Within five days after the beginning of each regular session of the General Assembly, the Governor is required to submit to the presiding officer of each house of the General Assembly a budget including, as an agency request for informational purposes only, the amount, if any, required to restore the capital reserve fund to its minimal requirement. The General Assembly may, but is not legally obligated to, appropriate such amount to VRA. Neither this nor any other provisions of the VRA Act or the Indenture creates a debt or liability or pledges the faith and credit of the Commonwealth to make any appropriations or payments to VRA for this or any other purpose.

The General Assembly meets in each even-numbered year to enact a budget and make appropriations for the ensuing biennial period beginning on the first day of July of such year. The General Assembly also meets in each odd-numbered year at which session it considers amendments to the appropriations act enacted in the previous year and may approve supplemental appropriations.

Certain financial, economic and demographic information about the Commonwealth, including a discussion of certain economic outlook and revenue forecasts, has been incorporated by reference in this Official Statement. See **Appendix D**. Also see **Appendix D – "Recent Events Affecting the Commonwealth"** for certain information regarding the effects of the federal debt ceiling impasse on the Commonwealth.

The VRA Act provides that any subsequent amendment thereof shall not limit the rights vested in VRA with respect to any agreements made with, or remedies available to, the Owners until the principal

of and interest on the Related Series of Bonds are paid in full. In addition, VRA has no power to rescind the "capital reserve fund" designation of the Capital Reserve Subaccounts in either the 2011 Debt Service Reserve Fund or the 2001 Debt Service Reserve Fund.

### **Pledge of Direct Loan Payments**

As further security for the Bonds, VRA is pledging the payments to be received on certain Direct Loans. VRA shall cause such payments to be made directly to the Trustee, and the Trustee shall deposit them in the General Reserve Fund.

**Virginia Resources Authority  
Virginia Airports Revolving Fund  
Outstanding Pledged Direct Loan Portfolio as of August 1, 2011**

<u>Obligor</u>	<u>Local Obligation Amount Outstanding</u>	<u>Type of Local Obligation</u>	<u>Interest Rate on Local Obligation</u>	<u>Initial Term</u>	<u>Final Maturity</u>
Blue Ridge Airport Authority	\$120,390.00	Revenue	3.75%	15 years	4/1/2019
Twin County Airport Commission	39,803	Revenue	5.25%	10 years	10/1/2014
Charlottesville-Albemarle Airport Authority	498,714	Revenue	4.15%	15 years	12/1/2020
New Kent County	99,988	Revenue, M.O. of New Kent County	4.95%	10 years	7/1/2017
Clarksville-Boydton Airport Commission	179,952	Revenue, M.O. of Mecklenburg County	3.35%	10 years	12/1/2018
Virginia Highlands Airport Authority	<u>654,184</u>	Revenue, M.O. of Washington County	4.87%	20 years	3/1/2031
	<u>\$1,593,031</u>				

### **General Reserve Fund**

As the principal of a particular Local Obligation is repaid, the corresponding Corpus Allocation may be reduced to reflect the repayment of the Local Obligation. Under the Master Indenture, the amounts represented by these reductions in Corpus Allocation will be deposited in the General Reserve Fund established under the Master Indenture. Amounts held in the General Reserve Fund are available and have been pledged to cure deficiencies (a) in the payment of principal and interest with respect to any Series of Bonds issued under the Master Indenture and (b) in the amounts required to be on deposit in any Debt Service Reserve Fund related to any Series of Bonds, as described in the subsection **"Payments from 2011 Debt Service Reserve Fund and General Reserve Fund"** below.

Amounts are deposited in the General Reserve Fund until it contains the General Reserve Fund Requirement, which is an amount equal to (a) the aggregate amount of all Corpus Allocations with respect to all outstanding Local Obligations acquired with the proceeds of Bonds, less the aggregate amount on deposit in all of the Debt Service Reserve Funds, or (b) such greater amount as may be required under a Supplemental Indenture. The Supplemental Series Indenture for the 2004 Bonds designates \$850,000 as the General Reserve Fund Requirement. The balance in the General Reserve



Fund as of June 30, 2011, was \$1,089,257. Provided there is no need to transfer money from the General Reserve Fund into the Debt Service Funds or the Debt Service Reserve Funds, on August 2, 2011, the balance in the General Reserve Fund will be reduced to \$850,000 and the excess will be transferred to the Revolving Fund. See the subsection "**Payments from 2011 Debt Service Reserve Fund and General Reserve Fund**" below.

#### **Payments From 2011 Debt Service Reserve Fund and General Reserve Fund**

The Trustee will make the following transfers and payments with respect to the Local Accounts in the 2011 Debt Service Reserve Fund and the General Reserve Fund:

(a) By 12:00 noon on each Payment Date for the 2011 Bonds, the Trustee will transfer for deposit in the related Local Account in the 2011 Debt Service Fund from the related Local Account in the 2011 Debt Service Reserve Fund and then, to the extent that such amount is insufficient, from the General Reserve Fund, any amount due on such related 2011 Local Obligation as of such Payment Date but not yet available because of the failure of the related 2011 Obligor to make the full and timely payment under its 2011 Local Obligation; and

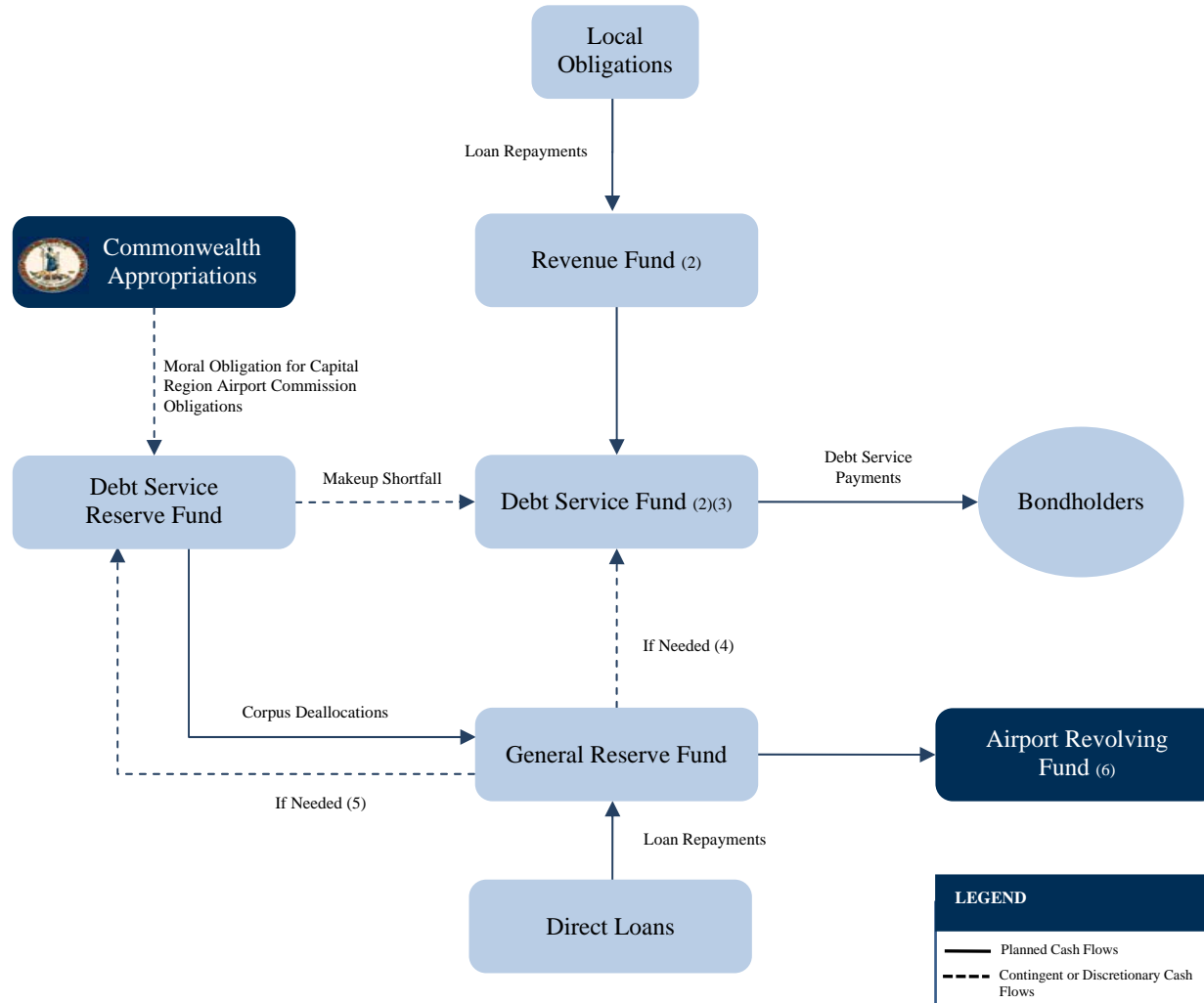
(b) On the Business Day following any Principal Payment Date, the Trustee will transfer to the Revolving Fund from the General Reserve Fund any amounts held in the General Reserve Fund in excess of the General Reserve Fund Requirement (which is currently \$850,000); *provided, however*, any such transfer to the Revolving Fund shall be reduced by (i) the sum of any overdue payments on a Series of Bonds resulting from overdue payments on any Local Obligations, which amount will be transferred to the related Debt Service Fund, and (ii) the sum of any deficiencies in the Debt Service Reserve Funds, which amount will be used to cure such deficiencies.

#### **Flow of Funds**

The following chart presents a general flow of funds in relation to the 2011 Bonds and the other Bonds currently outstanding or that may be issued in the future under the Master Indenture.

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# **Summary Flow of Funds (1)** **Virginia Airports Revolving Fund Program**



- (1) Simplified for graphic presentation purposes. Description limited to Funds providing security for the payment of debt service on the Bonds.  
 (2) Separate account for each Local Obligation.  
 (3) Earnings on the Debt Service Reserve Fund flow to the Revenue Fund unless otherwise provided in the Supplemental Indenture.  
 (4) 1<sup>st</sup> priority.  
 (5) 2<sup>nd</sup> priority.  
 (6) Not a pledged fund.

## ADDITIONAL INDEBTEDNESS

The 2011 Bonds will be issued as an additional Series of Bonds under the Master Indenture and secured on a parity basis with all other Bonds issued and outstanding pursuant to the Master Indenture, but only with respect to the security provided by the General Reserve Fund, the Direct Loan payments and the Revolving Fund as described above. The Bonds issued pursuant to the Master Indenture, including the 2011 Bonds, will not share in the security provided with respect to any other indebtedness of VRA issued pursuant to its other financing programs.

VRA may issue additional Series of Bonds under the Master Indenture subject to certain conditions and limitations set forth in the Master Indenture, including the provision of a certificate to the Trustee projecting for each Payment Date on which there shall be Bonds Outstanding (including the additional Series of Bonds to be issued) that Income Available to Pay Debt Service (as defined in **Appendix B**) divided by the sum of principal of and interest due on Bonds Outstanding (including the additional Series of Bonds to be issued) will equal at least 1.05 for each such Payment Date. See the section "Additional Bonds" in **Appendix B**.

The Master Indenture permits VRA to issue Subordinate Debt payable from and secured by a lien on and security interest in any of the revenues, money and other property pledged under the Master Indenture. Such debt may be issued for any lawful purpose.

VRA does not anticipate issuing Additional Bonds under the Master Indenture prior to January 1, 2012. The issuance of additional Series of Bonds or Subordinate Debt will be subject to market conditions and other factors.

## SECURITY FOR THE LOCAL OBLIGATIONS

### General

Under the Master Indenture, VRA has pledged and assigned all of its right, title and interest in and to the 2011 Local Obligations and the payments thereunder to the Trustee for the benefit of the Owners from time to time of the 2011 Bonds; *provided, however*, that VRA has reserved the right and license to enjoy and enforce VRA's rights under the 2011 Local Obligations so long as no Event of Default with respect to the 2011 Bonds has occurred and is continuing.

Each 2011 Local Obligation will evidence the obligation of the 2011 Obligor pay the principal and the interest therein; *provided, however*, that all Local Obligations will bear interest at a below-market interest rate.

### Pledge Securing Local Obligations

Local Obligations may be issued and secured as revenue bonds, general obligation bonds, double barrel bonds or financing leases, as briefly described below. The subsection "**2011 Local Obligations**" below describes certain matters relating to the security for the payment of the principal of and premium, if any, and interest on the 2011 Local Obligations, and the subsection "**The Obligors**" in Section Three contains a summary chart describing the Obligors with respect to the other Series of Bonds.

*Revenue Obligor.* Subject to the Obligor's right to apply revenues to the payment of certain operating, maintenance and replacement expenses and, in some cases, senior indebtedness, an Obligor issuing revenue Local Obligations (each a "Revenue Obligor") will pledge the revenues from the

ownership or operation or lease of its airport, and certain other funds, if any, to the payment of principal of and premium, if any, and interest on its Local Obligations and its payment obligations under a financing agreement with VRA. VRA may seek, as additional security for certain revenue Local Obligations, a moral obligation agreement from the Revenue Obligor or a related obligor that provides for such obligor to consider appropriating moneys sufficient to cure deficiencies in the amount of revenues available to pay debt service due on the Local Obligations. Such moral obligation agreements, if any, will be contingent on the voluntary appropriation of sufficient moneys for such purpose and will not constitute a binding legal obligation of any Obligor.

*General Obligation Obligor.* An Obligor issuing general obligation Local Obligations (each a "General Obligation Obligor") will pledge its full faith and credit to secure the payment of the principal of and interest on its Local Obligations. A General Obligation Obligor will agree to levy an annual tax upon all property subject to local taxation sufficient to pay the principal of and premium, if any, and interest on its Local Obligations to the extent other funds of such Obligor are not lawfully available and appropriated for such purpose. A General Obligation Obligor will agree to fulfill certain other payment obligations under the Agreement (such as payments for annual fees and expenses of the Trustee, rebate and certain costs and expenses incurred by VRA in connection with an event of default, any amendment or other discretionary action undertaken at the request of the Obligor) only from legally available and appropriated funds.

*Double Barrel Obligor.* Certain Obligors may pledge both the revenues of their airports and their full faith and credit to secure their Local Obligations (each a "Double Barrel Obligor").

*Financing Leases.* An Obligor may enter into a financing lease ("Financing Lease") with VRA pursuant to which it will lease the particular project from VRA. The term of the Financing Lease will commence on the date of issuance and delivery of a related Series of Bonds and will terminate upon payment of all rentals owed by the Obligor to VRA under the Financing Lease. The lease arrangement may involve an original prime lease of the project from the Obligor to VRA and the re-lease of such project to the Obligor pursuant to the Financing Lease.

In a Financing Lease, the rental payments are structured in amounts expected to be sufficient to pay the Obligor's proportionate share of debt service payments on the related Series of Bonds. A Financing Lease may also provide for additional rental payments for items including deficiencies in the respective reserve funds that are not caused by a payment default, payments required in respect of the tax-exempt status of the Financing Lease (as applicable), late payment penalties, Trustee fees and costs and expenses of VRA occasioned by an Event of Default.

*The obligation of the Obligor to make payments under the Financing Lease is limited to amounts lawfully available and appropriated for such purpose. The obligation of the Obligor to make payments under the Financing Lease will not constitute a debt of the Obligor within the meaning of any constitutional or statutory limitation or a pledge of the faith or credit or the taxing power of the Obligor. The Obligor will not be liable for any such payments under the Financing Lease unless and until funds have been appropriated by the governing body of the Obligor for payment and then only to the extent of such appropriations.*

If the governing body of the Obligor fails to appropriate funds for amounts due under the Financing Lease or the Obligor cannot observe and perform any covenant or agreement as a result of such non-appropriation, VRA or the Trustee on behalf of VRA, may then exclude the Obligor from possession of its project (subject to certain public policy concerns that may limit VRA's right to exclude the Obligor from possession depending on the type of the project), with or without terminating the Financing Lease and re-lease all or any portion of the project, applying the proceeds in accordance with the Indenture. The

Obligor may reinstate the Financing Lease upon satisfaction of certain conditions. In most lease arrangements, VRA will hold only a leasehold interest in the project and thus, in exercising its rights upon an event of default or an event of non-appropriation by the Obligor, VRA may not sell the project but may only re-lease its interests in the project to a third party.

### **Credit Enhancement for Certain Local Obligations**

In its discretion, VRA may designate a Local Account or subaccount in a Debt Service Reserve Fund as a "capital reserve fund" within the meaning of the VRA Act, under the terms and conditions and subject to the limitations set forth in the Related Supplemental Series Indenture. The general effect of such designation is to provide a form of credit enhancement to the Local Obligations secured by such Local Account or subaccount.

The Capital Reserve Subaccounts in the 2011 Debt Service Reserve Fund and the 2001 Debt Service Reserve Fund established in respect of CRAC are the only such Local Accounts that VRA to-date has designated as capital reserve funds under the Master Indenture, and are described in "**Security and Source of Payment for the 2011 Bonds**" in Section Two.

### **Commonwealth Aid Intercept Provision**

The Local Obligations of Obligor that are counties, cities and towns (each a "General Purpose Obligor") are further secured under Section 62.1-216.1 of the Act (the "Commonwealth Aid Intercept Provision"). Section 62.1-216.1 provides that, among other things, if it is established to the satisfaction of the Governor of the Commonwealth after submission of an affidavit by VRA and a summary investigation that a General Purpose Obligor is in default in the payment of its Local Obligations, then the Governor shall (a) issue an order directing the Comptroller of the Commonwealth to withhold all further payments to such General Purpose Obligor of all or any portion of the funds appropriated and payable by the Commonwealth to such General Purpose Obligor for any and all purposes until such default is cured, and (b) while such default continues, direct the payment of all funds so withheld, or so much of them as shall be necessary, to VRA so as to cover, or cover insofar as possible, the default in the payment on such Local Obligations (excluding other payment obligations under the Agreements, such as payments for annual fees and expenses of the Trustee, rebate and certain costs and expenses incurred by VRA in connection with an event of default, any amendment or other discretionary action undertaken at the request of the Obligor).

In addition, a general obligation bond of a General Purpose Obligor is secured under Section 15.2-2659 of the Public Finance Act. Such provision is similar in operation and effect to the Commonwealth Aid Intercept Provision but applies only as a remedy for a default in the payment of principal of or premium, if any, or interest on general obligation bonds.

Under either intercept provision, neither the Comptroller nor the Commonwealth has any legal obligation to make any payment on behalf of the defaulting Obligor other than from the funds appropriated and payable to the defaulting Obligor. Commonwealth aid that is payable to Localities and that is subject to interception is derived primarily from the Commonwealth's General Fund, with the remaining aid being payable from the Highway Maintenance and Construction Fund of the Virginia Department of Transportation and certain other funds. The primary sources of revenue for the Commonwealth's General Fund are individual and corporate income tax revenues, sales and use tax revenues, other tax revenues, interest, dividends and rents.

Neither the Virginia Supreme Court nor the Attorney General of Virginia has reviewed the validity of the Commonwealth Aid Intercept Provision, and there can be no assurance that such provision

would be upheld if challenged. Further, neither Section 15.2-2659 nor its predecessor provisions (Sections 15.1-225 and 15.1-227.61) have been reviewed by the Virginia Supreme Court. However, the Attorney General of Virginia in a 1973 opinion has ruled that funds appropriated and payable by the Commonwealth to local governments for any and all purposes may be withheld pursuant to Section 15.1-225 as a remedy for payment defaults under general obligation bonds.

The State Comptroller advises that to date no order has been issued to withhold funds pursuant to Section 62.1-216.1 of the VRA Act or pursuant to Section 15.2-2659 (or its predecessor provisions) of the Public Finance Act.

The amount of aid appropriated by the Commonwealth to General Purpose Obligor varies from year to year.

The General Assembly has the right to modify the Commonwealth Aid Intercept Provision in the future, which modifications may adversely affect the rights of VRA under such Provision. VRA is not aware of any proposal to make any such modification and as of the date hereof does not expect any to be enacted.

## **2011 Local Obligations**

Set forth below is a description of certain matters relating to the security for the payment of the principal of and premium, if any, and interest on the 2011 Local Obligations.

*Capital Region Airport Commission – Revenue Obligor.* The 2011 Local Obligations issued by CRAC, which operates the Richmond International Airport, will be general airport revenue obligations of CRAC, payable solely from the net revenues derived by CRAC from the ownership and operation of the Richmond International Airport, after payment of airport operation and maintenance expenses, and certain other funds and accounts available therefore. See Part II of **Appendix A** for additional financial and operational information about CRAC and the Richmond International Airport.

*Dinwiddie Airport and Industrial Authority – Revenue Obligor.* The 2011 Local Obligation issued by the Dinwiddie Airport and Industrial Authority (the "Dinwiddie Authority"), which operates the Dinwiddie County Airport, will be secured by the net operating income of the Dinwiddie Authority from the Dinwiddie County Airport, after payment of operation and maintenance expenses. In addition, Dinwiddie County and the Dinwiddie Authority will enter into a Support Agreement for the benefit of the VRA, under which Dinwiddie County will undertake a non-binding obligation to appropriate from time to time moneys to the Dinwiddie Authority in connection with payments due on the 2011 Local Obligation issued by the Dinwiddie Authority.

No later than March 15 of each year, Dinwiddie Authority shall notify the Dinwiddie Board of Supervisors of the amount (the "Annual Deficiency Amount") by which the Dinwiddie Authority reasonably expects the revenues from the Dinwiddie County Airport to be insufficient to pay (a) the debt service obligations under the Agreement and the 2011 Local Obligation, (b) the operation and maintenance expenses, and (c) any other payments due and owing by the Dinwiddie Authority under the Agreement (the "Additional Payments") in full as and when due during Dinwiddie County's fiscal year beginning the following July 1. The County Administrator of Dinwiddie County (the "County Administrator") will include the Annual Deficiency Amount in the budget submitted to the Board of Supervisors for the following fiscal year as an amount to be appropriated to or on behalf of the Dinwiddie Authority. The County Administrator shall deliver to VRA within ten days after the adoption of the County's budget for each fiscal year, but not later than July 15 of each year, a certificate stating whether the Board of Supervisors has appropriated to or on behalf of the Dinwiddie Authority an amount equal to

the Annual Deficiency Amount. If at any time revenues from Dinwiddie County Airport shall be insufficient to make any of the payments referred to above, the Dinwiddie Authority will notify the County Administrator of the amount of such insufficiency and the County Administrator shall request a supplemental appropriation from the Board of Supervisors in the amount necessary to make such payment. The County Administrator shall present each request for appropriation to the Board of Supervisors, and the Board of Supervisors will consider such request at the Board of Supervisor's next regularly scheduled meeting at which it is possible to satisfy any applicable notification requirement. Promptly after such meeting, the County Administrator shall notify VRA as to whether the amount so requested was appropriated. If the Board of Supervisors shall fail to make any such appropriation, the County Administrator shall add the amount of such requested appropriation to the Annual Deficiency Amount reported to the County by the County Administrator for the County's next fiscal Year.

*Norfolk Regional Airport Authority – Revenue Obligor.* The 2011 Local Obligation issued by the Norfolk Airport Authority ("NAA"), which operates Norfolk International Airport, will be secured by revenues derived by NAA under a lease of hangar and equipment maintenance facilities from NAA to Landmark Aviation, Inc. ("Landmark"), the fixed-base operator at Norfolk International Airport. As further security for its 2011 Local Obligation, NAA will establish a trustee debt service reserve fund in an amount equal to the maximum annual debt service on its 2011 Local Obligation. NAA also will agree to relet the hangar and maintenance facilities to another fixed-base operator if Landmark defaults on its lease payments, or the lease is otherwise terminated or expires by its terms and is not renewed. If NAA is unable or unwilling to relet the facilities, NAA will operate the facilities itself, and the net revenues it derives from such operation (net of properly allocable expenses) will be pledged to secure NAA's 2011 Local Obligation.

## **PROJECTED LOCAL DEBT SERVICE**

VRA's ability to make timely payment of the principal of, premium, if any, and interest on the 2011 Bonds is dependent in part on the 2011 Obligors making timely payment on the 2011 Local Obligations. It is possible that a 2011 Obligor will be unable to make a payment or a timely payment on its respective 2011 Local Obligation or that the provider of an investment with respect to amounts in the 2011 Debt Service Reserve Fund will be unable to meet its obligations under such investment. The 2011 Bonds have been structured so as to minimize the risks that a default by an investment provider or a 2011 Obligor will cause a default on the 2011 Bonds.

The following schedule illustrates for the Local Obligations related to all of the outstanding Series of Bonds and the 2011 Bonds, the projected repayment amounts on the Local Obligations and the debt service on all of the outstanding Series of Bonds and the 2011 Bonds. *These repayment and debt service numbers are estimates, subject to change, and are based upon various current assumptions concerning the amounts, timing, interest rates and repayment schedules of the Local Obligations, the amounts available for investment and the interest earnings on invested funds and timely payment by all the Obligors, among other assumptions.*

**Projected Cash Flows for the Virginia Resources Authority**  
**Virginia Airports Revolving Fund**

		PLUS:	PLUS:	PLUS:	EQUALS:		
<u>Date</u>	<u>Local Obligation Repayments</u> <sup>(1)</sup>	<u>Direct Loan Repayments</u> <sup>(1),(2)</sup>	<u>Debt Service Reserve Fund Releases</u>	<u>Debt Service Reserve Fund Earnings</u>	<u>Total Available Sources</u>	<u>Debt Service</u> <sup>(3)</sup>	<u>Debt Service Coverage</u> <sup>(4)</sup>
TOTAL	\$83,509,252	\$982,389	\$19,780,430	\$7,545,853	\$111,817,924	\$85,265,599	
2/1/2011	3,093,477	54,068	-	369,030	3,516,575	1,551,935	
8/1/2011	3,093,477	54,068	2,142,646	369,030	5,659,221	5,101,935	1.38x
2/1/2012	2,995,319	54,068	-	333,096	3,382,483	1,210,249	
8/1/2012	2,995,319	54,068	868,966	333,096	4,251,449	4,987,551	1.23x
2/1/2013	2,995,319	54,068	-	317,737	3,367,123	1,202,511	
8/1/2013	2,995,319	54,068	904,687	317,737	4,271,811	4,967,511	1.24x
2/1/2014	2,995,319	54,068	-	301,602	3,350,989	1,136,041	
8/1/2014	2,995,319	54,068	941,909	301,602	4,292,898	5,006,041	1.24x
2/1/2015	2,995,319	52,612	-	284,673	3,332,604	1,062,194	
8/1/2015	2,984,597	47,577	973,955	284,673	4,290,802	5,047,194	1.25x
2/1/2016	2,979,235	47,577	-	267,055	3,293,868	983,963	
8/1/2016	2,979,235	47,577	872,724	267,055	4,166,592	5,083,963	1.23x
2/1/2017	2,950,418	47,577	-	251,663	3,249,658	899,736	
8/1/2017	2,944,655	47,576	864,920	251,663	4,108,814	5,084,736	1.23x
2/1/2018	2,652,357	40,807	-	236,067	2,929,230	804,793	
8/1/2018	2,652,357	40,807	1,035,477	236,067	3,964,707	4,559,793	1.29x
2/1/2019	2,652,357	40,807	-	217,073	2,910,236	719,640	
2/1/2020	2,315,788	32,029	-	191,118	2,538,935	635,031	
8/1/2020	2,273,075	32,029	901,307	191,118	3,397,529	4,015,031	1.28x
2/1/2021	2,183,528	32,029	-	175,068	2,390,626	560,392	
8/1/2021	2,107,620	-	841,386	175,068	3,124,073	3,900,392	1.24x
2/1/2022	2,107,620	-	-	160,268	2,267,887	486,743	



<u>Date</u>	<u>Local Obligation Repayments</u> <sup>(1)</sup>	<u>Direct Loan Repayments</u> <sup>(1),(2)</sup>	<u>Debt Service Reserve Fund Releases</u>	<u>Debt Service Reserve Fund Earnings</u>	<u>Total Available Sources</u>	<u>Debt Service</u> <sup>(3)</sup>	<u>Debt Service Coverage</u> <sup>(4)</sup>
8/1/2022	2,098,246	-	444,283	160,268	2,702,797	3,941,743	1.12x
2/1/2024	2,079,500	-	-	145,523	2,225,023	311,190	
8/1/2024	2,036,951	-	387,796	145,523	2,570,270	3,816,190	1.16x
2/1/2025	1,994,402	-	-	136,898	2,131,300	221,902	
8/1/2026	2,162,414	-	1,825,990	120,602	4,109,006	3,087,295	1.70x
2/1/2027	354,376	-	-	89,660	444,037	56,932	
8/1/2027	1,163,655	-	3,842,796	89,660	5,096,111	1,481,932	3.60x
2/1/2028	112,278	-	-	8,406	120,683	19,784	
8/1/2028	112,278	-	60,922	8,406	181,606	199,784	1.38x
2/1/2029	112,278	-	-	6,835	119,113	14,709	
8/1/2029	98,906	-	76,241	6,835	181,981	189,709	1.47x
2/1/2030	85,534	-	-	4,895	90,429	9,783	
8/1/2030	69,149	-	98,573	4,895	172,618	139,783	1.76x
2/1/2031	60,957	-	-	2,530	63,487	6,128	
8/1/2031	60,957	-	985	2,530	64,472	111,128	1.09x
2/1/2032	60,957	-	-	1,293	62,250	3,135	
8/1/2032	60,957	-	116,270	1,293	178,520	113,135	2.07x

(1) Consists of projected repayments of principal and interest on all Local Obligations (including the 2011 Local Obligations) and presumes that all repayments are made on a timely basis and in the full amounts due.

(2) Repayments shown for pledged Direct Loans only.

(3) Includes Estimated Debt Service on 2011 Bonds.

(4) Total Available Sources divided by Total Debt Service.

## DESCRIPTION OF THE 2011 BONDS

### General

The 2011 Bonds will bear interest from the date of their original issuance and delivery, payable on February 1 and August 1 of each year, commencing February 1, 2012, and will mature on August 1 in the years and in the principal amounts set forth on the inside cover pages hereof. The principal of and premium, if any, and interest on the 2011 Bonds will be payable at the corporate trust office of the Trustee in Richmond, Virginia, or at the office designated for such payment by any successor Trustee. Interest on the 2011 Bonds will be payable to the person appearing in the registration books of the Trustee as the registered owner thereof on the Record Date (as hereinafter defined) by check or draft mailed on the interest payment date to the registered owner or, following appropriate notice to the Trustee, by wire transfer on the interest payment date to any owner of at least \$1,000,000 in aggregate principal amount of the 2011 Bonds. For so long as the 2011 Bonds are registered in book-entry-only form, principal and interest will be payable solely to Cede & Co., the nominee for DTC, as the sole registered owner of the 2011 Bonds, and references herein to the registered owner shall be to Cede & Co. The Seventh Supplemental Series Indenture establishes the 15th day of the month preceding each interest payment date as the record date (the "Record Date") for the 2011 Bonds.

The 2011 Bonds are issuable as fully registered bonds in any denomination constituting an integral multiple of \$5,000 not exceeding the aggregate principal amount of the 2011 Bonds. The 2011 Bonds may be transferred or exchanged, upon presentation or surrender, as the case may be, at the corporate trust office of the Trustee in Richmond, Virginia, as provided in the Master Indenture. Any 2011 Bonds, upon surrender thereof at the corporate trust office of the Trustee, with a written instrument of transfer satisfactory to the Trustee, duly executed in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of 2011 Bonds of the same series, maturity and interest rate of any other authorized denominations. For every exchange or transfer of 2011 Bonds, VRA or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other government charge required to be paid with respect to such exchange or transfer.

One fully registered 2011 Bond for each maturity of each series, in the applicable aggregate principal amount of such maturity for each series, will be registered in the name of Cede & Co. and deposited with DTC, in accordance with the Seventh Supplemental Series Indenture. So long as 2011 Bonds are required to be registered in the name of Cede & Co., as nominee for DTC, or a successor securities depository or a nominee therefor, transfers of ownership interests in the 2011 Bonds, will be settled through the book-entry-only system of DTC or such successor securities depository, if any. For a description of DTC and its book-entry-only system, see the subsection "**Book-Entry-Only System**" below and **Appendix H**.

### Redemption

*Optional Redemption.* The 2011 Bonds maturing on or after August 1, 20\_\_\_ shall be subject to redemption before maturity at the option of VRA from any available moneys on and after August 1, 20\_\_\_ in whole or in part in \$5,000 increments on any date, at a redemption price equal to the principal amount of the 2011 Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

*Mandatory Sinking Fund Redemption.* The 2011A Bonds maturing on August 1, 20\_\_\_, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of the 2011 Bonds to be redeemed plus accrued interest to the date fixed for redemption, all in the manner provided in the Indenture:

**Year**

**Amount**

The 2011B Bonds maturing on August 1, 20\_\_\_\_, are subject to mandatory sinking fund redemption in part, on August 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of the 2011 Bonds to be redeemed plus accrued interest to the date fixed for redemption, all in the manner provided in the Indenture:

**Year**

**Amount**

***Manner and Notice of Redemption.*** The maturities of the 2011 Bonds to be redeemed by optional redemption shall be selected by VRA in its discretion. If less than all of the 2011 Bonds of a particular maturity are redeemed, the 2011 Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Trustee shall determine, subject to the selection of 2011 Bonds within a single maturity by DTC.

Each increment of \$5,000 of principal amount shall be counted as one 2011 Bond for purposes of selecting 2011 Bonds for partial redemption. If a 2011 Bond shall be called for partial redemption, a new 2011 Bond representing any unredeemed balance shall be issued to the holder.

Notice of redemption of the 2011 Bonds shall be mailed by registered or certified mail, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the registered owners of the 2011 Bonds, or portions thereof, so called, but the failure to so mail such notice with respect to any particular 2011 Bonds shall not affect the validity of such call for redemption of any 2011 Bonds with respect to which no such failure has occurred. All 2011 Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such 2011 Bonds in accordance with the Indenture are on deposit with the Trustee. If such moneys are not available on the redemption date, such 2011 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 2011 Bonds called for redemption at the place or places of payment, such 2011 Bonds shall be paid and redeemed.

**So long as DTC or its nominee, Cede & Co., is the registered owner of the 2011 Bonds, any such notices of redemption will be mailed solely to DTC; and distribution of such notices to Participants (as defined in Appendix H) will be the sole responsibility of DTC, and distribution of such notices to Beneficial Owners (as hereinafter defined) will be the sole responsibility of the respective Participants.**

### **Book-Entry-Only System**

**Appendix H** contains a description of DTC's procedures and recordkeeping with respect to beneficial ownership interests in the 2011 Bonds, payments of principal, premium, if any, and interest on the 2011 Bonds to DTC, its nominee, Direct or Indirect Participants or Beneficial Owners (each as defined in **Appendix H**), confirmation and transfer of beneficial ownership interests in the 2011 Bonds and other bond-related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners. Such description is based solely on information furnished by DTC.

## **INVESTMENT CONSIDERATIONS**

*Prospective purchasers of the 2011 Bonds should be aware that investment in the 2011 Bonds may entail some degree of risk (and may not be suitable for all investors). Each prospective investor in the 2011 Bonds is encouraged to read this Official Statement in its entirety. Particular attention should be given to the factors described below which, among others, could affect the payment of the debt service on the 2011 Bonds and which could also affect the market price of the 2011 Bonds to an extent that cannot be determined. This discussion of investment considerations is not, and is not intended to be, exhaustive.*

### **Limited Obligations of VRA**

The 2011 Bonds are limited obligations of VRA payable only from the revenues, funds and accounts specifically pledged thereto under the Indenture. VRA has no taxing powers. Accordingly, investors should consider only the sources of payment and security described under the subsection **"Security and Source of Payment for the 2011 Bonds"** in Section Two.

### **Possible Defaults on Local Obligations**

The ability of the Obligor to make payments or timely payments of debt service due on their respective Local Obligations will depend on various economic and financial circumstances and regulatory requirements. Where credit enhancement exists for a Local Obligation, such as from the moral obligation of a related jurisdiction or designation of a related Local Account as a "capital reserve fund," payments or timely payments of debt service on the respective Local Obligation may also depend on the performance of the entity or entities, if any, providing such credit enhancement.

VRA expects most of the Local Obligations that will be purchased under the Master Indenture will be revenue obligations payable from the net revenues of airport facilities. While VRA does not expect any Obligor to default in payment of debt service on any Local Obligation, there can be no assurance that such will not be the case.

Under the Act, if an Obligor defaults in the payment of principal of or interest on any Local Obligation held by VRA, VRA may proceed to enforce payment of such principal and interest and any other amounts due and payable pursuant to applicable provisions of state law.

Under the terms of the Agreement entered or to be entered into between each Obligor and VRA, upon the occurrence of an Event of Default, VRA has the contractual right to take any action permitted by the Agreement or the bond resolution of each Obligor or to take any other legal or equitable action, including in certain circumstances the appointment of a receiver, necessary or desirable to collect any amounts due and to enforce any duty, covenant or agreement of the Obligor. There can be no assurance that VRA will have an effective remedy or realize any amounts or amounts equal to all amounts due to VRA under the Local Obligations. All remedies are subject to bankruptcy, insolvency and other similar state and federal laws. Presently, Virginia localities are not authorized to file for bankruptcy protection.

### **Investment of Certain Funds**

Amounts on deposit in the funds and accounts under the Indenture may be invested in various permitted investments. Investments will be valued monthly by the Trustee at the lower of cost or fair market value, plus accrued interest. See the section "Investments" in **Appendix B**. Investment earnings are a necessary source of funds for the payment of the 2011 Bonds because, among other things, the 2011 Local Obligations bear interest at rates below the interest rates such 2011 Local Obligations would bear if sold on the open market, and the debt service payments from the 2011 Local Obligations are insufficient by themselves to pay the debt service on the 2011 Bonds.

### **Unknown Future Participants and Credit Standard Changes**

The Master Indenture is an "open indenture" which authorizes the issuance of additional Series of Bonds and the use of the proceeds thereof to purchase the Local Obligations of Obligors to be identified in the future. The amounts of and the interest rates on such additional Local Obligations have not yet been determined. Thus, the credit quality of the Local Obligations cannot be evaluated on the basis of the 2011 Local Obligations. Although additional Series of Bonds are authorized only if sufficient Obligors meet the credit standards of VRA, the credit standards may be changed or waived at the discretion of VRA. Further, it is the intention of VRA to continue to offer below-market interest rates on the Local Obligations.

## **SECTION THREE: PROGRAM PARTICIPANTS**

### **VIRGINIA RESOURCES AUTHORITY**

VRA, created by the Act in July 1984, is organized and exists as a public body corporate and a political subdivision of the Commonwealth. VRA was created to assist in financing the present and future needs of the Commonwealth for, among other things, water supply and sewage treatment facilities, solid waste treatment, disposal and management facilities, recycling and resource recovery facilities, public safety facilities, public transportation and airport projects, projects at federal facilities (and former federal facilities) and brownfield remediation projects and to encourage the investment of both public and private funds to make loans and grants available to local governments for the foregoing purposes. VRA has no taxing power.

VRA is authorized to issue its bonds to provide funds to carry out its purposes and powers. To date, VRA has issued bonds backed by the moral obligation of the Commonwealth of Virginia both under the Indenture and otherwise in the original aggregate principal amount of \$1,729,794,229.00, of which \$690,909,427.42 was outstanding as of June 30, 2011. In addition, VRA has issued bonds that are not backed by the moral obligation of the Commonwealth in the original aggregate principal amount of \$2,606,831,450.00, of which \$1,942,913,000 was outstanding as of June 30, 2011.

## Members of the Board

The Board of Directors of VRA consists of seven members appointed by the Governor and confirmed by the General Assembly for four-year staggered terms and four ex-officio members: the State Treasurer, the State Health Commissioner, the Director of the Department of Environmental Quality and the Director of the Department of Aviation. The Chairman of the Board of Directors is designated by the Governor and is the chief executive officer of VRA. The members of the Board of Directors are as follows:

**William G. O'Brien of Port Republic, Virginia. Director and Chairman.** Term expires June 30, 2012. Mr. O'Brien is the retired County Administrator of Rockingham County, a position he held for over 25 years.

**James H. Spencer, III of Bluefield, Virginia. Director and Vice Chairman.** Term expires June 30, 2012. Mr. Spencer has served as Administrator of the Tazewell County Public Service Authority since 1992. He has served as the County Administrator of Tazewell County since 2002.

**Barbara McCarthy Donnellan of Clifton, Virginia. Director.** Term expires June 30, 2013. Ms. Donnellan serves as County Manager for Arlington County.

**David Branscome of Manassas, Virginia.\*** Term expires June 30, 2015. Mr. Branscome serves as Vice President of Branscome Paving Company, Manassas, Virginia.

**Thomas L. Hasty, III of Chesapeake, Virginia. Director.** Term expires June 30, 2014. Mr. Hasty is Executive Vice President of Townebank, Portsmouth, Virginia.

**Dena Frith Moore of Richmond, Virginia. Director.** Term expires June 30, 2012. Ms. Moore most recently served as Chief Operating Officer for Harris Williams & Co., an investment banking firm focusing on mergers and acquisitions. Prior to joining Harris Williams & Co., Ms. Moore was with Bowles Hollowell Conner & Co.

**J. Barry Purcell, III of Richmond, Virginia. Director.** Term expires June 30, 2012. Mr. Purcell serves as a Managing Director of Blue Pool Capital, Inc. a Hong-Kong based investment advisory firm. Previously, he was a Principal of Parallax Advisors LLC, a Principal of J.B. Roth LLC, a commercial banker at BB&T and an investment banker at Davenport & Company LLC.

**Randall P Burdette of Stafford County, Virginia. Director Ex-Officio.** Mr. Burdette serves as Director of the Department of Aviation. He was appointed to this position on August 11, 2004. Previously, he served as Program Manager for the Defense Department's Technology Initiative.

**David K. Paylor of Richmond, Virginia. Director Ex-Officio.** Mr. Paylor serves as the Director of the Department of Environmental Quality. Prior to his appointment, Mr. Paylor served as Deputy Secretary of Natural Resources for Governor Mark Warner.

**Manju Ganeriwala of Henrico County, Virginia. Director Ex-Officio.** Ms. Ganeriwala serves as State Treasurer of Virginia. She was appointed to this post by Governor Timothy M. Kaine, effective January 1, 2009. Prior to her appointment, Ms. Ganeriwala served as Deputy Secretary of Finance since January 2006.

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\* Subject to General Assembly approval.

**Karen Remley, M.D., M.B.A. of Virginia Beach, Virginia. Director Ex-Officio.** Dr. Remley is Virginia's State Health Commissioner. She was appointed to this post in January 2008, after having served as Vice President of Medical Affairs at Sentara Leigh Hospital in Norfolk and as an assistant professor of pediatrics and community facility for the School of Public Health at Eastern Virginia School of Medicine.

## **VRA Staff**

The Executive Director of VRA is appointed by the Governor. The Executive Director reports to, but is not a member of, the Board of Directors, and administers, manages and directs the affairs and activities of VRA in accordance with the policies, and under the control and direction, of the Board of Directors. Selected members of the staff include the following:

**Stephanie L. Hamlett, Executive Director and General Counsel.** Ms. Hamlett was appointed Executive Director in July 2010. Prior to her appointment, Ms. Hamlett served as Deputy Counselor for Governor Robert McDonnell. Prior to serving in that capacity, she served as Senior Counsel to the Attorney General, Deputy Attorney General, Special Counsel to the Attorney General and Opinions Chief and an Assistant Attorney General in the financial services section of the Attorney General's Office as Assistant Attorney General. As Assistant Attorney General she represented a variety of state agencies, including the Virginia Retirement System, the Virginia Port Authority, the Virginia College Savings Plan, the Virginia Public School Authority and the Virginia Public Building Authority in financial and investment-related matters. She also served as counsel to the Virginia Department of Taxation. She is the former Executive Director and General Counsel of Virginia's Heartland Partnership, Inc., and from 1996 to 1999, she served at Legislative Services as staff counsel to the House Finance Committee and House Appropriations Committee. In the private practice of law, Ms. Hamlett specialized in tax, bond and business issues. Ms. Hamlett received her undergraduate training at Mary Washington College, she received her Juris Doctor degree from the University of Richmond's T.C. Williams School of Law and her Masters in tax law from the College of William and Mary's Marshall-Wythe School of Law.

**Shawn Crumlish, Director of Debt Management and Credit Analysis.** Mr. Crumlish joined VRA in 2005. Prior to VRA, his work experience included financial research and analysis and business development for several manufacturers. He holds a Bachelor's degree in Marketing from James Madison University and a Master's degree in Finance from Virginia Commonwealth University.

**Peter D'Alema, Director of Program Management.** Mr. D'Alema currently serves as the Director of Program Management for Virginia Resources Authority. He has over 11 years of experience as a finance professional, and his previous experience includes serving as Financial Manager for Virginia Resources Authority and Senior Commercial Underwriter for Bank of America Merrill Lynch. He holds a Bachelor's degree in Marketing Management from Virginia Polytechnic Institute and State University (Virginia Tech) and a Master's degree in Finance from Virginia Commonwealth University.

## **VIRGINIA AIRPORTS REVOLVING FUND**

### **Establishment of Revolving Fund; Project Requirements**

Pursuant to the Revolving Fund Act, the Commonwealth established the Revolving Fund in 1999 as a permanent and perpetual fund and provided that moneys in the Revolving Fund be used to make loans to Obligor to finance or refinance the cost of all or any part of eligible Airport Projects. VRA, in consultation with the Virginia Aviation Board, designates the Obligor to which loans are to be made and the purpose and amount of each such loan.

Under the Revolving Fund Act, VRA is authorized to transfer assets of the Revolving Fund to funds or accounts pledged to secure bonds issued by VRA. Such assets consist of moneys appropriated by the Commonwealth to the Revolving Fund, all amounts repaid by Obligor to the Revolving Fund from Direct Loans, earnings on the investment of moneys held in the Revolving Fund and any other sums designated for deposit to the Revolving Fund from any public or private source. VRA in its discretion may transfer moneys from the Revolving Fund in whole or in part at any time to fund the Corpus Allocations for Local Obligations and to pay for any costs eligible under the Revolving Fund Act and applicable regulations thereunder. In addition to the Revolving Fund leveraging program, VRA may make Direct Loans through the Revolving Fund to Obligor directly from other moneys held by the Revolving Fund.

### **Loan Administration**

VRA serves as the administrator and manager of the Revolving Fund, and establishes the interest rates and repayment terms of the loans to Obligor. The Virginia Aviation Board determines which projects are eligible for funding and the priority of such projects. VRA monitors and approves the drawdowns and distribution of all Local Obligation proceeds.

The Virginia Aviation Board solicits applications for assistance from the Revolving Fund. Once applications are received, the Virginia Aviation Board develops the project priority list, which identifies those Obligor that will be considered for assistance for the respective fiscal year. Following establishment of the list, VRA holds diligence meetings with each applicant and then performs a financial capability analysis on each application that concludes with the preparation of a credit summary.

The credit summary provides information concerning the applicant and the project, as well as data regarding the airport facilities, the revenues of which are pledged for the payment of the Local Obligations. The credit summary concludes with findings and recommendations as to loan authorization and the required security provisions. Staff then presents the credit summary to the VRA Board of Directors for their concurrence with, or override of, the staff's recommendations.

After the VRA Board authorizes the loan, VRA closes the loan with the Obligor through the purchase of the Local Obligations and begins the disbursement of proceeds. Generally, the Obligor are required to make debt service payments on a monthly or semi-annual basis to the Trustee for the account of VRA.

Following completion of construction, VRA monitors and ensures compliance by the Obligor with the reporting requirements of their respective Agreements. Annually, the Obligor must submit to VRA certificates from a consulting engineer or a certified public accountant as to the satisfaction of required rate coverages; a financial audit, statements, notes and opinions; an auditor's Certificate of No Default and an Obligor's Certificate of No Default. Unless approved by VRA for self-insurance, an Obligor must also maintain insurance coverage for its airport facility, including full replacement coverage on the insurable portions of the airport facility, comprehensive general liability insurance with a combined single limit of at least \$1,000,000 per year, and workers' compensation insurance.

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## THE OBLIGORS

The following table provides a summary of the Obligors that have benefited, or are expected to benefit, from the outstanding Series of Bonds and the 2011 Bonds.

### Virginia Resources Authority Airports Revolving Fund

#### List of Obligors and Local Obligations

<u>Obligor</u>	<u>Amount of Local Obligation</u> <sup>(1)</sup>	<u>Type of Local Obligation</u> <sup>(2)</sup>	<u>Interest Rate on Local Obligation</u>	<u>Initial Term</u>	<u>% of Total</u>
Capital Region Airport Commission					
Local Obligation No. 1	\$18,883,930 <sup>(3)</sup>	Revenue <sup>(8)</sup>	4.360%	25 years	33.42%
Local Obligation No. 2	15,931,720 <sup>(3)</sup>	Revenue <sup>(8)</sup>	4.530%	25 years	28.20%
Charlottesville-Albemarle Airport Authority					
Local Obligation No. 1	1,396,273 <sup>(4)</sup>	Special Revenue <sup>(9)</sup>	5.789%	20 years	2.47%
Local Obligation No. 2	4,056,726 <sup>(5)</sup>	Revenue	4.750%	15 years	7.18%
Dinwiddie Airport and Industrial Authority	504,400 <sup>(3)</sup>	Revenue & M.O. of Dinwiddie County	4.430%	20 years	0.89%
Hanover County	1,564,078 <sup>(7)</sup>	Special Revenue <sup>(9)</sup>	5.080%	20 years	2.77%
Manassas, City of	1,063,341 <sup>(5)</sup>	General Obligation	5.000%	20 years	1.88%
Middle Peninsula Airport Authority					
Local Obligation No. 1	622,115 <sup>(6)</sup>		Various to 4.710	25 years	1.10%
Local Obligation No. 2	437,793 <sup>(7)</sup>	Revenue and M.O. of Participating Jurisdictions	5.150%	25 years	0.77%
Norfolk Airport Authority	733,687 <sup>(3)</sup>	Special Revenue <sup>(9)</sup>	4.390%	20 years	1.30%
Peninsula Airport Commission	1,889,840 <sup>(4)</sup>	Revenue	4.500%	25 years	3.34%
Roanoke Regional Airport Commission	920,428 <sup>(6)</sup>	Revenue	4.440%	15 years	1.63%
Shenandoah Valley Regional Airport Commission	412,061 <sup>(6)</sup>	Revenue and M.O. of Augusta County	Various to 4.400%	Up to 14 years	0.73%
Stafford Regional Airport Authority					
Local Obligation No. 1	621,446 <sup>(5)</sup>	Revenue & M.O. of Stafford County	5.150%	25 years	1.10%
Local Obligation No. 2	858,629 <sup>(6)</sup>	Revenue & M.O. of Participating Jurisdictions	4.610%	20 years	1.52%
Local Obligation No. 3	1,437,861 <sup>(7)</sup>	Revenue & M.O. of Participating Jurisdictions	5.080%	20 years	2.54%
Tappahannock-Essex County Airport Authority	1,176,800 <sup>(7)</sup>	Revenue & M.O. of Participating Jurisdictions	Various to 5.150%	25 years	2.08%
Tazewell County Airport Authority	65,588 <sup>(7)</sup>	Revenue & M.O. of Tazewell County	4.810%	10 years	0.12%
Virginia Aviation Board	3,070,875 <sup>(4)</sup>	Revenue	3.500%	15 years	5.44%
Winchester Regional Airport Authority	853,422 <sup>(5)</sup>	Revenue	Various to 5.000%	20 years	1.51%
<b>TOTAL</b>	<b><u>\$56,501,016</u></b>				

(1) Outstanding as of July 1, 2011.

(2) For an explanation of the types of security for Local Obligations, see the subsection "Security for the Local Obligations" in Section Two.

(3) Local Obligations purchased with proceeds of the 2001 Bonds.

(4) Local Obligations purchased with proceeds of the 2002 Bonds.

(5) Local Obligations purchased with proceeds of the 2004 Bonds.

(6) Local Obligations purchased with proceeds of the 2005 Bonds.

(7) Local Obligations purchased with proceeds of the 2007 Bonds.

(8) VRA has designated the related Capital Reserve Subaccount as "capital reserve fund" within the meaning of the VRA Act. See the subsection "Security for the Local Obligations – Credit Enhancement for Certain Local Obligations" in Section Two.

(9) Denotes revenue pledge more limited than a pledge of the net revenues of the related airport.

*This Official Statement does not include financial information or operating data for any particular Obligor other than CRAC. Under objective criteria established by VRA, financial and operating data for an obligor would be so included if the aggregate outstanding principal amount of Local Obligations that the Obligor has issued or expected to issue in connection with one or more Series of Bonds is equal to or greater than 20 percent of the aggregate principal amount of all Local Obligations purchased or expected to be purchased with proceeds of the Bonds. Such criteria will also apply in the future with respect to any Obligor whose aggregate outstanding principal amount of Local Obligations from time to time represents 20 percent or more of the then outstanding amount of all Local Obligations purchased with proceeds of Bonds issued under the Master Indenture. See **Appendix F**.*

*As of the date of this Official Statement, CRAC is the only Obligor constituting a Material Obligor with respect to the Bonds, and its obligations to provide ongoing financial and operating information with respect to the Bonds are described in the subsection "**Continuing Disclosure Under SEC Rule 15c2-12**" in Section Four and in **Appendix F**.*

A brief summary of general information relating to current and potential Obligors of the Revolving Fund and more detailed disclosure regarding CRAC are set forth in **Appendix A**.

## **THE AGREEMENTS**

VRA has entered or will enter into an Agreement with each Obligor. Each Agreement requires the Obligor to pay amounts due on its Local Obligations to the Trustee, as assignee of VRA, including any amounts required to replenish amounts withdrawn from and foregone investment earnings on the Related Local Account of the Related Debt Service Reserve Fund and the General Reserve Fund due to a failure by the Obligor to make a payment due under its Local Obligations. The Agreements will contain, among other things, certain covenants relating to the provision of annual audited financial statements of the Obligors.

Each Agreement will require that the Obligor apply the proceeds from the sale of its Local Obligations to finance or refinance the costs of its particular airport project.

Each Agreement will provide that an event of default will occur if (a) the Obligor fails to pay when due any amount required to be paid under its the Local Obligations or the Agreement or to perform or observe the covenants, agreements or conditions of the Agreement (after a grace period expires), (b) any of the Obligor's warranties, representations or other statements contained in the Agreement or any instrument furnished in connection with the issuance and sale of its Local Obligations is false or misleading, or (c) there shall occur certain events of insolvency or events affecting creditors' rights. Upon the occurrence and continuance of an event of default and for so long as no Event of Default with respect to the Bonds has occurred and is continuing, VRA will have a license to enjoy and enforce VRA's rights under the Agreements and Local Obligations, including, among other things, the right to accelerate the maturity of all payments of the Obligor due or to become due under the Local Obligations and the Agreement. If an Event of Default with respect to the Bonds shall have occurred and be continuing, the Trustee will instead have such rights.

## **SECTION FOUR: MISCELLANEOUS**

### **LITIGATION**

There is not now pending or, to the knowledge of VRA, threatened against VRA any litigation restraining or enjoining the issuance or delivery of the 2011 Bonds or questioning or affecting the validity of the 2011 Bonds or the proceedings and authority under which the 2011 Bonds are to be issued, or the

pledge or application of any moneys or the security provided for the payment of the 2011 Bonds (except as described below), or the existence or powers of VRA, or restraining or enjoining the execution, delivery or performance of the 2011 Bonds, the Indenture, or the proceedings under which they were issued or authorized or questioning or affecting the validity of any such agreements.

Each 2011 Obligor will be required to represent in its respective Agreement that there is no action or suit pending or, to the knowledge of the 2011 Obligor, threatened against the 2011 Obligor (i) affecting the creation, organization or existence of the 2011 Obligor or the title of its officers to their respective office, (ii) seeking to prohibit, restrain or enjoin the execution of the related Agreement or the issuance or delivery of the related 2011 Local Obligations, or (iii) in any way contesting or affecting the validity or enforceability of such 2011 Local Obligations, such Agreement or any agreement or instrument relating to any of the foregoing.

## **LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the 2011 Bonds are subject to the approving opinion of McGuireWoods LLP, Bond Counsel, which shall be in substantially the form set forth in **Appendix C**. Such opinion will be furnished at the expense of VRA upon delivery of the 2011 Bonds. Since Bond Counsel has not verified the accuracy, completeness or fairness of this Official Statement, such opinion will make no statement of any kind as to the Official Statement and will be limited to matters relating to the authorization and validity of the 2011 Bonds and to the exemption of interest thereon under current federal and Virginia income tax laws.

Certain legal matters will be passed on for VRA by its general counsel, Stephanie L. Hamlett, Esquire, and for the Underwriters by their counsel, Kutak Rock LLP, Richmond, Virginia. In connection with the execution and delivery of the Agreements, certain legal matters will be passed on for the 2011 Obligors by their respective bond counsel and general counsel.

## **TAX MATTERS**

### **Federal Income Tax Status of Interest**

Bond Counsel's opinion regarding the 2011A Bonds will state that, under current law and assuming compliance with the Covenants (as defined below), interest on the 2011A Bonds (including any accrued "original issue discount" properly allocable to the owners of the 2011A Bonds) is (a) excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Code, interest on the 2011A Bonds must be included in computing adjusted current earnings.

Bond Counsel's opinion regarding the 2011B Bonds will state that, under current law and assuming compliance with the Covenants interest on the 2011B Bonds (including any accrued "original issue discount" properly allocable to the owners of the 2011B Bonds) is excludable from gross income for purposes of federal income taxation (except when held by a "substantial user" of the facilities financed by the 2011B Bonds or by a "related person" within the meaning of Section 147(a) of the Code) but that interest on the 2011B Bonds is a Specific Tax Preference Item.

See **Appendix C- "Proposed Forms of Bond Counsel Opinions"** attached hereto.

Each opinion of Bond Counsel 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 2011 Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of VRA or the 2011 Obligor or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. VRA and the 2011 Obligor have covenanted, however, to comply with the requirements of the Code.

In delivering its opinions regarding the 2011 Bonds, Bond Counsel is relying (a) on certifications of representatives of VRA and the 2011 Obligor as to facts material to the opinions, and (b) on opinions from other firms of municipal bond attorneys serving as bond counsel to the 2011 Obligor regarding the application of the proceeds of the 2011 Bonds and the ownership, use and operation of the property financed thereby.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by VRA and the 2011 Obligor whose projects will be refinanced with the proceeds of the 2011 Bonds. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2011 Bonds in order for interest on the 2011 Bonds to be and remain excludable from gross income for purposes of federal income taxation. VRA and the 2011 Obligor have each covenanted in their respective tax agreements to comply with the provisions of the Code applicable to the 2011 Bonds including, among other things, requirements as to the use, expenditure and investment of the proceeds thereof, the use of the property financed thereby, the source of the payment thereof and the security therefor, the arbitrage yield restrictions and rebate payment obligations imposed by the Code and certain other actions that could cause interest thereon to be includable in gross income of their owners (the "Covenants"). Failure by VRA or the 2011 Obligor to comply with the Covenants could cause interest on the 2011 Bonds to become includable in gross income for federal income tax purposes retroactive 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 2011 Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2011 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax agreements, 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 agreements. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2011 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 2011 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such 2011 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 such 2011 Bonds.

Prospective purchasers of the 2011 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 2011 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 2011 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 2011 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 2011 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 2011 Bond is the initial offering price to the public at which price a substantial amount of the 2011 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 2011 Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement (or, in the case of 2011 Bonds sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. Any OID on the 2011 Bonds (the "OID Bonds") is treated as 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.

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 and OID 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**

Legislation and regulations affecting tax-exempt bonds are continually being considered by the United States Congress, the U.S. Department of the Treasury ("Treasury") and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed after the date of issue of the 2011 Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving either the 2011 Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the 2011 Bonds or on the economic value of the tax-exempt status of the interest thereon.

### **State Tax Treatment of the 2011 Bonds**

Bond Counsel's opinions also will state that, in accordance with Section 62.1-219 of the VRA Act, the 2011 Bonds and the income from them, including any profit made on their sale, are exempt from taxation by the Commonwealth and any of its political subdivisions. Bond Counsel will express no opinion regarding (a) other Virginia tax consequences arising with respect to the 2011 Bonds or (b) any consequences arising with respect to the 2011 Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the 2011 Bonds should consult their own tax advisors regarding the tax status of interest on the 2011 Bonds in a particular state or local jurisdiction other than Virginia.

## **LEGALITY FOR INVESTMENT**

The Act provides that the 2011 Bonds are legal investments for all public officers and public bodies of the Commonwealth and its political subdivisions, and for insurance companies, banks, trust companies, savings banks, savings associations, building and loan associations, investment companies, guardians, executors, trustees and other fiduciaries. No representation is made as to the legality of the 2011 Bonds for investment or any other purpose under any laws of any other state.

The Act also provides that the 2011 Bonds are eligible to be deposited with all public officers and bodies of the Commonwealth and its political subdivisions for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may be later authorized.

### **UNDERWRITING**

The 2011 Bonds are being purchased by BB&T Capital Markets and Morgan Keegan & Company, Inc. (collectively, the "Underwriters"). The purchase contract for the 2011 Bonds (the "Bond Purchase Agreement") sets forth the obligation of the Underwriters to purchase the 2011 Bonds at a purchase price equal to \$\_\_\_\_\_ (which is the \$\_\_\_\_\_ aggregate par principal amount of the 2011 Bonds, less underwriters' discount of \$\_\_\_\_\_ or \_\_\_\_\_% of the aggregate principal amount of the 2011 Bonds).

The Underwriters may offer and sell the 2011 Bonds to certain dealers (including dealer banks and dealers depositing the 2011 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices different from the initial public offering prices stated on the inside cover of this Official Statement. The Underwriters may change the initial public offering prices from time to time. The Bond Purchase Agreement provides that the Underwriters will purchase all the 2011 Bonds if any are purchased and will make a public offering of the 2011 Bonds at the initial public offering prices shown on the inside cover of this Official Statement.

### **RATINGS**

The 2011 Bonds have been rated "AA" and "Aa2" by Fitch and Moody's, respectively. A rating reflects only the views of the respective rating agency and any explanation of the significance of those ratings may be obtained from the respective rating agencies. The rating is not a recommendation to buy, sell or hold the 2011 Bonds and should be evaluated independently. There is no assurance that the ratings will be maintained for any period of time or that the ratings may not be revised downward or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating could have an adverse effect on the market price of the 2011 Bonds.

### **FINANCIAL ADVISOR**

VRA has retained Davenport & Company, LLC, Richmond, Virginia, as financial advisor (the "Financial Advisor") with respect to the issuance and sale of the 2011 Bonds. Although the Financial Advisor assisted in the preparation and review of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2011 Bonds by VRA and the prospective purchase by VRA of the related Local Obligations, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

### **RELATIONSHIP OF PARTIES**

The Financial Advisor also serves as financial advisor to Capital Region Airport Commission, a 2011 Obligor and Material Obligor.

### **CONTINUING DISCLOSURE UNDER RULE 15c2-12**

This offering is subject to the continuing disclosure requirements of the Rule. Pursuant to a written agreement entered into for the benefit of the holders of the 2011 Bonds, each of (a) the Commonwealth, (b) VRA and (c) any Obligor that is or later becomes a Material Obligor will undertake

to provide, directly or through an intermediary, annual financial information and notice of certain events as required by the Rule to the Municipal Securities Rulemaking Board ("MSRB").

*Commonwealth Continuing Disclosure.* Under a Continuing Disclosure Agreement, the form of which is attached as **Appendix E**, the Treasurer's Office of the Commonwealth will undertake to provide in the manner indicated above information regarding the Commonwealth. The Commonwealth has not failed to comply in any material respect with any previous undertaking under the Rule.

*VRA Continuing Disclosure.* As summarized in **Appendix F** attached hereto, VRA will undertake in the Seventh Supplemental Series Indenture to provide, in the manner indicated above, information regarding VRA. VRA has not failed to comply in any material respect with any previous undertaking under the Rule.

*Material Obligor Continuing Disclosure.* As summarized in **Appendix G** attached hereto, each Obligor will undertake to provide information regarding such Obligor, but only upon notification by VRA that as of June 30 of any year, such Obligor met the objective criteria set forth in its undertaking to be a Material Obligor. An Obligor constitutes a "Material Obligor" if the aggregate principal amount of the Local Obligations previously issued and outstanding and to be issued by such Obligor is equal to or greater than 20% of the aggregate principal amount of all Local Obligations purchased with the proceeds of the Bonds. As of the date hereof, the CRAC is the only Material Obligor, has been so notified by VRA, and will agree to provide the continuing disclosure summarized in **Appendix G**.

The right of the Trustee and the holders to enforce the undertakings described in this subsection is limited to the right to compel performance of the respective obligations of the Commonwealth, VRA and any Material Obligor. Any failure of the Commonwealth, VRA or any Material Obligor to comply with its respective obligations will not give rise to an Event of Default under the Master Indenture or the Agreements.

The obligations of the Commonwealth, VRA and any Material Obligor to provide continuing disclosure is limited to providing specified information at specific times, which may not provide all information material to an evaluation of such person's financial condition or other matters affecting an investment in the 2011 Bonds.

#### **APPROVAL OF OFFICIAL STATEMENT**

VRA has furnished all information in this Official Statement relating to VRA and has duly authorized the distribution of this Official Statement. Information about any Obligor has been furnished by such Obligor at the request of VRA.

Any statements in this Official Statement involving matters of opinion or of estimates, regardless of whether expressly so stated, are intended as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

VRA has deemed this Preliminary Official Statement final as of its date within the meaning of the Rule except for the omission of certain pricing and other information permitted to be omitted by the Rule.



**VIRGINIA RESOURCES AUTHORITY**

By: /s/ Stephanie L. Hamlett  
Stephanie L. Hamlett, Executive Director

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## **APPENDIX A**

### **SELECTED INFORMATION CONCERNING THE OBLIGORS**

## **PART I**

### **SELECTED INFORMATION CONCERNING THE OBLIGORS**

The information set forth below includes brief summaries of state law concerning the operation of, and certain legal restrictions applicable to, the various state and local political subdivisions and governmental entities ("Obligors") that are expected to issue bonds or notes ("Local Obligations") to be acquired by the Virginia Resources Authority ("VRA") from proceeds of its Airports Revolving Fund Revenue Bonds (the "Bonds"). Obligors are expected to consist mainly of special purpose airport authorities or commissions, counties, cities and towns in the Commonwealth. Nothing contained in the summaries set forth below should be construed as a representation or warranty of the financial condition of any Obligor.

#### **Powers and Sources of Revenue**

Airport authorities or commissions are limited purpose political subdivisions or governmental entities of the Commonwealth created pursuant to general or special laws of the Commonwealth. They are authorized to own and operate airports as more particularly described in the enabling legislation pursuant to which they are created. Counties, cities and towns conduct their respective governmental activities pursuant to the provisions of the Constitution and general and special laws of the Commonwealth. Counties, cities and towns also have the general authority to own and operate airports and, together with airport authorities or commissions generally have the authority to contract, sue and be sued, issue bonds, own, lease (as lessor and lessee) and take real or personal property and establish and collect rates, fees and charges for the use of their property and facilities. Publicly-owned airports in Virginia also derive significant capital from federal and state grants for specific projects.

Airport authorities and commissions generally lack taxing power to collect general property and other taxes. While cities, counties and towns have such taxing authority, it is generally anticipated that such authority will not be pledged to the payment of Local Obligations and that such Local Obligations will generally be Revenue Debt (as defined below).

#### **Incurrence of Debt**

Pursuant to the Constitution of Virginia (the "Constitution") and the Public Finance Act of 1991 (Chapter 26, Title 15.2, Code of Virginia of 1950, as amended), a county, city and town in the Commonwealth is authorized to issue bonds and notes secured (a) by a pledge of its full faith and credit and unlimited taxing power ("General Obligation Debt"), (b) by a pledge of revenues from the ownership or operation or lease of a revenue producing enterprise, such as an airport and certain other funds ("Revenue Debt") and (c) by a pledge combining (a) and (b) ("Double-Barrel Debt"). The Constitution and the Public Finance Act of 1991 limit the amount of such General Obligation Debt or Double-Barrel Debt (except Double-Barrel Debt that has been authorized by referendum and that is producing sufficient revenue to pay debt service on such Debt) which may be incurred by cities and towns (and counties that have elected to be treated as a city for purposes of the incurrence of debt) to 10 percent of the assessed valuation of real estate subject to local taxation. Some city or town charters may further limit the amount of debt that may be incurred within a fiscal year or that may be incurred without a referendum. Counties may not issue General Obligation Debt or Double-Barrel Debt without a referendum, except for refunding bonds, bonds issued for capital projects for school purposes and sold to the Literary Loan Fund, and bonds issued and sold to the Virginia Retirement System or other Commonwealth agency prescribed by law. The Constitution and the Public Finance Act of 1991 do not contain restrictions on the amount of Revenue Debt that may be incurred by counties, cities or towns. The bond resolution, trust indenture or

other agreement providing for the issuance of Revenue Debt may, however, contain certain rate covenants and additional bonds tests that must be satisfied prior to the issuance of additional Revenue Debt.

Subject to the provisions of its respective enabling legislation, airport authorities are authorized to issue Revenue Debt only. The bond resolution, trust agreement or other agreement providing for the issuance of debt may, however, contain certain rate covenants and additional bonds tests that must be satisfied prior to the issuance of additional Revenue Debt.

### **Airport Revenue Debt**

Airport Revenue Debt can be secured by (a) the general revenues of the airport, including landing fees, rentals of terminal space to airlines and concessionaires such as rental car companies, rentals of other airport facilities and land, parking fees, fuel flowage fees, and the like, or (b) a specific source of revenues – such as the revenues derived from the collection of passenger facility charges or customer facility charges, or the lease of a specific facility, such as a hangar, air cargo or aircraft maintenance facility.

The ability of any Obligor to derive revenues from their operation of an airport will depend upon many factors, many of which are not within their control. The principal factor will be the demand for the airport, as measured by air travel (enplaning or deplaning passengers) for commercial service airports or recreational and corporate use and activity levels for general aviation airports.

### **Airline Industry Generally**

Demand for air travel is sensitive to population trends and overall economic conditions in the respective areas served by a commercial airport, as well as a variety of general factors affecting the aviation industry, including (1) national and international economic conditions, (2) airline economics and airfares, (3) the availability and price of labor, aviation fuel, aircraft and insurance, (4) airline service and routes, (5) the capacity of the air traffic control system, (6) the capacity of the particular airport, (7) international trade, (8) currency values, (9) governmental regulation, including security regulations and taxes imposed on airlines and passengers, and maintenance and environmental requirements, and (10) aviation safety and security concerns and/or disruption caused by airline accidents, natural disasters, criminal incidents and acts of war or terrorism. Slow or negative traffic growth in many areas; increased competition among air carriers; consolidation and mergers among airlines; increased fuel, labor, equipment and other costs; and increases in the requirements for and the cost of debt capital have combined recently to reduce profits materially or to cause losses for the airlines.

The September 11, 2001 terrorist attacks against the United States, the military conflict in Afghanistan, continued hostilities in Iraq, unrest in the Middle East, the global economic downturn, increased fuel costs and other factors have had a significant adverse impact on the air transportation industry. The air transportation industry has sustained substantial losses, which have led to industry-wide layoffs and a reduction in the number of flights offered by major airlines. Several airlines filed for protection under the U.S. Bankruptcy Code in the early part of the industry's downturn. Many airlines have had their credit ratings downgraded by national credit rating agencies.

National and International Economic Conditions. Historically, airline passenger traffic has fluctuated with the state of the U.S. economy and real disposable income levels. Thus, a downturn in the economy and/or a decline in real disposable income will usually result in a decline in airline passenger traffic. Also, international economics, currency exchange rates, trade balances, and political relationships and conflicts are increasingly important influences on passenger traffic at major U.S. airports. National and international economic conditions will continue to affect airline traffic. An airline's financial

performance can be significantly affected by periodic fluctuations in traffic levels. Traffic levels and, accordingly, an airline's financial results of operations, are sensitive to general economic trends applicable to the economy as a whole.

Airline Economics and Airfares. Airline fares have an important effect on airline passenger traffic demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by airline competition and operating economics, which are, in turn, influenced by fuel, labor, and other operating costs; debt burden, passenger demand, yield management, and capacity, market presence, and service levels.

To the extent that decreased competition leads to higher fares, airline traffic demand tends to be reduced, particularly with respect to those flying for discretionary purposes. While airlines, in general, will attempt to increase fares to improve profitability, fare competition is likely to continue in those markets where there is effective competition among airlines either through direct service or through alternative hub cities. In particular, price competition is provided by new entrant and other airlines with lower cost structures.

Because the air transport industry is capital intensive, the profitability of an airline is also dependent upon general interest rate levels.

Aviation Safety and Security Concerns. Concerns about the safety of airline travel and the effectiveness of airport security precautions influence passenger travel behavior. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures can lead to both the avoidance of travel and switching from air to surface modes of transportation for short trips. Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for a steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies.

Public health and safety concerns have also affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome (SARS) led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia. In April 2010, airports and airspace across much of Europe were closed for 6 days because of the threat posed to flight safety from a volcanic eruption in Iceland.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, natural disasters, public health and safety concerns and international hostilities. Provided that precautions by government agencies, airlines and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel will depend primarily on economic, not safety or security factors.

The likelihood of future terrorist attacks (whether involving the airline industry or not), or the effect on the air transportation system if there are more terrorist attacks or continued, increased or new international hostilities, cannot be predicted, nor can the duration or extent of the impact on the financial

condition of any airport obligor due to any of the events described above, including the potential that any one or more of these events may lead one or more airlines to seek bankruptcy protection.

Fuel and Labor Costs. Fuel and labor costs comprise a significant portion of an airline's operating costs. Fluctuations in the price of fuel significantly affect the financial performance of all airline companies. Similarly, an airline's financial performance is significantly affected by the existence and terms of collective bargaining agreements with the labor unions, if any, representing its employees. There has been no shortage of aviation fuel since the "fuel crisis" of 1974; however, the price of aviation fuel continues to be an important and increasingly uncertain factor affecting airline operating economics. In the long term, fuel prices are likely to increase as worldwide oil reserves gradually are depleted.

Airline Service and Routes. Domestic airlines are free to enter or leave individual air traffic markets, and to increase or decrease service, at will. Consequently, it is uncertain which airlines will serve particular origin-destination markets. The overall level of airline service and the number of passengers using the Airport to transfer between flights depend largely on the route networks of the airlines serving the Airport. Particularly since deregulation, most airlines have emphasized the development of "hub-and-spoke" route networks as a means of increasing their effective service frequencies, passenger volumes, and profitability. The poor financial performance of some airlines in the face of changing competitive conditions and their vulnerability to adverse economic conditions and increased fuel prices have also lead periodically to concerns about the ability of individual airlines to continue to provide services.

Air Traffic Control System Capacity. Increased demands by airlines on the air traffic control system have resulted in aircraft delays and restrictions on the number of aircraft movements, including "flow controls" on movements in certain air routes between airports and "slot" restrictions on landings and takeoffs at certain busy airports. These restrictions affect airline schedules and passenger enplanements throughout the national airport system. The FAA is gradually implementing its Next Generation Air Transport System air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Further demands on the existing air traffic control system could cause additional delays and restrictions and tend to constrain airline traffic growth.

Airport Capacity. In addition to any future constraints that may be imposed by the capacity of the national air traffic control system and airport systems, future growth at an airport may depend on the provision of increased capacity at the airport itself.

FAA Reauthorization. Congressional authorization for the FAA's operating authority, including various aviation programs and excise taxes, expired in 2007 and has been subsequently extended by Congress for short periods. The 20th such extension expired July 22, 2011. Neither the length of lapsed reauthorization nor the terms and conditions of any future Congressional authorization can be predicted. Failure by Congress to reauthorize the operating authority of the FAA, including the resumption of federal grant funding, or adverse changes in the conditions placed on such authority, may have an adverse impact on an Airport's operations.

## **Listing of 2011 Obligors**

For the Obligors expected to issue Local Obligations to be purchased with proceeds of the 2011 Bonds, including the expected security for such Local Obligations, see the subsection "2011 Local Obligations" in Section Two.

### **Certain Economic Information**

The economy of the Commonwealth and its political subdivisions is based primarily on manufacturing, the government sector (including defense), agriculture, mining and tourism. Defense installations are concentrated in Northern Virginia, the location of the Pentagon, and the Hampton Roads area, including the Cities of Newport News, Hampton, Norfolk and Virginia Beach, the locations of, among other installations, the Army Transportation Center (Ft. Eustis), the Langley Air Force Base, Norfolk Naval Base and the Oceana Naval Air Station, respectively. Any substantial reductions in defense spending generally or in particular areas, including base closings, could adversely affect the economies of the Commonwealth and its political subdivisions.

## **PART II**

### **MATERIAL OBLIGOR: CAPITAL REGION AIRPORT COMMISSION**

Under objective criteria established by VRA, financial and operating data for the Capital Region Airport Commission (referred to below as "CRAC" or the "Commission") is included in this Official Statement because (a) the outstanding aggregate principal amount of the Local Obligations it has issued in 2001 and is expected to issue in 2011 is equal to or greater than 20 percent of the aggregate principal amount of all Local Obligations purchased or expected to be purchased with the proceeds of the Outstanding Bonds and the 2011 Bonds and (b) CRAC is participating in and benefiting from the issuance of the 2011 Bonds.

*The Commission has filed with the Municipal Securities Rulemaking Board ("MSRB") via the MSRB's Electronic Municipal Market Access System (EMMA) certain operating data and financial information, including its audited financial statements, as described in this Official Statement. Reference is made to the information and audited financial statements filed and to be filed by the Commission with the MSRB, which information and financials filed and to be filed are incorporated by reference into this Official Statement the same as if they were set out here in full.*

#### **General**

The Commission is a political subdivision of the Commonwealth of Virginia and is authorized to own and operate the Richmond International Airport (the "Airport"). The Commission, as the owner and operator of the Airport, maintains and enhances facilities to better serve the air transportation needs of Central Virginia. The Commission was established by Chapter 537, Virginia Acts of Assembly of 1975, as continued by Chapter 380 of the Virginia Acts of Assembly of 1980, as amended (the "Enabling Act"). The Commission is composed of Commissioners appointed by its participating political subdivisions, which currently include the City of Richmond, Virginia and the Counties of Chesterfield, Hanover and Henrico, Virginia.

#### **Commission Membership**

Under the Enabling Act, any of the City of Richmond and the Counties of Henrico, Charles City, Chesterfield, Goochland, Hanover, New Kent and Powhatan and the Town of Ashland may join the Commission as a "participating political subdivision," subject to making satisfactory arrangements for a contribution of capital to the Commission. To date, the City of Richmond and the Counties of Chesterfield, Hanover and Henrico, the four most populous jurisdictions in the Richmond metropolitan area, have joined CRAC as participating political subdivisions.

The Enabling Act currently provides that the City of Richmond and the Counties of Chesterfield and Henrico may appoint four Commissioners to the Commission and the County of Hanover may appoint two. Commissioners from each of the City of Richmond and the Counties of Chesterfield, Hanover and Henrico are appointed to the Commission by action of their jurisdiction's governing body. Commissioners are appointed for four year terms, subject, however, to the right of each jurisdiction's governing body to remove at any time a Commissioner appointed by it and to appoint a successor.

Commissioners are responsible for addressing broad policy matters and approving the Commission's operating and capital budgets.



## **Budget Process**

The Commission generally begins preparation of its annual operating and capital budget in March of each fiscal year (the Commission has a July 1 to June 30 fiscal year). The Chief Financial Officer and the Director of Finance, with input from other departments, prepare the draft budget for initial review by the Finance Committee. After this review, a final budget is submitted to the Finance Committee and then to the Commission for final approval and adoption. Final approval is usually given during the last week of May for the fiscal year commencing July 1.

In tandem with the foregoing process, the Commission generally obtains by May 1 estimates of landed weight for the forthcoming fiscal year from the airlines. The Airline Agreement described below requires that the Commission submit to the signatory airlines prior to the end of the fiscal year the proposed budget and proposed airline rates, fees and charges and that upon request the Commission meet with the airlines to discuss the proposed budget and rate calculations. The final budget and airline rates, fees and charges that the Commission establishes may include revisions resulting from airline comments.

After the end of the fiscal year, the amounts actually collected from the airlines are reconciled to the amounts actually required under the Airline Agreement and the Non-Signatory Airlines Policy described below to be paid for such fiscal year, and the amount of any overpayment or underpayment is established. The airlines are responsible for any underpayments, which will be included in the then current fiscal year billing to the airlines. Overpayments are applied as credits on then current fiscal year billing statements.

## **Employee Relations**

As of May 31, 2011 the Commission employed approximately 167 full-time and 18 part-time persons, none of whom were represented by labor unions. The Commission's fiscal year 2011 budget provides for 193 employees, of whom 168 are full-time.

## **THE AIR TRADE AREA**

The Airport's primary air service area (the "Air Trade Area") consists of Amelia County, Caroline County, Charles City County, Chesterfield County, Colonial Heights City, Cumberland County, Dinwiddie County, Goochland County, Hanover County, Henrico County, Hopewell City, King and Queen County, King William County, Louisa County, New Kent County, Petersburg City, Powhatan County, Prince George County, Richmond City and Sussex County. Together, these jurisdictions comprise the Richmond Metropolitan Statistical Area ("MSA").

The Airport is located in Henrico County, which is linked to the other cities in the MSA by a network of highways, including Interstates 64, 85, 95, 195, and 295. The Air Trade Area comprises approximately 2,945 square miles

The Air Trade Area had a 2010 population of nearly 1,258,251, with an historical growth rate over the past eighteen years in excess of that of the Commonwealth of Virginia and the United States. Unemployment rates in the Air Trade Area and the Commonwealth have consistently been below the national average, with a 2010 unemployment rate of 7.7% for the Air Trade Area.

## THE AIRPORT

### General

The Airport has been in operation since 1927 and is the aviation gateway to Central Virginia. The Airport's history began in 1927 when the City of Richmond purchased a 300 acre site in adjoining Henrico County and constructed an unpaved runway. Airmail service commenced in 1928, followed by the inauguration in 1930 of regular commercial air passenger service. During World War II, the U.S. Army Air Corps operated the Airport and built three runways 5,000 feet long and 150 feet wide. These runways form the basic airfield configuration for the Airport as it exists today.

The Airport returned to the control of the City of Richmond in 1947, and in 1950 a new passenger terminal was completed. The City of Richmond made further improvements between 1950 and 1975, including expansion of the aircraft apron, new temporary passenger holding areas, expansion of parking areas, and additional taxiway and runway improvements, including navigation aids.

Effective January 1, 1976, the Commission assumed ownership and responsibility for the Airport's operations from the City of Richmond.

The Airport is located on approximately 2,800 acres in Henrico County, eight miles from the central business district of the City of Richmond and within an hour drive of historic Williamsburg and two hour drive of Washington, D.C, Virginia Beach and the Blue Ridge Mountains.

A four lane entrance road connects the terminal building to Interstates 64 and 295.

### Airport Facilities

Airfield Facilities. Airfield facilities consist of three active runways with the following specifications:

	Runway <u>2-20</u>	Runway <u>16-34</u>	Runway <u>7-25</u>
Length (ft.)	6,606	9,000	5,319
Width (ft.)	150	150	100

Runway 2-20 is the most heavily used runway at the Airport, primarily due to its proximity with the passenger terminal, air cargo, general aviation, and corporate aviation facilities. As such, the FAA considers Runway 2-20 to be the primary runway at the Airport. However, high performance military aircraft and heavy aircraft requiring extended runway lengths are restricted to Runway 16-34. Runway 7-25 is used primarily by general aviation aircraft and sometimes by smaller commuter aircraft.

The runways are served by a system of taxiways that provide access between runways and between the airfield and other aviation facilities. Full-length parallel taxiways serve Runway 2-20. The taxiway system also includes entrance and exit taxiways, hangar or apron access taxiways, and bypass, crossover or transverse taxiways.

The pavement strength of Runways 16-34 and 2-20 are sufficient to accommodate all existing and foreseeable jet aircraft that would utilize the Airport; however, high performance military aircraft and heavy aircraft requiring extended runway lengths are restricted to Runway 16-34. The operational capacity of the Airport's runway system and airspace is at least 290,000 operations annually.

Passenger Terminal Facilities. Passenger terminal facilities include a terminal building with two passenger concourses (Concourses A and B). The terminal building was originally constructed in 1950, and has been expanded over the years, with recent expansions including a 24,000 square feet (SF) addition to Concourse A in 1995, a 100,000 SF addition with seven passenger gates to Concourse B in 2002 and, most recently, new terminal facilities in 2007 providing for departures on the upper level and arrivals on the lower level. The 2007 improvements included an expanded baggage make-up and baggage claim area and improved passenger circulation from curbside to the passenger concourses. The Commission also completed the widening of the security area checkpoints in each concourse, to provide for additional personnel and equipment. The new configuration provides for three checkpoint security lines (with room for a fourth) in each concourse to process passengers, along with additional baggage and passenger screening equipment to expedite passenger check-in.

The present terminal building now contains approximately 510,000 SF and has a capacity for handling over 3,000,000 enplaning passengers annually.

The first floor of the terminal facility contains the baggage claim area, airline bag makeup areas, Transportation Security Administration (TSA) and Federal Inspection Services and rental car counters. The second floor of the terminal building houses the ticket counter areas, two concourses (each with separate TSA security screening areas), FAA and TSA administrative offices and certain Airport staff functions.

The terminal has 22 second level boarding bridges (8 in Concourse A and 14 in Concourse B) and four commuter aircraft ramp positions. It offers travelers six baggage claim devices, as well as a full service restaurant, several bar and snack areas and a gift shop. Other amenities at the terminal include a business center with teleconferencing facilities and a bank.

Parking Facilities. Total current parking capacity at the Airport is approximately 11,000 parking spaces. Parking facilities include four parking garages directly across from the terminal facility, surface parking between the garages, a valet lot and two satellite lots (one of which is currently used only during peak travel periods). Standard Parking, Inc. operates the Commission's parking facilities under a fixed fee contract that will terminate October 31, 2011 with two one year renewal periods.

A private company operates an off-airport parking lot of approximately 450 spaces. Such lot is approximately 1.5 miles from the terminal building. The Commission collects a trip charge for each commercial vehicle, including the operator's passenger vans that accesses the terminal front and uses the terminal roadway system.

The Commission also operates a car rental ready/return parking garage. This facility is located adjacent to and connects with the terminal building and contains approximately 500 spaces for use by the car rental companies operating from the terminal building.

Other Facilities. Several commercial and industrial buildings are located on the Airport's property. The buildings include aircraft maintenance facilities, air cargo facilities, general aviation hangars, car rental service facilities for Hertz, Avis and Enterprise (operating the Alamo, Enterprise and National brands), fuel storage facilities and buildings occupied by fixed base operators. The Airport is encompassed within a Foreign Trade Zone (FTZ).

In addition, there are also facilities for the Virginia Air National Guard and Army National Guard on the south and east areas of the Airport's property. While the Virginia Air National Guard is transferring its operations from the Airport to Langley Air Base in Hampton, Virginia, such transition will

occur over a period of years and the Commission cannot predict the use or uses that will be made of these facilities. The military contributes a minimal amount in respect of the Commission's overall revenues.

### **Capital Improvement Program**

Substantially all the terminal and landside construction at the Airport has been completed. The construction over the next several years will focus on rehabbing taxiways and runways that will be funded primarily through FAA and Virginia Department of Aviation grants.

In addition, the Commission recently updated its Master Plan, which undertaking was completed in August 2009. The purpose of the Master Plan is to guide the long-term development of the Airport necessary to efficiently serve future aviation needs, while providing flexibility in the sequencing and timing of projects to respond to changing conditions.

Projects in the Commission's current (2011 – 2015) capital improvement program include:

- Airfield Lighting Project
- Runway 2/20 Rehabilitation
- Concourse A Apron Expansion
- Taxiway "Mike" Reconstruction
- East Side Roadway Construction

The foregoing projects total approximately \$42.4 million, with total capital improvement program projects estimated to be approximately \$85 million. The Commission anticipates it will fund such projects with a combination of federal and state grants, passenger facility charges, Airport revenues and, to the extent required, debt obligations.

The Commission intends to undertake such projects only if and when they are economically justified and financially feasible. The Commission's current estimate is that the majority of the cost of these projects will be funded from a combination of federal grants, other grants, passenger facility charges (primarily on a "pay as you go" basis) and internally-generated funds.

## Historical Activity

**Annual Enplanements.** The following table sets forth annual enplanements at the Airport for each fiscal year since 2001.

### Enplaned Passengers<sup>1</sup>

<b><u>Fiscal Year</u></b>	<b><u>Major/National Airlines</u></b>	<b><u>Regional Airlines</u></b>	<b><u>Total</u></b>	<b><u>Percent Change</u></b>
2001	1,071,260	279,426	1,350,686	
2002	833,768	264,726	1,098,494	(18.67)%
2003	820,847	382,872	1,203,719	9.58
2004	725,089	497,160	1,222,249	1.54
2005	709,715	612,148	1,321,863	8.15
2006	836,145	718,530	1,554,675	17.61
2007	968,202	766,321	1,734,523	11.57
2008	1,041,694	771,464	1,813,158	4.53
2009	1,023,889	651,297	1,675,186	(7.61)
2010	971,769	668,545	1,640,314	(2.08)

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*Source:* The Commission.

<sup>1</sup> Excluding charters.

The Airport ended fiscal year 2011 with annual enplanements (excluding charters) of approximately 1,640,600 passengers.

## Airlines Serving the Airport

As of June 30, 2010, the Airport was served by eight national air carrier networks (AirTran, American, Continental, Delta, JetBlue, Northwest, United and US Airways, although Northwest has since completed the merger with Delta) and sixteen regional or commuter passenger air carriers. Together, these comprise a broad base of air service providers for the Air Trade Area. The following table presents the relative market share of airlines at the Airport as of June 30, 2009 and June 30, 2010, excluding charters. Note that regional/commuter enplanements are not included with their major/national airline partners, as some regional carriers partner with more than one major/national airline. No single air carrier accounts for more than one third of enplanements at the Airport.

### Historical Airline Market Shares - Enplanements

<u>Airline</u>	<u>FY 2009</u>	<u>% Share</u>	<u>FY 2010</u>	<u>% Share</u>
AirTran Airways	170,372	10.17%	152,852	9.32%
American Airlines	104,165	6.22	113,082	6.89
Continental Airlines	119,820	7.15	123,513	7.53
Delta Airlines	232,326	13.87	270,066	16.46
JetBlue Airways	152,318	9.09	160,784	9.80
Northwest Airlines	70,007	4.18	107	0.01
United Airlines	52,430	3.13	47,922	2.92
US Airways	<u>122,451</u>	<u>7.31</u>	<u>103,443</u>	<u>6.31</u>
<b>Total Majors</b>	<b>1,023,889</b>	<b>61.12%</b>	<b>971,769</b>	<b>59.24%</b>
Air Canada	6,903	0.41%	6,564	0.40%
Air Wisconsin	76,002	4.54	113,190	6.90
American Eagle	45,026	2.69	64,187	3.91
Atlantic Southwest	33,967	2.03	21,211	1.29
Chautauqua	71,237	4.25	71,793	4.38
ComAir/Delta Connection	58,263	3.48	53,106	3.24
Compass	-	-	7,229	0.44
GoJet	13,599	0.81	23,957	1.46
Mesa	54,807	3.27	27,893	1.70
Mesaba	-	-	20,397	1.24
Piedmont	21,057	1.26	18,063	1.10
Pinnacle	12,364	0.74	30,123	1.84
PSA	30,449	1.82	31,725	1.93
Republic	84,651	5.05	84,493	5.15
Shuttle America	14,666	0.88	19	0.00
Trans States	<u>128,306</u>	<u>7.66</u>	<u>94,595</u>	<u>5.77</u>
<b>Total Regionals</b>	<b>651,297</b>	<b>38.88%</b>	<b>668,545</b>	<b>40.76%</b>
<b>Totals</b>	<b>1,675,186</b>	<b>100.00%</b>	<b>1,640,314</b>	<b>100.00</b>

Source: The Commission.

Airline Service Developments. In September, 2010, Southwest Airlines announced that it had entered into an agreement to acquire AirTran Holdings, Inc., the parent company of AirTran Airways, subject to approval of AirTran's shareholders and federal regulators. On May 2, 2011, Southwest announced that it had closed on its purchase of AirTran Holdings, Inc. AirTran is currently operating at the Airport as a non-signatory airline – although the Commission bills it as a Signatory Airline, AirTran has not executed an Airline Agreement pending a determination by Southwest Airlines to continue serving the Richmond area.

In October 2010 UAL Corporation, the parent company of United Air Lines, Inc., completed its acquisition of Continental Airlines and changed its name to United Continental Holdings. Continental

and United are currently operating separately at the Airport but have begun the process to combine operations. The Commission expects that the combined airline will be operating as a single Signatory Airline by the end of 2011.

The Airport presently has 180 daily flights and has scheduled non-stop flights to 19 unique destinations, as well as connecting flights to destinations worldwide. The top origin and destination markets for Airport passengers are New York, Atlanta and Orlando. The following table presents the current passenger origin-destination patterns and air service from the Airport, based on data for the year ended June 30, 2009.

<b>Market</b>		<b>O&amp;D Passengers</b>
1	New York/Newark	351,870
2	Atlanta	237,760
3	Orlando	157,600
4	Boston	141,310
5	Chicago	138,060
6	Dallas/Fort Worth	98,770
7	Fort Lauderdale	81,840
8	Los Angeles	70,240
9	Houston	68,700
10	Las Vegas	68,300
11	Denver	58,470
12	Tampa	54,460
13	San Francisco	49,480
14	Phoenix	48,740
15	St. Louis	47,630
16	San Diego	44,820
17	Cleveland	43,550
18	Detroit	42,280
19	Seattle/Tacoma	42,040
20	Nashville	38,140
21	Minneapolis/St. Paul	38,020
22	New Orleans	35,950
23	Philadelphia	34,090
24	Jacksonville	32,880
25	Miami	31,940
<b>Totals</b>		<b>2,056,940</b>

*Source:* The Commission.

## **Other Regional Airports**

Newport News/Williamsburg International Airport (PHF) and Norfolk International Airport (ORF) are within 100 miles of the Airport and provide commercial air service that is competitive with the Airport. The Commission is of the view that, at present, passenger leakage from the Air Trade Area is minimal and does not limit passenger growth at the Airport. Primary reasons for these include limited airline service patterns (Newport News/Williamsburg) and similarity of air service and average fare patterns (Norfolk), as well as convenience of the Airport to the Air Trade Area, the quality and quantity of air service available at the Airport, and the Airport's recent history of traffic growth.

Other airports within a 150 mile radius of the Airport include Ronald Reagan Washington National Airport (DCA), Washington Dulles International Airport (IAD), Baltimore/Washington International Thurgood Marshall Airport (BWI) and Raleigh-Durham International Airport (RDU).

In the past, airline traffic and enplaned passenger volumes at the Airport have fluctuated in part as a result of airline service levels and air fares offered at the Airport and at the other airports in the region, particularly with respect to the presence at such airports of low-cost carriers. Although these factors can be expected to affect somewhat airline traffic and enplaned passenger volumes at the Airport, the Airport has successfully competed for airline capacity and airline passengers with these alternative facilities, due to the convenience of the Airport to the Air Trade Area as well as the quality, quantity and cost of air service available at the Airport.

## **Airport Financial Operations**

The Commission operates as a self-supporting entity. The following table presents a summary of the Commission's revenues, expenses and changes in net assets for fiscal years 2006 through 2011. Data for fiscal years 2006 through 2010 was derived from the Commission's audited financial statements, the information for fiscal year 2011 is unaudited and subject to year-end adjustments. In the opinion of the Commission, there has been no material adverse change in the financial condition of the Commission since June 30, 2010, the date of the last audited financial statements.

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**Capital Region Airport Commission**  
**Statement of Revenues, Expenses and Changes in Net Assets**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> <i>(unaudited)</i>
<b>OPERATING REVENUES</b>						
Parking	\$ 15,034,493	\$16,956,492	\$19,891,427	\$17,988,969	\$17,992,998	\$18,320,589
Landing fees	3,399,974	3,333,402	3,496,301	3,331,871	2,836,798	2,976,392
Concession	7,037,374	7,811,603	8,048,196	7,569,234	7,054,589	7,128,783
Rental	8,260,248	8,797,613	9,779,430	9,588,294	9,427,861	9,626,716
Apron fees	609,060	584,797	674,357	754,996	509,227	624,364
Other	<u>171,801</u>	<u>249,766</u>	<u>252,738</u>	<u>210,885</u>	<u>117,587</u>	<u>164,694</u>
	\$34,512,950	\$37,733,673	\$42,142,449	\$39,444,249	\$37,999,060	\$38,841,537
<b>OPERATING EXPENSES</b>						
Personnel	\$ 8,489,712	\$ 9,418,998	\$10,342,949	\$10,121,017	\$9,380,249	\$9,008,932
Utilities	1,973,614	2,190,665	2,361,465	2,555,115	2,081,399	2,347,858
Professional services	1,381,141	1,407,344	1,544,087	1,206,864	1,000,832	1,654,994
Parking	2,343,722	2,366,438	2,895,707	3,070,036	2,834,409	3,018,853
Maintenance	1,399,946	1,672,461	1,928,169	1,423,821	1,863,585	1,550,952
Insurance	678,391	738,446	624,645	663,704	810,205	797,810
Supplies	678,551	729,888	799,658	685,315	597,093	642,788
Other	<u>637,012</u>	<u>466,152</u>	<u>516,301</u>	<u>394,125</u>	<u>544,252</u>	<u>339,018</u>
	\$ 17,582,089	\$ 18,990,392	\$21,012,981	\$20,119,997	\$19,112,024	\$19,361,205
<i>Operating Income Before Depreciation</i>	\$ 16,930,861	\$ 18,743,281	\$21,129,468	\$19,324,252	\$18,887,036	\$19,480,332
<b>DEPRECIATION</b>	\$ 14,343,617	\$ 15,801,672	\$16,363,878	\$17,150,779	\$18,492,308	\$18,782,995
<i>Operating Income</i>	2,587,244	\$ 2,941,609	\$4,765,590	\$2,173,473	\$394,728	\$697,336
<b>NONOPERATING INCOME (EXPENSES)</b>						
Interest income	\$ 3,052,182	\$ 3,329,676	\$2,607,988	\$1,151,948	\$337,994	\$261,820
Interest expense	(6,022,576)	(6,177,262)	(5,665,867)	(5,555,348)	(3,793,354)	(4,943,027)
Passenger Facility Charges	6,545,612	7,549,433	7,327,815	6,929,091	6,949,250	(778,823)
Customer Facility Charges	2,060,818	1,846,355	1,743,739	1,492,101	1,380,245	6,861,000
Other, net	<u>(794,363)</u>	<u>(810,284)</u>	<u>(665,619)</u>	<u>(1,075,254)</u>	<u>(785,517)</u>	<u>1,539,229</u>
	<u>4,841,673</u>	<u>5,737,918</u>	<u>5,348,056</u>	<u>2,942,538</u>	<u>4,088,618</u>	<u>\$2,940,200</u>
<i>Income Before Capital Contributions</i>	\$ 7,428,917	\$ 8,679,527	\$10,113,646	\$5,116,011	\$4,483,346	\$3,637,536
<b>CAPITAL CONTRIBUTIONS</b>	\$ 15,470,993	\$ 8,894,819	\$23,859,573	\$12,481,102	\$5,879,106	\$2,866,543
<b>CHANGE IN NET ASSETS</b>	\$ 22,899,910	\$ 17,574,346	\$33,973,219	\$17,597,113	\$10,362,452	\$6,504,079
<b>TOTAL NET ASSETS, BEGINNING</b>	\$230,617,853	\$253,517,763	\$271,092,109	\$305,065,328	\$332,662,441	\$333,024,893
<b>TOTAL NET ASSETS, ENDING</b>	\$253,517,763	\$271,092,109	\$305,065,328	\$322,662,441	\$333,024,893	\$339,528,972

## Historical Debt Service Coverage

The following table presents amounts available to pay debt service (as defined in the Commission's Master Revenue Bond Resolution (the "Bond Resolution") and a comparison of those amounts to the debt service payable on Bonds in fiscal years 2006 through 2010.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues <sup>(1)</sup>	\$ 34,813,516	\$ 39,163,871	\$43,227,749	\$39,352,774	\$37,757,074
Expenses <sup>(1)</sup>	17,651,002	19,890,028	18,696,653	18,505,734	21,008,694
Net Revenue Available for Debt Service	17,162,514	19,273,843	24,531,096	20,847,040	16,748,379
Debt Service on Bonds	7,631,672	7,793,118	8,436,487	9,951,531	10,615,280
Fund Deposits and Debt Service on Bonds and Subordinated Debt	15,473,983	16,489,821	16,950,357	12,839,714	14,728,529
Coverage: <sup>(2)</sup>					
1.0X Fund Deposits and Debt Service on Bonds and Subordinated Debt	1.11	1.17	1.45	1.62	1.14
1.25X Debt Service on Bonds	2.25	2.47	2.91	2.09	1.58

<sup>(1)</sup> Revenue and expense amounts are determined in accordance with the Bond Resolution and have been adjusted as required by the Bond Resolution.

<sup>(2)</sup> The rate covenant in the Bond Resolution provides that the Commission will at all times while any Bonds are outstanding establish, fix, prescribe and collect such rates, fees, rentals and other charges for the use of the Airport as shall be reasonably anticipated to provide in each fiscal year of the Commission an amount so that Net Revenues shall at all times not be less than the greater of (i) 1.0 times the sum of the Aggregate Debt Service on the Bonds for such fiscal year and the Aggregate Debt Service on all Subordinated Indebtedness and all other deposits required to be made to funds and accounts pursuant to Sections 404(3), (5) and (7) of the Bond Resolution (which are the Debt Service Reserve Subaccount, the Operation and Maintenance Reserve Fund and the Equipment and Capital Outlay Fund), or (ii) 1.25 times the Aggregate Debt Service on the Bonds for such fiscal year.

**There can be no assurances that the Commission will meet the debt service coverage tests in future years.**

## CERTAIN AGREEMENTS FOR USE OF THE COMMISSION'S FACILITIES

The Commission's revenues are derived primarily from parking revenues, concession charges at the Airport under various concession contracts (including with rental car companies and the food, beverage, retail concession at the Airport), rents and charges for the use of the Airport's facilities, including terminal rents and landing fees from airlines, and non-airline rentals.

A breakdown for the past five fiscal years of the Commission's operating revenues among the Commission's major revenue categories is presented below for the past five fiscal years.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Parking	\$15,034,493	\$16,956,492	\$19,891,427	\$17,988,969	\$17,992,998
Terminal Bldg.					
Rentals	6,304,222	6,713,031	7,082,958	6,988,870	6,452,816
Rental Car					
Concession	4,541,526	4,780,097	4,946,645	4,512,301	4,365,404
Airline Landing/ Apron Fees	4,009,034	3,918,199	4,170,658	4,086,867	3,346,025
Other					
Concessions <sup>(1)</sup>	2,495,848	3,031,506	3,101,551	3,056,933	2,689,185
Non-Terminal					
Bldg. Rentals	1,956,026	2,084,582	2,696,472	2,599,424	2,975,045
Other Revenues	<u>171,801</u>	<u>249,766</u>	<u>252,738</u>	<u>210,885</u>	<u>177,587</u>
Total Operating Revenues	\$34,512,950	\$37,733,673	\$42,142,449	\$39,444,249	\$37,999,060

<sup>(1)</sup> Exclusive of rental car concession income.

### Parking

The Commission's parking facilities are managed by Standard Parking, Inc. under a contract ending October 31, 2011 with two one year renewal periods, under which the Commission retains all of the gross receipts from the public parking operation and transfers back to Standard Parking funds for salaries and fringe benefits, various overhead expenses, other direct costs, certain administrative expenses and a fixed management fee. Standard Parking also operates the Commission's shuttle operations under such agreement.

For fiscal year 2010, parking revenues comprised 47.35% of total operating revenues.

### Rental Car Concession

There are currently four operators of various on-airport rental car brands at the Airport, including Avis Budget Group (operating the Avis and Budget brands), Dollar Thrifty Automotive Group (operating the Dollar and Thrifty brands), Enterprise Holdings (operating the Alamo, Enterprises and National brands), and Hertz.

The various rental car operators have entered into an on-airport concession agreement and lease, which terminates, subject to earlier termination under its terms, on June 30, 2015. Under the rental car concession agreement, each rental car company is obligated to pay a concession fee of the greater of a

specified minimum annual guarantee or 10% of the gross receipts of each on-airport rental car operator. The rental car companies also pay terminal rental for the premises occupied in the terminal. Further, each rental car company currently assesses its customers and remits to the Commission a customer facility charge established by the Commission to recover the debt service associated with the construction of a rental car parking ready/return garage adjacent to the terminal. Such fees are not part of Net Revenues or otherwise available to make payments on the Bonds.

Rental car concession fees accounted for 11.49% of total operating revenues in fiscal year 2010.

## **Airline Agreement**

The Commission has entered into an Airline Agreement with four major airlines serving the Airport: American, Delta, United/Continental and US Airways (the "Signatory Airlines"). The Airline Agreement provides for the use and occupancy of facilities at the Airport and establishes the rates and charges, including landing fees, apron fees and terminal rents, to be paid by the Signatory Airlines. Airline rates and charges are calculated using a methodology where costs, including debt service and debt service coverage, are allocated to separate cost centers to which the cost is attributable and payments by each Signatory Airline are based on such airline's commitment under the Airline Agreement to lease certain space in the terminal building and its *pro rata* use of Airport facilities.

The Airline Agreement is compensatory in nature in that costs are allocated to specific cost centers and are not offset by the revenues of that cost center. In the terminal cost center, the Signatory Airlines are responsible for paying only their respective shares of such costs to the extent that they actually lease space in the terminal. In the airfield and apron cost centers, the Airline Agreement allows for nearly full cost recovery since the divisors for those cost centers pertain to what the airlines actually use. Further, the Airline Agreement has certain elements designed to ensure that the Commission meets the Rate Covenant in the Bond Resolution.

Expiration of Airline Agreement. The Airline Agreement is in effect until February 28, 2013 with two one year renewal periods. The Commission can give no assurances that it and the airlines then servicing the Airport will enter into new airline agreements in the future that will permit the Commission to recover from the airlines, through rates, fees and charges, amounts sufficient to pay debt service on Bonds or to otherwise meet its obligations under the Bond Resolution. The Commission expects to extend its contractual relationships with the Signatory Airlines. Even without written agreements with the Airlines, the Enabling Act authorizes the Commission to set rates, fees and charges for the use of its facilities. The ability of the Commission to set such rates, fees and charges, however, is limited to some extent by federal law and FAA policies.

Non-Signatory Airlines. The Commission has adopted a Non-Signatory Airlines Policy which establishes the rate-making methodology the Commission currently employs with respect to setting rates, fees and charges for use of Airport facilities and services by air carriers that have not entered into an Airline Agreement with the Commission. The rate-making methodology set forth in the Non-Signatory Airline Policy follows the cost center/cost recovery approach of the Airline Agreement described above, except that the Commission has imposed a 15% surcharge on non-signatory airline landing fees (which surcharge does not apply to code share partners and regional affiliates of Signatory Airlines) and there is no split of surplus moneys in the surplus fund with any non-signatory air carriers. The Commission has specifically reserved the right in the Non-Signatory Airline Policy to alter, change or amend its terms and provisions by further action. Most of the regional carriers at the Airport operate as affiliates with their respective major or national carriers and hence are not subject to the 15% surcharge. AirTran and JetBlue current operate as non-signatory airlines at the Airport.

Airline landing fees and apron charges comprised 8.81% of total operating revenues in fiscal year 2010, while airline terminal rentals comprised 16.98%.

### **Other Concessions**

Other than the rental car concession, the Commission has certain agreements to lease space to certain concessionaires who provide food and beverages as well as retail operations, including newspapers and other sundry items. The principal food services concessionaire is Delaware North Companies Travel Hospitality Services, Inc. (formerly CA One Services, Inc.), as principal member of a joint venture arrangement, pursuant to an agreement that expires in 2015. Under the agreement, CA One is required to pay the greater of a minimum annual guarantee of \$450,000, or a percentage of its annual gross receipts (excepting sales taxes), such percentage ranging from 5% to 15%, depending on the nature of the food or beverage item. The principal retail concessionaire is AMS-NIA, operating as Hudson News, also pursuant to an agreement that expires in 2015. Under the agreement, Hudson is required to pay the Commission, the greater of a minimum annual guarantee of \$225,000 or a percentage of its annual gross receipts (excepting sales taxes), such percentage ranging from 5% to 15%, depending on the nature of the item sold.

For fiscal year 2010, payments under the Commission's principal concession agreements accounted for 7.08% of total operating revenues.

## **APPENDIX B**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

## SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions contained in the Master Indenture and the Seventh Supplemental Series Indenture and does not purport to be a complete statement of all of the provisions of those documents. Reference is made to the Master Indenture and the Seventh Supplemental Series Indenture in their entirety for complete information on their terms and on the terms of the 2011 Bonds, the applicable security provisions and the application of pledged revenues. See also the subsections "**Description of the 2011 Bonds**" and "**Security and Source of Payment for the 2011 Bonds**" in the Official Statement.

### Definitions of Certain Terms

The following words and terms shall have the following meanings when used in this **Appendix B**.

**"Act"** means the VRA Act and the VARF Act, collectively.

**"Agreement,"** when used with respect to any Series of Bonds, means the loan or financing agreement or financing lease between an Obligor and VRA and/or the Virginia Airports Revolving Fund, as amended and supplemented from time to time in accordance with its terms, relating to the acquisition by VRA and/or the Virginia Airports Revolving Fund of a Local Obligation.

**"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 Series Indenture for the retirement of such Term Bonds by mandatory purchase or redemption on the Principal Payment Date or Dates established by such Supplemental Series Indenture.

**"Bond"** or **"Bonds"** means any or all of bonds, notes, debentures, interim certificates or any other evidences of indebtedness of VRA issued pursuant to the Master Indenture, except for Subordinate Debt.

**"Bond Counsel"** means counsel selected by VRA and reasonably satisfactory to the Trustee, who or which is nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions.

**"Business Day"** means any Monday, Tuesday, Wednesday, Thursday or Friday on which commercial banking institutions generally are open for business in New York and Virginia.

**"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 Series 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.

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

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

**"Corpus Allocation"** means, with respect to any Local Obligation the acquisition of which is to be financed in whole or in part with the proceeds of a Series of Bonds, that amount derived or to be derived from the sources identified in the Related Corpus Allocation Certificate.

**"Corpus Allocation Certificate"** means the certificate signed by a VRA Representative and delivered pursuant to the Master Indenture setting forth the Corpus Allocation and the source or sources thereof for each Local Obligation the acquisition of which is to be financed in whole or in part by the proceeds of a Series of Bonds. A Corpus Allocation Certificate may be subsumed in the Related Supplemental Series Indenture.

**"Costs of Issuance"** means expenses incurred issuing a Series of Bonds, including the costs of procuring a Credit Facility for any or all of the Series of Bonds.

**"Costs of Issuance Fund"** means the Costs of Issuance Fund relating to a Series of Bonds established by the Related Supplemental Series Indenture.

**"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 approved in the Related Supplemental Series Indenture or a Supplemental Indenture in respect of such Bonds.

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

**"Debt Service Fund"** means the Debt Service Fund relating to a Series of Bonds established by the Related Supplemental Series Indenture.

**"Debt Service Reserve Fund"** means the Debt Service Reserve Fund relating to a Series of Bonds established by the Related Supplemental Series Indenture.

**"Direct Loan"** means a loan by VRA pursuant to the VARF Act, which loan is made solely from the Virginia Airports Revolving Fund and not from the proceeds of Bonds.

**"Direct Loan Recipient"** means any recipient of a Direct Loan.

**"Direct Loan Recipient Payments"** means the payments of principal and interest, if any, on a Direct Loan owed by a Direct Loan Recipient on such Direct Loan.

**"Escrow Fund"** means any Escrow Fund relating to a Series of Refunding Bonds that may be established pursuant to a Supplemental Series Indenture.

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

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

**"General Reserve Fund"** means the General Reserve Fund established pursuant to the Master Indenture.



**"General Reserve Fund Requirement"** means an amount equal to (i) the aggregate of all Corpus Allocations with respect to all outstanding Local Obligations adjusted as provided in the Master Indenture, if applicable, less the aggregate amount on deposit in all of the Debt Service Reserve Funds or (ii) such greater amount as may be required under a Supplemental Indenture.

**"Government Certificates"** means 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.

**"Income Available to Pay Debt Service"** means, in the case of each Payment Date, the sum of: (1) the amount of the principal and interest that is scheduled to become due and payable during the Applicable Income Period on the outstanding principal amount (as of the below-described date of issuance) of Local Obligations that have been acquired by VRA on or before or on the date of issuance of the Bonds of the Series then to be issued; (2) the amount of the principal and interest that is anticipated to become due and payable during the Applicable Income Period on the Local Obligations Related to the Bonds of the Series then to be issued, which Local Obligations have been identified as Related in the Related Supplemental Series Indenture; (3) the Net Series Revenues projected to be received during the Applicable Income Period that will be derived from the investment of amounts in the Costs of Issuance Fund and the Acquisition Fund, if any, established for each previously issued Series of Bonds and the Series of Bonds then to be issued; (4) the Net Series Revenues projected to be received during the Applicable Income Period that will be derived from the investment of amounts in the Debt Service Reserve Fund; and (5) the investment earnings or payments of principal or interest projected to be received during the Applicable Income Period that will be derived from any other Funds, Accounts or assets, including any Direct Loans, identified in a certificate signed by a VRA Representative as constituting Net Series Revenues or Net General Revenues. For purposes of the definition of "Income Available to Pay Debt Service," "Applicable Income Period" means the period beginning, with respect to each Series of Bonds, on the later of the date of issuance and the day after the previous Payment Date and ending on date that is the applicable Payment Date.

**"Interest Payment Date"** means a February 1 or August 1, as the case may be; provided, however, that "Interest Payment Date" may mean, if so provided in a Supplemental Indenture, such other date or dates provided therein or permitted thereby.

**"Interest Requirement"** for any Interest Payment Date, as applied to current interest Bonds, means the total of the interest due on such Bonds on such Interest Payment Date. Interest expense shall be excluded from the definition of Interest Requirement to the extent that such interest is to be paid from the proceeds of Bonds or amounts to be transferred from the Virginia Airports Revolving Fund specifically for such purpose. Unless VRA shall otherwise provide in a Supplemental Indenture, interest expense on 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 Interest Requirement.

**"Local Account"** means any Local Account established pursuant to a Supplemental Indenture in a Fund or Account with respect to an Obligor.

**"Local Obligation Payments"** means the amounts payable by each Obligor under its Local Obligations.

**"Local Obligation(s)"** means the bond, bonds, note, notes, financing lease or other obligation within the meaning of Section 62.1-199 of the VRA Act issued, incurred or entered into by an Obligor and acquired by VRA or the Trustee as evidence of a loan made or obligation owed pursuant to the Related Agreement and financed with the proceeds of a Series of Bonds and/or other amounts on deposit in the Related Acquisition Fund.

**"Obligor Prepayments"** means moneys paid by any Obligor in accordance with its Agreement in advance of the due date on its Local Obligations.

**"Obligor(s)"** means any county, city, town, municipal corporation, authority, district, commission or political subdivision created by the General Assembly or pursuant to the laws of the Commonwealth of Virginia and any "local government" as defined in Section 62.1-199 of the VRA Act entering into an Agreement and its permitted successors and assigns under such Agreement.

**"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 VRA, or to the Trustee, any Paying Agent 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, means as of a particular date, all Bonds authenticated and delivered under the Master Indenture except:

- (a) Any Bond canceled or required to be canceled by the Trustee at or before such date;
- (b) Any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered under the Master Indenture;
- (c) Any Bond deemed paid under 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 certain other purposes as provided in the Master Indenture; and
- (d) Any Bond not deemed Outstanding under, but only to the extent provided for in, the Master Indenture.

**"Owner"** means the registered owner of any Bond.

**"Paying Agent or Paying Agents"** means any paying agent(s) for the Bonds (which may include the Trustee) and any successor or successors as paying agent(s) appointed pursuant to the Master Indenture or the provisions of any Supplemental Indenture. Unless otherwise provided in a Supplemental Indenture, the Trustee shall be the Paying Agent.

**"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 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 an August 1 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 or such other date or dates as may be provided by a Supplemental Series Indenture.

**"Principal Requirement"** means for any Principal Payment Date, as applied to all Bonds, the total of the principal due on such Principal Payment Date.

**"Rating Agency"** means, with respect to each Series of Bonds, any nationally recognized credit Rating Agency specified in the Related Supplemental Series Indenture, so long as such Rating Agency, at the request of VRA, rates such Bonds.

**"Rebate Fund,"** with respect to each Series of Bonds, means the Rebate Fund established under the Related Supplemental Series Indenture.

**"Reimbursement Fund"** means the Reimbursement Fund relating to a Series of Bonds that may be established by the Related Supplemental Series Indenture.

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

**"Related"** as the context may require, means (i) when used with respect to any Costs of Issuance Fund, Acquisition Fund, Revenue Fund, Debt Service Reserve Fund, Rebate Fund, Reimbursement Fund, or Debt Service Fund, or any Account or subaccount within any such Fund, the Fund, Account or subaccount so designated and established by the Related Supplemental Series Indenture authorizing a particular Series of Bonds, (ii) when used with respect to a Supplemental Series Indenture, the Supplemental Series Indenture authorizing a particular Series of Bonds, (iii) when used with respect to particular Bonds or a particular Series of Bonds, the Bonds or Series of Bonds related to a Local Obligation or certain Funds, Accounts or subaccounts established with respect thereto or the Supplemental Series Indenture authorizing the issuance thereof, (iv) when used with respect to Local Obligations, the Local Obligations purchased or to be purchased with amounts deposited in the Acquisition Fund established for a particular Series of Bonds, and (v) when used with respect to a Credit Facility or Reimbursement Obligation, the Credit Facility securing a particular Series of Bonds and the Reimbursement Obligation entered into in connection therewith.

**"Revenue Fund"** means the Revenue Fund relating to a Series of Bonds established by the Related Supplemental Series Indenture.

**"Series"** means all of the Bonds of a particular Series authenticated and delivered pursuant to the Master Indenture and the Related Supplemental Series Indenture and identified as such pursuant to such Supplemental Series 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 Series Indenture, regardless of variations in maturity, interest rate, sinking fund installments or other provisions.

**"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 Series Indenture.

**"Subordinate Debt"** means bonds, notes or other evidences of indebtedness of VRA, secured by a pledge of General Revenues and/or Series Revenues expressly made subordinate to the pledge of such Revenues securing the Bonds of any and all Series.

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

**"Supplemental Series Indenture"** means a Supplemental Indenture providing for the issuance of a Series of Bonds, as such Supplemental Indenture may be amended and supplemented in accordance with the provisions of the Master Indenture.

**"Tax Regulatory Agreement"** means, with respect to any Series of Bonds, the Tax Regulatory Agreement, dated the date of the issuance of the Series of Bonds, between VRA and the Trustee, as the same may be amended or supplemented.

**"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 Series Indenture.

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

**"VRA Act"** means the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended from time to time hereafter.

**"VRA Representative"** means any of the Chairman, Vice Chairman or Executive Director of VRA and any other member, officer or employee of VRA authorized by resolution of VRA's Board of Directors to perform the act or sign the document in question.

**"VARF Act"** means Chapter 2.1, Title 5.1, Code of Virginia of 1950, as amended from time to time hereafter.

### **Additional Bonds**

In connection with the issuance of additional Bonds, VRA is required to file, among other things, the following documents with the Trustee:

(1) An executed counterpart of the Related Supplemental Series Indenture which may include provisions (i) authorizing the issuance, fixing the principal amount and setting forth the details of the Bonds of the Series then to be issued, including the interest rate or rates and the manner in which the Bonds are to bear interest, the Principal and Interest Payment Dates of the Bonds, the purposes for which the Bonds are being issued, the date and the manner of numbering the Bonds, the series designation, the denominations, the maturity dates and amounts, the Amortization Requirements or the manner for determining such Amortization Requirements, and any other provisions for redemption before maturity, (ii) for Credit Facilities for the Series and for Local Accounts and other Accounts and subaccounts to be established with respect to the Bonds within the Funds and Accounts established under the Master Indenture, (iii) for the application of the proceeds of the Bonds of the Series, (iv) necessary or expedient for the issuance of Bonds constituting Variable Rate Bonds or Optional Tender Bonds, including without limitation, tender and remarketing provisions, liquidity facility provisions and provisions for establishing the variable rate and changing interest rate modes, and (v) for such other matters as VRA may deem appropriate.

(2) A certified copy of the resolution or resolutions adopted by VRA authorizing the execution and delivery of the Related Supplemental Series Indenture and any Related Reimbursement Obligation and the issuance, sale, execution and delivery of the Series of Bonds then to be issued.

(3) Executed counterparts of the Related Tax Regulatory Agreement, any Related Credit Facility and any Related Reimbursement Obligation.

(4) A certificate of VRA projecting with reference to each Payment Date, to and including the last stated Principal Payment Date on the Bonds of each Series then Outstanding and the Bonds of the Series then to be issued:

(a) the Income Available to Pay Debt Service;

(b) the sum of (i) the Principal and Interest Requirements on account of the Bonds of each Series then Outstanding and (ii) the Principal and Interest Requirements for the Bonds of the Series then to be issued; and

(c) stating that the result of dividing the amount described in subsection (a) for each such Payment Date by the sum described in subsection (b) for the same date is at least 1.05 on each such Payment Date.

(5) If the Bonds of the Series then to be issued are to be issued to refund Bonds issued and outstanding under the Master Indenture ("Refunding Bonds"):

(a) Evidence satisfactory to the Trustee that VRA has made provision as required by the Master Indenture for the payment or redemption of all Bonds to be refunded;

(b) A written determination by the Trustee or by a firm of independent certified public accountants that the proceeds (excluding accrued interest) of the Refunding Bonds, together with any other money to be deposited for such purpose with the Trustee in the Related Escrow Fund or otherwise upon the issuance of the Refunding Bonds and the investment income to be earned on funds held by the Trustee for the payment or redemption of Bonds to be refunded, will be sufficient to pay, whether upon redemption or at maturity, the principal of and premium, if any, and interest on the Bonds to be refunded and the estimated expenses incident to the refunding; and

(c) VRA shall demonstrate satisfaction of the test set forth in section (4) above, such test being applied to the Refunding Bonds with the necessary changes having been made.

(6) An opinion of Bond Counsel to the effect that the Bonds of such Series have been duly authorized, that all conditions precedent to the issuance thereof have been fulfilled and, that the Bonds are valid and legally binding limited obligations of VRA, and are secured by the Master Indenture and the Related Supplemental Series Indenture to the extent provided herein and therein.

(7) A certificate signed by the Chairman of VRA and dated the date of issuance of the Series of Bonds then to be issued, to the effect that to the best of his or her knowledge, upon and immediately following the issuance, no Event of Default under the Master Indenture or any Supplemental Series Indenture with respect to any Series of Bonds Outstanding will have occurred and be continuing.

(8) A written order and authorization to the Trustee on behalf of VRA, signed by a VRA Representative to authenticate and deliver such Series of Bonds to or upon the order of the purchaser or

purchasers therein identified upon payment to the Trustee of the purchase price (including accrued interest, if any) of such Series of Bonds.

(9) In the case of the following described forms of Bonds, the requirements and provisions described in paragraphs (1) through (8) above respecting the issuance of Bonds shall be modified as follows:

(a) Optional Tender Bonds. If any of the Outstanding Bonds or additional Bonds of the Series to be issued constitute Optional Tender Bonds, then (i) for purposes of the amounts to be shown in accordance with paragraph (4) above, the options of the Owners of such Bonds to tender the same for payment prior to their stated maturity or maturities shall be ignored, (ii) if such Bonds also constitute Variable Rate Bonds, VRA shall adjust such amounts to be shown in accordance with paragraph (4) above as provided in paragraph (9)(b) below, and (iii) any obligation VRA may have, other than its obligation on such additional Bonds (which need not be uniform as to all Owners thereof), to reimburse any Person for its having extended a Credit Facility, or similar arrangement shall be subordinated to the obligation of VRA on the Bonds and be payable in accordance with the provisions of the Master Indenture or from funds otherwise made available by VRA.

(b) Variable Rate Bonds. If any of the Outstanding Bonds or Bonds of the Series then to be issued constitute Variable Rate Bonds, then for purposes of the amounts to be shown in section 4 above, the interest rate used in such computation shall be the greater of (i) the interest rate on any additional Bonds being issued as Variable Rate Bonds for the first period of calculation of such interest and (ii) the weighted average interest rate at which it is assumed that VRA could reasonably expect to have borrowed on the date of issuance of such Bonds by issuing such Bonds with a fixed rate or rates of interest, such reasonable expectations being established by a certificate of a VRA Representative and a letter of a banking or investment banking or financial advisory institution knowledgeable in financial matters relating to VRA, confirming the interest rate assumption as reasonable. The conversion of Bonds constituting Variable Rate Bonds to bear interest at fixed rate or rates or the conversion of such Bonds from Serial Bonds to Term Bonds or vice-versa, in accordance with their terms, will not constitute a new issuance of Bonds under the Master Indenture.

(10) The requirements and provisions of the Master Indenture respecting the issuance of Bonds shall also be modified as set forth in paragraph 9 above as may be necessary or appropriate for outstanding Local Obligations or Local Obligations to be purchased that correlate to Optional Tender Bonds or Variable Rate Bonds.

The proceeds of additional Series of Bonds (including accrued interest) will be applied as set forth in the Related Supplemental Series Indenture authorizing their issuance.

### **Subordinate Debt**

VRA may authorize and issue Subordinate Debt for any lawful purpose. Subordinate Debt shall be payable from the revenues, money and other property pledged under the Master Indenture subject and subordinate to the payment of any Bonds and may be secured by a lien and pledge of the revenues, money and other property pledged under the Master Indenture junior and inferior to the lien and pledge granted by the Master Indenture for the payment and security of Bonds.

## **Establishment of Funds and Accounts**

The following funds are established under the Master Indenture, to be established as follows:

Establishment and Custody of Funds for All Series of Bonds. The following Funds have been under the VARF Act or are established under the Master Indenture with respect to all Series of Bonds, to be held as provided below:

- (i) Virginia Airports Revolving Fund, to be held by or at the direction of VRA; and
- (ii) General Reserve Fund, to be held by the Trustee.

Notwithstanding anything to the contrary contained in the Master Indenture and unless otherwise provided in a Supplemental Series Indenture, neither the Virginia Airports Revolving Fund nor any portion of the earnings thereon is or will be pledged as security for the payment of any Series of Bonds. The General Reserve Fund is pledged as security for all Bonds issued under the Master Indenture.

Establishment and Custody of Pledged Funds for Each Series of Bonds. With respect to and for the several benefit of each Series of Bonds there are to be established pursuant to the Related Supplemental Series Indenture and held by the Trustee the following pledged Funds:

- (i) Revenue Fund;
- (ii) Debt Service Fund; and
- (iii) Debt Service Reserve Fund.

There shall be established in each Revenue Fund, Debt Service Fund and Debt Service Reserve Fund, an Account relating to each Related Local Obligation, which shall be referred to as a "Local Account." Certain Local Accounts or subaccounts within Local Accounts in a Debt Service Reserve Fund may be designated as "capital reserve funds" within the meaning of Section 62.1-215 of the VRA Act under the terms and conditions and subject to the limitations set forth in the Related Supplemental Series Indenture.

Establishment and Custody of Non-Pledged Funds for Each Series of Bonds. Unless otherwise provided in the Related Supplemental Series Indenture, the following Funds are to be established and held by or at the direction of VRA with respect to each Series of Bonds:

- (i) Costs of Issuance Fund;
- (ii) Acquisition Fund; and
- (iii) Rebate Fund.

Unless otherwise provided in the Related Supplemental Series Indenture, no Fund described in the preceding paragraph is pledged as security for payment of the Related or any other Series of Bonds.

Establishment and Custody of Certain Special Funds. VRA may establish with the Trustee or an escrow agent satisfactory to the Trustee in connection with the issuance of any Series of Refunding Bonds an Escrow Fund to provide for the application and investment of the portion of the proceeds of such Series to be used to refund the refunded Bonds. Such Escrow Fund will be established under or in accordance with the Related Supplemental Series Indenture. VRA may establish with the Trustee in connection with the incurrence of any Reimbursement Obligation a Reimbursement Fund. Amounts held for the credit of any Reimbursement Fund will be paid out by the Trustee as necessary to enable VRA to meet its obligations constituting Reimbursement Obligations. Amounts held for the credit of a

Reimbursement Fund may be pledged to the payment of any Related Reimbursement Obligation incurred by VRA.

### **Virginia Airports Revolving Fund**

VRA will deposit the following amounts in the Virginia Airports Revolving Fund:

(1) Except as otherwise required to be transferred to a Debt Service Fund, Rebate Fund or elsewhere pursuant to a Supplemental Series Indenture or Tax Regulatory Agreement, investment earnings on amounts in the Virginia Airports Revolving Fund;

(2) Any Direct Loan Recipient Payments not required to be deposited into the General Reserve Fund;

(3) Amounts transferred for deposit therein from the General Reserve Fund pursuant to the Master Indenture; and

(4) Any other moneys received for deposit therein as provided in the VARF Act or otherwise.

VRA will make the following transfers and payments from the Virginia Airports Revolving Fund:

(1) Amounts necessary to fund the principal amount of Direct Loans;

(2) As provided in a Corpus Allocation Certificate, for deposit in the Related Local Account in the Debt Service Reserve Fund for each Local Obligation acquired with Bond proceeds, the principal amount of the Local Account in the Corpus Allocation for such Local Obligation

(3) To the extent of any uncommitted amounts in the Virginia Airports Revolving Fund, there will be transferred to a Debt Service Fund amounts necessary to pay the principal of and interest on the Related Series of Bonds on any Payment Date if available amounts in the Related Revenue, Debt Service and Debt Service Reserve Funds and the General Reserve Fund are insufficient therefor on any Payment Date; and

(4) For any purpose allowed pursuant to the Act.

### **General Reserve Fund**

The Trustee will make the following transfers to and from the General Reserve Fund:

(1) The Trustee will deposit in the General Reserve Fund any amounts which have been transferred for such purpose pursuant to a Supplemental Indenture, transferred from any Revenue Fund or released from any Debt Service Reserve Fund.

(2) On each Payment Date for any Series of Bonds, the Trustee will transfer for deposit in the Related Debt Service Fund, to the extent that transfers from the Related Debt Service Reserve Fund are insufficient, any amount due on such Payment Date but as yet unavailable; provided however, that if on such Payment Date, deficiencies exist in more than one Debt Service Fund and the aggregate of such deficiencies exceeds the balance in the General Reserve Fund, then the amount to be transferred shall be apportioned to each Debt Service Fund in the same proportion to the total amount so transferred as the amount of deficiency in such Debt Service Fund bears to the total amount of deficiencies as of such date.



(3) On the Business Day following any Principal Payment Date for the Bonds of any Series or at such other times as may be provided in a Supplemental Indenture, the Trustee will transfer any balance in the General Reserve Fund in excess of the General Reserve Fund Requirement to the Virginia Airports Revolving Fund; provided, however, that before making such transfer, the Trustee, to the extent necessary, will reduce such transfer by the following amounts which will be applied as set forth below:

FIRST, to the extent that any payment of principal or interest on a Series of Local Obligations is overdue, a sum equal to the overdue payment shall be transferred into the Related Debt Service Fund;

provided, that if, as of such date, payments are overdue on more than one Series of Bonds and the aggregate of such overdue payments exceeds the balance in the General Reserve Fund, then the amount to be transferred pursuant to clause FIRST above will be apportioned to each Debt Service Fund, in the same proportion to the total amount so transferred as the amount of overdue payments for such Debt Service Fund bears to the total amount of overdue payments for all Debt Service Funds.

SECOND, as further security for such Series of Bonds, a sum equal to any deficiency in the Related Debt Service Reserve Fund as of such date;

provided further that if, as of such date, a deficiency exists in more than one Debt Service Reserve Fund or the related account thereof for a Series of Bonds and the aggregate of such deficiencies exceeds the balance in the General Reserve Fund after the application of funds pursuant to clause FIRST above, then the amount to be transferred pursuant to clause SECOND above will be apportioned among the Debt Service Reserve Funds, in the same proportion to the total amount so transferred as the amount of each deficiency bears to the total amount of deficiencies as of such date.

(4) The Trustee will transfer investment earnings on the General Reserve Fund to the Revenue Funds and the Rebate Funds as provided in the Supplemental Series Indentures and the Tax Regulatory Agreements.

All Bonds are, and are to be, to the extent provided in the Master Indenture, equally and ratably secured by the General Reserve Fund without preference, priority and distinction on account of the actual time or times of the authentication or delivery or maturity or redemption of the Bonds or any of them, so that, subject to the provisions of the Master Indenture, all Bonds at any time outstanding under the Master Indenture will have the same right, lien and preference under and by virtue of the Master Indenture with respect to the General Reserve Fund and will be equally and ratably secured by the General Reserve Fund, with the like effect as if they had all been simultaneously executed, authenticated and delivered.

## **Revenue Fund**

The Trustee will deposit and hold in a Local Account of the Revenue Fund the Related Local Obligations and Local Obligation Payments and any other amounts transferred to the Revenue Fund from other Funds and Accounts or other sources as provided under the Master Indenture or the Related Supplemental Series Indenture, including, without limitation, from the Related Acquisition Fund. On the fourth Business Day next preceding any Payment Date on the Related Series of the Bonds, the Trustee will withdraw from each Local Account in the Revenue Fund and transfer to the Funds and Accounts set forth below the following amounts in the following order of priority:

(1) To the Related Local Account of the Related Debt Service Fund the amount, if any, required so that the balance therein shall equal the Principal and Interest Requirements due on the Payment Date on the Related Bonds as specified in the Related Corpus Allocation Certificate; provided

that for the purpose of computing the amount to be paid to such Local Account there will be made adjustment for the amount, if any, deposited therein as accrued or capitalized interest and any amounts transferred to such Local Account from any other Funds and Accounts as provided under the Master Indenture or in the Related Supplemental Series Indenture, together in each case with investment earnings thereon;

(2) To the Rebate Fund, the amount, if any, of any deficiency therein as directed by a VRA representative;

(3) To each Local Account in the Related Debt Service Reserve Fund to reimburse the Local Account in the amount of any draws thereon due to a Local Obligation Payment default;

(4) To the General Reserve Fund, any balance remaining in the Revenue Fund to the extent not necessary to meet the above requirements.

In the case of Bonds of the Related Series secured by a Credit Facility, amounts on deposit in a Revenue Fund may be transferred to the Related Debt Service Fund, the Related Reimbursement Fund or elsewhere as provided in the Related Supplemental Series Indenture to reimburse the Credit Provider for amounts drawn under the Credit Facility to pay the principal of and premium, if any, and interest on such Bonds.

#### **Debt Service Fund**

The Trustee will deposit the following amounts in a Local Account of the Debt Service Fund:

(1) The amount, if any, of the proceeds of the Related Series of Bonds, required by the Related Supplemental Series Indenture to be deposited in respect of accrued or capitalized interest.

(2) All amounts required to be transferred thereto from the Related Local Account of the Revenue Fund.

(3) Any amounts required to be transferred thereto from the Related Local Account in the Debt Service Reserve Fund, the General Reserve Fund or the Virginia Airports Revolving Fund or any other Funds and Accounts as provided under the Master Indenture or in the Related Supplemental Series Indenture.

(4) Any other amounts required to be paid to such Local Account or otherwise made available for deposit therein by any Obligor or VRA, including amounts made available pursuant to the Related Supplemental Series Indenture.

The Trustee will pay out of each Local Account in a Debt Service Fund to the Paying Agent for the Related Series of Bonds (i) on each Interest Payment Date, the amount required for the payment of interest on the Related Series of Bonds due on such Interest Payment Date and (ii) on any redemption date, the amount required for the payment of accrued interest on such Series of Bonds redeemed unless the payment of such accrued or capitalized interest shall be otherwise provided for, and such amounts will be applied by the Paying Agents to such payment. The Trustee will also pay out of each the Debt Service Fund the accrued interest included in the purchase price of each Series of Bonds purchased for retirement pursuant to the Master Indenture. The Trustee will pay out of each Local Account in a Debt Service Fund to the Paying Agent for the Related Bonds on each Principal Payment Date and redemption date for the Related Bonds, the amounts required for the payment of such principal or redemption price on such date, and such amounts shall be applied by the Paying Agents to such payments.

Amounts made available by VRA for such purpose may, and if so directed by VRA will, be applied by the Trustee prior to the forty-fifth (45<sup>th</sup>) day preceding any mandatory sinking fund redemption date for Term Bonds of the Related Series to the purchase of the Term Bonds that are subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Term Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase. Upon such purchase of any Term Bond, the Trustee will then credit an amount equal to the principal of the Bond so purchased toward the next succeeding Amortization Requirement for such Term Bond.

As soon as practicable after the forty-fifth (45<sup>th</sup>) day preceding the date of any mandatory sinking fund redemption for the Term Bonds of the Related Series, the Trustee will proceed to call for redemption on such redemption date the Term Bonds of the maturity for which sinking fund redemption is required in such amount as shall be necessary to complete the retirement of the principal amount specified for such sinking fund redemption. The Trustee will so call such Term Bonds for redemption whether or not it then has moneys in the Related Debt Service Fund sufficient to pay the applicable redemption price thereof and interest thereon to the redemption date. The Trustee will pay out of each Debt Service Fund to the appropriate Paying Agents, on each such redemption date, the amount required for the redemption of the Term Bonds so called for redemption, and such amount will be applied by such Paying Agents to such redemption.

By the fourth Business Day next preceding any Payment Date or any redemption date for each Series of Bonds, the Trustee will notify VRA as to the existence of a deficiency in the balance of a Local Account of a Debt Service Fund to make the scheduled payment on the Related Bonds. Such notice will include a request for immediate transfer to the Trustee of any portions of the Corpus Allocation attributable to a Local Obligation that have not yet been deposited in the Related Debt Service Reserve Fund and that will be required to pay principal of or interest on the Related Bonds and shall specify the expected availability of amounts in the General Reserve Fund to make debt service payments in excess of the available amounts in the Related Local Account of the Related Local Account Fund. To the extent that a debt service payment is expected to exceed available amounts in the Related Local Account of the Debt Service Reserve Fund, the Trustee will transfer to the Debt Service Fund amounts, if any, on deposit in the General Reserve Fund.

#### **Debt Service Reserve Fund; Transfers from Debt Service Reserve Fund**

The Trustee will deposit in the respective Local Accounts of the Debt Service Reserve Fund established for a Series of Bonds the following amounts:

- (1) Any amounts attributable to the Corpus Allocation for each Related Local Obligation;
- (2) Pending transfer as provided below, any investment earnings attributable to such Local Account;
- (3) Any amounts transferred from the General Reserve Fund;
- (4) Any amounts transferred from the Related Local Account in the Revenue Fund or otherwise made available by VRA or the Obligor in order to reimburse such Local Account for transfers to the Debt Service Fund to provide for payment of principal of and interest on the Related Series of Bonds; and
- (5) Any other amounts made available by VRA for deposit therein.

On at least a semiannual basis investment earnings in each Local Account of the Debt Service Reserve Fund will be transferred to the Related Revenue Fund, Debt Service Fund or Rebate Fund and among the Accounts or subaccounts therein as and to the extent specifically provided for in the Related Supplemental Series Indenture and Tax Regulatory Agreement.

The Trustee will make the following transfers and payments with respect to each Local Account of the Debt Service Reserve Fund established for a Series of Bonds:

(1) On each Payment Date for the Related Bonds, the Trustee will transfer for deposit in the Related Local Account of the Related Debt Service Fund from the Related Local Account in the Debt Service Reserve Fund any amount due as of such Payment Date on the Related Bonds but as yet unavailable because of the failure of the Related Obligor to make full and timely payment under its Local Obligation (including lost investment earnings attributable to the Related Obligor's failure to pay); and

(2) *On the Principal Payment Date for the Related Bonds, after making any transfers required by paragraph (1) above, the Trustee will transfer to the General Reserve Fund from each Local Account of the Related Debt Service Reserve Fund, an amount, if any, such that the amount remaining in such Local Account shall be equal to the Corpus Allocation for such Local Obligation.*

VRA may, pursuant to the Related Supplement Series Indenture or Corpus Allocation Certificate, establish additional Accounts within a Debt Service Reserve Fund or subaccounts within a Local Account of a Debt Service Reserve Fund. VRA will also provide in the same document for the order of priority in which amounts in the Accounts or subaccounts will be transferred to the Related Debt Service Fund or the General Reserve Fund.

### **Costs of Issuance Fund**

There will be deposited in each Costs of Issuance Fund the portion of the proceeds of the Related Series of Bonds and such other amounts as may be specified in the Related Supplemental Series Indenture. VRA will use such amounts to pay Costs of Issuance incurred in connection with the issuance of the Related Series of Bonds. Upon certification by a VRA Representative to the Trustee that no further Costs of Issuance are to be paid from a Costs of Issuance Fund, VRA will transfer any amounts remaining on deposit in such Fund to the Related Revenue Fund, Acquisition Fund and/or Rebate Fund as may be authorized or directed by the Related Supplemental Series Indenture or Tax Regulatory Agreement. Investment earnings on a Costs of Issuance Fund will be transferred periodically as provided in the Related Supplemental Series Indenture and Tax Regulatory Agreement to the Related Revenue Fund, Acquisition Fund and/or Rebate Fund.

### **Acquisition Fund**

There will be deposited into each Acquisition Fund such portion of the proceeds of the Related Series of Bonds, transfers from the Virginia Airports Revolving Fund and other amounts as may be specified in the Related Supplemental Series Indenture. VRA will use amounts in each Acquisition Fund to acquire Related Local Obligations in accordance with the specific requirements of the Related Supplemental Series Indenture, Tax Regulatory Agreement and Related Agreements. Upon certification by a VRA Representative to the Trustee that no additional Local Obligations are to be acquired or principal advances made thereon from amounts in an Acquisition Fund, VRA shall transfer any amounts remaining on deposit in such Fund to the Related Revenue Fund and/or Rebate Fund and/or another Fund or Account as may be authorized or directed by the Related Supplemental Series Indenture or Tax Regulatory Agreement. Investment earnings in an Acquisition Fund will be transferred periodically as

provided in the Related Supplemental Series Indenture and Tax Regulatory Agreement to the Related Revenue Fund or Rebate Fund.

### **Rebate Fund**

There will be deposited in each Rebate Fund such amounts as are specified under the Master Indenture and the Related Supplemental Series Indenture and Tax Regulatory Agreement. VRA will apply amounts in each Rebate Fund in accordance with the Related Supplemental Series Indenture and Tax Regulatory Agreement to satisfy the arbitrage rebate and yield restriction requirements of Section 148 of the Code as applicable to the Related Series of Bonds. Any amounts in a Rebate Fund that are not necessary for purposes of Section 148 of the Code may be transferred to the Virginia Airports Revolving Fund or the Related Revenue Fund or Acquisition Fund as required or authorized by the Related Supplemental Series Indenture and Tax Regulatory Agreement.

### **Investments**

All amounts deposited with VRA or the Trustee under the Master Indenture in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency will be continuously held in bank accounts which are secured for the benefit of VRA and the Owners of the Bonds in the manner required and to the full extent permitted by the Virginia Security for Public Deposits Act, Chapter 23, Title 2.1, Code of Virginia of 1950, as amended, or any successor provision of law.

Subject to the provisions of any Supplemental Indenture, any amounts held in any Funds and Accounts 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 by VRA 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 18, Title 2.1, Code of Virginia of 1950, as amended, or any successor provision of law. Subject to the provisions of any Supplemental Indenture, all investments will be held by or under the control of the Trustee or VRA, as the case may be, and while so held shall be deemed a part of the Fund or Account in which the amounts were originally held. The Trustee and VRA will sell and reduce to cash a sufficient amount of investments whenever the cash balance in any Fund or Account is insufficient for its purposes.

Unless otherwise provided, VRA or the Trustee will value the investments in each Fund and Account established under the Master Indenture or any Supplemental Indenture and held by it or at its direction as of the last Business Day of each month, at the lower of cost or fair market value of such investments, plus accrued interest.

The Trustee may make investments through its own trust or bond department.

### **Particular Covenants**

Payment of Bonds. VRA covenants to perform its obligations as provided in the Master Indenture, any Supplemental Series Indenture, each Series of Bonds and related documents and to pay the Bonds, but only from revenues, moneys and other property specifically pledged for such purpose.

Records and Accounts; Inspections and Reports. VRA will maintain or cause to be maintained proper books of record and account, separate from any of its other records and accounts, showing complete and correct entries of all transactions relating to the Bonds. All books and documents in VRA's possession relating to the Bonds will at all times be open to inspection by such agents as may be designated by the Trustee or the Owners of twenty-five percent or more in aggregate principal amount of

Bonds then Outstanding. VRA will have an annual audit made by or on behalf of the Auditor of Public Accounts within 120 days after the end of each VRA fiscal year and will furnish to the Trustee copies of the audit report as soon as such report is available, which report shall include statements in reasonable detail, certified by the Auditor of Public Accounts or the accountant who prepared the report, reflecting VRA's financial position as of the end of such fiscal year and the results of its operations and changes in the financial position of its funds for such fiscal year.

Covenants with Credit Providers. VRA may make such covenants as it may in its sole discretion determine to be appropriate with any Credit Provider that will agree to insure or to provide for Bonds of any one or more Series a Credit Facility that will 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 Series Indenture or in a Supplemental Indenture related to such Bonds and will be binding on VRA, the Trustee, the Paying Agents and the Owners of the Bonds the same as if such covenants were set forth in full in the Master Indenture.

Covenant to Enforce Commonwealth Aid Intercept. VRA covenants that it will take any and all actions available to it under the laws of the Commonwealth, including Sections 15.2-2659 and 62.1-216.1 of the Code of Virginia of 1950, as amended, to secure payments on Local Obligations if such payments shall not be made when due and payable.

Arbitrage and Tax Covenants. VRA will comply throughout the term of the 2011 Bonds with the requirements of Section 148 of the Code applicable to the 2011 Bonds, including the rebate and reporting requirements of Section 148(f), and will not take or omit to take any action that would adversely affect the exclusion from gross income of interest on the 2011 Bonds under Section 103 of the Code.

## **Events of Default**

The occurrence and continuation of one or more of the following events will constitute an Event of Default with respect to a Series of Bonds:

- (1) Default in the payment of any installment of interest in respect of any Bond of such Series as the same shall become due and payable;
- (2) Default in the payment of the principal of or premium, if any, in respect of any Bond of such Series as the same shall become due and payable either at maturity, upon redemption, or otherwise;
- (3) Default in the payment of any Amortization Requirement in respect of any Term Bond of such Series as the same shall become due and payable; or
- (4) Subject to certain rights of VRA to cure such defaults as set forth in the Master Indenture, failure on the part of VRA duly to observe or perform any other of the covenants or agreements on the part of VRA contained in the Master Indenture, in the Related Supplemental Series Indenture, the Related Tax Regulatory Agreement or in any Bond of such Series.

Unless the Related Supplemental Series Indenture shall expressly so provide, the remedy of acceleration will not be available to the Owners of any Series of Bonds. VRA may, pursuant to a Supplemental Series Indenture, provide for a particular Series of Bonds different or additional Events of Default and remedies upon the occurrence thereof. In the event of any acceleration of a Series of Bonds, such Bonds will not be payable from amounts in the General Reserve Fund, except in accordance with the original amortization schedule of such Bonds without giving effect to such acceleration.

## **Remedies; Rights of Owners**

Upon the happening and continuance of any Event of Default, the Trustee in its discretion may, and upon the written request of the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Related Series of Bonds then Outstanding and receipt of indemnity to its satisfaction will (i) by suit, action or special proceeding, enforce all rights of the Owners of such Series of Bonds and require VRA or each Related Obligor to perform its or their duties under the Act, the Related Agreements, the Bonds of such Series, the Related Local Obligations, the Master Indenture and the Related Supplemental Series Indenture, (ii) bring suit upon the Bonds of such Series and any Related Local Obligations which may be in default, (iii) by action or suit in equity require VRA to account as if it were the trustee of an express trust for the Owners of such Series of Bonds, or (iv) by action or suit in equity enjoin any actions or things which may be unlawful or in violation of the rights of the Owners of such Series of Bonds.

The Owners of a majority in aggregate principal amount of a Series of Bonds then Outstanding will have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Master Indenture in connection with such Series of Bonds, subject, however, to the provisions of the Master Indenture.

Except as otherwise provided in the Master Indenture, no Owner will have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Master Indenture

All amounts received by the Trustee pursuant to any right given or action taken under the provisions of the Master Indenture will, after payment of the costs and expenses of the proceedings resulting in the collection of such amounts, the expenses, liabilities and advances incurred or made by the Trustee and the fees of the Trustee and the expenses of VRA in carrying out the provisions of this Indenture, be deposited in an appropriate Account established under the Master Indenture. All such amounts in such Account will be applied as provided in the Master Indenture.

## **Waiver of Events of Default**

The Trustee will waive any Event of Default and its consequences and rescind any declaration of acceleration at the written request of the Owners of a majority in aggregate principal amount of all Outstanding Bonds of the Related Series. If any Event of Default has been waived as provided in the Master Indenture, the Trustee will promptly give written notice of the waiver to VRA and by first class mail, postage prepaid, to all Owners of Outstanding Bonds of the Related Series if the Owners had previously been given notice of the Event of Default. No waiver, rescission and annulment will extend to or affect any subsequent Event of Default or impair any right, power or remedy available under the Master Indenture.

No delay or omission of the Trustee or of any Owner to exercise any right, power or remedy accruing upon any default or Event of Default will impair any such right, power or remedy or will be construed to be a waiver of or acquiescence in any such default or Event of Default. Every right, power and remedy given by the Master Indenture to the Trustee and to the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

## **Defeasance**

If VRA pays or provides 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 all Bonds Outstanding, as and when the same become due and payable; (ii) by

delivering all Bonds Outstanding to the Trustee for cancellation; or (iii) by depositing with the Trustee (or an escrow agent acceptable to the Trustee), in trust, cash and/or noncallable Government Obligations and/or noncallable Government Certificates in such amount as will, together with the income or increment to accrue thereon (the "Defeasance 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 Defeasance Amount, as an independent certified public accountant shall verify to the Trustee's satisfaction; and if VRA pays or provides for the payment of (on the date of defeasance or over time) all other sums payable under the Master Indenture by VRA, and if any of the Bonds Outstanding are to be redeemed before their maturity, notice of such redemption has been given or provisions satisfactory to the Trustee have been made for the giving of such notice, the Master Indenture and the estate and rights granted will cease, determine, and become null and void, and thereupon the Trustee will, upon receipt by the Trustee of a certificate of a VRA Representative and an opinion of Bond Counsel, as specified in the Master Indenture, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Indenture under it, except for certain provisions, and the lien thereof.

If VRA pays or provides for the payment of the entire indebtedness on particular Bonds 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 acceptable to the Trustee), in trust, cash and/or noncallable Government Obligations and/or noncallable Government Certificates 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 such Bonds at or before their respective maturity dates, without consideration of any reinvestment of the Payment Amount, as an independent certified public accountant shall verify to the Trustee's satisfaction; and if VRA also pays or provides for the payment of all other sums payable hereunder by VRA with respect to such Bonds, and, if such Bonds are to be redeemed before their maturity, notice of such redemption shall have been given or provisions satisfactory to the Trustee shall have been made for the giving of such notice, such Bonds will cease to be entitled to any lien, benefit or security under the Master Indenture. The liability of VRA under such Bonds shall continue but their Owners will thereafter be entitled to payment (to the exclusion of all other Owners) only out of the cash and/or noncallable Government Obligations and/or noncallable Government Certificates deposited with the Trustee (or an escrow agent acceptable to the Trustee) as aforesaid.

VRA may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered that VRA may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired as provided in the Master Indenture.

The defeasance provisions of the Master Indenture may be modified by the Related Supplemental Series Resolutions with respect to Bonds of any Series that constitute Variable Rate Bonds and/or Optional Tender Bonds.

#### **Modification or Amendment of the Indenture**

VRA 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 will not be inconsistent with the terms and provisions of the Master Indenture or any Supplemental Series Indenture for any one or more of the following purposes:

- (1) To cure any ambiguity or formal defect or omission in the Master Indenture;



(2) 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;

(3) To subject to the lien and pledge of the Master Indenture additional revenues, properties or collateral;

(4) To modify, amend or supplement the Master Indenture or any indenture supplemental to it 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 VRA 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;

(5) To add to the covenants and agreements of VRA contained in the 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 VRA;

(6) To amend, modify or change the terms of any agreements governing any book-entry-only system for any of the Bonds;

(7) In the case of Supplemental Series Indentures, to provide for the issuance of additional Series of Bonds (including Refunding Bonds) and to provide for such other related matters as may be required or contemplated by or appropriate under the Master Indenture;

(8) To the extent consistent with future amendments to the VRA Act, to provide for expanded lending authorization;

(9) To make any changes necessary to comply with the requirements of a Rating Agency or of a Credit Provider that, as expressed in a finding or determination by VRA (which will be included in the Supplemental Indenture), would not materially adversely affect the security for the Bonds; and

(10) To make any other changes that, as expressed in a determination or finding by VRA, shall not prejudice in any material respect the rights of the Owners of the Bonds then Outstanding.

In addition, subject to the terms and provisions of the Master Indenture, the Owners of a majority in aggregate principal amount of Bonds then Outstanding will have the right from time to time, notwithstanding any other provision of the Master Indenture, to consent to and approve the execution by VRA and the Trustee of such other Supplemental Indenture or Supplemental Indentures as VRA deems 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 will 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, or (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture.

## **Seventh Supplemental Series Indenture**

The Seventh Supplemental Series Indenture supplements the Master Indenture in the following ways.

Establishment of Funds and Accounts for 2011 Bonds. VRA has established the following Funds and Accounts with respect to the Series 2007 Bonds, each of which shall be held by the Trustee:

- (1) 2011 Revenue Fund;
- (2) 2011 Debt Service Fund;
- (3) 2011 Debt Service Reserve Fund;
- (4) 2011 Cost of Issuance Fund; and
- (5) 2011 Acquisition Fund.

The Seventh Supplemental Series Indenture also establishes a Local Account in the 2011 Revenue Fund, the 2011 Debt Service Fund and the 2011 Debt Service Reserve Fund for each Local Obligation Related to the 2011 Bonds.

Amplification of Pledge. The 2011 Revenue Fund, the 2011 Debt Service Fund and the 2011 Debt Service Reserve Fund are the Revenue Fund, Debt Service Fund and Debt Service Reserve Fund Related to the 2011 Bonds within the meaning of the Master Indenture, and accordingly are pledged to the payment of the 2011 Bonds in accordance with the Master Indenture.

**PROPOSED FORMS OF BOND COUNSEL OPINIONS**

**Form of Bond Counsel Opinion  
2011A Bonds**

*Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel. It is preliminary and subject to change prior to the delivery of the 2011A Bonds.*

[Letterhead of McGuireWoods LLP]

August \_\_, 2011

Virginia Resources Authority  
1111 East Main Street, Suite 1920  
Richmond, Virginia 23219

**Virginia Resources Authority  
\$ \_\_\_\_\_  
Airports Revolving Fund Revenue Bonds  
Refunding Series 2011A  
(Tax-Exempt Non-AMT)**

Ladies and Gentlemen:

We have served as Bond Counsel to the Virginia Resources Authority ("VRA") in connection with the issuance of VRA's \$ \_\_\_\_\_ Airports Revolving Fund Revenue Bonds, Refunding Series 2011A (Tax-Exempt Non-AMT) (the "2011A Bonds"). The 2011A Bonds have been issued under (i) the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended (the "VRA Act"), (ii) a resolution adopted by VRA's Board of Directors on June 14, 2011 (the "Resolution"), and (iii) a Master Indenture of Trust dated as of January 1, 2001 (the "Master Indenture"), between VRA and U.S. Bank National Association, as successor trustee (the "Trustee"), as previously supplemented and amended and as further supplemented by a Seventh Supplemental Series Indenture of Trust dated as of August 1, 2011 (the "Seventh Supplemental Series Indenture," and, together with the Master Indenture, the "Indenture"), between VRA and the Trustee. We refer you to the 2011A Bonds and the Indenture for a description of the purposes for which the 2011A Bonds are issued, their terms and the security for them. Unless otherwise defined, each capitalized term used in this opinion has the meaning given it in the Indenture.

In connection with our opinion, we have examined the Constitution of Virginia and the applicable laws of both the United States and the Commonwealth of Virginia, including without limitation the Internal Revenue Code of 1986, as amended (the "Code"), the VRA Act, and the act creating the Virginia Airports Revolving Fund, which is set forth in Chapter 2.1, Title 5.1, Code of Virginia of 1950, as amended, and such certified proceedings and other documents of VRA as we deem 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 upon (i) representations of VRA contained in the Indenture and related documents and the certified proceedings and (ii) other certifications of public officials furnished to us.

In rendering this opinion, we have assumed that all documents, certificates and instruments relating to this financing have been duly authorized, executed and delivered by all parties to them other than VRA, and we have further assumed the due organization, existence and powers of such parties other than VRA.

Based on the foregoing, we are of the opinion that, under current law:

(1) VRA is a public body corporate and a political subdivision of the Commonwealth of Virginia duly created by the VRA Act and vested with all of the rights and powers conferred by the VRA Act.

(2) VRA has the requisite authority and power under the VRA Act to enter into the Seventh Supplemental Series Indenture, to issue and sell the 2011A Bonds, and to apply the proceeds from the issuance and sale of the 2011A Bonds as set forth in the Indenture. All conditions precedent to the issuance of the 2011A Bonds as set forth in the VRA Act, the Resolution and the Indenture have been fulfilled.

(3) The 2011A Bonds have been duly authorized, executed, and delivered in accordance with the VRA Act, the Resolution and the Indenture and constitute valid and binding limited obligations of VRA, payable solely from the Net Series Revenues, the Net General Revenues and the other money and property of VRA specifically pledged for such purpose under the Indenture.

(4) The principal of and premium, if any, and interest on the 2011A Bonds do not constitute a debt of the Commonwealth of Virginia or any of its political subdivisions other than VRA. Neither the Commonwealth of Virginia nor any of its political subdivisions, including VRA, is legally obligated to pay the principal of or premium, if any, or interest on the 2011A Bonds or other costs incident to them except from the Net Series Revenues, the Net General Revenues and the other money and property of VRA pledged for such purpose, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any of its political subdivisions, including VRA, is pledged to the payment of the principal of or premium, if any, or interest on the 2011A Bonds.

(5) The Indenture has been duly authorized, executed and delivered by VRA, constitutes the valid and binding obligation of VRA, pledges the Net Series Revenues, the Net General Revenues and the other money and property described therein, including the General Reserve Fund, to the Trustee as security for the 2011A Bonds, and is enforceable against VRA in accordance with its terms.

(6) The pledge of the Net General Revenues and the General Reserve Fund securing the 2011A Bonds is on a parity with the pledge thereof securing the currently Outstanding Bonds previously issued under the Indenture (the "Outstanding Bonds") the Airports Revolving Fund Revenue Bonds, Refunding Series 2011B (Tax-Exempt AMT), which VRA is issuing under the Indenture on the date hereof (the "2011B Bonds"). Additional Bonds may be issued from time to time under the conditions, limitations, and restrictions set forth in the Indenture, and will be secured equally and ratably as to the pledge of the Net General Revenues and the General Reserve Fund with the 2011A Bonds, the Outstanding Bonds and the 2011B Bonds. It is also noted that the Master Indenture provides that uncommitted amounts in the Virginia Airports Revolving Fund shall be applied on a parity basis to pay debt service on the 2011A Bonds, the Outstanding Bonds and the 2011B Bonds if the amounts in certain

other funds are insufficient therefor, but there is no requirement that any particular uncommitted amount be maintained in the Virginia Airports Revolving Fund.

(7) Interest on the 2011A Bonds, including any accrued "original issue discount" properly allocable to the owners of the 2011A Bonds, is excludable from gross income for federal income tax purposes under Section 103 of the Code and 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"). It should be noted, however, that 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 2011A Bonds must be included in computing adjusted current earnings. The "original issue discount" on any 2011A 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 2011A 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. We express no opinion regarding other federal tax consequences arising with respect to the 2011A Bonds.

In delivering this opinion, we are assuming continuing compliance with the Covenants (as defined below) by VRA and the Capital Region Airport Commission ("CRAC") so that interest on the 2011A Bonds will remain excludable from gross income for federal income tax purposes and not become a Specific Tax Preference Item. VRA and CRAC, as applicable, have covenanted in their respective tax agreements to comply with the provisions of the Code applicable to the 2011A Bonds including, among other things, requirements as to the use, expenditure and investment of the proceeds thereof, the use of the property financed or refinanced thereby, the source of the payment thereof and the security therefor, the arbitrage yield restrictions and rebate payment obligations imposed by the Code and certain other actions that could cause interest thereon to be includable in gross income of their owners (the "Covenants"). Failure by VRA or CRAC, as applicable, to comply with the Covenants could cause interest on the 2011A Bonds to become includable in gross income for federal income tax purposes retroactive 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 2011A Bonds from becoming includible 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 2011A Bonds.

(8) In accordance with Section 62.1-219 of the VRA Act, the 2011A Bonds and the income from them, including any profit made on their sale, are exempt from taxation by the Commonwealth of Virginia and any of its political subdivisions. We express no opinion regarding (i) other Virginia tax consequences arising with respect to the 2011A Bonds or (ii) any consequences arising with respect to the 2011A Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia and its political subdivisions.

The rights of the registered owners of the 2011A Bonds and the enforceability of VRA's obligations under the 2011A 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.

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 approve the validity of the 2011A Bonds and the tax-exempt status of the interest on them and the enforceability of the Indenture. The foregoing opinion is in no respect an opinion as to VRA's business or financial resources or its ability to provide for

the payment of the 2011A Bonds or the accuracy or completeness of any information, including VRA's Preliminary Official Statement dated July 29, 2011, and Official Statement dated August \_\_, 2010, that anyone may have relied upon in making the decision to purchase the 2011A Bonds.

Very truly yours,

[To be signed: McGuireWoods LLP]

**Form of Bond Counsel Opinion  
2011B Bonds**

*Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel. It is preliminary and subject to change prior to the delivery of the 2011B Bonds.*

[Letterhead of McGuireWoods LLP]

August \_\_, 2011

Virginia Resources Authority  
1111 East Main Street, Suite 1920  
Richmond, Virginia 23219

**Virginia Resources Authority  
\$ \_\_\_\_\_  
Airports Revolving Fund Revenue Bonds  
Refunding Series 2011B  
(Tax-Exempt AMT)**

Ladies and Gentlemen:

We have served as Bond Counsel to the Virginia Resources Authority ("VRA") in connection with the issuance of VRA's \$ \_\_\_\_\_ Airports Revolving Fund Revenue Bonds, Refunding Series 2011B (Tax-Exempt AMT) (the "2011B Bonds"). The 2011B Bonds have been issued under (i) the Virginia Resources Authority Act, Chapter 21, Title 62.1, Code of Virginia of 1950, as amended (the "VRA Act"), (ii) a resolution adopted by VRA's Board of Directors on June 14, 2011 (the "Resolution"), and (iii) a Master Indenture of Trust dated as of January 1, 2001 (the "Master Indenture"), between VRA and U.S. Bank National Association, as successor trustee (the "Trustee"), as previously supplemented and amended and as further supplemented by a Seventh Supplemental Series Indenture of Trust dated as of August 1, 2011 (the "Seventh Supplemental Series Indenture," and, together with the Master Indenture, the "Indenture"), between VRA and the Trustee. We refer you to the 2011B Bonds and the Indenture for a description of the purposes for which the 2011B Bonds are issued, their terms and the security for them. Unless otherwise defined, each capitalized term used in this opinion has the meaning given it in the Indenture.

In connection with our opinion, we have examined the Constitution of Virginia and the applicable laws of both the United States and the Commonwealth of Virginia, including without limitation the Internal Revenue Code of 1986, as amended (the "Code"), the VRA Act, and the act creating the Virginia Airports Revolving Fund, which is set forth in Chapter 2.1, Title 5.1, Code of Virginia of 1950, as amended, and such certified proceedings and other documents of VRA as we deem 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 upon (i) representations of VRA contained in the Indenture and related documents and the certified proceedings and (ii) other certifications of public officials furnished to us.

In rendering this opinion, we have assumed that all documents, certificates and instruments relating to this financing have been duly authorized, executed and delivered by all parties to them other than VRA, and we have further assumed the due organization, existence and powers of such parties other than VRA.

Based on the foregoing, we are of the opinion that, under current law:

(1) VRA is a public body corporate and a political subdivision of the Commonwealth of Virginia duly created by the VRA Act and vested with all of the rights and powers conferred by the VRA Act.

(2) VRA has the requisite authority and power under the VRA Act to enter into the Seventh Supplemental Series Indenture, to issue and sell the 2011B Bonds, and to apply the proceeds from the issuance and sale of the 2011B Bonds as set forth in the Indenture. All conditions precedent to the issuance of the 2011B Bonds as set forth in the VRA Act, the Resolution and the Indenture have been fulfilled.

(3) The 2011B Bonds have been duly authorized, executed, and delivered in accordance with the VRA Act, the Resolution and the Indenture and constitute valid and binding limited obligations of VRA, payable solely from the Net Series Revenues, the Net General Revenues and the other money and property of VRA specifically pledged for such purpose under the Indenture.

(4) The principal of and premium, if any, and interest on the 2011B Bonds do not constitute a debt of the Commonwealth of Virginia or any of its political subdivisions other than VRA. Neither the Commonwealth of Virginia nor any of its political subdivisions, including VRA, is legally obligated to pay the principal of or premium, if any, or interest on the 2011B Bonds or other costs incident to them except from the Net Series Revenues, the Net General Revenues and the other money and property of VRA pledged for such purpose, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any of its political subdivisions, including VRA, is pledged to the payment of the principal of or premium, if any, or interest on the 2011B Bonds.

(5) The Indenture has been duly authorized, executed and delivered by VRA, constitutes the valid and binding obligation of VRA, pledges the Net Series Revenues, the Net General Revenues and the other money and property described therein, including the General Reserve Fund, to the Trustee as security for the 2011B Bonds, and is enforceable against VRA in accordance with its terms.

(6) The pledge of the Net General Revenues and the General Reserve Fund securing the 2011B Bonds is on a parity with the pledge thereof securing the currently Outstanding Bonds previously issued under the Indenture (the "Outstanding Bonds") and the Airports Revolving Fund Revenue Bonds, Refunding Series 2011A (Tax-Exempt Non-AMT), which VRA is issuing under the Indenture on the date hereof (the "2011A Bonds"). Additional Bonds may be issued from time to time under the conditions, limitations, and restrictions set forth in the Indenture, and will be secured equally and ratably as to the pledge of the Net General Revenues and the General Reserve Fund with the 2011B Bonds, the Outstanding Bonds and the 2011A Bonds. It is also noted that the Master Indenture provides that uncommitted amounts in the Virginia Airports Revolving Fund shall be applied on a parity basis to pay debt service on the 2011B Bonds, the Outstanding Bonds and the 2011A Bonds if the amounts in certain

other funds are insufficient therefor, but there is no requirement that any particular uncommitted amount be maintained in the Virginia Airports Revolving Fund.

(7) Interest on the 2011B Bonds, including any accrued "original issue discount" properly allocable to the owners of the 2011B Bonds, is excludable from gross income for federal income tax purposes under Section 103 of the Code, except when held by a "substantial user" of the facilities to be financed by the 2011B Bonds or a "related person" within the meaning of Section 147(a) of the Code. Interest on the 2011B Bonds (including any accrued "original issue discount" properly allocable to the owners of the 2011B Bonds) must be included as a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The "original issue discount" on any 2011B 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 2011B 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. We express no opinion regarding other federal tax consequences arising with respect to the 2011B Bonds.

In delivering this opinion, we are assuming continuing compliance with the Covenants (as defined below) by VRA, the Capital Region Airport Commission, the Dinwiddie Airport and Industrial Authority, and the Norfolk Airport Authority (the "Related Obligors"), so that interest on the 2011B Bonds will remain excludable from gross income for federal income tax purposes. VRA and the Related Obligors, as applicable, have covenanted in their respective tax agreements to comply with the provisions of the Code applicable to the 2011B Bonds including, among other things, requirements as to the use, expenditure and investment of the proceeds thereof, the use of the property financed or refinanced thereby, the source of the payment thereof and the security therefore, the arbitrage yield restrictions and rebate payment obligations imposed by the Code and certain other actions that could cause interest thereon to be includable in gross income of their owners (the "Covenants"). Failure by VRA or any of the Related Obligors, as applicable, to comply with the Covenants could cause interest on the 2011 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issuance. 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 2011 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 2011B Bonds.

(8) In accordance with Section 62.1-219 of the VRA Act, the 2011B Bonds and the income from them, including any profit made on their sale, are exempt from taxation by the Commonwealth of Virginia and any of its political subdivisions. We express no opinion regarding (i) other Virginia tax consequences arising with respect to the 2011B Bonds or (ii) any consequences arising with respect to the 2011B Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia and its political subdivisions.

The rights of the registered owners of the 2011B Bonds and the enforceability of VRA's obligations under the 2011B 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.

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 approve the validity of the 2011B Bonds and the tax-exempt status of the interest on them and the enforceability of the Indenture. The foregoing opinion is in no respect an opinion as to VRA's business or financial resources or its ability to provide for

the payment of the 2011B Bonds or the accuracy or completeness of any information, including VRA's Preliminary Official Statement dated July 29, 2011, and Official Statement dated August \_\_, 2010, that anyone may have relied upon in making the decision to purchase the 2011B Bonds.

Very truly yours,

[To be signed: McGuireWoods LLP]

## **APPENDIX D**

### **INFORMATION WITH RESPECT TO THE COMMONWEALTH OF VIRGINIA INCLUDED BY REFERENCE**

Certain financial, demographic and economic information with respect to the Commonwealth of Virginia (the "Commonwealth") contained in documents entitled "Commonwealth of Virginia Financial and Other Information" and "Commonwealth of Virginia Demographic and Economic Information," as well as the Commonwealth's comprehensive financial statements for the fiscal year ended June 30, 2010, is available on the internet website of the Municipal Securities Rulemaking Board (the "MSRB") under CUSIP Number 92817QKX9. This information is hereby included in this Official Statement in its entirety by reference.

Any statement contained in a document included by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement made in any other subsequently filed document, which also is included by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Commonwealth and VRA make no representation as to the scope of services provided by the MSRB or as to the cost for the provision of such services.

### **Recent Events Affecting the Commonwealth**

In connection with the July 13, 2011, action placing the Aaa government bond rating of the United States on review for downgrade, Moody's Investors Service ("Moody's") announced that it would assess the ratings of Aaa-rated states to gauge their sensitivity to sovereign risk. On July 19, 2011, Moody's announced that it has placed on review for possible downgrade five Aaa rated states including the Commonwealth of Virginia. Should the United States government's rating be downgraded to Aa1 or lower, Virginia's ratings would likely be downgraded as well. In announcing this action on the Commonwealth of Virginia, Moody's cited higher than average exposure to several sovereign risk factors including (i) sensitivity to national economic trends compared to other Aaa rated states, (ii) federal employees as a percentage of the state's total employment, (iii) federal procurement contracts as a percentage of state gross domestic product and (iv) below average available fund balance as a percentage of operating revenue.

Also on July 19, 2011, Governor Robert F. McDonnell announced that the Commonwealth concluded Fiscal Year ("FY") 2011 with an approximately \$311 million surplus from general fund revenue collections and transfers. Total revenue collections rose by 5.8% in FY 2011, well ahead of the revised revenue forecast 3.5% growth. The main drivers of the revenue increase were growth in individual income tax receipts from both payroll withholding and non-withholding, which are key economic indicators. The overwhelming majority of the revenue is obligated to predetermined areas of the state budget due to the Virginia Constitution and state law which govern revenue allocations in the event of a surplus. Approximately \$146.6 million of the surplus will be required to be deposited to the revenue stabilization fund in FY 2012.

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE AGREEMENT  
OF THE COMMONWEALTH OF VIRGINIA**

**SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING  
BY VIRGINIA RESOURCES AUTHORITY**

The following is a summary of the continuing disclosure undertaking made by VRA pursuant to the Seventh Supplemental Series Indenture for the benefit of the holders of the 2011 Bonds. Unless otherwise defined, each capitalized term used herein will have the meaning given it above in this Official Statement.

### **Annual Disclosure**

(a) Directly or through a below-described Dissemination Agent, VRA shall provide annually the following financial information or operating data in each case as of the end of VRA's most recent fiscal year:

(1) its audited financial statements, prepared in accordance with generally accepted accounting principles;

(2) the operating data with respect to each Related Local Obligation (by identifying the name of the Related Obligor, the amount of principal advances authorized but undrawn under the Local Obligation, and the Local Obligation's respective percentage share of the outstanding principal of all Related Local Obligations) and the investments of the Related Funds and Accounts; and

(3) a list of all Obligors constituting "Material Obligors" (as defined below) as of the end of VRA's fiscal year.

(b) VRA shall provide the financial information or operating data described in subsection (a) above (collectively, the "Annual Disclosure") within 270 days after the end of each of VRA's fiscal years, commencing with VRA's fiscal year June 30, 2011, to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB.

(c) Any Annual Disclosure may be included by specific reference to other documents available to the public on the MSRB's internet web site or previously provided to the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) VRA shall provide in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, notice specifying any failure of VRA to provide the Annual Disclosure by the date specified.

### **Event Disclosure**

VRA shall provide notice directly or through the Dissemination Agent of the occurrence of any of the following events that may from time to time occur with respect to the 2011 Bonds, such notice to be given in a timely manner not in excess of 10 business days after the occurrence of the event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancements reflecting financial difficulties;



- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the 2011 Bonds, or other material events affecting the tax status of the 2011 Bonds;
- (g) modifications to rights of the Owners of the 2011 Bonds, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasance of all or any portion of the 2011 Bonds;
- (j) release, substitution, or sale of property securing repayment of the 2011 Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of VRA<sup>1</sup>;
- (m) the consummation of a merger, consolidation, or acquisition involving VRA or the sale of all or substantially all of the assets of VRA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

## Objective Criteria

(a) The objective criteria for identifying a "Material Obligor" with respect to the 2011 Bonds shall be based upon a determination by VRA on the date of sale of each Series of Bonds pursuant to the Indenture (each a "Sale Date") and as of the end of each of VRA's fiscal years of the level of participation of each Obligor in all outstanding Series of Bonds issued under the Indenture. Any Obligor, the aggregate outstanding principal amount of Local Obligations of which represents 20% or more of the aggregate outstanding principal amount of all Local Obligations purchased or acquired with proceeds of Bonds issued under the Indenture, shall be a Material Obligor with respect to the 2011 Bonds as long as such Local Government satisfies such objective criteria. VRA shall determine whether any of the Obligors are (or remain) Material Obligors (i) as of each Sale Date and (ii) annually, commencing June 30, 2012, as described in (c) below.

(b) VRA covenants to require that each Agreement and Financing Lease with an Obligor contain a continuing disclosure undertaking substantially in the form summarized in **Appendix G**.

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\* The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for VRA 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 VRA, 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 of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of VRA;

(c) VRA shall, within 45 days of the end of each fiscal year of VRA, notify each Obligor satisfying the objective criteria set forth above that such Obligor is a "Material Obligor" as of the date of such notification.

### **Format of Disclosure**

All documents provided to the MSRB pursuant to the requirements of the Rule shall be accompanied by identifying information as prescribed by the MSRB.

### **Termination**

The obligations of VRA will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the 2011 Bonds.

### **Amendment**

VRA may modify its continuing disclosure obligations without the consent of the underwriters of the 2011 Bonds or Owners of any of the Bonds, provided that the undertaking as so modified complies with the Rule as it exists at the time of modification. VRA shall within a reasonable time thereafter send to the MSRB a description of such modification(s).

### **Defaults**

(a) If VRA fails to comply with any covenant or obligation described in this **Appendix F**, any holder (within the meaning of the Rule) of Bonds then Outstanding may, by notice to VRA, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of such covenant or obligation.

(b) *Notwithstanding anything in the Seventh Supplemental Series Indenture to the contrary, any failure of VRA to comply with any covenant or obligation described in this **Appendix F** shall not (i) be deemed to constitute an event of default under the Bonds or the Indenture or (ii) give rise to any right or remedy other than that described in paragraph (a) above.*

### **Additional Disclosure**

VRA may from time to time disclose certain information and data in addition to that described in this **Appendix F**. Notwithstanding anything in the Indenture to the contrary, VRA shall not incur any obligation to continue to provide, or to update, such additional information or data.

### **Dissemination Agent**

VRA may, in its discretion, from time to time appoint or engage an entity to serve as Dissemination Agent to assist VRA in fulfilling its covenants and obligations described in this **Appendix F**, VRA may engage or appoint as Dissemination Agent, among others, Digital Assurance Certification LLC or similar organizations that may exist from time to time. It is not necessary that the Dissemination Agent have any agency or other legal, contractual or implied relationship with VRA for purposes of state law.

**SUMMARY OF CONTINUING DISCLOSURE  
UNDERTAKINGS BY OBLIGORS**

## **SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS BY OBLIGORS**

The following is a summary of the continuing disclosure undertakings that each Obligor will be required to make under its respective Agreement or Financing Lease for the benefit of the Owners of the 2011 Bonds. Unless otherwise defined, each capitalized term used herein will have the meaning given it above in this Official Statement.

### **Annual Disclosure**

The provisions described under this heading shall apply from the time the Obligor has been notified by VRA that it is a Material Obligor until it has been further notified by VRA that it is no longer a Material Obligor.

(a) The Obligor shall provide or cause to be provided annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) the financial statements (consisting of at least a balance sheet and statement of revenues and expenses) of the Obligor, which financial statements must be (A) prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the Obligor after the date of this Official Statement from changing such other principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable law) and (B) audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time (provided that if audited financial statements are not available for filing when required by this Section or the Rule (as defined herein), unaudited financial statements will be filed and audited financial statements will be filed as soon as possible thereafter); and

(ii) operating data of the type requested by VRA at the time the Obligor becomes a Material Obligor.

(b) The Obligor shall provide or cause to be provided annually the financial information and operating data described in subsection (a) above (collectively, the "Annual Disclosure") within 270 days after the end of the Obligor's fiscal year (commencing with the Obligor's fiscal year ended June 30, 2011) as of the end of which such Obligor constitutes a "Material Obligor," to the MSRB in an electronic format as prescribed by the MSRB.

(c) Any Annual Disclosure may be included by specific reference to other documents available to the public on the MSRB's internet web site or previously filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the Municipal Securities Rulemaking Board (the "MSRB").

(d) The Obligor shall provide or cause to be provided in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, notice specifying any failure of the Obligor to provide the Annual Disclosure by the date specified.

## Event Disclosure

Each Obligor shall provide notice to VRA of the occurrence of any of the following events that may from time to time occur with respect to its Local Obligation, such notice to be given in a timely manner not in excess of five business days after the occurrence of the event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancements maintained with respect to the Local Bond reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the Local Obligation that could affect the tax status of the 2011 Bonds, or other material events with respect to the Local Obligation that could affect the tax status of the 2011 Bonds;
- (g) modifications to rights of holders;
- (h) bond calls and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Local Obligation;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Obligor\*;
- (m) the consummation of a merger, consolidation, or acquisition involving the Obligor or the sale of all or substantially all of the assets of the Obligor, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms;
- (n) appointment of a successor or additional trustee for the Local Obligation, if any, or the change of name of a trustee; and
- (o) the failure of the Obligor on or before the date required by the Agreement to provide Annual Financial Information to the persons and in the manner required by the Agreement.

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\* The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligor 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 Obligor, 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 of reorganization, arrangement or liquidation of a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligor.

## **Termination**

The obligations of the Obligor will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the 2011 Bonds.

## **Amendment**

The Obligor may modify its continuing disclosure obligations in the Agreement without the consent of Bondholders, provided that the Agreement as so modified complies with the Rule as it exists at the time of modification. The Obligor shall within a reasonable time thereafter send to VRA and to the MSRB a description of such modifications.

## **Defaults**

(a) If the Obligor fails to comply with any covenant or obligation regarding Annual Disclosure specified in the Agreement, any holder (within the meaning of the Rule) of 2011 Bonds then Outstanding may, by notice to the Obligor, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Obligor's covenant to provide the Annual Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Obligor to comply with any obligation regarding Annual Disclosure specified in the Agreement (i) shall not be deemed to constitute an event of default under the Local Obligations, the 2011 Bonds or the Indenture and (ii) shall not give rise to any right or remedy other than that described in subsection (a) above.

## **Additional Disclosure**

The Obligor may from time to time disclose certain information and data in addition to the Annual Disclosure. Notwithstanding anything in the Agreement to the contrary, the Obligor shall not incur any obligation to continue to provide, or to update, such additional information or data.

## **Format of Disclosure**

All documents provided to the MSRB pursuant to the requirements of the Rule shall be accompanied by identifying information as prescribed by the MSRB.

## **Dissemination Agent**

The Obligor may, in its discretion, from time to time appoint or engage an entity to serve as Dissemination Agent to assist the Obligor in providing its Annual Disclosure under this Agreement.

## **APPENDIX H**

### **BOOK-ENTRY ONLY SYSTEM**

## BOOK-ENTRY ONLY SYSTEM

**The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2011 Bonds, payments of principal, premium, if any, and interest on the 2011 Bonds to DTC, its nominee, Direct or Indirect Participants (each as defined herein) or Beneficial Owners, confirmation and transfer to beneficial ownership interests in the 2011 Bonds and other bond-related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC.**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2011A Bonds. The 2011 Bonds will be issued as fully-registered bonds 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 2011 Bond certificate will be issued for each maturity of the 2011A Bonds, each in the aggregate principal amount of such maturity, 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 2011 Bond 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 Standard & Poor's highest rating: AAA. 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](http://www.dtcc.com), and [www.dtc.org](http://www.dtc.org).

Purchases of 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2011 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and 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 or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2011 Bonds, except in the event that use of the book-entry system for the 2011 Bonds is discontinued.

To facilitate subsequent transfers, all 2011 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 2011 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 2011 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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 2011 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to VRA 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 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2011 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 VRA or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC, the Trustee, or VRA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of VRA 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 and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2011 Bonds at any time by giving reasonable notice to VRA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2011 Bond certificates are required to be printed and delivered.

VRA may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2011 Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that VRA believes to be reliable, but VRA takes no responsibility for the accuracy thereof.

NEITHER VRA, THE TRUSTEE, ANY LOCAL GOVERNMENT, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS,

TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON, THE 2011 Bonds; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2011 Bonds.

So long as Cede & Co. is the registered owner of the 2011 Bonds, as nominee of DTC, references in this Official Statement to the Owner or Owners of the 2011 Bonds or Owners shall mean Cede & Co. and shall not mean the Beneficial Owners, and the Trustee will treat Cede & Co. as the only Owner or Bondholder of the 2011 Bonds for all purposes under the Indenture.

VRA may enter into amendments to its agreement with DTC or any successor depository without the consent of the Beneficial Owners.