

PRELIMINARY OFFICIAL STATEMENT DATED JULY 28, 2010

NEW ISSUE/BOOK-ENTRY

RATINGS: Infrastructure Revenue 2010B Bonds: Aaa (Moody's), AAA (S&P)
Moral Obligation 2010B Bonds: Aa2 (Moody's), AA (S&P)
(See "Ratings" herein)

In the opinion of Bond Counsel, under current law and subject to conditions described in "TAX EXEMPTION" herein, interest on the 2010B Bonds is (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (b) not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations and (c) excludable from the calculation of adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that interest on the 2010B Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See "TAX EXEMPTION" herein regarding certain other tax considerations.



\$40,960,000\* Infrastructure and State Moral Obligation Revenue Bonds
(Virginia Pooled Financing Program)
consisting of

\$28,060,000\* Infrastructure Revenue Bonds
(Virginia Pooled Financing Program),
Series 2010B

\$12,900,000\* State Moral Obligation Revenue Bonds
(Virginia Pooled Financing Program),
Series 2010B

Dated: Date of Delivery

Due: November 1, as shown on the inside cover

This Official Statement has been prepared by the Virginia Resources Authority ("VRA") to provide information on the 2010B Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the 2010B Bonds, a prospective investor should read this Official Statement in its entirety. Unless otherwise defined, all capitalized terms used on this cover page are defined herein.

Security

The 2010B Bonds are limited obligations of VRA, payable from (a) the debt service and rental payments under the Local Obligations issued or entered into by certain Local Governments that have been pledged for such purpose, (b) the amounts held in certain funds and accounts that VRA has established and pledged for such purpose and (c) the earnings, if any, derived from the investment of such funds and accounts; provided, however, that the pledge and grant of payments under the Local Obligations securing the Moral Obligation 2010B Bonds is in all respects junior and subordinate to the pledge and grant securing the Infrastructure Revenue 2010B Bonds; and provided, further, that only the Infrastructure Revenue 2010B Bonds will be secured by amounts in certain funds, including the Operating Reserve Fund, and only the Moral Obligation 2010B Bonds will be secured by amounts in certain other funds, including the Capital Reserve Fund. The Infrastructure Revenue 2010B Bonds and the Moral Obligation 2010B Bonds are payable from and secured by the respective sources described above on a parity with the other Outstanding Infrastructure Revenue Bonds and the other Outstanding Moral Obligation Bonds, respectively, heretofore or hereafter issued under the Indenture.

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 2010B Bonds or other costs incident thereto except from the revenues, money or property of VRA pledged for such purpose. 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 2010B Bonds. VRA has no taxing power.

Purpose

2010B Bond proceeds will be used to purchase or acquire the 2010B Local Obligation issued by the 2010B Local Government to finance a portion of the costs of a Qualified Project.

Issued Pursuant to

Master Indenture of Trust dated as of December 1, 2003, between VRA and SunTrust Bank, as trustee, as previously supplemented and amended and as further supplemented by a Seventeenth Supplemental Series Indenture of Trust dated as of August 1, 2010, between VRA and U.S. Bank National Association, as successor trustee.

Interest Rates/Yields

See inside cover page (i).

Redemption

See inside cover page (ii).

Interest Payment Dates

May 1 and November 1, commencing May 1, 2011.

Denomination

\$5,000 or integral multiples thereof.

Regular Record Date

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

Registration

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

Trustee

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

Bond Counsel

McGuireWoods LLP, Richmond, Virginia.

General Counsel

McCandlish Holton, PC, Richmond, Virginia.

Underwriters' Counsel

Troutman Sanders LLP, Richmond, Virginia.

Financial Advisor

Davenport & Company, LLC, Richmond, Virginia, and Strategic Solutions Center, LLC, Landover, Maryland.

Conditions Affecting Issuance

The 2010B Bonds are offered when, as and if issued, subject to, among other conditions, the approving legal opinion of McGuireWoods LLP, Bond Counsel.

Closing/Delivery Date

On or about August 18, 2010.

Morgan Keegan & Company, Inc.

J.P. Morgan Securities Inc.

Fidelity Capital Markets

M.R. Beal & Company

Wells Fargo Securities

Dated: August \_\_, 2010

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment in a Final Official Statement. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the applicable securities laws of any such jurisdiction. Final written confirmation of the sale shall not be conclusive unless the Final Official Statement is delivered to the purchaser.

**VIRGINIA RESOURCES AUTHORITY**  
**\$28,060,000\* Infrastructure Revenue Bonds**  
**(Virginia Pooled Financing Program), Series 2010B**

**\$13,245,000\* Serial Bonds**

Maturity Date (November 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP 92817Q
2014	\$ 535,000				
2015	550,000				
2016	575,000				
2017	605,000				
2018	630,000				
2019	660,000				
2020	695,000				
2021	720,000				
2022	750,000				
2023	790,000				
2024	825,000				
2025	865,000				
2026	905,000				
2027	960,000				
2028	1,005,000				
2029	1,060,000				
2030	1,115,000				

\$6,500,000\* \_\_\_\_\_ % Term Bonds due November 1, 2035\*, Yield \_\_%, Price \_\_%\*, CUSIP Suffix \_\_\_\_  
 \$8,315,000\* \_\_\_\_\_ % Term Bonds due November 1, 2040\*, Yield \_\_%, Price \_\_%\*, CUSIP Suffix \_\_\_\_

**\$12,900,000\* State Moral Obligation Revenue Bonds**  
**(Virginia Pooled Financing Program), Series 2010B**

**\$5,670,000\* Serial Bonds**

Maturity Date (November 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP 92817Q
2014	\$230,000				
2015	240,000				
2016	245,000				
2017	255,000				
2018	275,000				
2019	285,000				
2020	295,000				
2021	310,000				
2022	325,000				
2023	335,000				
2024	355,000				
2025	370,000				
2026	390,000				
2027	405,000				
2028	430,000				
2029	450,000				
2030	475,000				

\$2,775,000\* \_\_\_\_\_ % Term Bonds due November 1, 2035\*, Yield \_\_%, Price \_\_%\*, CUSIP Suffix \_\_\_\_  
 \$4,455,000\* \_\_\_\_\_ % Term Bonds due November 1, 2040\*, Yield \_\_%, Price \_\_%\*, CUSIP Suffix \_\_\_\_

\* Preliminary, subject to change.

## Redemption Provisions

*Optional Redemption.* The 2010B Bonds maturing on or after November 1, 2021<sup>\*</sup>, 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 or after November 1, 2020<sup>\*</sup>, at a redemption price equal to 100% of the principal amount to be redeemed together with the unpaid interest accrued thereon to the date fixed for redemption.

*Mandatory Sinking Fund Redemption.* The Infrastructure Revenue 2010B Bonds maturing on November 1, 2035<sup>\*</sup>, are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such Infrastructure Revenue 2010B Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

<u>Year</u>	<u>Amount</u>
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The Infrastructure Revenue 2010B Bonds maturing on November 1, 2040<sup>\*</sup>, are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such Infrastructure Revenue 2010B Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

<u>Year</u>	<u>Amount</u>
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The Moral Obligation 2010B Bonds maturing on November 1, 2035<sup>\*</sup>, are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such Moral Obligation 2010B Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

<u>Year</u>	<u>Amount</u>
-------------	---------------

The Moral Obligation 2010B Bonds maturing on November 1, 2040<sup>\*</sup>, are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such Moral Obligation 2010B Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

<u>Year</u>	<u>Amount</u>
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<sup>\*</sup> Preliminary, subject to change.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2010B 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 2010B 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 2010B Bonds, including transactions to (a) over allot in arranging the sales of the 2010B Bonds and (b) make purchases in sales of 2010B 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.**

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

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**OFFICIAL STATEMENT**  
**of the**  
**VIRGINIA RESOURCES AUTHORITY**

\$28,060,000\*  
**Infrastructure Revenue Bonds**  
**(Virginia Pooled Financing Program),**  
**Series 2010B**

\$12,900,000\*  
**State Moral Obligation Revenue Bonds**  
**(Virginia Pooled Financing Program)**  
**Series 2010B**

**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 (the “Infrastructure Revenue 2010B Bonds” and the “Moral Obligation 2010B Bonds,” and, collectively, the “2010B Bonds”), which are being issued by the Virginia Resources Authority (“VRA”) to fund VRA’s Virginia Pooled Financing Program. This Official Statement has been approved and authorized by VRA for use in connection with the sale of the 2010B 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 Commonwealth of Virginia (the “Commonwealth”) or any of the Local Governments (as hereinafter defined).

*The following introductory information is furnished solely to provide limited introductory information regarding the 2010B 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.*

**The Issuer**

The issuer of the 2010B Bonds is the Virginia Resources Authority. VRA was created by the Virginia Resources Authority Act, Chapter 21, Title 62.1 of the Code of Virginia of 1950, as amended (the “Act”), in July 1984, and is organized and exists as a public body corporate and a political subdivision of the Commonwealth.

**The 2010B Bonds**

The 2010B Bonds are being issued pursuant to the Act, a resolution adopted by VRA’s Board of Directors on June 15, 2010 (the “2010B Resolution”), and a Master Indenture of Trust dated as of December 1, 2003, as previously supplemented and amended (the “Master Indenture”), between VRA and U.S. Bank National Association, as successor trustee (the “Trustee”), and as further supplemented by a Seventeenth Supplemental Series Indenture of Trust dated as of August 1, 2010 (the “Seventeenth Supplemental Series Indenture”), between VRA and the Trustee. The Master Indenture and the Seventeenth Supplemental Series Indenture are sometimes together referred to herein as the “Indenture.”

The 2010B Bonds are dated the date of their delivery, with principal payments due annually on November 1, as set forth on the inside cover. The 2010B Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof and will be issued and 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 2010B Bonds.

Interest on the 2010B Bonds will be payable on each May 1 and November 1, commencing May 1, 2011, until the earlier of maturity or redemption. As long as the 2010B 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.

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\* Preliminary, subject to change.

## Use of Proceeds

VRA will use the net proceeds of the 2010B Bonds in connection with its Virginia Pooled Financing Program to (a) purchase a local bond (the “2010B Local Obligation”) issued by the Meherrin River Regional Jail Authority (the “2010B Local Government”) to finance a portion of the costs of acquiring, constructing and equipping a regional jail facility, (b) provide for the funding of the Capital Reserve Fund to provide credit support for the Moral Obligation 2010B Bonds and the other Moral Obligation Bonds heretofore or hereafter issued under the Indenture (collectively, the “Moral Obligation Bonds” and, together with the Infrastructure Revenue Bonds, the “Bonds”), and (c) pay costs of issuance related to the 2010B Bonds.

See the subsection “PLAN OF FINANCE” in Section Two.

## Redemption

The 2010B Bonds will be subject to optional and mandatory sinking fund redemption prior to their maturity. See the heading “Redemption” in the subsection “DESCRIPTION OF THE 2010B BONDS” in Section Two for a more complete description of the optional and mandatory sinking fund redemption features.

## Security and Source of Payment; Junior Lien Status of Moral Obligation Bonds

*Infrastructure Revenue Bonds Security and Source of Payment.* The Infrastructure Revenue 2010B Bonds and all other Infrastructure Revenue Bonds heretofore or hereafter issued under the Indenture (collectively, the “Infrastructure Revenue Bonds”) are limited obligations of VRA payable solely from (a) the debt service and rental payments under the Local Obligations (including the 2010B Local Obligation) comprised of bonds (the “Local Bonds”) and financing leases (the “Financing Leases” and collectively with the Local Bonds, the “Local Obligations”) issued or entered into by the 2010B Local Government and other local governments in the Commonwealth (collectively, the “Local Governments”) that have been or will be purchased or acquired and pledged for such purpose, (b) the amounts held in certain funds and accounts established by VRA under the Indenture, including the Infrastructure Revenue Debt Service Fund, the Infrastructure Revenue Debt Service Reserve Fund (not currently required to be funded) and the Operating Reserve Fund, that have been pledged for such purpose and (c) the earnings, if any, derived from the investment of such funds and accounts.

To further secure the payment of principal of and interest on the Infrastructure Revenue Bonds, including the Infrastructure Revenue 2010B Bonds, VRA has established an Operating Reserve Fund (the “Operating Reserve Fund”) under the Indenture. Amounts on deposit in the Operating Reserve Fund will be used to pay debt service due on the Infrastructure Revenue Bonds if, and to the extent that, after the transfers from the Revenue Fund and the Infrastructure Revenue Debt Service Reserve Fund (not currently required to be funded), amounts on deposit in the Infrastructure Revenue Debt Service Fund are insufficient to pay the debt service due on the Infrastructure Revenue Bonds on such date. No Moral Obligation Bonds will be secured by the Operating Reserve Fund. As of June 30, 2010, the Operating Reserve Fund balance was \$7,244,864.89. No additional amounts are expected to be added to the Operating Reserve Fund in connection with the issuance of the 2010B Bonds. Upon the satisfaction of certain conditions of the Indenture, the Trustee may transfer to VRA certain amounts from the Operating Reserve Fund, which amounts upon transfer will be released from the lien of the Indenture. See the heading “Operating Reserve Fund” in the subsection “SECURITY AND SOURCE OF PAYMENT FOR THE 2010B BONDS” in Section Two.

*Moral Obligation Bonds Security and Source of Payment.* The Moral Obligation Bonds are limited obligations of VRA payable solely from (a) the debt service and rental payments under the Local Obligations (including the 2010B Local Obligation) that have been or will be purchased or acquired and pledged for such purpose, (b) the amounts held in certain funds and accounts established by VRA under the Indenture, including the Moral Obligation Revenue Debt Service Fund and the Capital Reserve Fund, that have been pledged for such purpose and (c) the earnings, if any, derived from the investment of such funds and accounts. **Notwithstanding the foregoing, however, the pledge and assignment of the above-described Local Obligation payments and fund and account investment earnings (as more particularly defined in the Indenture as described in Appendix B, the “Revenues”) securing the Moral Obligation 2010B Bonds and the other Moral Obligation Bonds heretofore or hereafter issued under the Indenture (collectively, the “Moral Obligation Bonds”) is in all respects junior and subordinate to the pledge and assignment securing the Infrastructure Revenue 2010B Bonds and the other Infrastructure Revenue Bonds.**

To secure the payment of principal of and interest on the Moral Obligation Bonds, including the Moral Obligation 2010B Bonds, VRA has established a Capital Reserve Fund (the “Capital Reserve Fund”) under the Indenture. Amounts on deposit in the Capital Reserve Fund will be used to pay debt service on the Moral Obligation Bonds, including the Moral Obligation 2010B Bonds, to the extent that transfers from the Moral Obligation Debt Service Fund are insufficient to pay the debt service due on the Moral Obligation Bonds on such date. No Infrastructure Revenue Bonds will be secured by the Capital Reserve Fund. As a condition to the delivery of the 2010B Bonds, the Indenture requires VRA to have on deposit in the Capital Reserve Fund an amount equal to the CRF Reserve Requirement. For so long as any of the Moral Obligation 2010B Bonds remain Outstanding, the CRF Reserve Requirement will not be less than an amount equal to the maximum Principal and Interest Requirements on the Moral Obligation 2010B Bonds and any other Moral Obligation Bonds Outstanding in the then-current or any future Bond Year. See “Definition of Certain Terms” in Appendix B. On the date of delivery of the 2010B Bonds, the Capital Reserve Fund will contain an amount of not less than the CRF Reserve Requirement.

The Chairman of VRA is required to deliver annually to the Governor and the Secretary of Administration of the Commonwealth a certificate stating the amount, if any, necessary to restore the Capital Reserve Fund to its required level. Under the VRA Act, the General Assembly of the Commonwealth (the “General Assembly”) is authorized, but not obligated, to appropriate such amount. Amounts on deposit in the Capital Reserve Fund have not fallen below the CRF Reserve Requirement and, therefore, the General Assembly has not been called upon to appropriate funds for replenishment of the Capital Reserve Fund. See the heading “Capital Reserve Fund” in the subsection “SECURITY AND SOURCE OF PAYMENT FOR THE 2010B BONDS” in Section Two.

Each Infrastructure Revenue Bond, including each Infrastructure Revenue 2010B Bond, is payable and secured as described above on a parity with all other Infrastructure Revenue Bonds. Each Moral Obligation Bond, including each Moral Obligation 2010B Bond, is also payable and secured as described above on a parity with all other Moral Obligation Bonds. See the subsection “SECURITY AND SOURCE OF PAYMENT OF THE 2010B Bonds” in Section Two.

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The 2010B Bonds are the seventeenth series of Bonds issued under the Master Indenture. Prior Series of Bonds were issued on the dates and in the original principal amounts as set forth in the following chart:

<b>Prior Series of Bonds</b>		
<u>Issue Date</u>	<u>Principal Amount of Infrastructure Revenue Bonds Issued<sup>1</sup></u>	<u>Principal Amount of Moral Obligation Bonds Issued<sup>2</sup></u>
December 4, 2003	\$65,655,000	\$37,590,000
June 30, 2004	60,630,000	33,875,000
November 17, 2004	39,265,000	18,705,000
March 2, 2005	18,115,000	8,190,000
June 8, 2005	22,055,000	9,485,000
December 7, 2005	42,755,000	18,960,000
June 8, 2006	61,550,000	31,160,000
August 31, 2006	17,270,000	8,005,000
December 14, 2006	45,935,000	22,860,000
June 7, 2007	29,790,000	14,465,000
December 13, 2007	46,000,000	21,655,000
June 19, 2008	48,890,000	22,450,000
December 10, 2008	147,495,000	67,945,000
June 17, 2009	170,205,000	83,665,000
November 19, 2009	127,355,000	58,975,000
June 16, 2010	50,470,000	23,170,000

<sup>1</sup> Prior Series of Bonds issued on or before June 17, 2009 were issued with the designation "Senior Series."

<sup>2</sup> Prior Series of Bonds issued on or before June 17, 2009 were issued with the designation "Subordinate Series."

### **Local Obligations**

VRA has required that the specific amounts payable under the Local Obligations be sufficient in timing and amount, when combined with the investment earnings and balances expected to be transferred from the Capital Reserve Fund, to provide for the payment of the debt service on the Bonds and VRA's annual administrative fees and charges (the "Administrative Charges").

The security and sources of payment for each Local Obligation constituting a Local Bond will vary and may consist of (a) a pledge of the full faith and credit of the Local Government, (b) a pledge of certain revenues of the Local Government and funds and accounts established under the applicable bond resolution or indenture under and pursuant to which such Local Bond is issued, which pledge may be on a parity with or subordinate to the pledge applicable to other bonds of such Local Government, or (c) a combination of (a) and (b).

The security and sources of payment for each Local Obligation constituting a Financing Lease will be subject to annual appropriation by the governing body of the Local Government, which will be under no legal obligation to make such appropriation. **Under no circumstances will a Financing Lease constitute a debt of a Local Government or a pledge of the faith and credit or taxing power of a Local Government.**

See the subsection "SECURITY FOR THE LOCAL OBLIGATIONS" in Section Two and the subsection "THE 2010B LOCAL GOVERNMENT AND THE OTHER PARTICIPATING LOCAL GOVERNMENTS" in Section Three for a listing of the other Local Governments, and Appendix A for a general description of the characteristics of all Local Governments.

### **Investment Considerations**

Prospective purchasers of the 2010B Bonds should be aware that investment in the 2010B Bonds may entail some degree of risk. Payment of debt service due on the 2010B Bonds will depend in part on the timely payment by both the 2010B Local Government and the other Local Governments of debt service or rentals due on

their respective Local Obligations. The ability of the Local Governments to make such payments will depend on various economic and financial circumstances. In addition, payment of debt service on the 2010B Bonds will depend in part on earnings derived from the investment of the Capital Reserve Fund and certain other funds and accounts under the Indenture. There is no assurance, however, that VRA will realize earnings on its investments or will not suffer investment losses. The Capital Reserve Fund secures only the Moral Obligation Bonds, not the Infrastructure Revenue Bonds, and the Commonwealth's obligation to replenish the Capital Reserve Fund is subject to appropriation and not legally enforceable. See the subsections "SECURITY AND SOURCE OF PAYMENT FOR THE 2010B BONDS" and "INVESTMENT CONSIDERATIONS" in Section Two.

### **Delivery**

The 2010B 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 VRA by its general counsel, McCandlish Holton, PC, Richmond, Virginia, and for the Underwriters by their counsel, Troutman Sanders LLP, Richmond, Virginia. It is expected that the 2010B 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 18, 2010.

### **Ratings**

The 2010B Bonds have been rated as shown on the cover page hereto by Moody's Investors Service, Inc. ("Moody's"), 7 World Trade Center, 250 Greenwich Street, New York, New York, and Standard & Poor's Ratings Services ("Standard & Poor's" or "S&P"), 55 Water Street, New York, New York. A more complete description of the ratings is provided in the subsection "RATINGS" in Section Four.

### **Continuing Disclosure**

Each of (a) VRA, (b) the Commonwealth and (c) any Local Government that becomes a "Material Local Government" will 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 promulgated by the Securities and Exchange Commission (the "Rule"). Currently, no Local Government is a Material Local Government. 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, Davenport & Company, LLC, 901 East Cary Street, 14<sup>th</sup> Floor, Richmond, Virginia 23219 (804-697-2904).

## **SECTION TWO: THE 2010B BONDS**

### **AUTHORITY FOR ISSUANCE OF THE 2010B BONDS**

The 2010B Bonds are being issued pursuant to the Act, the 2010B Resolution and the Indenture. See Appendix B for a summary of certain provisions of the Indenture.

### **PLAN OF FINANCE**

VRA will apply the proceeds of the 2010B Bonds to (a) purchase or acquire the 2010B Local Obligation issued or entered into by the 2010B Local Government to finance a portion of the costs of a Qualified Project (as herein defined), (b) provide for the funding of the Capital Reserve Fund, and (c) pay costs of issuance. The 2010B Local Obligation will be structured to provide for payments of debt service or rentals at levels, together with expected Capital Reserve Fund earnings and released balances therefrom, sufficient in the aggregate to provide for the payment of the 2010B Bonds and VRA's administrative fee.

## DESCRIPTION OF THE 2010B BONDS

### General

The 2010B Bonds will be dated and will bear interest from their date of delivery, payable on May 1 and November 1 of each year, commencing May 1, 2011, and will mature on November 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 2010B 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 2010B 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 2010B Bonds. For so long as the 2010B 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 2010B Bonds, and references herein to the registered owner shall be to Cede & Co.

The Seventeenth Supplemental Series Indenture establishes the 15th day of the month preceding each interest payment date as the record date (the "Record Date") for the 2010B Bonds.

The 2010B Bonds are issuable as fully registered bonds in denominations of \$5,000 and integral multiples of \$5,000 not exceeding the aggregate principal amount of the 2010B Bonds. The 2010B 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 2010B Bonds, upon surrender thereof at said corporate trust office of the Trustee, with a written instrument of transfer satisfactory to the Trustee, duly executed in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of 2010B Bonds of the same Series, maturity and initial rate of any other authorized denominations. For every exchange or transfer of 2010B 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 2010B Bond for each maturity of each Series, in the applicable aggregate principal amount of such maturity, will be registered in the name of Cede & Co. and deposited with DTC, in accordance with the Seventeenth Supplemental Series Indenture. So long as 2010B 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 2010B 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 Appendix H.

### Redemption

*Optional Redemption.* The 2010B Bonds maturing on or after November 1, 2021\*, 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 or after November 1, 2020\*, at a redemption price equal to 100% of the principal amount to be redeemed together with the interest accrued thereon to the date fixed for redemption.

*Mandatory Sinking Fund Redemption.* The Infrastructure Revenue 2010B Bonds maturing on November 1, 2035\*, are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such Infrastructure Revenue 2010B Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

<u>Year</u>	<u>Amount</u>
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\* Preliminary, subject to change.

The Infrastructure Revenue 2010B Bonds maturing on November 1, 2040\*, are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such Infrastructure Revenue 2010B Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

<u>Year</u>	<u>Amount</u>
-------------	---------------

The Moral Obligation 2010B Bonds maturing on November 1, 2035\*, are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such Moral Obligation 2010B Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

<u>Year</u>	<u>Amount</u>
-------------	---------------

The Moral Obligation 2010B Bonds maturing on November 1, 2040\*, are subject to mandatory sinking fund redemption in part, on November 1 in the years and in the amounts set forth below, at a redemption price equal to 100% of the principal amount of such Moral Obligation 2010B Bonds to be redeemed plus the unpaid interest accrued thereon to the date fixed for redemption, all in the manner provided in the Indenture:

<u>Year</u>	<u>Amount</u>
-------------	---------------

*Manner and Notice of Redemption.* The maturities of the 2010B Bonds to be redeemed by optional redemption will be selected by VRA in its discretion. If less than all of the 2010B Bonds of a particular maturity are redeemed, the 2010B Bonds of such maturity to be redeemed will be selected by lot in such manner as the Trustee shall determine.

Each increment of \$5,000 of principal amount will be counted as one 2010B Bond for purposes of selecting 2010B Bonds for partial redemption. If a 2010B Bond is called for partial redemption, a new 2010B Bond representing any unredeemed balance will be issued to the holder.

Notice of redemption of the 2010B Bonds will be mailed by registered or certified mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the registered owners of the 2010B Bonds, or portions thereof, so called, but the failure to so mail such notice with respect to any particular 2010B Bonds will not affect the validity of such call for redemption of any 2010B Bonds with respect to which no such failure has occurred. Such notice may state that the redemption of the 2010B Bonds to be redeemed is conditioned upon the occurrence of certain future events, including, without limitation, the deposit of moneys, in

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\* Preliminary, subject to change.

an amount sufficient to effect the redemption, with the Trustee on or before the date fixed for redemption. All 2010B Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such 2010B Bonds in accordance with the Master Indenture are on deposit with the Trustee. If such moneys are not available on the redemption date, such 2010B 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 2010B Bonds called for redemption at the place or places of payment, such 2010B Bonds will be paid and redeemed provided sufficient funds are on deposit with the Trustee.

**So long as DTC or its nominee, Cede & Co., is the registered owner of the 2010B 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 defined in Appendix H) will be the sole responsibility of the respective Participants.**

### SOURCES AND USES OF FUNDS

It is anticipated that the proceeds of the 2010B Bonds and other available funds will be used as follows:

#### Sources

Par Amount  
Net Original Issue [Premium]

Total Sources \$ \_\_\_\_\_

#### Uses

Deposit to Acquisition Fund  
Deposit to Capital Reserve Fund<sup>1</sup>  
Costs of Issuance  
Underwriter's Discount

Total Uses \$ \_\_\_\_\_

<sup>1</sup>Amounts deposited in the Capital Reserve Fund secure the Moral Obligation Bonds; they do not secure the Infrastructure Revenue Bonds.

### SECURITY AND SOURCE OF PAYMENT FOR THE 2010B BONDS

#### Limited Obligations

*The 2010B Bonds are limited obligations of VRA. The principal of and premium, if any, and interest on the 2010B Bonds do not constitute a debt of the Commonwealth or any of its political subdivisions other than VRA. Neither the Commonwealth nor any political subdivision thereof, including VRA, will be obligated to pay the principal of or premium, if any, or interest on the 2010B 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 or any political subdivision thereof is pledged to the payment of the principal of or premium, if any, or interest on the 2010B Bonds. VRA has no taxing power.*

#### Infrastructure Revenue Bonds

*Source of Payment.* The Infrastructure Revenue 2010B Bonds and the other Infrastructure Revenue Bonds are payable solely from (a) the debt service and rental payments under the Local Obligations that have been pledged for such purpose, (b) amounts on deposit in certain funds and accounts created under the Indenture, including the Infrastructure Revenue Debt Service Fund, the Infrastructure Revenue Debt Service Reserve Fund (not currently required to be funded) and the Operating Reserve Fund, that have been pledged for such purpose and (c) the

earnings, if any, derived from the investment of such funds and accounts. See information under the headings “Establishment of Trusts” and “Establishment of Funds and Accounts” in Appendix B.

*Operating Reserve Fund.* The Indenture establishes an Operating Reserve Fund as security for the Infrastructure Revenue Bonds. As of June 30, 2010, the Operating Reserve Fund balance was \$7,244,864.89. No additional amounts are expected to be deposited in the Operating Reserve Fund in connection with the issuance of the 2010B Bonds. No Moral Obligation Bonds are, or will be, secured by the Operating Reserve Fund.

On each payment date, any amount on deposit in the Operating Reserve Fund will be transferred to the Infrastructure Revenue Debt Service Fund if and to the extent, after transfers from the Revenue Fund and the Infrastructure Revenue Debt Service Reserve Fund (not currently required to be funded), amounts on deposit in the Infrastructure Revenue Debt Service Fund are insufficient to pay the principal and interest due on the Infrastructure Revenue Bonds on such date. There is no minimum balance for the Operating Reserve Fund; amounts drawn from the Operating Reserve Fund, if any, to pay debt service on the Infrastructure Revenue Bonds will only be replenished to the extent required to meet the coverage tests set forth in the following paragraph.

Any amount on deposit in the Operating Reserve Fund (including accumulated investment earnings) which is not required to produce in the then-current and all future Bond Years (a) Revenue Coverage equal to the Required Revenue Coverage, (b) Infrastructure Revenue Bond Debt Service Coverage equal to the Required Infrastructure Revenue Bond Debt Service Coverage, and (c) Infrastructure Revenue Bond Revenue Coverage equal to the Required Infrastructure Revenue Bond Revenue Coverage may be transferred to VRA upon VRA’s filing of a Projected Revenue Certificate with the Trustee. See the definitions of such terms in Appendix B and information included under the headings “Operation of Revenue and Pledged Funds – Operating Reserve Fund” and “Seventeenth Supplemental Series Indenture – Restrictions on Withdrawal from Operating Reserve Fund” in Appendix B.

### **Moral Obligation Bonds**

*Source of Payment.* The Moral Obligation 2010B Bonds and the other Moral Obligation Bonds are payable solely from (a) the debt service and rental payments under the Local Obligations that have been pledged for such purpose, (b) amounts on deposit in certain funds and accounts created under the Indenture, including the Moral Obligation Revenue Debt Service Fund and the Capital Reserve Fund, that have been pledged for such purpose and (c) the earnings, if any, derived from the investment of such funds and accounts. See information under the headings “Establishment of Trusts” and “Establishment of Funds and Accounts” in Appendix B.

The Indenture provides that the pledge and grant of the Revenues securing the Moral Obligation 2010B Bonds and the other Moral Obligation Bonds is in all respects junior and subordinate to the pledge and grant securing the Infrastructure Revenue 2010B Bonds and the other Infrastructure Revenue Bonds.

*Capital Reserve Fund.* The Indenture establishes a Capital Reserve Fund with a CRF Reserve Requirement as security for the Moral Obligation Bonds issued under the Indenture. For so long as any of the Moral Obligation 2010B Bonds remain Outstanding, the CRF Reserve Requirement will be not less than an amount equal to the maximum Principal and Interest Requirements on the Moral Obligation Bonds Outstanding in the then-current or any future Bond Year. On the date of delivery of the 2010B Bonds, the Capital Reserve Fund will contain an amount of not less than the CRF Reserve Requirement derived from deposits of certain proceeds of the 2010B Bonds and previous Series of Bonds issued by VRA under the Virginia Pooled Financing Program. No Infrastructure Revenue Bonds are, or will be, secured by the Capital Reserve Fund. See information included under the heading “Operation of Revenue and Pledged Funds – Capital Reserve Fund” in Appendix B.

The amounts on deposit in the Capital Reserve Fund will be used solely to cure any deficiencies in the amount on deposit in the Moral Obligation Debt Service Fund to pay the principal of and interest on the Moral Obligation Bonds when due.

On the tenth day after each interest payment date and any other Reserve Determination Date, the Trustee is required to determine whether amounts on deposit in or credited to the Capital Reserve Fund are at least equal to the CRF Reserve Requirement.

The Act and the Indenture also provide that to maintain the Capital Reserve Fund at the CRF Reserve 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 the CRF Reserve Requirement. For this purpose, the Chairman will disregard any deficiency resulting solely from the valuation of investments in the Capital Reserve Fund (as opposed to a transfer therefrom to the Moral Obligation Debt Service Fund due to a default on a Local Obligation).

Within five (5) days after the beginning of each 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 required, if any, to restore the Capital Reserve Fund to the CRF Reserve Requirement. The General Assembly may, but is not legally obligated to, appropriate to VRA such amount. Any amounts so appropriated and paid shall be delivered by VRA to the Trustee for deposit in the Capital Reserve Fund. Amounts on deposit in the Capital Reserve Fund have not fallen below the CRF Reserve Requirement and, therefore, the General Assembly has not been called upon to appropriate funds for replenishment of the Capital Reserve Fund. **Neither this nor any other provision of the Act or the Indenture creates a debt or liability or pledges the faith and credit of the Commonwealth to make any appropriation or payments to VRA for this or any other purpose.**

The General Assembly meets in each even numbered year to establish, among other things, 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 when amendments to the appropriations act enacted in the previous year and supplemental appropriations may be made.

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.

Any interest earned from the investment of money in the Capital Reserve Fund will be transferred immediately upon receipt to the Revenue Fund or Rebate Funds to the extent that such transfers will not cause the Capital Reserve Fund to contain less than the CRF Reserve Requirement. The Indenture provides that if the balance on deposit in the Capital Reserve Fund otherwise exceeds the CRF Reserve Requirement, the Trustee will transfer the surplus to the Revenue Fund or Rebate Funds or otherwise as specified by VRA pursuant to the Indenture.

The 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 2010B Bonds are paid in full.

*Investments in Capital Reserve Fund.* The Seventeenth Supplemental Series Indenture provides that, as long as any of the Moral Obligation 2010B Bonds remain Outstanding, each investment or the provider of each investment purchased with amounts in the Capital Reserve Fund must have a rating at least equal to the then-current rating assigned by each Rating Agency to the Moral Obligation Bonds Outstanding. All of the investments in the Capital Reserve Fund meet this requirement.

*Release of Moral Obligation.* The Indenture permits VRA, by resolution of its Board of Directors and without obtaining the consent of the Trustee or any Owners of the Bonds, to establish the "Minimum CRF Reserve Requirement," an amount that is the minimal requirement for the Capital Reserve Fund for purposes of seeking appropriations from the General Assembly to restore deficiencies therein, at an amount less than the CRF Reserve Requirement. Such action requires VRA to satisfy the following two conditions: (a) the resolution must contain a finding by VRA's Board of Directors that such action is not reasonably expected to affect adversely VRA's ability to pay debt service on the Moral Obligation Bonds and (b) VRA must file with the Trustee written confirmation from each Rating Agency providing a rating on any Moral Obligation Bonds that its then-current rating on the Moral Obligation Bonds will not be withdrawn or downgraded as a result of such action.

### **Debt Service Requirements for Bonds**

VRA has required and will continue to require the Local Governments to establish the scheduled debt service or rental payment dates and amounts under their Local Obligations to provide for, when combined with the

estimated investment earnings and the balances scheduled to be released from the Capital Reserve Fund, the timely payment of the principal of and premium, if any, and interest on the 2010B Bonds, all other Bonds, and VRA's Administrative Charges. See the subsection "PROJECTED CASH FLOWS" in this Section Two.

### **Parity Status**

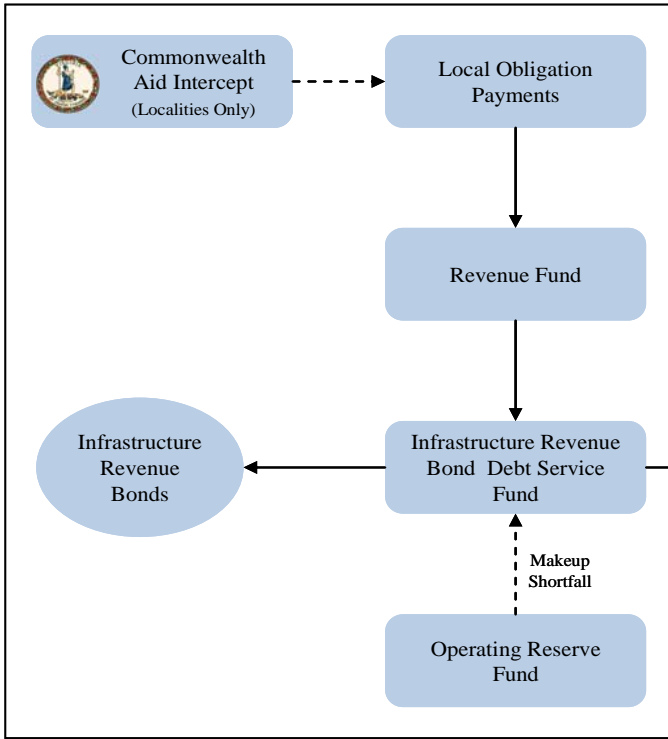
Each Infrastructure Revenue Bond, including each Infrastructure Revenue 2010B Bond, is payable and secured as described in this subsection on a parity with all other Infrastructure Revenue Bonds. Each Moral Obligation Bond, including each Moral Obligation 2010B Bond, is also payable and secured as described in this subsection on a parity with all other Moral Obligation Bonds. This means, for example, that a default in the payment of a Local Obligation, even if the Local Obligation is not a 2010B Local Obligation, may result in a shortfall of Revenues available to pay the scheduled debt service payments on the Moral Obligation 2010B Bonds, as well as all of the other Moral Obligation Bonds then Outstanding. Additionally, in the unlikely event of defaults on multiple Local Obligations, Revenues may not be sufficient to pay scheduled debt service on the Infrastructure Revenue 2010B Bonds, as well as the other Infrastructure Revenue Bonds then outstanding.

### **Flow of Funds**

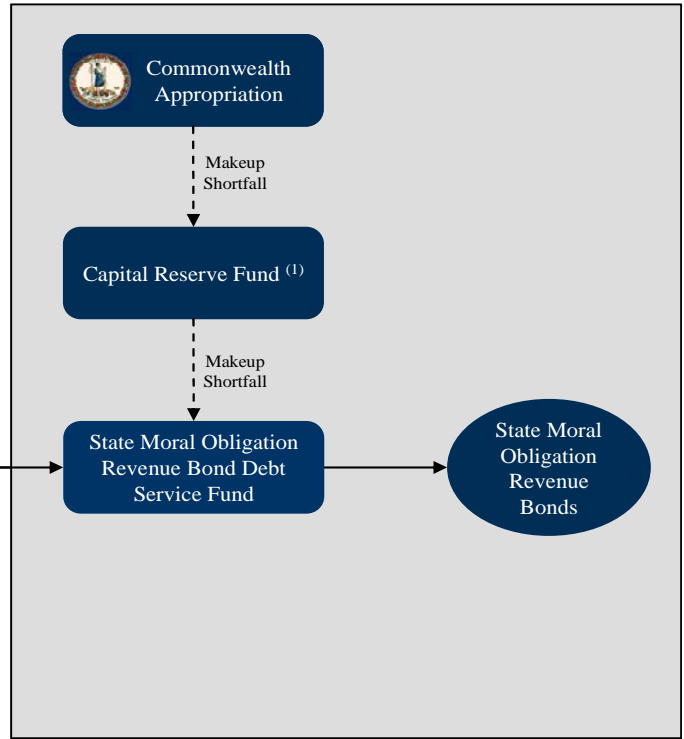
The chart on the following page presents the flow of funds through the funds and accounts established under the Indenture.

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### Infrastructure Revenue Bonds



### State Moral Obligation Revenue Bonds



(1) Earnings on the Capital Reserve Fund Investments Flow into the Revenue Fund

## ADDITIONAL INDEBTEDNESS

VRA may issue additional Series of Bonds (including either Infrastructure Revenue Bonds or Moral Obligation Bonds) under the Master Indenture subject to certain conditions and limitations set forth in the Master Indenture, including the provision of a Projected Revenue Certificate to the Trustee, which will, giving effect to the issuance of such Series of Bonds, show for each Bond Year (a) Revenue Coverage equal to at least Required Revenue Coverage, (b) Infrastructure Revenue Bond Debt Service Coverage equal to at least Required Infrastructure Revenue Bond Debt Service Coverage and (c) Infrastructure Revenue Bond Revenue Coverage equal to at least Required Infrastructure Revenue Bond Revenue Coverage. The Projected Revenue Certificate will set forth the following:

(a) A schedule of estimated amounts of the following types of Revenues to be available in the then-current and each future Bond Year for the payment of the Principal and Interest Requirements of all of the Bonds and the Administration Charges: (i) scheduled Local Obligation Payments, except on Defaulted Local Obligations, (ii) income receivable from the investment of amounts from time to time held in the Infrastructure Revenue Debt Service Reserve Fund (not currently required to be funded) and the Capital Reserve Fund, (iii) amounts scheduled to be released from the Infrastructure Revenue Debt Service Reserve Fund or the Capital Reserve Fund as a result of the payment at maturity or pursuant to the Amortization Requirements of the Bonds Outstanding and, if applicable, then to be issued, and (iv) any other amounts identified as Revenues in the Projected Revenue Certificate and in a Supplemental Indenture, if there is filed with the Trustee written confirmation from each Rating Agency that the inclusion thereof will not result in the withdrawal or reduction of its then-current rating on any of the Bonds Outstanding.

(b) A schedule of estimated amounts of the following sources to be available in the then-current and each future Bond Year for the payment of the Principal and Interest Requirements of the Infrastructure Revenue Bonds: (i) investment earnings on amounts in the Operating Reserve Fund, (ii) amounts, if any, which are or will be on deposit in the Operating Reserve Fund, and (iii) any other revenues or amounts identified in the Projected Revenue Certificate and in a Supplemental Indenture as Infrastructure Revenue Bond Revenues or Fund balances available for the payment of the Principal and Interest Requirements of the Infrastructure Revenue Bonds, if there is filed with the Trustee written confirmation from each Rating Agency that the inclusion thereof will not result in the withdrawal or reduction of its then-current rating on any of the Infrastructure Revenue Bonds Outstanding.

(c) A schedule of the Principal and Interest Requirements and all Administrative Charges scheduled to become due and payable on each Payment Date in the then-current and each future Bond Year with respect to all Bonds Outstanding and, if applicable, then to be issued.

(d) A schedule of the Principal and Interest Requirements scheduled to become due and payable on each Payment Date in the then-current and each future Bond Year with respect to all Infrastructure Revenue Bonds Outstanding and, if applicable, then to be issued.

(e) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in clauses (a) and (b)(i), and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements and Administrative Charges set forth in clause (c) for the same Bond Year (“Revenue Coverage”).

(f) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in clauses (a) and (b)(i), and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements set forth in clause (d) for the same Bond Year (“Infrastructure Revenue Bond Revenue Coverage”).

(g) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in clauses (a) and (b)(i), and (iii) and the Fund balances set forth in clause (b)(ii) and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements set forth in clause (d) for the same Bond Year (“Infrastructure Revenue Bond Debt Service Coverage”).

In projecting the foregoing, VRA will make the following assumptions: (A) Revenues set forth in clause (a) that are scheduled to be retained in the Revenue Fund pursuant to the Indenture will be reflected as Revenues

only with respect to the Payment Dates on which the Trustee is to be directed to apply such retained amounts, (B) invested funds will yield an investment return equal to the actual return at the time of the projection net of any Rebate Amounts to be paid therefrom and will be invested until such time as they are to be applied to the purpose for which they are accumulated; (C) no Local Obligations will be acquired by VRA after the date of the Projected Revenue Certificate; and (D) Administrative Charges will be collected for the remaining term of each Local Obligation at the rate or rates in effect at the time of the calculation.

So long as any 2010B Bonds remain Outstanding, Required Infrastructure Revenue Bond Revenue Coverage shall mean 120% for purposes of any Projected Revenue Certificate delivered in connection with the issuance of additional Infrastructure Revenue Bonds. Both Required Revenue Coverage and Required Infrastructure Revenue Bond Debt Service Coverage will mean 100% or such higher percentage as may be specified in a future Supplemental Series Indenture.

VRA currently anticipates issuing an additional Series of Bonds under the Master Indenture on or about December 2010. See information included under the heading "Issuance of Bonds" in Appendix B for more information regarding the conditions for issuing additional Bonds.

## **SECURITY FOR THE LOCAL OBLIGATIONS**

### **General**

VRA's ability to make timely payments of the debt service on the 2010B Bonds is dependent in part on Local Governments making timely payments on their respective Local Obligations. It is possible that a Local Government will be unable to make a timely payment on its Local Obligation. The Bonds Outstanding, including the 2010B Bonds, have been structured so as to minimize the risk that a default or event of non-appropriation by a Local Government on its Local Obligations will cause a default thereon. Payment of debt service on each Local Obligation will be due at least thirty (30) days prior to the corresponding payment dates of the Bonds.

Under the Indenture, VRA has pledged all of its right, title and interest in and to the Local Obligations (except for the remedies related to the Commonwealth Aid Intercept Provision discussed below) and the payments thereunder to the Trustee for the benefit of the owners from time to time of the Bonds; provided that VRA has reserved the right and license to enjoy and enforce VRA's rights under the Local Obligations so long as no Event of Default with respect to the Bonds shall have occurred and be continuing. Set forth below are descriptions of certain matters relating to the security for the payment of the Local Obligations. As described above, the Local Obligations consist of Local Bonds and Financing Leases.

Only Material Local Governments (as defined in the subsection "CONTINUING DISCLOSURE UNDER RULE 15c2-12" in Section Four) are required to file limited continuing disclosure as described in the subsection "CONTINUING DISCLOSURE UNDER RULE 15c2-12" in Section Four. As of the date hereof, there are no Material Local Governments. No information is being provided herein regarding the financial and operating conditions of the 2010B Local Government or any of the other Local Governments.

### **Local Bonds**

Each Local Bond will evidence the obligation of the Local Government issuing such bond to repay the principal amount thereof, together with interest on the unpaid principal amount. Local Bonds may be issued and secured as general obligation bonds, revenue bonds or double barrel bonds, and VRA will purchase each Local Bond pursuant to an agreement with the respective Local Government (each an "Agreement").

*General Obligation Bond Local Government.* A Local Government issuing general obligation Local Bonds (each a "General Obligation Bond Local Government") will pledge its full faith and credit to secure the payment of the principal of and interest on its Local Bonds. A General Obligation Bond Local Government 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 Bonds to the extent other funds of such Local Government are not lawfully available and appropriated for such purpose.

*Revenue Bond Local Government.* Subject to the Local Government's right to apply revenues to the payment of certain operating, maintenance and replacement expenses and, in some cases, senior indebtedness, a Local Government issuing revenue Local Bonds (each a "Revenue Bond Local Government") will pledge the revenues from the ownership or operation or lease of its water supply system, wastewater treatment system, public safety facility, a public transportation facility and/or solid waste disposal system, as the case may be (each a "System"), and certain other funds, if any, to the payment of principal of and premium, if any, and interest on its Local Bonds and its payment obligations under a financing agreement with VRA. VRA may seek, as additional security for certain revenue Local Bonds, a moral obligation agreement or a general obligation guaranty from the Revenue Bond Local Government or a related Local Government that provides for such Local Government to consider appropriating moneys sufficient to cure deficiencies in the amount of revenues available to pay debt service due on the Local Bonds. 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 Local Government.

*Double Barrel Bond Local Government.* Certain Local Governments may pledge both the revenues of their Systems and their full faith and credit to secure their Local Bonds (each a "Double Barrel Bond Local Government").

*Terms of the Agreements.* Pursuant to the Agreements, VRA will agree to purchase the Local Bonds and each Local Government will agree to pay amounts due on its Local Bond to the Trustee, as assignee of VRA, including any amounts required to replenish amounts withdrawn from and foregone investment earnings on the Infrastructure Revenue Debt Service Reserve Fund (not currently required to be funded), the Operating Reserve Fund and the Capital Reserve Fund, as applicable, due to a failure by the Local Government to make a payment due under its Local Bonds. The Agreements will contain, among other things, certain covenants relating to preserving the tax status of interest on the 2010B Bonds and the provision of annual audited financial statements of the Local Governments.

Revenue Bond Local Governments are expected to covenant under their Agreements to charge rates or fees for the use of and the service of the water, wastewater, public safety, public transportation and/or solid waste system sufficient at all times to produce net revenues to pay debt service on all bonds payable therefrom, including the Local Bonds. Revenue Bond Local Governments may also be required to establish reserve accounts in connection with their Local Bonds.

For General Obligation Bond Local Governments and Double Barrel Bond Local Governments, such Local Governments are expected to covenant that ad valorem taxes will be levied upon all property subject to taxation in amounts sufficient to pay debt service on their Local Bonds to the extent other funds of such Local Government are not lawfully available and appropriated for such purpose. A General Obligation Bond Local Government 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 Local Government) only from legally available and appropriated funds.

Each Agreement will require that the Local Government apply the proceeds from the sale of its Local Bond to finance or refinance the costs of its particular project and facility related to water supply, wastewater treatment, solid waste management, recycling, resource recovery, energy conservation and efficiency, transportation, public safety, land conservation and preservation, parks and recreation, professional sports facilities, federal facilities (and former federal facilities), brownfield remediation and redevelopment, local government buildings, broadband, governmental airports, flood prevention and dam safety, together with related equipment, office, administrative, storage, and maintenance facilities, as well as interests in land related thereto (each a "Qualified Project" and collectively, "Qualified Projects"). In the case of a new construction financing, VRA will cause the Trustee to disburse money from the Acquisition Fund from time to time to or for the account of the Local Government upon the receipt of a written requisition in the form prescribed by the Agreement.

Each Revenue Bond Local Government and Double Barrel Bond Local Government will agree to maintain its Qualified Projects, to maintain insurance with respect thereto and to collect revenues or lease payments of such system or facility.

Except as otherwise agreed by VRA or provided in the Agreement, the bond resolution or indenture of the Revenue Bond Local Government and Double Barrel Bond Local Government, such Local Government will agree not to incur any indebtedness or issue any bonds, notices or other evidences of indebtedness secured by a pledge of system revenues, except subordinate bonds and parity bonds and those only within certain limitations.

Each Agreement will provide that if (a) a Local Government fails to pay when due any amount required to be paid under its Local Bonds, (b) a Local Government fails to make any other payment due under the Agreement (after a 15-day grace period expires) or to perform or observe the covenants, agreements or conditions of the Agreement (after a 60-day grace period expires), (c) any of the Local Government's warranties, representations or other statements contained in the Agreement or any instrument furnished in connection with the issuance and sale of its Local Bonds is false or misleading or (d) there shall occur certain events of insolvency or events affecting creditor's rights, then such events will constitute events of default under the Agreement.

Upon the occurrence of an event of default under an Agreement, VRA will have the contractual right to take any action permitted by the Agreement or the bond resolution of each Local Government or to take any other legal or equitable action, including the appointment of a receiver, necessary or desirable to collect any amounts due and to enforce any duty, covenant or agreement of the Local Government.

### **Financing Leases**

Any Local Government entering into a Financing Lease with VRA (a "Financing Lease Local Government") will lease a Qualified Project from VRA. In certain instances, such as joint ownership of a Qualified Project in which a Local Government is unable to lease its interest, VRA may accept substitute real property as security under the Financing Lease. The term of the Financing Lease will commence on the date of issuance and delivery of the related Series of Bonds and will terminate upon payment of all rentals owed by the Financing Lease Local Government under the Financing Lease. The lease arrangement may involve an original prime lease of the Qualified Project from such Local Government to VRA and the re-lease of such project to such Local Government pursuant to the Financing Lease.

The Financing Lease will contain, among other things, certain covenants relating to the tax status of interest on the corresponding Series of Bonds and the provision of annual audited financial statements of the Financing Lease Local Government.

The Financing Lease will require that the Local Government apply the proceeds of the Financing Lease to finance or refinance the costs of the Qualified Project.

The Financing Lease Local Government will agree to maintain or cause to be maintained the Qualified Project and to maintain or cause to be maintained insurance against risks which are customarily insured against by public bodies with respect thereto.

No part of the Qualified Project shall be sold, exchanged, leased, subleased, mortgaged, encumbered or otherwise disposed of except with the written consent of VRA.

In a Financing Lease, the rental payments are structured in amounts expected to be sufficient to pay the Financing Lease Local Government's proportionate share of debt service payments on the related Series of Bonds. The Financing Lease also provides for additional rental payments for items including deficiencies in the Infrastructure Revenue Debt Service Reserve Fund (not currently required to be funded), the Operating Reserve Fund or the Capital Reserve Fund, as applicable, caused by a payment default, rebate amounts, late payment penalties, and certain Trustee fees and costs and expenses of VRA.

Pursuant to the Financing Lease, the Financing Lease Local Government will direct the officer charged with the responsibility of preparing such Local Government's budget to include in the budget for each fiscal year during the term of the Financing Lease a request that the governing body of such Local Government appropriate in the fiscal year all rental payments and other payments due under the Financing Lease during such fiscal year. If at any time during any fiscal year the amount appropriated in the budget is insufficient to pay when due amounts due under the Financing Lease, the Financing Lease Local Government will direct the officer charged with the responsibility of preparing the budget to submit to the governing body of such Local Government at its next

regularly scheduled meeting or at least within forty-five (45) days a request for a supplemental appropriation sufficient to cover the deficit.

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

If the governing body of the Financing Lease Local Government fails to appropriate funds for amounts due under the Financing Lease or such Local Government 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 such Local Government from possession of its Qualified Project (subject to certain imposed public policy concerns and legal restrictions that may limit VRA's right to exclude such Local Government from possession or the general public from the use of the Qualified Project depending on the type of Qualified Project), with or without terminating the Financing Lease and re-lease all or any portion of the Qualified Project, applying the proceeds in accordance with the Indenture. The Local Government may reinstate the Financing Lease upon satisfaction of certain conditions. In most lease arrangements, VRA will hold only a leasehold interest in the Qualified Project and thus, in exercising its rights upon an event of default or an event of non-appropriation by the Financing Lease Local Government, VRA may not sell the Qualified Project but may only re-lease its interests in the Qualified Project to a third party. Financing Leases providing funding for Qualified Projects relating to public roads may be subject to various rights of the Virginia Department of Transportation, adjacent landowners and the traveling public relating to the operation and maintenance of the Qualified Project as a public road. Such rights may limit VRA's ability to re-lease the Qualified Project upon an event of default or non-appropriation by the respective Financing Lease Local Government.

### **Commonwealth Aid Intercept Provision**

The Local Obligations of Local Governments that are counties, cities and towns (each a "General Purpose Local Government") 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 Local Government 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 Local Government of all or any portion of the funds appropriated and payable by the Commonwealth to such General Purpose Local Government 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 Local Government).

In addition, the Local Bonds of a General Obligation Bond Local Government are 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 Local Government other than from the funds appropriated and payable to the defaulting Local Government. Commonwealth aid that is payable to Local Governments 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.

To date, no order has been issued to withhold funds pursuant to Section 62.1-216.1 of the Act.

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

VRA has covenanted in the Master Indenture to take any and all actions available to it under the laws of the Commonwealth (including the Commonwealth Aid Intercept Provision) to obtain Local Obligation Payments if a General Purpose Local Government fails to make such payments when the same become due and payable. The Trustee, on behalf of the Bondholders, may request VRA to take such actions, but the Trustee has not been assigned the right to exercise unilaterally without the cooperation of VRA the remedies granted to VRA under the Commonwealth Aid Intercept Provision. 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.

#### **VRA LICENSE**

All of the property pledged to the Trustee will be held in trust by the Trustee for the equal and proportionate benefit of the Owners from time to time of the 2010B Bonds and all other Bonds Outstanding under the Indenture. However, VRA has reserved the right and license to enjoy and enforce VRA's rights with respect to the Local Obligations so long as no Event of Default with respect to the Bonds has occurred. This means, among other things, that, so long as no Event of Default has occurred, VRA may agree to amend the Local Obligations without the consent of the Trustee or the Owners of the Bonds and may also exercise the right to accelerate the maturity of all payments of the Local Government due or to become due under a Local Obligation. However, if an Event of Default with respect to the Bonds shall have occurred and be continuing, the Trustee will instead have such rights.

#### **PROJECTED CASH FLOWS**

The following projected cash flow schedule illustrates on an annual basis the projected amounts of Revenues and the debt service requirements on the 2010B Bonds and the other Bonds Outstanding on the date of delivery of the 2010B Bonds and the scheduled Administrative Charges. All of the projections of Revenues are estimates, and are based upon the timely payment of amounts due under all of the Local Obligations and the investments held in the funds and account established under the Indenture, including without limitation the Operating Reserve Fund and the Capital Reserve Fund.

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**Projected Cash Flow for the Virginia Pooled Financing Program\***

<b>Period Ending November 1</b>	<b>Total Loan Receipts</b>	<b>Infrastructure Revenue Bonds Debt Service</b>	<b>Total Infrastructure Revenue Bond Coverage</b>	<b>Anticipated CRF Investment Receipts</b>	<b>Moral Obligation Bonds Debt Service Plus Admin Fee</b>	<b>Total Moral Obligation Coverage</b>
2010	\$ 73,123,991.39	\$ 50,564,292.08	<b>1.45x</b>	\$ 1,263,605.52	\$ 23,823,304.83	<b>1.00x</b>
2011	105,983,287.75	73,221,563.25	<b>1.45x</b>	2,901,868.75	35,663,593.25	<b>1.00x</b>
2012	109,128,119.44	76,477,107.25	<b>1.44x</b>	2,554,968.75	35,205,980.94	<b>1.00x</b>
2013	106,984,698.56	73,841,175.25	<b>1.45x</b>	5,364,793.75	38,508,317.06	<b>1.00x</b>
2014	112,012,562.75	76,751,581.75	<b>1.46x</b>	2,418,443.75	37,679,424.75	<b>1.00x</b>
2015	109,102,062.00	73,467,912.75	<b>1.49x</b>	2,418,262.50	38,052,411.75	<b>1.00x</b>
2016	115,161,357.50	74,771,943.00	<b>1.54x</b>	3,373,081.25	43,762,495.75	<b>1.00x</b>
2017	108,932,057.25	70,871,254.00	<b>1.54x</b>	11,402,143.75	49,662,947.00	<b>1.00x</b>
2018	94,753,327.25	66,026,438.00	<b>1.44x</b>	1,918,513.75	30,645,403.00	<b>1.00x</b>
2019	93,777,739.88	65,261,613.00	<b>1.44x</b>	2,233,513.75	30,749,640.63	<b>1.00x</b>
2020	86,442,794.75	60,202,000.50	<b>1.44x</b>	3,986,307.50	30,227,101.75	<b>1.00x</b>
2021	84,513,863.88	58,849,852.63	<b>1.44x</b>	2,335,407.50	27,999,418.75	<b>1.00x</b>
2022	81,383,859.50	56,645,869.50	<b>1.44x</b>	1,794,407.50	26,532,397.50	<b>1.00x</b>
2023	78,433,975.88	54,557,039.50	<b>1.44x</b>	1,794,207.50	25,671,143.88	<b>1.00x</b>
2024	77,355,130.38	53,809,961.50	<b>1.44x</b>	1,909,007.50	25,454,176.38	<b>1.00x</b>
2025	77,933,910.00	54,299,720.63	<b>1.44x</b>	2,639,057.50	26,273,246.88	<b>1.00x</b>
2026	71,271,266.38	49,640,332.50	<b>1.44x</b>	2,678,788.75	24,309,722.63	<b>1.00x</b>
2027	61,852,051.88	43,124,639.38	<b>1.43x</b>	2,994,020.00	21,721,432.50	<b>1.00x</b>
2028	59,108,846.25	41,214,946.25	<b>1.43x</b>	5,503,032.50	23,396,932.50	<b>1.00x</b>
2029	47,945,235.63	33,425,009.38	<b>1.43x</b>	2,459,795.00	16,980,021.25	<b>1.00x</b>
2030	41,024,288.75	28,583,617.50	<b>1.44x</b>	4,291,763.75	16,732,435.00	<b>1.00x</b>
2031	33,340,731.25	23,245,240.00	<b>1.43x</b>	1,417,401.25	11,512,892.50	<b>1.00x</b>
2032	31,842,548.75	22,194,982.50	<b>1.43x</b>	1,695,731.25	11,343,297.50	<b>1.00x</b>
2033	30,184,633.75	21,067,755.00	<b>1.43x</b>	2,695,993.75	11,812,872.50	<b>1.00x</b>
2034	25,763,956.25	17,947,750.00	<b>1.44x</b>	17,251,468.75	25,067,675.00	<b>1.00x</b>
2035	20,627,468.75	14,392,767.50	<b>1.43x</b>	2,008,087.50	8,242,788.75	<b>1.00x</b>
2036	18,863,977.50	13,165,391.25	<b>1.43x</b>	1,419,737.50	7,118,323.75	<b>1.00x</b>
2037	15,151,171.25	10,570,770.00	<b>1.43x</b>	1,234,918.75	5,815,320.00	<b>1.00x</b>
2038	12,112,217.50	8,439,263.75	<b>1.44x</b>	2,780,918.75	6,453,872.50	<b>1.00x</b>
2039	4,814,882.50	3,363,525.00	<b>1.43x</b>	558,737.50	2,010,095.00	<b>1.00x</b>
2040	<u>3,406,465.00</u>	<u>2,388,750.00</u>	<b>1.43x</b>	<u>1,183,237.50</u>	<u>2,200,952.50</u>	<b>1.00x</b>
Totals	<u>\$1,992,332,479.51</u>	<u>\$1,372,384,064.58</u>		<u>\$100,481,223.02</u>	<u>\$720,429,637.96</u>	

**INVESTMENT CONSIDERATIONS**

*Prospective purchasers of the 2010B Bonds should be aware that investment in the 2010B Bonds entails some degree of risk. Each prospective investor in the 2010B 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 2010B Bonds and which could also affect the market price of the 2010B 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 2010B Bonds and all other Bonds heretofore or hereafter issued under the Indenture are limited obligations of VRA payable only from the Revenues and funds and accounts specifically pledged thereto. VRA has no taxing power. Accordingly, investors should consider only the sources of payment and security described under the subsection "SECURITY AND SOURCE OF PAYMENT FOR THE 2010B BONDS" in this Section Two.

\* Preliminary, subject to change.

## **Possible Defaults on Local Bonds**

The ability of the Local Governments to make payments or timely payments of debt service due on their respective Local Obligations will depend on various economic and financial circumstances. VRA expects some of the Local Bonds to be revenue obligations payable from the net revenues from the ownership, operation or lease of particular municipal water supply, wastewater treatment, public safety, public transportation and/or solid waste disposal systems. Other Local Bonds will be general obligations payable from tax levies. The remainder of the Local Bonds will be “double barrel” obligations payable from both such sources. While VRA does not expect a default in the payment of debt service due on any Local Bonds, there can be no assurance that Local Governments will not default on the Local Bonds.

Under the VRA Act, if a Local Government defaults in the payment of principal of or interest on any Local Bond 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 each Agreement, 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 Local Government or to take any other legal or equitable action, including the appointment of a receiver, necessary or desirable to collect any amounts due and to enforce any duty, covenant or agreement of the Local Government. 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 Bonds. All remedies are subject to bankruptcy, insolvency and other similar state and federal laws. Presently, Virginia Local Governments are not authorized to file for bankruptcy protection.

To date, there have been no payment defaults on any Local Obligations.

## **Events of Non-Appropriation and Defaults Under Financing Leases**

The obligation of the Financing Lease Local Governments to make payments under their respective Financing Leases is subject to and dependent upon amounts being lawfully available and appropriated from time to time by the governing body of such Local Government. The obligation of a Financing Lease Local Government to make payments under its Financing Lease is not a debt of such Local Government within the meaning of any constitutional or statutory limitation or a pledge of the faith and credit or the taxing power of such Local Government.

Pursuant to the Financing Leases, in the event that sufficient funds are not budgeted and appropriated by the governing body of the Financing Lease Local Government for the payment of its obligations under the Financing Lease and such Local Government defaults or fails to make payments under the Financing Lease, VRA may terminate the Financing Lease without penalty and may take possession of and re-lease the Qualified Project. Since the re-leasing of a Qualified Project may not be possible on terms as favorable as those of the Financing Lease there can be no assurance that the Rental Payments on the Financing Lease expected to be received will in fact be received. In addition, the ability of VRA to exclude a Financing Lease Local Government from possession in order to exercise VRA’s remedy to re-lease a Qualified Project to a third-party may be limited by certain imposed public policy concerns or legal restrictions (and, in the case of Qualified Projects for public roads, rights of the Virginia Department of Transportation, adjacent landowners and the traveling public) and may require judicial action, which is often subject to discretion and delay.

Moreover, if VRA exercises its rights to re-lease its interest in a Qualified Project, depending on the new user, interest paid on the Financing Lease may not be excludable from gross income for federal income tax purposes, which, in turn, may adversely affect the tax-exempt status of any Bonds the interest on which was intended to be excludable from gross income for federal income tax purposes.

To date, no Financing Lease Local Government has failed to timely appropriate funds.

## **Investment of Certain Funds**

Amounts on deposit in the funds and accounts under the Indenture may be invested in various permitted investments. It is expected that substantially all of such amounts will be invested in guaranteed investment contracts

(“GICs”) or obligations of the United States. The Indenture authorizes investments in GICs as permitted by the Act and in accordance with the provisions of VRA’s investment policy. The GICs may be subject to early termination upon certain events, in which case the Trustee may have the right to require the return of certain funds or the repurchase of certain securities held pursuant to the GICs. In addition, the GICs may be subject to certain other risks, including bankruptcy or insolvency of the party with which such funds have been invested under such GIC or which has guaranteed such GIC. See information included under the heading “Restrictions on Permitted Investments” in Appendix B.

### **No Acceleration Upon Default of Bonds**

The principal of and interest on the Bonds is not subject to acceleration upon the occurrence and continuation of an Event of Default. Owners of Bonds will therefore be required to collect debt service payments on the Bonds due after an Event of Default based on the Bonds’ scheduled payment dates from the Revenues and other property pledged under the Indenture which may not be sufficient to make such payments.

### **Additional Risks of Moral Obligation Bonds**

Payment of debt service on the Moral Obligation Bonds is subordinate to certain payment priorities, including payment of debt service on Infrastructure Revenue Bonds. See information included under the heading “Flow of Funds” in the subsection “SECURITY AND SOURCE OF PAYMENT FOR THE 2010B BONDS” in this Section Two. Timely payment of debt service on the Moral Obligation Bonds is dependent upon Revenues being available in sufficient amounts to satisfy all claims on such Revenues that are payable prior to payment of debt service on the Moral Obligation Bonds, including debt service on the Infrastructure Revenue Bonds. Moreover, VRA may issue additional Infrastructure Revenue Bonds in the future without the consent of the Owners of the Moral Obligation Bonds. See information included under the subsection “ADDITIONAL INDEBTEDNESS” in this Section Two.

The failure to pay any amount related to the Moral Obligation Bonds will not constitute an Event of Default on the Infrastructure Revenue Bonds. So long as Infrastructure Revenue Bonds are Outstanding, the Owners of such Bonds will control and direct all actions of the Trustee in exercising remedies upon an Event of Default, and no Owner of any Moral Obligation Bond may control or direct the exercise of such remedies.

### **Capital Reserve Fund Replenishment**

The Act and the Indenture provide for the Governor of the Commonwealth 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 the CRF Reserve Requirement. The General Assembly may, but is not legally obligated to, appropriate to VRA such amount. Amounts on deposit in the Capital Reserve Fund have not fallen below the CRF Reserve Requirement and, therefore, the General Assembly has not to date been called upon to appropriate funds for replenishment of the Capital Reserve Fund. Neither this nor any other provision of the Act or the Indenture creates a debt or liability or pledges the faith and credit of the Commonwealth to make any appropriation or payments to VRA for this or any other purpose. **The Capital Reserve Fund secures only the Moral Obligation 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 lending the proceeds thereof and other funds to Local Governments to be identified in the future. VRA expects to acquire additional Local Obligations in amounts and at interest rates which have not yet been determined. Thus, the credit quality of the Local Obligations cannot be evaluated only on the basis of the Local Obligations already held or proposed to be acquired with the net proceeds of the 2010B Bonds. Although additional Series of Bonds are authorized only if sufficient Local Governments meet the credit standards, the credit standards may be changed or waived at the discretion of VRA. For a description of VRA’s credit standards, see the subsection “THE VIRGINIA POOLED FINANCING PROGRAM” in Section Three.

## 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, the costs of Qualified Projects, and to encourage the investment of both public and private funds to make loans and grants available to local governments for Qualified Projects. 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 in the original aggregate principal amount of \$1,640,989,229 of which \$670,631,192 was outstanding as of June 30, 2010. In addition, VRA has issued bonds that are not backed by the moral obligation of the Commonwealth in the original aggregate principal amount of \$2,407,690,000, of which \$1,812,470,000 was outstanding as of June 30, 2010.

#### 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 Deputy County Administrator for Arlington County.

**Philip J. Duke of Middleburg, Virginia. Director.** Term expires June 30, 2011. Mr. Duke is Managing Director, Risk Advisory Services, of KPMG, New York, New York.

**Thomas L. Hasty, III of Chesapeake, Virginia. Director.** Term expired June 30, 2010, but he will continue to serve until he is reappointed or a replacement is appointed. Mr. Hasty is Executive Vice President of Townebank, Portsmouth, Virginia.

**Dena Frith Moore of Richmond, Virginia. Director.** Term expires June 30, 2012. Ms. Moore serves 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.

**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 faculty 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.** 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.

**Brian D. DeProfio, Chief Operations Officer.** Mr. DeProfio joined VRA in 2006. Prior to joining VRA, Brian served as the Assistant to the City Manager for the City of Hampton, Virginia. He has 15 years experience in municipal finance and administration including the 10 years he spent with the City of Hampton prior to joining VRA. Brian holds a Bachelor's degree in Political Science from Southern Connecticut State University and a Masters of Public Policy from the College of William and Mary.

### **THE VIRGINIA POOLED FINANCING PROGRAM**

Under the Virginia Pooled Financing Program (the "Program"), VRA uses the net proceeds of the Bonds to purchase or acquire Local Obligations from Local Governments to finance or refinance Qualified Projects. Qualified Project costs which may be financed by VRA are those incurred by a Local Government as reasonable and necessary for the carrying out of all work and undertakings necessary or incident to any Qualified Project.

To qualify under the Program, a Local Government must submit to VRA an application or other materials containing a description of its Qualified Project and a summary of the estimated costs necessary to complete the Qualified Project. In addition, the Local Government must submit a description of all sources of funds available to pay for the Qualified Project, including funds required from sources other than VRA. A Revenue Bond Local Government, a Double Barrel Bond Local Government and a Financing Lease Local Government must submit a description of the revenues or lease payments to be derived from the Qualified Project which are to be pledged to the payment of the Local Government's Local Obligation and a projection of revenues or lease payments and expenses for the Qualified Project over the life of the Local Obligation. In addition, any General Obligation Bond Local Government, Double Barrel Bond Local Government or Financing Lease Local Government must submit data with

respect to assessed valuation of real estate, tax rates and receivables and outstanding and projected indebtedness. A Local Government must submit information with respect to population trends and general economic outlook of the community. Except in the cases of loans secured by Local Bonds that constitute general obligations, refinancings or Financing Leases, a Local Government must submit a certificate, prepared by an independent consulting engineer, independent certified public accountant or other consultant acceptable to VRA, certifying as to, among other things, the sufficiency of the rates, fees and other charges established by the Local Government to meet its rate covenant contained in its Agreement. Each Local Government must submit audited financial statements that are acceptable to VRA. VRA's Board of Directors must approve each acquisition of a Local Obligation from a Local Government.

The acquisition of a Local Obligation by VRA under the Program will be determined by VRA generally on the basis of the economic feasibility of the Qualified Project to be financed by the Local Obligation and the financial viability of the Local Government. In assessing economic feasibility, VRA will consider, among other things, prevailing economic conditions, population growth and trends, employment levels, the Local Government's administrative capabilities, the financial performance of the Local Government's water, sewer and/or solid waste system, public safety facility, or airport, and the present rate structure. In addition, the Local Government must demonstrate its ability to fix rates, fees and other charges at times and in amounts necessary to produce sufficient revenues to pay the operating and maintenance expenses of the Qualified Project, debt service on all outstanding prior or parity indebtedness against the Qualified Project and debt service on the Local Obligations issued in connection with the Qualified Project. In the case of Local Obligations constituting general obligations and Financing Leases, VRA will consider, among other things, the tax base of the Local Government and its existing tax rate structure and the historical performance of the Local Government's general fund. VRA does not require ratings for Local Obligations to be acquired with proceeds of the Bonds.

The Local Obligations will provide for payments of debt service or rentals in amounts and at times that, together with the expected investment earnings and the balances scheduled to be released from the Capital Reserve Fund, are expected to be adequate to pay the principal of and premium, if any, and interest on the Bonds (including the 2010B Bonds) at maturity or upon their earlier redemption. See the subsection "SECURITY AND SOURCE OF PAYMENT FOR THE 2010B BONDS" in Section Two.

#### **THE 2010B LOCAL GOVERNMENT AND THE OTHER PARTICIPATING LOCAL GOVERNMENTS**

The Meherrin River Regional Jail Authority is the only expected 2010B Local Government. Set forth on the following page are the expected features of its 2010B Local Obligation. It is expected that the 2010B Local Obligation will be delivered simultaneously with the delivery of the 2010B Bonds. Set forth on the following pages on an aggregate basis is such information for the 2010B Local Government and all of the other Local Governments that have issued or entered into Local Obligations acquired with proceeds of the Bonds Outstanding.

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**VIRGINIA RESOURCES AUTHORITY  
Virginia Pooled Financing Program**

**2010B Local Government**

<b><u>Local Government</u></b>	<b><u>Principal Amount of Series 2010B Local Obligation</u></b> <sup>(1)</sup>	<b><u>Purpose</u></b>	<b><u>Type of Security</u></b> <sup>(2)</sup>	<b><u>Term (years)</u></b>
Meherrin River Regional Jail Authority	\$40,090,000	Public Safety	Revenue and MO	

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

<sup>(2)</sup> For an explanation of the types of security for the various Local Obligations, see the subsection "SECURITY FOR THE LOCAL OBLIGATIONS" in Section Two.

**Aggregate Participation in the Virginia Pooled Financing Program\***

<u>Local Government</u>	<u>Outstanding Amount</u>	<u>Percentage of all</u>		<u>Pledge</u>
		<u>Local Bonds</u>		
Accomack County	\$ 1,990,000	0.16%		Lease
Alexandria Sanitation Authority	9,135,000	0.73%		Revenue
Amelia County	610,000	0.05%		Revenue, MO
Bedford County Public Service Authority	20,575,000	1.64%		Revenue, MO
Bedford, City of	1,015,000	0.08%		Double Barrel
Blacksburg Christiansburg VPI Water Authority	2,600,000	0.21%		Revenue
Blue Ridge Regional Jail Authority	56,980,000	4.53%		Revenue
Botetourt County	16,785,000	1.34%		Revenue, MO
Botetourt County	3,420,000	0.27%		Lease
Boydton, Town of	1,580,000	0.13%		Revenue
Broadway, Town of	2,390,000	0.19%		GO
Buchanan Public Service Authority	1,135,000	0.09%		Revenue
Caroline County	17,490,000	1.39%		Revenue
Caroline County	12,780,000	1.02%		Lease
Caroline County	560,000	0.04%		GO
Clarksville, Town	2,265,000	0.18%		Double Barrel
Craig-New Castle Public Service Authority	760,000	0.06%		Revenue
Culpeper County	3,925,000	0.31%		Lease
Dickenson County	1,155,000	0.09%		Lease
Dinwiddie County Water Authority	285,000	0.02%		Revenue, MO
Dumfries, Town of	1,615,000	0.13%		GO
Edinburg, Town of	375,000	0.03%		GO
Falls Church, City of	13,075,000	1.04%		GO
Fauquier County	3,565,000	0.28%		Lease
Fauquier County	2,105,000	0.17%		Revenue, MO
Fincastle, Town of	670,000	0.05%		GO
Franklin County	2,905,000	0.23%		Revenue, MO
Frederick County Sanitation Authority	20,470,000	1.63%		Revenue
Frederick-Winchester Service Authority	19,355,000	1.54%		Revenue
Front Royal, Town of	9,285,000	0.74%		GO
Gloucester County	8,235,000	0.66%		Revenue, MO
Goochland County	5,685,000	0.45%		Revenue, MO
Greene County	23,045,000	1.83%		Revenue, MO
Greensville County Water and Sewer Authority	4,910,000	0.39%		Revenue
Hamilton, Town of	1,125,000	0.09%		Double Barrel
Hampton Roads Regional Jail Authority	12,975,000	1.03%		Revenue
Hanover County	22,610,000	1.80%		Revenue
Harrisonburg, City of	3,615,000	0.29%		GO
Harrisonburg-Rockingham Regional Sewage Authority	11,165,000	0.89%		Revenue
Henry County Public Service Authority	1,030,000	0.08%		Revenue
Hopewell, City of	7,410,000	0.59%		Revenue
John Flannagan Water Authority	895,000	0.07%		Revenue
King George County	33,861,450	2.69%		Lease
King William County	1,445,000	0.11%		Revenue, MO
Lawrenceville, Town of	860,000	0.07%		Revenue
Loudoun County	95,050,000	7.56%		Lease
Lovettsville, Town of	3,225,000	0.26%		Double Barrel
Luray, Town of	3,120,000	0.25%		GO
Manassas, City of	1,850,000	0.15%		GO
Marion, Town of	3,720,000	0.30%		GO
Mathews County	4,885,000	0.39%		Lease
Maury Service Authority	1,650,000	0.13%		Revenue
Meherrin River Regional Jail Authority	40,090,000	3.19%		Revenue, MO
Nelson County	1,990,000	0.16%		Lease
New Kent County	16,555,000	1.32%		Revenue, MO
New Market, Town of	2,140,000	0.17%		GO
New River Regional Water Authority	15,190,000	1.21%		Revenue, MO
Norton, City of	1,175,000	0.09%		GO
Patrick County	6,295,000	0.50%		Lease
Petersburg, City of	11,360,000	0.90%		GO
Pocahontas, Town of	1,370,000	0.11%		GO
Poquoson, City of	740,000	0.06%		Double Barrel
Powhatan County	10,215,000	0.81%		Revenue, MO
Powhatan County	3,750,000	0.30%		Lease
Prince William County	92,895,000	7.39%		Lease
Prince William County	6,015,000	0.48%		Revenue
Pulaski County Public Service Authority	2,870,000	0.23%		Revenue, MO
Rapidan Service Authority	17,470,000	1.39%		Revenue
Rappahannock Regional Jail Authority	31,115,000	2.48%		Revenue

\* Preliminary, subject to change.

<u>Local Government</u>	<u>Outstanding Amount</u>	<u>Percentage of all Local Bonds</u>	<u>Pledge</u>
Roanoke County	20,110,000	1.60%	Lease
Roanoke, City of	11,640,000	0.93%	GO
Rockingham County	14,530,000	1.16%	Revenue, MO
Round Hill, Town of	6,855,000	0.55%	GO
Shenandoah County	15,760,000	1.25%	Lease
Smithfield, Town of	1,315,000	0.10%	GO
South Boston, Town of	3,230,000	0.26%	Double Barrel
South Hill, Town of	3,530,000	0.28%	Revenue
Southampton County	32,060,000	2.55%	Revenue, MO
Southeastern Public Service Authority	37,445,000	2.98%	GO Guaranty
Southside Regional Public Service Authority	9,395,000	0.75%	Revenue
Stafford County	775,000	0.06%	Lease
Staunton, City of	11,205,000	0.89%	GO
Strasburg, Town of	1,970,000	0.16%	GO
Suffolk, City of	180,620,000	14.37%	Revenue
Sussex Service Authority	12,340,000	0.98%	Revenue
Tappahannock, Town of	4,165,000	0.33%	GO
Tazewell County	2,400,000	0.19%	Revenue, MO
Transportation District Commission of Hampton Roads	13,995,000	1.11%	Lease
Vinton, Town of	1,505,000	0.12%	GO
Waynesboro, City of	5,700,000	0.45%	GO
Waynesboro, City of	2,065,000	0.16%	Revenue
Western Virginia Water Authority	54,665,000	4.35%	Revenue
Western Virginia Water Authority	5,310,000	0.42%	Revenue, MO
Winchester, City of	36,215,000	2.88%	Revenue
Wise County Public Service Authority	3,845,000	0.31%	Revenue, MO
Woodstock, Town of	2,390,000	0.19%	GO
York County	17,230,000	1.37%	Lease
<b>Total</b>	<b>\$1,256,721,450</b>	<b>100.00%</b>	<b>Lease</b>

*This Official Statement does not include financial information or operating data specific to any 2010B Local Government or other Local Government. In the future, any Local Government may be required to provide disclosure in a primary offering or on a continuing basis if the aggregate outstanding principal amount of Local Obligations of such Local Government from time to time represents 15% or more of the then outstanding amount of all Local Obligations purchased with proceeds of Bonds then issued and outstanding under the Master Indenture.*

A brief summary of general information relating to all Local Governments is set forth in Appendix A.

## **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 2010B Bonds or questioning or affecting the validity of the 2010B Bonds or the proceedings and authority under which the 2010B Bonds are to be issued, or the pledge or application of any moneys or the security provided for the payment of the 2010B Bonds (except as described below), or the existence or powers of VRA, or restraining or enjoining the execution, delivery or performance of the 2010B Bonds, the Indenture, or the proceedings under which they were issued or authorized or questioning or affecting the validity of any such agreements.

Each Local Government will be expected to represent in its respective Agreement that there is no action or suit pending or, to the knowledge of the Local Government, threatened against the Local Government (a) affecting the creation, organization or existence of the Local Government or the title of its officers to their respective offices, (b) seeking to prohibit, restrain or enjoin the execution of the related Agreement or the issuance or delivery of its Local Obligation, (c) in any way contesting or affecting the validity or enforceability of such Local Obligation or Agreement or any agreement or instrument relating to any of the foregoing or (d) the undertaking of the Qualified Project. If a Local Government is unable to make such representation, VRA may in its discretion purchase or decline to purchase its Local Obligation.

### **LEGAL MATTERS**

Certain legal matters relating to the authorization and validity of the 2010B Bonds are subject to the approving opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, which shall be in substantially the form of Appendix C. Such opinion will be furnished at the expense of VRA upon delivery of the 2010B 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 this Official Statement and will be limited to matters relating to (a) the authorization and validity of the 2010B Bonds, (b) the tax status of interest on the 2010B Bonds under current federal income tax laws, and (c) the tax status of interest on the 2010B Bonds under current Virginia income tax laws.

Certain legal matters will be passed on for VRA by its general counsel, McCandlish Holton, PC, Richmond, Virginia, and for the Underwriters by their counsel, Troutman Sanders LLP, Richmond, Virginia. In connection with the execution and delivery of the Agreement with the 2010B Local Government, certain legal matters will be passed on for the 2010B Local Government by its bond counsel and general counsel.

### **TAX EXEMPTION**

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

Bond Counsel's opinion regarding the 2010B Bonds will state that, under current law and assuming compliance with the Covenants (as defined below), interest on the 2010B Bonds (including any accrued "original issue discount" properly allocable to the owners of the 2010B 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"), (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") and (c) excludable from the adjusted current

earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations.. See “Proposed Form of Bond Counsel Opinion” in Appendix C attached hereto.

Bond Counsel’s opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel’s judgment as to the proper treatment of interest on the 2010B 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 2010B Local Government or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. VRA has covenanted, however, to comply with the requirements of the Code.

In delivering its opinions regarding the 2010B Bonds, Bond Counsel is relying (a) on certifications of representatives of VRA and the 2010B Local Government as to facts material to the opinions, and (b) on opinions from other firms of municipal bond attorneys serving as bond counsel to the 2010B Local Government regarding the application of the proceeds of the 2010B 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 2010B Local Government whose project will be financed with the proceeds of the 2010B Bonds. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2010B Bonds in order for interest on the 2010B Bonds to be and remain excludable from gross income for purposes of federal income taxation. VRA and the 2010B Local Government have each covenanted in their respective tax agreements to comply with the provisions of the Code applicable to the 2010B 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 2010B Local Government to comply with the Covenants could cause interest on the 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B Bonds.

Prospective purchasers of the 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B Bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The “public” does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the 2010B 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 2010B Bonds sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the 2010B Bonds with OID (the “OID Bonds”) represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

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

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

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

### **Bond Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the

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

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

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 2010B Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving either the 2010B Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the 2010B Bonds or on the economic value of the tax-exempt status of the interest thereon.

### **State Tax Treatment of the 2010B Bonds**

Bond Counsel's opinion also will state that, in accordance with Section 62.1-219 of the VRA Act, the 2010B 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 2010B Bonds or (b) any consequences arising with respect to the 2010B Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the 2010B Bonds should consult their own tax advisors regarding the tax status of interest on the 2010B Bonds in a particular state or local jurisdiction other than Virginia.

### **RELATIONSHIP OF PARTIES**

Davenport & Company, LLC ("Davenport"), financial advisor to VRA, also serves as financial advisor to the 2010B Local Government.

Troutman Sanders LLP, counsel to the Underwriters, also is serving as bond counsel to the 2010B Local Government.

### **LEGALITY FOR INVESTMENT**

The Act provides that the 2010B 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 2010B Bonds for investment or any other purpose under any laws of any other state.

The Act also provides that the 2010B 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 2010B Bonds are being purchased by Morgan Keegan & Company, Inc., J.P. Morgan Securities Inc., Fidelity Capital Markets, M.R. Beal & Company and Wells Fargo Securities (collectively, the "Underwriters"). The purchase contract for the 2010B Bonds (the "Bond Purchase Agreement") sets forth the obligation of the applicable Underwriters to purchase: (a) the Infrastructure Revenue 2010B Bonds at a price equal to the aggregate original principal amount of the Infrastructure Revenue 2010B Bonds of \$ \_\_\_\_\_, less an Underwriters' discount of \$ \_\_\_\_\_, [plus/less] net original issue [premium/discount] of \$ \_\_\_\_\_, resulting in a purchase price of \$ \_\_\_\_\_; and (b) the Moral Obligation 2010B Bonds at a price equal to the aggregate original principal amount of the Moral Obligation 2010B Bonds of \$ \_\_\_\_\_, less an Underwriters' discount of \$ \_\_\_\_\_, [plus/less] net original issue [premium/discount] of \$ \_\_\_\_\_, resulting in a purchase price of \$ \_\_\_\_\_.

The Underwriters may offer and sell the 2010B Bonds to certain dealers (including dealer banks and dealers depositing the 2010B 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 2010B Bonds if any are purchased and will make a public offering of the 2010B Bonds at the initial public offering prices shown on the inside cover of this Official Statement.

J.P. Morgan Securities Inc. ("JPMSI"), one of the Underwriters of the 2010B Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFC") and Charles Schwab & Co., Inc. (CS&Co.) for the retail distribution of certain securities offerings, including the 2010B Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFC and CS&Co. will purchase 2010B Bonds from JPMSI at the original issue price less a negotiated portion of the selling concession applicable to any 2010B Bonds that such firm sells.

Fidelity Capital Markets ("FCM"), one of the Underwriters of the 2010B Bonds, is a division of National Financial Services LLC ("NFS"), which provides fully-disclosed clearing and other services to correspondent broker-dealers (the "correspondent broker-dealers"). NFS has entered into Master Reallowance Agreements with several of the correspondent broker-dealers to allow them to redistribute municipal securities underwritten by NFS to their retail investors at the original offering price. Pursuant to these Master Reallowance Agreements, NFS may share a portion of the underwriting compensation with respect to this bond offering with its correspondent broker-dealers.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

## RATINGS

As noted on the cover of this Official Statement, Moody's and Standard & Poor's have assigned ratings of "Aaa" and "AAA," respectively, to the Infrastructure Revenue 2010B Bonds and "Aa2" and "AA," respectively, to the Moral Obligation 2010B Bonds.

The ratings reflect only the views of the respective rating agencies. Reference should be made to the respective rating agency for a full explanation of the significance of the assigned ratings. The ratings are not a recommendation to buy, sell or hold the 2010B 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 ratings could have an adverse effect on the market price of the 2010B Bonds.

## FINANCIAL ADVISOR

Davenport and Strategic Solutions Center, LLC (“Strategic Solutions”), are employed as financial advisors to VRA in connection with the issuance of the 2010B Bonds. The financial advisors’ fee for services rendered with respect to the sale of the 2010B Bonds is contingent upon the issuance and delivery of the 2010B Bonds. Both Davenport and Strategic Solutions, in their respective capacities as financial advisors, do not assume any responsibility for the information, covenants and representations contained in any of the legal documents provided, agreed to or made by others with respect to the federal income tax status of the 2010B Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

## 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 2010B Bonds, each of (a) the Commonwealth, (b) VRA and (c) any Local Government that is or later becomes a Material Local Government 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 Seventeenth 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.

*Local Government Continuing Disclosure.* As summarized in Appendix G attached hereto, each Local Government will undertake to provide, in the manner indicated above, information regarding such Local Government, but only upon notification by VRA that as of June 30 of any year, such Local Government met the objective criteria set forth in its undertaking to be a Material Local Government. A Local Government constitutes a “Material Local Government” if the aggregate principal amount of the Local Obligations previously issued and outstanding and to be issued by such Local Government is equal to or greater than 15% of the aggregate principal amount of all Local Obligations purchased with the proceeds of the Bonds. As of the date hereof, there are no Material Local Governments.

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 Local Government. Any failure of the Commonwealth, VRA or any Material Local Government to comply with its respective obligations will not give rise to an Event of Default under the Master Indenture, the Agreements or the Financing Leases, respectively.

The obligations of the Commonwealth, VRA and any Material Local Government 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 2010B Bonds.

**APPROVAL OF PRELIMINARY OFFICIAL STATEMENT**

VRA has furnished all information in this Preliminary Official Statement relating to VRA and has duly authorized the distribution of this Preliminary Official Statement.

Certain financial information of the Commonwealth of Virginia is on file with the MSRB and included by reference in this Preliminary Official Statement, all as more fully described in Appendix D of this Preliminary Official Statement.

Any statements in this Preliminary 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: \_\_\_\_\_  
Stephanie L. Hamlett, Executive Director

**APPENDIX A**

**SELECTED INFORMATION ON THE LOCAL GOVERNMENTS**

The information set forth below includes brief summaries of state law concerning the operation of, and certain legal restrictions applicable to, the Local Governments that have issued or will issue or enter into Local Obligations to be acquired by VRA from proceeds of the various Series of Bonds that have been or will be issued under the Indenture. Local Governments are expected to consist mainly of counties, cities, towns, service authorities, sanitation districts and sanitary districts 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 specific Local Government.

## **Powers**

Counties, cities and towns (“General Purpose Local Governments”) conduct their respective governmental activities pursuant to the provisions of the Constitution and general and special laws of the Commonwealth. General Purpose Local Governments generally have been granted powers to contract, sue and be sued, assess, levy and collect taxes, issue bonds, own, lease (as lessor and lessee) and take real or personal property, regulate nuisances, ensure public health and safety and take actions to protect the environment. Such Local Governments have also been granted powers to provide certain services, including without limitation police, fire, entertainment, rescue squad, street lighting, water, wastewater and solid waste disposal services.

Service authorities, sanitary districts, sanitation districts and similar entities are limited purpose political subdivisions or bodies politic and corporate of the Commonwealth created pursuant to general or special laws of the Commonwealth (“Limited Purpose Local Governments”). They are authorized to provide such services as are enumerated in the enabling legislation pursuant to which they were created, which may include without limitation one or more of the following: water supply, wastewater treatment and disposal, stormwater and refuse collection and disposal services, public safety and airport services.

## **Sources of Revenue**

Revenues of General Purpose Local Governments are derived principally from:

(a) General Property Taxes – General Purpose Local Governments are authorized by the Constitution to levy an annual ad valorem tax on the assessed value of real and personal property located within such Local Government. The timing of such taxes and the rate of such taxes varies among such Local Governments.

(b) Other Local Taxes - General Purpose Local Governments may also levy various other local taxes including a sales and use tax, business, professional and occupational license taxes, motor vehicle license tax, meal tax, a recordation tax and a tax on consumer telephone bills.

(c) Intergovernmental Revenue - General Purpose Local Governments may receive revenue from the Commonwealth for a portion of shared categorical expenses including certain expenditures for social services and the operation of constitutional offices. Cities and counties also receive a significant amount of aid from the Commonwealth in support of the public school system; however, such revenues are credited directly to the school system and are not reflected in a General Purpose Local Government’s general fund. The Commonwealth is not obligated to maintain or continue such financial assistance, which is provided subject to appropriation by the General Assembly of the Commonwealth.

(d) Other Revenues - Other sources of revenue for a General Purpose Local Government may include permits, privilege fees and regulatory licenses, fines and forfeitures, interest on general fund investments, transfers from a utility fund, certain charges for services rendered, various recovered costs, and miscellaneous.

Revenues of Limited Purpose Local Governments are derived principally from the payment of rates, fees and charges derived from the operation and use of the systems of such Local Governments.

## **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 General Purpose Local Government in the Commonwealth is authorized to issue bonds and notes secured by (a) a pledge of its full faith and credit and unlimited taxing power (“General Obligation Debt”), (b) a pledge of revenues from the ownership or operation or lease of a revenue producing enterprise, such as a water supply, wastewater treatment and/or solid waste disposal system or airport project, and certain other funds (“Revenue Debt”) and (c) 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% 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 and bonds issued for capital projects for school purposes and sold to the Literary Loan Fund, 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 General Purpose Local Governments. 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, most Limited Purpose Local Governments are authorized to issue Revenue Debt only. The bond resolution, trust agreement or other agreement providing for the issuance of debt may contain certain rate covenants and additional bonds tests that must be satisfied prior to the issuance of additional Revenue Debt. Sanitary districts are authorized to issue Revenue Debt and, subject to certain limitations, may levy an annual tax upon on all property in the district subject to local taxation to pay debt service on such debt.

## **Leasing Powers**

Most Local Governments are authorized to lease property as lessor and as lessee under the Code of Virginia of 1950, as amended. In general, as described above, a county may not issue General Obligation Debt without a referendum. Counties sometimes choose to finance non-revenue-producing projects by entering into long-term leases under which the obligation to pay rentals is subject to annual appropriations by the governing body of the county. Based on a number of opinions of the Attorney General of Virginia, and the decision of the Supreme Court of Virginia in Marcia P. Dykes v. Northern Virginia Transportation District Commission, et al., 242 Va. 357, 411 S.E. 2d1 (1991), to the effect that “subject-to-appropriation” financings do not constitute General Obligation Debt, there is no legally enforceable duty or liability on the county to make the appropriation. The rentals are often pledged to secure bonds issued by Limited Purpose Local Governments to finance the project leased to the county.

## **Listing of Local Governments**

For a listing of the Local Governments participating in the Program, including the security for their Local Obligations, see the subsection “The 2010B Local Government and the Other Participating Local Governments” in Section Three of this Official Statement. Except for certain information referenced in such subsection, no additional information is provided with respect to such Local Governments.

## **Certain Economic Information**

The economy of the Commonwealth and its General Purpose Local Governments 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 Station 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.

**APPENDIX B**

**DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

## DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following contains certain definitions and a brief summary of certain provisions contained in the Master Indenture and the Seventeenth Supplemental Series Indenture of Trust 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 First through Seventeenth Supplemental Series Indentures in their entirety for complete information on their terms and on the terms of the Infrastructure Revenue Bonds, the applicable security provisions and the application of pledged revenues.

### Definitions of Certain Terms

Unless defined above in this Official Statement, all capitalized terms used in this Appendix have the meanings set forth below.

**"Account"** means any account established pursuant to the terms of the Master Indenture or any Supplemental Series Indenture.

**"Acquisition Fund"** means the Acquisition Fund for a Series of Bonds to be established by the Related Supplemental Series Indenture.

**"Act"** means the Virginia Resources Authority Act, Chapter 21, Title 62.1 of the Virginia Code.

**"Administrative Charge"** means any fees or charges established by VRA pursuant to Section 62.1-203(17) of the Act with respect to a Local Obligation, as the same may be revised from time to time and as the same shall be set forth in the Related Supplemental Series Indenture.

**"Agreement"** when used with respect to any Series of Bonds, means the loan, financing lease, sale-leaseback, lease-leaseback or similar agreement between a Local Government and VRA, as modified, altered, amended and supplemented from time to time in accordance with its terms and the terms of the Master Indenture, which agreement will govern the acquisition by VRA of the Related Local Obligation, among other things.

**"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 the Infrastructure Revenue Bonds and Moral Obligation Bonds of VRA issued pursuant to Article V of the Master Indenture, but excludes Junior Moral Obligation Debt.

**"Bond Counsel"** means counsel selected by VRA which is nationally recognized as experienced in matters relating to obligations issued or incurred by states and their political subdivisions.

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

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

**"Bond Year"** means the twelve (12) month period commencing on the second day of November of any calendar year and ending on the first day of November of the next ensuing calendar year, or such other twelve-month period commencing and ending on the dates specified with respect to a Series of Bonds in the Related Supplemental Series Indenture. The first and last Bond Years with respect to any Series of Bonds may be short periods.

**"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.

**"Capital Reserve Fund"** means the Capital Reserve Fund established pursuant to the section titled "Establishment and Custody of Pledged Funds for All Series of Bonds" in the Master Indenture.

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

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

**"Cost of Issuance Fund"** means the Cost of Issuance Fund for a Series of Bonds to be established by the Related Supplemental Series Indenture as provided in the section titled "Establishment and Custody of Non-Pledged Funds for Each Series of Bonds" in the Master Indenture.

**"CRF Credit Facility"** means a letter of credit, surety bond or similar credit enhancement facility acquired by VRA to substitute for cash or investments required to be held in the Capital Reserve Fund.

**"CRF Credit Provider"** means the Person providing a CRF Credit Facility.

**"CRF Reserve Requirement"** means an amount equal to the maximum Principal and Interest Requirements on the Moral Obligation Bonds Outstanding in the then current or any future Bond Year or such larger amount as may be specified in a Supplemental Series Indenture. For purposes of establishing the size of the CRF Reserve Requirement, the Principal and Interest Requirements on Moral Obligation Bonds which are Optional Tender Bonds and/or Variable Rate Bonds shall be determined or adjusted as set forth in the section titled "Modification of Certain Definitions" in the Master Indenture.

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

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

**"Defaulted Local Obligations"** means any Local Obligations in default of payment of debt service at the time in question.

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

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

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

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

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

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

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

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

**"Infrastructure Revenue Bond Debt Service Coverage"** shall have the meaning assigned to it in the definition of Projected Revenue Certificate.

**"Infrastructure Revenue Bond Revenue Coverage"** shall have the meaning assigned to it in the definition of Projected Revenue Certificate.

**"Infrastructure Revenue Bond Revenues"** means, collectively, the ORF Revenues, the Administrative Charges and the Rebate Amounts.

**"Infrastructure Revenue Bonds"** means any VRA Debt issued by VRA pursuant to Article V of the Master Indenture and identified as "Infrastructure Revenue Bonds" in the Related Supplemental Series Indenture. Infrastructure Revenue Bonds are secured by a pledge of and lien on (i) the Revenues senior and superior to the pledge of and lien on the Revenues securing the Moral Obligation Bonds and (iii) Infrastructure Revenue Bond Debt Service Coverage. Infrastructure Revenue Bonds are not secured by the Capital Reserve Fund.

**"Infrastructure Revenue Debt Service Fund"** means the Infrastructure Revenue Debt Service Fund established pursuant to the section titled "Establishment and Custody of Pledged Funds for All Series of Bonds" in the Master Indenture.

**"Infrastructure Revenue Debt Service Reserve Fund"** means the Infrastructure Revenue Debt Service Reserve Fund established pursuant to the section titled "Establishment and Custody of Pledged Funds for All Series of Bonds" in the Master Indenture.

**"Infrastructure Revenue DSRF Credit Facility"** means a letter of credit, surety bond or similar credit enhancement facility acquired by VRA to substitute for cash or investments required to be held in the Infrastructure Revenue Debt Service Reserve Fund.

**"Infrastructure Revenue DSRF Credit Provider"** means the Person providing an Infrastructure Revenue DSRF Credit Facility.

**"Infrastructure Revenue DSRF Requirement"** means \$0 or such larger amount as may be specified in a Supplemental Series Indenture.

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

**"Interest Requirement"** for any Interest Payment Date, as applied to all of the Current Interest Bonds or a portion thereof, means the total of the interest regularly scheduled to become due on such Bonds on such Interest

Payment Date. Interest expense shall be excluded from the definition of Interest Requirement to the extent that proceeds of any Bonds are held by the Trustee to pay such interest. Unless VRA shall otherwise provide in a Supplemental Indenture, interest expense on Bond Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of an Interest Requirement.

**"Junior Subordinate Debt"** means VRA Debt that is secured by a pledge of revenues, money and other property of VRA expressly made subordinate to the pledge of the Revenues, Infrastructure Revenue Bond Revenues, Funds and Accounts and other property securing the Bonds of all Series set forth in the article titled "Establishment of Trust" in the Master Indenture.

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

**"Local Government(s)"** means any "local government" (as defined in Section 62.1-199 of the Act) entering into an Agreement and its permitted successors and assigns under such Agreement.

**"Local Obligation Payments"** means the amounts payable by each Local Government pursuant to the terms of its Local Obligation or Obligations.

**"Local Obligation(s)"** means the "local obligation" (within the meaning of Section 62.1-199 of the Act) issued or entered into by a Local Government and acquired by the VRA or the Trustee 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.

**"Majority Owners"** means the Owners of at least 51% of the aggregate principal amount of the Infrastructure Revenue Bonds or the Moral Obligation Bonds Outstanding, as applicable.

**"Master Indenture"** means the Master Indenture of Trust dated as of December 1, 2003, between VRA and the Trustee, as the same may be modified, altered, amended and supplemented in accordance with its terms by one or more Supplemental Series Indentures and other Supplemental Indentures.

**"Minimum Balance"** means the minimum amount, which, if applied as the clause (b)(2) amount in the definition of Projected Revenue Certificate, assuming all other amounts are fixed, would result in Infrastructure Revenue Bond Debt Service Coverage equal to at least the Required Infrastructure Revenue Bond Debt Service Coverage.

**"Minimum CRF Reserve Requirement"** means an amount equal to the CRF Reserve Requirement or such lesser amount as may be established by VRA pursuant to the section titled "Release of Moral Obligation" in the Master Indenture.

**"Moral Obligation Bonds"** means any VRA Debt issued by VRA pursuant to the Master Indenture and identified as "Moral Obligation Bonds" in the Related Supplemental Series Indenture. Moral Obligation Bonds are secured by a pledge of and lien on the Revenues junior and subordinate to the pledge and lien securing the Infrastructure Revenue Bonds. Moral Obligation Bonds are secured by the Capital Reserve Fund.

**"Moral Obligation Debt Service Fund"** means the Moral Obligation Debt Service Fund established pursuant to the section titled "Establishment and Custody of Pledged Funds for All Series of Bonds" in the Master Indenture.

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

**"Operating Reserve Fund"** means the Operating Reserve Fund established pursuant in the section titled "Establishment Custody of Pledged Funds for All Series of Funds" in the Master Indenture.

**"Opinion"** or **"Opinion of Counsel"** means a written opinion of any attorney or firm of attorneys, who or which may be Bond Counsel or counsel for VRA or the Trustee.

**"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.

**"ORF Revenues"** means investment earnings on amounts in the Operating Reserve Fund.

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

- (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 Article XII except that any such Bond shall be considered Outstanding until its maturity or redemption date only for the purpose of actually being paid and for purposes of Articles III and IV and Section 6.1 in the Master Indenture (or the corresponding provisions of the Related Supplemental Series Indenture, as the case may be); and
- (d) Any Bond not deemed Outstanding under, but only to the extent provided for in the section titled "Supplemental Indentures Requiring Consent" 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 Series Indenture. Unless otherwise provided in a Supplemental Series 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"** means (i) with respect to a Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except when used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default in which case "principal" means the initial public offering price of the Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) and (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of an Amortization Requirement, if applicable, or at maturity.

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

**"Principal Payment Date"** means a November 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 the Related Supplemental Series Indenture.

**"Principal Requirement"** means for any Principal Payment Date, as applied to all Bonds or a portion thereof, the total of the principal regularly scheduled to become due on such Principal Payment Date. Principal

payments shall be excluded from the definition of Principal Requirement to the extent that proceeds of any Bonds are held by the Trustee to pay such Principal. Unless VRA shall otherwise provide in a Supplemental Indenture, principal payments on Bond Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such principal exceeds the principal otherwise payable on such Bonds, shall not be included in the determination of a Principal Requirement.

**"Projected Revenue Certificate"** means an Officer's Certificate setting forth, as of any particular date:

(a) A schedule of estimated amounts of the following types of Revenues to be available in the then-current and each future Bond Year for the payment of the Principal and Interest Requirements of all of the Bonds and the Administrative Charges:

(i) Scheduled Local Obligation Payments except on Defaulted Local Obligations;

(ii) Income receivable from the investment of amounts from time to time held in the Infrastructure Revenue Debt Service Reserve Fund and the Capital Reserve Fund;

(iii) Amounts scheduled to be released from the Infrastructure Revenue Debt Service Reserve Fund or the Capital Reserve Fund as a result of the payment at maturity or pursuant to the Amortization Requirements of the Bonds Outstanding and, if applicable, then to be issued; and

(iv) Any other amounts identified as Revenues in the Projected Revenue Certificate and in a Supplemental Indenture, if there is filed with the Trustee written confirmation from each Rating Agency that the inclusion thereof will not result in the withdrawal or reduction of its then-current rating on any of the Bonds Outstanding.

(b) A schedule of estimated amounts of the following sources to be available in the then-current and each future Bond Year for the payment of the Principal and Interest Requirements of the Infrastructure Revenue Bonds.

(i) ORF Revenues;

(ii) Amounts, if any, which are or will be on deposit in the Operating Reserve Fund; and

(iii) Any other revenues or amounts identified in the Projected Revenue Certificate and in a Supplemental Indenture as Infrastructure Revenue Bond Revenues or Fund balances available for the payment of the Principal and Interest Requirements of the Infrastructure Revenue Bonds, if there is filed with the Trustee written confirmation from each Rating Agency that the inclusion thereof will not result in the withdrawal or reduction of its then-current rating on any of the Infrastructure Revenue Bonds Outstanding.

(c) A schedule of the Principal and Interest Requirements and all Administrative Charges scheduled to become due and payable on each Payment Date in the then-current and each future Bond Year with respect to all Bonds Outstanding and, if applicable, then to be issued.

(d) A schedule of the Principal and Interest Requirements scheduled to become due and payable on each Payment Date in the then-current and each future Bond Year with respect to all Infrastructure Revenue Bonds Outstanding and, if applicable, then to be issued.

(e) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in clauses (a) and (b)(i) and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements and Administrative Charges set forth in clause (c) for the same Bond Year ("Revenue Coverage").

(f) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in clauses (a) and (b)(i) and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements set forth in clause (d) for the same Bond Year ("Infrastructure Revenue Bond Revenue Coverage").

(g) The percentage obtained by dividing the sum of estimated Revenues and Infrastructure Revenue Bond Revenues set forth in clauses (a) and (b)(i) and (iii) and the Fund balances set forth in clause (b)(ii) and (iii) for each of the then-current and future Bond Years by the scheduled Principal and Interest Requirements set forth in clause (d) for the same Bond Year ("Infrastructure Revenue Bond Debt Service Coverage").

(h) In projecting the foregoing, VRA shall make the following assumptions: (i) Revenues set forth in clause (a) that are scheduled to be retained in the Revenue Fund pursuant to paragraph "SEVENTH" in the section titled "Revenue Fund" in the Master Indenture shall be reflected as Revenues only with respect to the Payment Dates on which the Trustee is to be directed to apply such retained amounts; (ii) invested funds shall yield an investment return equal to the actual return at the time of the projection net of any Rebate Amounts to be paid therefrom and shall be invested until such time as they are to be applied to the purpose for which they are accumulated; (iii) no Local Obligations will be purchased or acquired by VRA after the date of the Projected Revenue Certificate; and (iv) Administrative Charges shall be collected for the remaining term of each Local Obligation at the rate or rates in effect at the time of the calculation. VRA shall apply the provisions of Section 5.4 in preparing a Projected Revenue Certificate if any of the Bonds or Local Obligations to be covered thereby are Optional Tender Bonds and/or Variable Rate Bonds.

**"Purchase Price"** means the purchase price established in any Supplemental Series Indenture for Optional Tender Bonds as the purchase price to be paid for such Bonds upon an optional or mandatory tender of all or a portion of such Bonds.

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

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

**"Rebate Fund"** means the Rebate Fund for a Series of Bonds to be established by the Related Supplemental Series Indenture as provided in the section titled "Establishment and Custody of Pledged Funds for All Series of Bonds" in the Master Indenture.

**"Refunding Bonds"** shall have the meaning set forth in the section titled "Conditions of Issuing a Series of Bonds" in the Master Indenture.

**"Reimbursement Fund"** means the Reimbursement Fund Related 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.

**"Related,"** as the context may require, means (i) when used with respect to any Cost of Issuance Fund, Acquisition Fund, Rebate Fund or Reimbursement 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 Local Obligations, the Local Obligations acquired or entered into with respect to a particular Series of Bonds, and (iv)

when used with respect to a Bond Credit Facility or Reimbursement Obligation, the Bond Credit Facility securing a particular Series of Bonds and the Reimbursement Obligation entered into in connection therewith.

**"Required Revenue Coverage"** means 100% or such higher percentage as may be specified in a Supplemental Series Indenture.

**"Required Infrastructure Revenue Bond Debt Service Coverage"** means 100% or such higher percentage as may be specified in a Supplemental Series Indenture.

**"Required Infrastructure Revenue Bond Revenue Coverage"** means 100% or such higher percentage as may be specified in a Supplemental Series Indenture.

**"Reserve Determination Date"** means (i) the tenth day after each Interest Payment Date, or, if such day is not a Business Day, on the first Business Day thereafter or (ii) any other date set forth in a Supplemental Series Indenture or an Officer's Certificate for the valuation of the Infrastructure Revenue Debt Service Reserve Fund and/or the Capital Reserve Fund.

**"Revenue Coverage"** shall have the meaning assigned to it in the definition of Projected Revenue Certificate.

**"Revenue Fund"** means the Revenue Fund established by the section titled "Establishment and Custody of Pledged Funds for All Series of Bonds" in the Master Indenture.

**"Revenues"** means (i) the Local Obligation Payments, (ii) any proceeds of any Series of Bonds originally deposited with the Trustee for the payment of accrued interest thereon, (iii) investment earnings on amounts in the Revenue Fund, the Infrastructure Revenue Debt Service Fund, the Infrastructure Revenue Debt Service Reserve Fund, the Moral Obligation Debt Service Fund and the Capital Reserve Fund, (iv) amounts released from the Infrastructure Revenue Debt Service Reserve Fund or the Capital Reserve Fund as a result of the payment at maturity, refunding, redemption or defeasance of Bonds and (v) any or all other revenues that may be identified as Revenues pursuant to a Supplemental Indenture; provided, however, that the following shall not be included in Revenues unless specifically authorized to be so included in a Supplemental Indenture: (i) Infrastructure Revenue Bond Revenues; (ii) any amounts in, or earnings on, a Rebate Fund; and (iii) any payments made by VRA or the Commonwealth to replenish the Capital Reserve Fund under Section 62.1-215 of the Act.

**"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.

**"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 lien status, maturity, interest rate, sinking fund installments or other provisions. A Series may be a combination of Infrastructure Revenue Bonds and Moral Obligation Bonds or consist entirely of Infrastructure Revenue Bonds or Moral Obligation Bonds, all as shall be specified in the Related Supplemental Series Indenture.

**"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 Series Indenture may be modified, altered, amended and supplemented by a Supplemental Indenture in accordance with the provisions of the Master Indenture.

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

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

**"Trustee"** means U.S. Bank National Association, a national banking association, as successor trustee to SunTrust Bank, and any successors serving in the same capacity under the Master Indenture.

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

**"Virginia Code"** means the Code of Virginia of 1950, as amended.

**"VRA"** means the Virginia Resources Authority, a public body corporate and a political subdivision of the Commonwealth of Virginia.

**"VRA Debt"** means "bonds" of VRA as defined in Section 62.1-199 of the Act.

**"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.

#### **Establishment of Trusts**

*Security for Infrastructure Revenue Bonds.* (a) In order to provide for the payment of the principal of and the premium, if any, and interest on the Infrastructure Revenue Bonds of all Series issued under the Master Indenture, and to secure the performance of all of the obligations of VRA with respect to the Infrastructure Revenue Bonds, the Master Indenture and the Supplemental Series Indentures, VRA pledges and grants to the Trustee a security interest in the following:

- (i) All of the Revenues and the Infrastructure Revenue Bond Revenues;
- (ii) The Local Obligations and Agreements;
- (iii) The amounts, money, investments and Infrastructure Revenue DSRF Credit Facilities, if any, held by the Trustee and the Paying Agent pursuant to the terms of the Master Indenture in the Revenue Fund, the Infrastructure Revenue Debt Service Fund, the Infrastructure Revenue Debt Service Reserve Fund, and the Operating Reserve Fund; and
- (iv) All other property of any kind mortgaged, pledged or hypothecated to provide for the payment of or to secure the Infrastructure Revenue Bonds of all Series by VRA or by anyone on its behalf and with its written consent at any time as and for additional security under the Master Indenture and the Supplemental Series Indentures in favor of the Trustee, which is authorized to receive all such property at any time and to hold and apply it subject to the terms of the Master Indenture and the Supplemental Series Indentures.

Any of the Revenues, Infrastructure Revenue Bond Debt Service Coverage, Funds and Accounts or other property described above that is received or held by the Trustee is to be held in trust for the equal and proportionate benefit and security of the Owners from time to time of the Infrastructure Revenue Bonds of all Series, except as otherwise provided in, and subject to its application in accordance with the terms of, the Master Indenture and the Supplemental Series Indentures.

*Security for Moral Obligation Bonds.* In order to provide for the payment of the principal of and the premium, if any, and interest on the Moral Obligation Bonds of all Series issued under the Master Indenture, and to secure the performance of all of the obligations of VRA with respect to the Moral Obligation Bonds, the Master Indenture and the Supplemental Series Indentures, VRA pledges and grants to the Trustee a security interest in the following:

- (a) All of the Revenues;
- (b) The Local Obligations and Agreements;
- (c) The amounts, money, investments and CRF Credit Facilities, if any, held by the Trustee and the Paying Agent pursuant to the terms of the Master Indenture in the Revenue Fund, the Moral Obligation Debt Service Fund and the Capital Reserve Fund; and
- (d) All other property of any kind mortgaged, pledged or hypothecated to provide for the payment of or to secure the Moral Obligation Bonds of all Series by VRA or by anyone on its behalf and with its written consent at any time as and for additional security under the Master Indenture and the Supplemental Series Indentures in favor of the Trustee, which is authorized to receive all such property at any time and to hold and apply it subject to the terms of the Master Indenture and the Supplemental Series Indentures.

VRA's pledge and grant of the security interest in the Revenues and the Local Obligations and Agreements to secure the Moral Obligation Bonds is in all respects junior and subordinate to the pledge and grant securing the Infrastructure Revenue Bonds. The Infrastructure Revenue Bond Revenues shall not secure the Moral Obligation Bonds unless Infrastructure Revenue Bond Revenues are expressly included in Revenues pursuant to a Supplemental Indenture. Notwithstanding the foregoing, however, only the Moral Obligation Bonds shall be secured and paid from amounts in the Moral Obligation Debt Service Fund and the Capital Reserve Fund. Any of the Revenues, Funds and Accounts, or other property described above that is received or held by the Trustee is to be held in trust for the equal and proportionate benefit and security of the Owners from time to time of the Moral Obligation Bonds of all Series, except as otherwise provided in, and subject to its application in accordance with the terms of, the Master Indenture and the Supplemental Series Indentures.

*Bond Credit Facility.* Any Bond Credit Facility which is given to secure some, but not all, of the Bonds, together with money drawn or paid under it, shall be held by the Trustee solely as security for the Bonds to which such Bond Credit Facility is Related. Neither such Bond Credit Facility nor any money drawn or paid under it will secure the payment of any other Bonds.

## **Issuance of Bonds**

All Infrastructure Revenue Bonds of each Series issued and to be issued under the Master Indenture, respectively, are and are to be, to the extent provided in and subject to the Master Indenture and Related Supplemental Series Indenture, equally and ratably secured by the Master Indenture and the Related Supplemental Series Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity or redemption of the Infrastructure Revenue Bonds of such Series, or any of them. In addition, all Moral Obligation Bonds of each Series issued and to be issued under the Master Indenture, respectively, are and are to be, to the extent provided in and subject to the Master Indenture and the Related Supplemental Series Indenture, equally and ratably secured by the Master Indenture and the Related Supplemental Series Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity or redemption of the Moral Obligation Bonds of such Series, or any of them.

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

- (a) An original 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 identifying which Bonds within the Series are Infrastructure Revenue Bonds and

which are Moral Obligation Bonds, 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 Bond 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; (v) for the amount, if any, to be deposited into the Infrastructure Revenue Debt Service Reserve Fund, which will be an amount at least sufficient to cause to be on deposit in the Infrastructure Revenue Debt Service Reserve Fund the Infrastructure Revenue DSRF Reserve Requirement for the Outstanding Infrastructure Revenue Bonds and the Infrastructure Revenue Bonds of the Series then to be issued; (vi) for the amount, if any, to be deposited into the Capital Reserve Fund, which will be an amount at least sufficient to cause to be on deposit in the Capital Reserve Fund the CRF Reserve Requirement for the Outstanding Moral Obligation Bonds and the Moral Obligation Bonds of the Series then to be issued; and (vii) for such other matters as VRA may deem appropriate;

(b) A certified copy of each resolution adopted by VRA's Board of Directors 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;

(c) Original executed counterparts of the Related Tax Regulatory Agreement, any Related Bond Credit Facility and any Related Reimbursement Obligation;

(d) A Projected Revenue Certificate, dated the date of delivery of the Bonds of the Series then to be issued, giving effect to the issuance of such Series of Bonds and showing for each Bond Year (i) Revenue Coverage equal to at least Required Revenue Coverage, (ii) Infrastructure Revenue Bond Revenues equal to at least Required Infrastructure Revenue Bond Revenues and (iii) Infrastructure Revenue Bond Revenue Coverage equal to at least Required Infrastructure Revenue Bond Revenue Coverage;

(e) Evidence satisfactory to the Trustee that the amount on deposit in the Operating Reserve Fund is at least equal to the Minimum Balance as of the date of delivery of the Bonds of the Series then to be issued;

(f) 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"):

(i) 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; and

(ii) A written determination by a knowledgeable professional, including VRA's financial advisor but excluding any employee of VRA, 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.

(g) An opinion of Bond Counsel to the effect that the Bonds of the Series then to be issued 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;

(h) An Officer's Certificate, dated the date of delivery of the Bonds of the Series then to be issued, to the effect that to the best of the knowledge of the signatory, upon and immediately following such delivery, 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;

(i) A written order and authorization to the Trustee on behalf of VRA, signed by a VRA Representative, to authenticate and deliver the Bonds of the Series then to be issued 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; and

(j) Any additional document or instrument specified in the Related Supplemental Series Indenture.

*Modification of Certain Definitions.* (a) In the case of the following described types of Bonds, the definition of the term "Principal and Interest Requirements" for the purposes of (i) preparing and delivering a Projected Revenue Certificate and (ii) establishing the sizes of the Infrastructure Revenue DSRF Requirement, the CRF Reserve Requirement and the Minimum CRF Reserve Requirement shall be modified as follows:

(1) Optional Tender Bonds. If any of the Outstanding Bonds or additional Bonds of the Series then to be issued constitute Optional Tender Bonds, then the options of the Owners of such Bonds to tender the same for payment prior to their stated maturity or maturities shall be disregarded, (ii) if such Bonds also constitute Variable Rate Bonds, VRA shall also make the adjustments described in subsection (a)(2) 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 Bond Credit Facility shall be disregarded.

(2) Variable Rate Bonds. If any of the Outstanding Bonds or Bonds of the Series then to be issued constitute Variable Rate Bonds, then the interest rate used in the above-described computations shall be the greater of (i) the interest rate on any additional Bonds issued as Variable Rate Bonds for the first period of calculation of such interest and (ii) the weighted average interest rate at which 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. VRA's reasonable expectation shall be established by an Officer's Certificate and a letter of a knowledgeable professional, including VRA's financial advisor, confirming the interest rate expectation as reasonable. The conversion of Bonds constituting Variable Rate Bonds to bear interest at fixed rate or rates or vice-versa, in accordance with their terms, shall not constitute a new issuance of Bonds under the Master Indenture.

(b) The requirements and provisions of the Master Indenture governing Projected Revenue Certificates shall also be modified as set forth in subsection (a) above as may be necessary or appropriate for Local Obligations that are or will be Related to Optional Tender Bonds or Variable Rate Bonds.

*Junior Subordinate Debt.* VRA may authorize and issue Junior Subordinate Debt for any lawful purpose payable from the revenues, money and other property pledged under the Master Indenture subject and subordinate to the payment of any Bonds or from securing any Junior Subordinate Debt and its payment 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. The resolutions and documents providing for the issuance or incurrence of any Junior Subordinate Debt shall provide that no remedies upon an event of default thereunder may be exercised so long as any Infrastructure Revenue Bonds or Moral Obligation Bonds remain Outstanding.

#### **Establishment of Funds and Accounts**

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

*Establishment and Custody of Pledged Funds for All Series of Bonds.* With respect to and for the benefit of all Bonds there is, under the Master Indenture, established to be held by the Trustee the Revenue Fund. As provided in the article titled "Establishment of Trust" in the Master Indenture, the Revenue Fund is pledged, subject to the limitations within the Master Indenture, as security for all Bonds issued and Outstanding under the Master Indenture. With respect to and for the benefit of the Infrastructure Revenue Bonds of each Series there is established to be held by the Trustee the Infrastructure Revenue Debt Service Fund, the Infrastructure Revenue Debt Service Reserve Fund and the Operating Reserve Fund. These three Funds are pledged as security for all Infrastructure Revenue Bonds issued and Outstanding under the Master Indenture. With respect to and for the benefit of the Moral Obligation Bonds of each Series there is established to be held by the Trustee the Moral Obligation Debt Service Fund and the Capital Reserve Fund. As provided in the section titled "Security for Moral Obligation Bonds" in the Master Indenture, both of these Funds are pledged, subject to the limitations hereof, as security for all Moral Obligation Bonds issued and Outstanding under the Master 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 in the Related Supplemental Series Indenture and held by or at the direction of VRA with respect to each Series of Bonds:

- (1) Cost of Issuance Fund;
- (2) Acquisition Fund; and
- (3) Rebate Fund.

Unless otherwise provided in the Related Supplemental Series Indenture, no Fund described in this Section is pledged as security for payment of any Bonds of any Series.

*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 shall 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 shall 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.

### **Operation of Revenue Fund and Pledged Funds**

*Nature of Security Afforded by Certain Funds.* All Infrastructure Revenue Bonds of any Series issued and to be issued under the Master Indenture are, and are to be, to the extent provided in the Master Indenture, equally and ratably secured by the Revenue Fund, the Infrastructure Revenue Debt Service Fund, the Infrastructure Revenue Debt Service Reserve Fund and the Operating Reserve Fund as provided in the section titled "Bonds Equally and Ratably Secured" in the Master Indenture. All Moral Obligation Bonds of any Series issued and to be issued under the Master Indenture are, and are to be, to the extent provided in the Master Indenture, equally and ratably secured by the Revenue Fund, the Moral Obligation Debt Service Fund and the Capital Reserve Fund as provided in the section titled "Bonds Equally and Ratably Secured" in the Indenture .

*Revenue Fund.* The Trustee shall promptly deposit and hold in the Revenue Fund the 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 Supplemental Series Indentures. On or before each Payment Date on any Series of the Bonds, the Trustee shall make transfers from the Revenue Fund in the amounts and in the order of priority set forth below:

1. To the Infrastructure Revenue Debt Service Fund the amount, if any, required so that the balance therein shall equal the amount of principal, if any, and interest due on the Payment Date on the Infrastructure Revenue Bonds; provided that for the purpose of computing the amount to be paid to the Infrastructure Revenue Debt Service Fund there shall be deducted the amount, if any, set aside in the Infrastructure Revenue Debt Service

Fund which was deposited therein as accrued or capitalized interest and any amounts transferred to the Infrastructure Revenue Debt Service Fund as provided in the section titled "Infrastructure Revenue Debt Service Fund" in the Master Indenture, together in each case with investment earnings thereon; and

2. To the Infrastructure Revenue Debt Service Reserve Fund the amount necessary to cause the balance therein to be equal to the Infrastructure Revenue DSRF Requirement, if any (which shall include the reimbursement of an Infrastructure Revenue DSRF Credit Provider for any drawings on an Infrastructure Revenue DSRF Credit Facility and the payment of any interest, penalties or fees assessed by the Infrastructure Revenue DSRF Credit Provider); and
3. To VRA the amount equal to the sum of the Administrative Charges as confirmed in an Officer's Certificate; and
4. To the Rebate Funds the amounts necessary to provide for the payment of any Rebate Amounts with respect to any Series of Bonds as confirmed in an Officer's Certificate; and
5. To the Moral Obligation Debt Service Fund the amount, if any, required so that the balance therein shall equal the amount of principal, if any, and interest due on the Payment Date on the Moral Obligation Bonds; provided that for the purpose of computing the amount to be paid to the Moral Obligation Debt Service Fund there shall be deducted the amount, if any, set aside in the Moral Obligation Debt Service Fund which was deposited therein as accrued or capitalized interest and any amounts transferred to the Moral Obligation Debt Service Fund as provided in the section titled "Moral Obligation Debt Service Fund" in the Master Indenture, together in each case with investment earnings thereon; and
6. To the Capital Reserve Fund to the extent necessary to cause the balance therein to be equal to the CRF Reserve Requirement (which shall include the reimbursement of a CRF Credit Provider for any drawings on a CRF Credit Facility and the payment of any interest, penalties or fees assessed by the CRF Credit Provider); and
7. To the Operating Reserve Fund, any balance remaining in the Revenue Fund, unless and to the extent that the remaining balance is not necessary to pay future Principal and Interest Requirements on the Bonds at the times and in the amounts provided in (i) a Supplemental Series Indenture and confirmed in an Officer's Certificate or (ii) an Officer's Certificate.

The Trustee shall apply any amounts retained in the Revenue Fund as described in the paragraph numbered seven above to pay the Principal and Interest Requirements on the Bonds at the times and in the amounts provided in the applicable Supplemental Series Indenture or Officer's Certificate as the case may be.

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

*Infrastructure Revenue Debt Service Fund.* The Trustee shall promptly deposit the following amounts in the Infrastructure Revenue Debt Service Fund:

1. The amount, if any, of the proceeds of the Infrastructure Revenue Bonds of any Series, required by the Related Supplemental Series Indenture to be deposited in the

Infrastructure Revenue Debt Service Fund in respect of accrued and/or capitalized interest.

2. All amounts required to be transferred to the Infrastructure Revenue Debt Service Fund from the Revenue Fund.
3. Any amounts required to be transferred to the Infrastructure Revenue Debt Service Fund from the Infrastructure Revenue Debt Service Reserve Fund and the Operating Reserve Fund, as provided under the Master Indenture.
4. Any other amounts required to be paid to the Infrastructure Revenue Debt Service Fund or otherwise made available for deposit therein by any Local Government or VRA, including amounts made available pursuant to the Related Supplemental Series Indenture.

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

*Infrastructure Revenue Debt Service Reserve Fund.* Except as specifically provided below, the amount in the Infrastructure Revenue Debt Service Reserve Fund, if any, shall be used solely to cure deficiencies in the amount on deposit in the Infrastructure Revenue Debt Service Fund. If there is a deficiency in the amount on deposit in the Infrastructure Revenue Debt Service Fund to pay the principal of and interest on the Infrastructure Revenue Bonds when due, then the Trustee shall transfer the amount of the deficiency from the amount, if any, on deposit in the Infrastructure Revenue Debt Service Reserve Fund to the Infrastructure Revenue Debt Service Fund. The Trustee immediately shall notify VRA of the transfer. Notwithstanding the foregoing, no such transfer from the Infrastructure Revenue Debt Service Reserve Fund shall relieve a Local Government of its obligation to make the payments due on its Local Obligations or under the Related Agreement.

On each Reserve Determination Date, the Trustee shall determine if the balance on deposit in the Infrastructure Revenue Debt Service Reserve Fund is at least equal to the Infrastructure Revenue DSRF Requirement. In making each such determination, investments on deposit in the Infrastructure Revenue Debt Service Reserve Fund shall be valued as provided in the section titled "Valuation of Investments" in the Master Indenture. If on any Reserve Determination Date the amount in the Infrastructure Revenue Debt Service Reserve Fund is less than the Infrastructure Revenue DSRF Requirement, the Trustee shall immediately notify VRA of such fact and the amount of the deficiency. VRA may deposit its own funds directly into the Infrastructure Revenue Debt Service Reserve Fund to cure any deficiency in it.

Any interest earned in the investment of money in the Infrastructure Revenue Debt Service Reserve Fund shall be transferred upon receipt to the Revenue Fund and/or to pay any Rebate Amounts in accordance with the Supplemental Series Indentures and Tax Regulatory Agreements (as confirmed in an Officer's Certificate) to the extent that such transfer will not cause the balance in the Infrastructure Revenue Debt Service Reserve Fund to be less than the Infrastructure Revenue DSRF Requirement. If on any Reserve Determination Date there exists a surplus in the Infrastructure Revenue Debt Service Reserve Fund, the Trustee shall transfer such surplus to the Revenue Fund and/or use it to pay any Rebate Amounts in accordance with the Supplemental Series Indentures and Tax Regulatory Agreements (as confirmed in an Officer's Certificate); provided, however, that if on any Reserve Determination Date there exists or will exist a surplus in the Infrastructure Revenue Debt Service Reserve Fund as the result of the payment at maturity, redemption or defeasance under the section titled "Defeasance" in the Master Indenture of a portion of the Bonds on or as of such Reserve Determination Date, then the Trustee is authorized to

apply the surplus as specified in (i) a Supplemental Series Indenture (as confirmed in an Officer's Certificate) or (ii) an Officer's Certificate.

In lieu of maintaining and depositing money or securities in the Infrastructure Revenue Debt Service Reserve Fund, VRA may deposit with the Trustee an Infrastructure Revenue DSRF Credit Facility in an amount equal to all or a portion of the Infrastructure Revenue DSRF Requirement. Any Infrastructure Revenue DSRF Credit Facility will permit the Trustee to draw or obtain under it for deposit in the Infrastructure Revenue Debt Service Reserve Fund amounts that, when combined with the other amounts in the Infrastructure Revenue Debt Service Reserve Fund, are not less than the Infrastructure Revenue DSRF Requirement.

The Trustee will make a drawing on or otherwise obtain funds under the Infrastructure Revenue DSRF Credit Facility before its expiration or termination (i) whenever money is required for the purposes for which Infrastructure Revenue Debt Service Reserve Fund money may be applied and (ii) unless such Infrastructure Revenue DSRF Credit Facility has been extended or a qualified replacement for it delivered to the Trustee, in the event VRA has not deposited immediately available funds equal to the Infrastructure Revenue DSRF Requirement at least two Business Days preceding the expiration or termination of the Infrastructure Revenue DSRF Credit Facility.

If VRA provides the Trustee with an Infrastructure Revenue DSRF Credit Facility as provided in this subsection, the Trustee will transfer the corresponding amount of funds then on deposit in the Infrastructure Revenue Debt Service Reserve Fund to VRA, provided VRA delivers to the Trustee (i) an Opinion of Bond Counsel that such transfer of funds will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Bonds the interest on which was excludable on the date of their issuance and (ii) VRA covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

*Moral Obligation Debt Service Fund.* The Trustee shall promptly deposit the following amounts in the Moral Obligation Debt Service Fund:

1. The amount, if any, of the proceeds of the Moral Obligation Bonds of any Series, required by the Related Supplemental Series Indenture to be deposited in the Moral Obligation Debt Service Fund in respect of accrued and/or capitalized interest.
2. All amounts required to be transferred to the Moral Obligation Debt Service Fund from the Revenue Fund.
3. Any amounts required to be transferred to the Moral Obligation Debt Service Fund from the Capital Reserve Fund, as provided under the Master Indenture.
4. Any other amounts required to be paid to the Moral Obligation Debt Service Fund or otherwise made available for deposit therein by any Local Government or VRA, including amounts made available pursuant to the Related Supplemental Series Indenture.

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

The Trustee shall pay out of the Moral Obligation Debt Service Fund to the Paying Agents for the Bonds on each Principal Payment Date and redemption date for the Moral Obligation Bonds, the amounts then required for the payment of such principal or redemption price, and such amounts shall be applied by the Paying Agents to such payments.

*Capital Reserve Fund.* The Capital Reserve Fund shall be used solely to cure deficiencies in the amount on deposit in the Moral Obligation Debt Service Fund. If there is a deficiency in the amount on deposit in the Moral Obligation Debt Service Fund to pay the principal of and interest on the Moral Obligation Bonds when due, then the Trustee shall transfer the amount of the deficiency from the amount, if any, on deposit in the Capital Reserve Fund to the Moral Obligation Debt Service Fund. The Trustee immediately shall notify VRA of the transfer. Notwithstanding the foregoing, no such transfer from the Capital Reserve Fund shall relieve a Local Government of its obligation to make the payments due on its Local Obligations or under the Related Agreement.

On each Reserve Determination Date, the Trustee shall determine if the balance on deposit in the Capital Reserve Fund is at least equal to the CRF Reserve Requirement and the Minimum CRF Reserve Requirement. Unless and until VRA satisfies the requirements of the section titled "Release of Moral Obligations" in the Master Indenture, the CRF Reserve Requirement and the Minimum CRF Reserve Requirement shall be equal. In making each such determination, investments on deposit in the Capital Reserve Fund shall be valued as provided in the section titled "Valuation of Investments" in the Master Indenture. If on any Reserve Determination Date the amount in the Capital Reserve Fund is less than the CRF Reserve Requirement or the Minimum CRF Reserve Requirement, the Trustee shall immediately notify VRA of such fact and the amount of the deficiency.

If any deficiency below the Minimum CRF Reserve Requirement shall continue to exist on or before December 1 of the year in which the deficiency occurs, VRA's Chairman shall under Section 62.1-215 of the Act make and deliver to the Governor and the Secretary of Administration of the Commonwealth of Virginia a certificate setting forth the amount of such deficiency. Notwithstanding anything to the contrary contained herein, in determining whether such deficiency continues to exist on a December 1, the Chairman of VRA shall not take into account any deficiency resulting solely from the valuation by the Trustee of the investments in the Capital Reserve Fund (as opposed to a transfer therefrom to the Moral Obligation Debt Service Fund due to a default on a Local Obligation).

VRA may deposit its own funds directly into the Capital Reserve Fund to cure any deficiency in it.

VRA and the Trustee shall deposit directly into the Capital Reserve Fund any payments made by the Commonwealth pursuant to an appropriation by the General Assembly of the Commonwealth of Virginia under Section 62.1-215 of the Act to replenish any deficiency below the Minimum CRF Reserve Requirement in the Capital Reserve Fund.

Any interest earned in the investment of money in the Capital Reserve Fund shall be transferred upon receipt to the Revenue Fund and/or to pay any Rebate Amounts in accordance with the Supplemental Series Indentures and Tax Regulatory Agreements (as confirmed in an Officer's Certificate) to the extent that such transfer will not cause the balance in the Capital Reserve Fund to be less than the CRF Reserve Requirement. If on any Reserve Determination Date there exists a surplus in the Capital Reserve Fund, the Trustee shall transfer the surplus to the Revenue Fund and/or use it to pay any Rebate Amounts in accordance with the Supplemental Series Indentures and Tax Regulatory Agreements (as confirmed in an Officer's Certificate); provided, however, that if on any Reserve Determination Date there exists or will exist a surplus in the Capital Reserve Fund as the result of the payment at maturity, redemption or defeasance under the article titled "Defeasance" in the Indenture of a portion of the Moral Obligation Bonds on or as of such Reserve Determination Date, then the Trustee is authorized to apply the surplus as specified in (i) a Supplemental Series Indenture (as confirmed in an Officer's Certificate) or (ii) an Officer's Certificate.

In lieu of maintaining and depositing money or securities in the Capital Reserve Fund, VRA may deposit with the Trustee a CRF Credit Facility in an amount equal to all or a portion of the CRF Reserve Requirement. Any CRF Credit Facility will permit the Trustee to draw or obtain under it for deposit in the Capital Reserve Fund amounts that, when combined with the other amounts in the Capital Reserve Fund, are not less than the CRF Reserve Requirement.

The Trustee will make a drawing on or otherwise obtain funds under the CRF Credit Facility before its expiration or termination (i) whenever money is required for the purposes for which Capital Reserve Fund money may be applied and (ii) unless such CRF Credit Facility has been extended or a qualified replacement for it delivered

to the Trustee, in the event VRA has not deposited immediately available funds equal to the CRF Reserve Requirement at least two Business Days preceding the expiration or termination of the CRF Credit Facility.

If VRA provides the Trustee with a CRF Credit Facility as provided in this subsection, the Trustee will transfer the corresponding amount of funds then on deposit in the Capital Reserve Fund to VRA, provided VRA delivers to the Trustee (i) an Opinion of Bond Counsel that such transfer of funds will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Bonds the interest on which was excludable on the date of their issuance and (ii) VRA covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

*Release of Moral Obligation.* Without obtaining the consent of either the Trustee or any of the Owners of the Bonds, VRA may at any time by resolution adopted by its Board of Directors and filed with the Trustee establish the Minimum CRF Reserve Requirement at an amount less than the CRF Reserve Requirement upon satisfaction of the following conditions:

(a) The above-described resolution contains a finding by VRA's Board of Directors that such action is not reasonably expected to affect adversely VRA's ability to pay the Principal and Interest Requirements on the Moral Obligation Bonds; and

(b) VRA files with the Trustee written confirmation from each Rating Agency for any Moral Obligation Bonds then Outstanding that its then-current rating on the Moral Obligation Bonds will not be withdrawn or reduced as a result of such action.

The Minimum CRF Reserve Requirement is intended to be the "minimal requirement" for the Capital Reserve Fund described in Section 62.1-215 of the Act. The portion of the Capital Reserve Fund representing or allocable to the excess, if any, of the CRF Reserve Requirement over the Minimum CRF Reserve Requirement shall not be deemed a "capital reserve fund" within the meaning of Section 62.1-215 of the Act.

*Operating Reserve Fund.* On each Payment Date, any amount on deposit in the Operating Reserve Fund shall be transferred to the Infrastructure Revenue Debt Service Fund if and to the extent that, after the transfers from the Revenue Fund provided for in the third paragraph of the section titled "Revenue Fund" in the Master Indenture and from the Infrastructure Revenue Debt Service Reserve Fund provided for in the section titled "Infrastructure Revenue Debt Service Reserve Fund" in the Master Indenture, amounts on deposit in the Infrastructure Revenue Debt Service Fund are insufficient to pay the principal and interest due on the Infrastructure Revenue Bonds on such date.

Investment earnings on amounts in the Operating Reserve Fund shall be retained there in unless necessary for transfer to the Infrastructure Revenue Debt Service Fund as provided in the above paragraph or transferred to VRA as provided in the paragraph below.

At any time upon the filing with the Trustee of a Projected Revenue Certificate, VRA may transfer to itself, from amounts on deposit in the Operating Reserve Fund, free and clear of any lien or pledge created by the Master Indenture, an amount which is not required to produce Revenue Coverage equal to the Required Revenue Coverage, Infrastructure Revenue Bond Debt Service Coverage equal to the Required Infrastructure Revenue Bond Debt Service Coverage, and an Infrastructure Revenue Bond Revenue Coverage equal to Required Infrastructure Revenue Bond Revenue Coverage in the then-current and all future Bond Years, all as set forth in the Projected Revenue Certificate. The amounts VRA transfers to itself shall first be used to reimburse the Commonwealth in accordance with Section 62.1-215 of the Act for any amounts which the General Assembly may have appropriated and the Commonwealth has paid into the Capital Reserve Fund as described in the section titled "Moral Obligation Debt Service Fund" in the Master Indenture above and then may be applied to any other lawful purpose under the Act. VRA shall provide written notification to each Rating Agency of each such transfer from the Operating Reserve Fund.

*Cost of Issuance Funds.* There shall be deposited in each Cost 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 shall use such amounts to pay costs of issuance incurred in connection with the issuance of the Related Series of Bonds. Upon the filing with the Trustee of an Officer's Certificate that no further costs of issuance are to be paid from a Cost of Issuance Fund, VRA shall transfer any amounts remaining on deposit in such Fund to the Revenue Fund, the Related Acquisition Fund and/or another Fund or Account established hereunder as may be authorized or directed by the Related Supplemental Series Indenture or Tax Regulatory Agreement. Investment earnings on a Cost of Issuance Fund may be transferred therefrom periodically as provided in the Related Supplemental Series Indenture and Tax Regulatory Agreement.

*Acquisition Funds.* There shall be deposited into each Acquisition Fund such portion of the proceeds of the Related Series of Bonds and other amounts as may be specified in the Related Supplemental Series Indenture. VRA shall 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 the filing with the Trustee of an Officer's Certificate 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 Revenue Fund and/or another Fund or Account established hereunder as may be authorized or directed by the Related Supplemental Series Indenture or Tax Regulatory Agreement. Investment earnings in an Acquisition Fund may be transferred periodically therefrom as provided in the Related Supplemental Series Indenture and Tax Regulatory Agreement.

*Rebate Funds.* There shall be deposited in each Rebate Fund Rebate Amounts and such other amounts as may be specified in the Related Supplemental Series Indenture and the Related Tax Regulatory Agreement. VRA shall use the balance in a Rebate Fund to pay the obligations under Section 148 of the Code in connection with the Related Series of Bonds. VRA may transfer any amounts on deposit in a Rebate Fund that are not needed for such purpose to the Revenue Fund, the Operating Reserve Fund and/or another Fund or Account established hereunder as may be authorized or directed by the Related Supplemental Series Indenture or Tax Regulatory Agreement and confirmed in an Officer's Certificate.

## **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 shall 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 44, Title 2.2 of the Virginia Code, or any successor provision of law; provided, however, that it shall not be necessary for the Paying Agent to give security for the deposit of any amounts with it for the payment of the principal of or premium, if any, or interest on any Bonds issued under the Master Indenture, or for any Person to give security for any investments described in the section titled "Permitted Investments" in the Master Indenture below purchased under the provisions of this section as an investment of such amounts.

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 in writing by a VRA Representative, in any investments which are at the time legal investments for public funds of the type to be invested under Virginia law, including without limitation the Act and the Investment of Public Funds Act, Chapter 45, Title 2.2 of the Virginia Code, or any successor provision of law.

Subject to the provisions of any Supplemental Indenture, all investments shall 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 shall 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 in a Supplemental Indenture, VRA or the Trustee shall 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 permitted by the section titled "Permitted Investments" in the Master Indenture 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 purposes.

*Records and Accounts; Inspections and Reports.* VRA will maintain or cause to be maintained proper books or 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 shall 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 Fiscal Year and shall 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. Such audit report shall reflect 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, Infrastructure Revenue DSRF Credit Providers and CRF Credit Providers.* VRA may make such covenants as it may in its sole discretion determine to be appropriate with any Bond Credit Provider, Infrastructure Revenue DSRF Provider or CRF Facility, an Infrastructure Revenue DSRF Credit Facility or a CRF Credit Facility that shall enhance the security or the value of such Bonds and thereby reduce the Principal and Interest Requirements on such Bonds or substitute for amounts in the Infrastructure Revenue Debt Service Reserve Fund or the Capital Reserve Fund. Such covenants may be set forth in the Related Supplemental Series Indenture or other Supplemental Indenture and shall 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 State Aid Intercept.* VRA covenants that it will take any and all actions available to it under the laws of the Commonwealth, including those actions available to it under the laws of the Commonwealth, including those actions available under Section 62.1-2161.1 of the Act and Section 15.2-2659 of the Virginia Code, to obtain Local Obligation Payments if the Related Local Government fails to make such payments when the same shall become due and payable.

*Defeasance.* If VRA shall pay or provide for the payment of the entire indebtedness on all Bonds Outstanding in any one or more of the following ways: (1) 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; (2) by delivering all Bonds Outstanding to the Trustee for cancellation; or (3) by depositing with the Trustee (or an escrow agent acceptable to the Trustee), in trust, cash and/or Defeasance Obligations 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 shall pay or provide for the payment of (on the date of defeasance or over time) all other sums payable hereunder by VRA, and if any of the Bonds Outstanding are to be redeemed before their maturity, notice of such redemption shall have been given as provided in Article IV (and the corresponding sections of the Supplemental Series Indentures) or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the Master Indenture and the estate and rights granted hereunder (except for the provisions of Articles III and IV and Section 6.1) in the Master Indenture shall cease, determine, and become null and void. Thereupon the Trustee shall, upon receipt by the Trustee of an Officer's Certificate and an opinion of Bond Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Master Indenture as provided above have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Indenture except for the provisions, the corresponding sections of the Supplemental Series Indentures, and the lien hereof.

*Provision for Payment of Particular Bonds.* If VRA shall pay or provide for the payment of the entire indebtedness on particular Bonds in any one or more of the following ways: (1) 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; (2) by delivering such Bonds to the Trustee for cancellation; or (3) by depositing with the Trustee (or an escrow agent acceptable to the Trustee), in trust, cash and/or Defeasance Obligations in such amount as will, together with the income or increment to accrue thereon (the "Payment Amount"), be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on 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 shall also pay or provide 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 as provided in Article IV of the Master Indenture (or the corresponding provisions of the Related Supplemental Series Indentures) or provisions satisfactory to the Trustee shall have been made for the giving of such notice, such Bonds shall 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 shall thereafter be entitled to payment (to the exclusion of all other Owners) only out of the cash and/or Defeasance Obligations 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, shall be deemed to be paid and retired as provided in the article titled "General Covenants and Provisions" in the Master Indenture.

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

*Events of Default; No Acceleration.* The occurrence and continuation of one or more of the following events shall constitute an Event of Default with respect to the Bonds:

- (a) default in the payment of any installment of interest in respect of any Bond as the same shall become due and payable; or
- (b) default in the payment of the principal of or premium, if any, in respect of any Bond as the same shall become due and payable either at maturity, upon redemption, or otherwise; or
- (c) default in the payment of any Amortization Requirement in respect of any Term Bond as the same shall become due and payable; or
- (d) 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, a Supplemental Series Indenture, a Tax Regulatory Agreement or any Bond; or
- (e) Appointment by a court of competent jurisdiction of a receiver for all or any substantial part of the Revenues, the Infrastructure Revenue Bond Revenues, and the other Funds and Accounts pledged pursuant to the Master Indenture, or the filing by VRA of any petition for reorganization of VRA or rearrangement or readjustment of the obligations of VRA under the provisions of any applicable bankruptcy or insolvency law.

Notwithstanding any other provision of the Master Indenture, failure to pay the principal or any Amortization Requirement of or interest on the Moral Obligation Bonds will not constitute an Event of Default on the Infrastructure Revenue 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 including, but not limited to, Events of Default upon the occurrence of events specified in any agreement entered into in connection with the delivery of a Bond Credit Facility and acceleration of the full principal amount of such Bonds.

*No Acceleration.* The principal of and interest on the Bonds is not subject to acceleration upon the occurrence and continuation of an Event of Default.

*Other Remedies.* Upon the occurrence and continuation of an Event of Default, the Trustee may in its discretion, and shall at the written request of the Majority Owners of the Infrastructure Revenue Bonds Outstanding, or if there are no Infrastructure Revenue Bonds Outstanding, at the written request of the Majority Owners of the Moral Obligation Bonds Outstanding, and having been indemnified as provided in the section titled "Acceptance of Trusts and Obligations" in the Master Indenture, pursue any available remedy, at law or in equity, to enforce the payment of the principal of and premium, if any, and interest on the Bonds, to enforce any covenant or condition under the Master Indenture or the Supplemental Indentures or to remedy any Event of Default.

Notwithstanding anything in the Master Indenture or the Supplemental Indentures to the contrary, upon the occurrence and continuation of an Event of Default, the Majority Owners of the Infrastructure Revenue Bonds Outstanding will control and direct all actions of the Trustee in exercising such of the rights and powers conferred by this Section on the Trustee or the Owners. If there are no Infrastructure Revenue Bonds Outstanding, upon the occurrence and continuation of an Event of Default, and if requested so to do in writing by the Majority Owners of the Moral Obligation Bonds Outstanding, and having been indemnified as provided in the section titled "Acceptance of Trusts and Obligations" in the Master Indenture, the Trustee will exercise such of the rights and powers conferred by this Section as the Trustee, being advised by counsel, deems most effective to enforce and protect the interests of the Owners.

So long as any Infrastructure Revenue Bonds are Outstanding, no Owner of any Moral Obligation Bond may exercise any remedy under the Master indenture or any Supplemental Indenture.

*Restriction on Owners' Actions.* In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the article titled "Default Provisions and Remedies of Trustee and Owners" in the Master Indenture, no Owner will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or any remedy under the Master Indenture or any Supplemental Indenture or the Bonds, unless (i) an Event of Default has occurred and is continuing of which the Trustee has been notified as provided in the section titled "Acceptance of Trusts and Obligations" in the Master Indenture, or of which by such Section it is deemed to have notice; (ii) the Majority Owners of the Infrastructure Revenue Bonds or, if there are no Infrastructure Revenue Bonds Outstanding, the Majority Owners of the Moral Obligation Bonds, have made written request of the Trustee to institute the suit, action, proceeding or other remedy, after the right to exercise the powers or rights of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or to institute the action, suit or proceeding in its or their name; (iii) there has been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred as provided in the section titled "Acceptance of Trusts and Obligations" in the Master Indenture, and (iv) the Trustee has not complied with the request within a reasonable time. Such notification, request and offer of indemnity are declared, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Master Indenture or for any other remedy under the Master Indenture. It is intended that no one or more Owners will have any right to affect, disturb or prejudice the security of the Master Indenture, or to enforce any right under the Master Indenture or the Bonds, except in the manner provided for in the Master Indenture, and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit of all Owners. Nothing in the Master Indenture will affect or impair the right of the Owners to enforce payment of the Bonds in accordance with their terms.

*Waiver of Events of Default; Effect of Waiver.* The Trustee will waive any Event of Default and its consequences at the written request of the Majority Owners of the Infrastructure Revenue Bonds Outstanding or, if there are no Infrastructure Revenue Bonds Outstanding, the Majority Owners of the Moral Obligation Bonds Outstanding. If any Event of Default with respect to the Bonds 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 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 this Article to the Trustee and to the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

*Application of Money.* Any amounts received by the Trustee pursuant to this Article will, after payment of the costs and expenses of the proceedings resulting in the collection of the money, the expenses, liabilities and advances incurred or made by the Trustee and the fees (whether ordinary or extraordinary) of the Trustee and expenses of VRA in carrying out the provisions of the Master Indenture, be deposited in an appropriate Account that the Trustee will establish in the Revenue Fund. The amounts in such Account shall be applied as follows:

1. To the payment of the persons entitled to it of all installments of interest then due on the Infrastructure Revenue Bonds, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege;
2. To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of on any of the Infrastructure Revenue Bonds which have become due (other than Infrastructure Revenue Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of the Master Indenture), in the order of their due dates and, if the amount available is not sufficient to pay in full such Infrastructure Revenue Bonds due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege;
3. To the payment of the persons entitled to it of all installments of interest then due on the Moral Obligation Bonds to the extent the same is not to be paid from amounts in the Capital Reserve Fund, in order of the maturity of the installments of such interest and, if the money available is not sufficient to pay in full any particular installment, then ratably, according to the amounts due on such installment, to the persons entitled to it, without any discrimination or privilege; and
4. To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of any of the Moral Obligation Bonds which have become due (other than Moral Obligation Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of the Master Indenture) to the extent the same is not to be paid from amounts in the Capital Reserve Fund, in the order of their due dates and, if the amount available is not sufficient to pay in full such Moral Obligation Bonds due on any particular date, then ratably, according to the amount of principal due on such date, to the persons entitled to it without any discrimination or privilege.

Whenever money is to be applied pursuant to the provisions of this Section, it will be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee applies such money, it will fix the date on which payment is to be made, and interest on the amount of principal to be paid on such date will cease to accrue. The Trustee will give, by first class mail as it may deem appropriate, notice to the Owners of the fixing of such payment date.

Notwithstanding anything to the contrary in the Master Indenture, amounts at any time on deposit in or transferred to the Capital Reserve Fund as described in the section titled "Capital Reserve Fund" in the Master Indenture above shall be used only to pay the principal of and interest on the Moral Obligation Bonds and such amounts shall be so used but only to the extent that amounts in the above-described Account and the Moral Obligation Debt Service Fund are insufficient therefor.

*Notice of Certain Defaults; Opportunity to Cure Such Defaults.* Notwithstanding anything to the contrary in the Master Indenture, no default under the section titled "Events of Default" in the Master Indenture will constitute an Event of Default until actual notice of the default is given to VRA by the Trustee or by the Owners of not less than twenty-five percent in aggregate principal amount of all Outstanding Bonds, and VRA has had (i) 30 days after receipt of the notice with respect to any default in the payment of money or (ii) 90 days after receipt of the notice of any other default to correct the default or to cause the default to be corrected; provided, however, that if the default can be corrected, but cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by VRA within the applicable period and diligently pursued until the default is corrected.

### **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 shall 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:

- (a) To cure or correct any ambiguity, formal defect, omission or inconsistent provision in the Master Indenture or in a Supplemental Series Indenture;
- (b) To grant to or confer on the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Owners or the Trustee or either of them;
- (c) To subject to the lien and pledge of the Master Indenture additional revenues, properties or collateral;
- (d) To provide for the issuance of coupon Bonds if authorized under the Related Supplemental Series Indenture;
- (e) To amend certain provisions of the Master Indenture or any Supplemental Series Indenture in any manner consistent with Sections 103 and 141 through 150 of the Code (or such other hereinafter enacted sections of the Code as may be applicable to the Bonds) as in effect at the time of the amendment;
- (f) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Master Indenture or any Supplemental Series Indenture, of the Revenues, the Infrastructure Revenue Bond Revenues or any other moneys, property or Funds or Accounts;
- (g) To modify, amend or supplement the Master Indenture or any Supplemental Series Indenture as required to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to permit the qualification of any of the Bonds for sale under the securities laws of any of the states of the United States, and, if VRA and the Trustee so determine, to add to this Master Indenture or any Supplemental Series Indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or similar federal statute;
- (h) To add to the covenants and agreements of VRA contained in this 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;
- (i) To amend, modify or change the terms of any agreements governing any book-entry-only system for any of the Bonds;
- (j) 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;

(k) To make any changes necessary to comply with the requirements of a Rating Agency or of a Bond Credit Provider, an Infrastructure Revenue DSRF Credit Provider or a CRF Credit Provider that, as expressed in a finding or determination by VRA (which is included in the Supplemental Indenture), would not materially adversely affect the security for the Bonds;

(l) To make any other changes that, as expressed in a determination or finding by VRA (which shall be stated in the Supplemental Indenture, and may be based upon an Opinion of Counsel and/or the opinion of VRA's financial advisor) shall not prejudice in any material respect the rights of the Owners of the Bonds then Outstanding; and

(m) To restate in one document the Master Indenture and all effective Supplemental Series Indentures and other Supplemental Indentures, which restatement shall then become the Master Indenture for all purposes, effective as of the date of this Master Indenture with respect to matters set forth therein and as of the date of any Supplemental Indenture included in the restatement as to matters set forth in any such Supplemental Indenture. Supplemental Series Indentures and the Bonds issued thereunder prior to a restatement shall be deemed to relate to the restated Master Indenture without any further action or amendment.

*Supplemental Indentures Requiring Consent.* Exclusive of Supplemental Indentures covered by the section titled "Supplemental Indenture Not Requiring Consent of Owners" in the Master Indenture and subject to the terms and provisions contained in this Section, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right from time to time, notwithstanding any other provision of this Indenture, to consent to and approve the execution by VRA and the Trustee of such other Supplemental Indenture or Supplemental Indentures as VRA shall deem necessary or desirable to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Indenture; provided, however, that without the consent and approval of the Owners of all of the affected Bonds then Outstanding nothing in the Master Indenture shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest on it, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided herein, or (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture.

### **Seventeenth Supplemental Series Indenture**

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

*Establishment of Funds and Accounts for the 2010B Bonds.* In accordance with the Master Indenture, the 2010B Cost Issuance Fund, the 2010B Acquisition Fund and the 2010B Rebate Fund are established with respect to the 2010B Bonds.

The Trustee is directed to establish a Local Account in the 2010B Acquisition Fund for the Local Obligation Related to the 2010B Bonds.

*2010B Cost of Issuance Fund.* The Trustee shall apply the amounts in the 2010B Cost of Issuance Fund to pay the costs of issuance of the 2010B Bonds as VRA shall direct pursuant to requisitions in the form provided in the Seventeenth Supplemental Series Indenture. Any of the amounts deposited in the 2010B Cost of Issuance Fund as described in the section titled "Application of Sale Proceeds of the 2010B Bonds" in the Seventeenth Supplemental Series Indenture of Trust that are not applied in accordance with the section titled "Cost of Issuance Funds" of the Master Indenture to pay the costs of issuance of the 2010B Bonds shall be transferred to the Revenue Fund and applied to pay debt service on the 2010B Bonds before any other amounts therein are so used. All amounts in the 2010B Cost of Issuance Fund will be invested in exclusively tax-exempt bonds or certain tax exempt mutual funds.

*2010B Acquisition Fund.*

Purchase of Related Local Obligation. The allocation to the Local Account of the amount of the sale proceeds of the 2010B Bonds pursuant to the Seventeenth Supplemental Series Indenture of Trust shall be deemed the purchase of the Related Local Obligation.

Disbursements and Transfers from Local Account. Commencing on the Closing Date, the Local Government may cause the Trustee to disburse amounts on deposit in the Related Local Account in accordance with the Related Agreement. The Trustee shall retain in the Local Account all income and profits, if any, from the investment and reinvestment of amounts therein.

Unexpended Proceeds. If required under the Related Agreement, the Local Government will provide to VRA and the Trustee a certificate stating that certain amounts in the Related Local Account will not be necessary to pay Project Costs in accordance with the Related Agreement. Upon receipt of such certificate, the Trustee will apply any remaining balance at the direction of the Local Government in such manner as will not, in the Opinion of Bond Counsel delivered to VRA and the Trustee, have an adverse effect on the tax-exempt status of either the 2010B Bonds or the Related Local Obligation.

*Additional Conditions.* Before the issuance and delivery of the 2010B Bonds by the Paying Agent, VRA shall deliver or cause to be delivered to the Trustee the following documents in addition to those required under the section titled "Conditions of Issuing a Series of Bonds" of the Master Indenture.

(a) A Projected Revenue Certificate satisfying the requirements of the section titled "Required Infrastructure Revenue Bond Revenue Coverage; Projected Revenue Certificate" in the Seventeenth Supplemental Series Indenture.

(b) Each Related Local Obligation;

(c) An executed version of each Related Agreement, which shall at a minimum provide for the replenishment and payment by the Local Government of any amounts withdrawn from and foregone investment earnings on the Capital Reserve Fund due to a failure of the Local Government to make any payment under the Related Local Obligation;

(d) Certified copies or duplicate originals of all resolutions, documents, certificates and opinions of each Local Government relating to the Related Agreement or the issuance of the Related Local Obligation;

(e) Such certificates, instruments and documents as are required by the terms of each Related Agreement;

(f) An opinion of bond counsel to each Local Government dated the date of the issuance of the Related Local Obligation which shall, at a minimum, state, subject to customary qualifications, that the Related Local Obligation and Agreement are valid and binding in accordance with their terms; and

(g) The executed 2010B Tax Regulatory Agreement.

*2010B Tax Regulatory Agreement.* VRA agrees that it will not take any action, or omit to take any action, if any such action or omission would adversely affect the exclusion from gross income of interest on the 2010B Bonds under Section 103 of the Code. VRA agrees that it will not directly or indirectly use or permit the use of any proceeds of the 2010B Bonds or any other funds of VRA or take or omit to take any action that would cause the 2010B Bonds to be "arbitrage bonds" under Section 148(a) of the Code. To these ends, VRA will comply with all requirements of Sections 141 through 150 of the Code, including the rebate requirement of Section 148(f), to the extent applicable to the 2010B Bonds.

Without limiting the generality of the foregoing, VRA agrees that (i) it will not directly or indirectly use or permit the use of the proceeds of the 2010B Bonds except in accordance with the 2010B Tax Regulatory Agreement and (ii) insofar as the 2010B Tax Regulatory Agreement imposes duties and responsibilities on VRA, the 2010B Tax Regulatory Agreement is specifically incorporated by reference into this Section.

The Trustee agrees to comply with all written instructions of a VRA Representative given in accordance with the 2010B Tax Regulatory Agreement, but the Trustee shall not be required to ascertain that the instructions comply with the 2010B Tax Regulatory Agreement. The Trustee shall be entitled to receive and may request from

time to time from VRA written instructions from a nationally-recognized bond counsel acceptable to the Trustee regarding the interpretation of Sections 141 through 150 of the Code, and the Trustee agrees that it will comply with such directions (upon which the Trustee and VRA may conclusively rely) so as to enable VRA to perform its covenants under this Section.

Notwithstanding any provisions of this Section, if VRA shall provide to the Trustee an opinion of nationally-recognized bond counsel addressed and acceptable to VRA and the Trustee to the effect that any action required under this Section by incorporation or otherwise is not required to maintain the exclusion from gross income of the interest on the 2010B Bonds under Section 103 of the Code, VRA and the Trustee may rely conclusively on such opinion in complying with the provisions of this Section.

*Required Infrastructure Revenue Bond Revenue Coverage Certificate.* For so long as any of the 2010B Bonds remains Outstanding, each Projected Revenue Certificate filed with the Trustee under the section titled "Conditions of Issuing a Series of Bonds" in the Master Indenture shall show for each Bond Year Infrastructure Revenue Bond Revenue Coverage equal to at least one hundred twenty percent (120%). In other words, for purposes of the conditions for the issuance of additional Series of Bonds and for so long as any of the 2010B Bonds remains Outstanding, "Required Infrastructure Revenue Bond Revenue Coverage" shall mean one hundred twenty percent (120%).

*Restriction on Withdrawals from Operating Reserve Fund.* For so long as any of the 2010B Bonds remain Outstanding, VRA shall not request any transfer to itself from the Operating Reserve Fund pursuant to the section titled "Operating Reserve Fund" in the Master Indenture unless each request is accompanied by an Officer's Certificate stating that (i) no single Local Government has outstanding an aggregate principal amount of Local Obligations representing more than twenty percent (20%) of the aggregate outstanding principal amount of all Local Obligations purchased or acquired with proceeds of Bonds issued under the Master Indenture and (ii) there are not fewer than twenty different Local Governments with outstanding Local Obligations purchased or acquired with proceeds of Bonds issued under the Master Indenture.

*Restriction on Permitted Investments.* For so long as any of the 2010B Bonds remain Outstanding, investments or providers of investments in the Capital Reserve Fund must meet certain requirements prescribed by the Rating Agency, including a general requirement that the investment or provider have ratings at least as high as the ratings on the Moral Obligation Bonds Outstanding.

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**PROPOSED FORM OF BOND COUNSEL OPINION**

**Appendix C**

**Form of Bond Counsel Opinion  
2010B 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 Bonds.*

[Letterhead of McGuireWoods LLP]

August \_\_, 2010

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

**Virginia Resources Authority**

**\$28,060,000\* Infrastructure Revenue Bonds  
(Virginia Pooled Financing Program)  
Series 2010B**

**and**

**\$12,900,000\* State Moral Obligation Revenue Bonds  
(Virginia Pooled Financing Program),  
Series 2010B**

Ladies and Gentlemen:

We have served as Bond Counsel to the Virginia Resources Authority ("VRA") in connection with the issuance of VRA's \$28,060,000\* Infrastructure Revenue Bonds (Virginia Pooled Financing Program), Series 2010B (the "Infrastructure Revenue Bonds"), and \$12,900,000\* State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program) Series 2010B (the "Moral Obligation Bonds," and, together with the Infrastructure Revenue Bonds, the "Bonds"). The 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 15, 2010, and (iii) a Master Indenture of Trust dated as of December 1, 2003 (the "Master Indenture"), between VRA and U.S. Bank National Association, as successor trustee (the "Trustee"), as previously supplemented and

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\* Preliminary, subject to change.

amended and as further supplemented by a Seventeenth Supplemental Series Indenture of Trust dated as of August 1, 2010 (the "Seventeenth Supplemental Series Indenture," and, together with the Master Indenture, the "Indenture"), between VRA and the Trustee. We refer you to the Bonds and the Indenture for a description of the purposes for which the 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 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, including certifications made on behalf of the 2010B Local Government (as defined below).

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 Indenture, to issue and sell the Bonds, and to apply the proceeds from the issuance and sale of the Bonds as set forth in the Indenture. All conditions precedent to the issuance of the Bonds as set forth in the VRA Act and the Indenture have been fulfilled.

(3) The Infrastructure Revenue Bonds have been duly authorized, executed, and delivered in accordance with the VRA Act and the Indenture and constitute valid and binding limited obligations of VRA, payable solely from the revenues, money and property of VRA specifically pledged for such purpose under the Indenture on a parity with the other Outstanding Infrastructure Revenue Bonds heretofore or hereafter issued under the Indenture.

(4) The Moral Obligation Bonds have been duly authorized, executed, and delivered in accordance with the VRA Act and the Indenture and constitute valid and binding limited obligations of VRA, payable solely from the revenues, money and property of VRA specifically pledged for such purpose under the Indenture, which pledge is (i) on a parity with the other Outstanding Moral Obligation Bonds heretofore or hereafter issued under the Indenture and (ii)

subordinate as to certain revenues, money and property to the pledge thereof securing the Infrastructure Revenue Bonds issued on the date hereof and the other Outstanding Infrastructure Revenue Bonds heretofore or hereafter issued under the Indenture.

(5) The principal of and premium, if any, and interest on the 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 Bonds or other costs incident to them except from the revenues, 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 Bonds.

(6) The Indenture has been duly authorized, executed and delivered by VRA, constitutes the valid and binding obligation of VRA, pledges the Revenues and the Infrastructure Bond Revenues to the Trustee as security for the Infrastructure Revenue Bonds, pledges the Revenues on a subordinate basis to the Moral Obligation Bonds, and is enforceable against VRA in accordance with its terms. The Seventeenth Supplemental Series Indenture is authorized and permitted by the Master Indenture and will have no adverse effect on the excludability of the interest on any of the Bonds Outstanding on the date hereof from gross income for federal income tax purposes provided the interest on such Bonds was excludable from gross income under Section 103(a) of the Code when issued.

(7) Additional Infrastructure Revenue Bonds and Moral Obligation Bonds may be issued from time to time under the conditions, limitations, and restrictions set forth in the Indenture, and may be secured equally and ratably thereunder with the Infrastructure Revenue Bonds and the other Outstanding Infrastructure Revenue Bonds or the Moral Obligation Bonds and the other Outstanding Moral Obligation Bonds, as the case may be.

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

In delivering this opinion, we are (i) relying on an opinion from a firm of municipal bond attorneys serving as bond counsel to the Meherrin River Regional Jail Authority (the "2010B Local Government") regarding the application of the proceeds of the Bonds and the ownership,

use and operation of the property financed thereby, and (ii) assuming continuing compliance with the Covenants (as defined below) by VRA and the 2010B Local Government, so that interest on the Bonds will (i) remain excludable from gross income for federal income tax purposes, (ii) not become a Specific Tax Preference Item and (iii) remain excludable from the adjusted current earnings of corporations for the purpose of computing the alternative minimum tax thereon. VRA and the 2010B Local Government, as applicable, have covenanted in their respective tax agreements to comply with the provisions of the Code applicable to the 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 the 2010B Local Government, as applicable, to comply with the Covenants could cause interest on the 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 Bonds from becoming includable in gross income for federal income tax purposes.

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

(9) In accordance with Section 62.1-219 of the VRA Act, the 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 Bonds or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia and its political subdivisions.

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

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 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 Bonds or the accuracy or completeness of any information, including VRA's Preliminary Official Statement dated July 28, 2010, and Official Statement dated August \_\_, 2010, that anyone may have relied upon in making the decision to purchase the Bonds.

Virginia Resources Authority

August \_\_, 2010

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

Very truly yours,

**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, 2009, is available on the internet website of the Municipal Securities Rulemaking Board (the "MSRB") under CUSIP Number 92817QF72. 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.

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

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the **Commonwealth of Virginia** (the "Commonwealth") in connection with the issuance by the Virginia Resources Authority (the "Authority") of \$ \_\_\_\_\_ aggregate principal amount of its Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2010B (the "Bonds") pursuant to the provisions of a Master Indenture of Trust dated as of December 1, 2003, as supplemented by a Seventeenth Supplemental Series Indenture of Trust dated as of August 1, 2010, between the Authority and U.S. Bank, National Association, as trustee. The proceeds of the Bonds are being used by the Authority to finance and refinance a qualified public safety project for various localities in the Commonwealth. The Authority has advised the Commonwealth that it has determined that the Commonwealth constitutes an "obligated person" within the meaning of the Rule in respect of the Bonds and the Commonwealth concurs in such determination. The Commonwealth represents that it is in compliance with its undertakings regarding the Rule. The Commonwealth hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Commonwealth for the benefit of the holders and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Commonwealth acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Commonwealth pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean the Commonwealth, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent which is designated in writing by the Commonwealth and has filed with the Commonwealth a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system and described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

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

"holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

"Listed Events" shall mean any of the events listed in subsection (b)(5)(i)(C) of the Rule which are as follows:

- principal and interest payment delinquencies
- non-payment related defaults
- unscheduled draws on debt service reserves reflecting financial difficulties
- unscheduled draws on credit enhancements reflecting financial difficulties

substitution of credit or liquidity providers, or their failure to perform  
adverse tax opinions or events affecting the tax-exempt status of the Bonds  
modifications to rights of holders of the Bonds  
bond calls  
defeasances  
release, substitution, or sale of property securing repayment of the Bonds  
rating changes

“National Repository” shall mean the Municipal Securities Rulemaking Board via EMMA.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

“Repositories” shall mean the National Repository and any State Repository.

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

“State Repository” shall mean any public or private depository or entity designated by the Commonwealth as a state depository for the purpose of the Rule.

### SECTION 3. Provision of Annual Reports Audited Financial Statements.

(a) Not later than seven months following the end of each Fiscal Year of the Commonwealth, commencing with the Fiscal Year ended June 30, 2010, the Commonwealth shall, or shall cause the Dissemination Agent (if different from the Commonwealth) to, provide to the Repositories an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 10 days prior to said date, the Commonwealth shall provide the Annual Report to the Dissemination Agent (if applicable). In each case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement, and (iii) shall include such financial statements as may be required by the Rule.

(b) The annual financial statements of the Commonwealth shall be prepared on the basis of generally accepted accounting principles and will be audited. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be filed with the Repositories when they become publicly available.

(c) If the Commonwealth fails to provide an Annual Report to the Repositories by the date required in subsection (a) hereof, or to file its audited annual financial statements with the Repositories when they become publicly available as described in subsection (b) hereof, the Commonwealth shall send an appropriate notice to the Repositories in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. Each Annual Report required to be filed hereunder shall include, at a minimum, the information referred to in Exhibit B as it relates to the Commonwealth, all with a view toward assisting Participating Underwriters in complying with the Rule. Any or all of such information may be incorporated by reference from other documents, including official statements containing information with respect to the Commonwealth, which have been filed with the Repositories or the Securities and Exchange Commission. If

the document incorporated by reference is a final official statement, it must be available from the National Repository. The Commonwealth shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. The Commonwealth will provide in a timely manner to the Repositories, notice of any of the Listed Events with respect to the Bonds, if material. The Commonwealth does not undertake to provide the above-described notice in the event of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the Official Statement, (ii) the only open issue is which Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Bondholders as required under the terms of the Indenture, and (iv) public notice of the redemption is given pursuant to 1934 Exchange Act Release No. 23856 of the SEC, dated December 3, 1986, even if the originally scheduled amounts may be reduced by prior optional redemptions or Bond purchases.

SECTION 6. Termination of Reporting Obligation. The obligations of the Commonwealth under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

SECTION 7. Dissemination Agent. The Commonwealth may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Commonwealth shall be the Dissemination Agent.

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

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

SECTION 10. Default. Any person referred to in Section 12 (other than the Commonwealth) may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligation of the Commonwealth to file its Annual Report or to give notice of a Listed Event. In addition, holders of not less than a majority in aggregate principal amount of Bonds outstanding may take such actions as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the Commonwealth hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under any applicable resolution or other debt authorization of the Commonwealth, and the sole remedy under this Disclosure Agreement in the event of any failure of the Commonwealth to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

SECTION 11. Compliance with Prior Undertakings. The Commonwealth represents that, as of the date of this Disclosure Agreement, it is in compliance with its undertakings regarding the Rule.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Commonwealth, the Participating Underwriters, and holders from time to time of the Commonwealth's Bonds, and shall create no rights in any other person or entity.

SECTION 13. EMMA. All filings made pursuant to the Rule under this Disclosure Agreement shall be made solely by transmitting such filings to the National Repository, as described in 1934 Act Release No. 59062. Should the Securities and Exchange Commission approve any additional or subsequent internet-based electronic filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable Securities and Exchange Commission regulation or release approving such filing system.

Date: \_\_\_\_\_, 2010

**COMMONWEALTH OF VIRGINIA**

By: \_\_\_\_\_  
State Treasurer

AGREED TO & ACKNOWLEDGED:

**VIRGINIA RESOURCES AUTHORITY**

By: \_\_\_\_\_  
Executive Director

**EXHIBIT A**

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

COMMONWEALTH OF VIRGINIA

in connection with  
Virginia Resources Authority  
\$ \_\_\_\_\_  
Infrastructure and State Moral Obligation Revenue Bonds  
(Virginia Pooled Financing Program), Series 2010B

CUSIP Numbers: \_\_\_\_\_

Dated: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Commonwealth of Virginia has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds issued pursuant to a Master Indenture of Trust dated as of December 1, 2003, as supplemented by a Seventeenth Supplemental Series Indenture of Trust dated as of August 1, 2010, between the Authority and U.S. Bank, National Association, as trustee. The Commonwealth anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

**COMMONWEALTH OF VIRGINIA**

By: \_\_\_\_\_  
State Treasurer

**CONTENT OF ANNUAL REPORT**

**General Fund.** Information concerning revenues, sources of revenues, expenditures, categories of expenditures and balances of the General Fund of the Commonwealth for the preceding fiscal year.

**Appropriation Act.** A summary of the material budgetary aspects of the Appropriation Act for the current biennium.

**Debt.** Updated information respecting tax-supported and other outstanding debt of the Commonwealth including a historical summary of outstanding tax-supported debt; a summary of authorized but unissued tax-supported debt and a summary of annual debt service on outstanding tax-supported debt.

**Retirement Plans.** Updated information (to the extent not shown in the latest audited annual financial statements) respecting pension and retirement plans administered by the Commonwealth including a summary of membership, revenues, expenses and actuarial valuation(s) of such plans.

**Litigation.** A summary of material litigation pending against the Commonwealth.

**Demographic Information.** Updated demographic information respecting the Commonwealth such as its population and tax base.

**Economic Information.** Updated economic information respecting the Commonwealth such as income, employment, industry and infrastructure data.

In general, the foregoing will include information as of the end of the most recent fiscal year or as of the most recent practicable date. Where information for the fiscal year just ended is provided, it may be preliminary and unaudited. Where information has historically been provided for more than a single period, comparable information will in general be provided for the same number of periods where valid and available. Where comparative demographic or economic information for the Commonwealth and the United States as a whole is contemporaneously available and, in the judgment of the Commonwealth, informative, such information may be included. Where, in the judgment of the Commonwealth, an accompanying narrative is required to make data presented not misleading, such narrative will be provided.

**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 Seventeenth Supplemental Series Indenture for the benefit of the holders of the 2010B 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:

(i) an update of the table (the "Participating Local Governments Table") contained under the heading "Aggregate Participation in the Virginia Pooled Financing Program" in the subsection "the 2010B Local Government and the Other Participating Local Governments" in Section Three of this Official Statement;

(ii) a list showing each Local Government constituting a "Material Local Government," which may be included in the updated Participating Local Governments Table provided under (a)(1) above; and

(iii) the balance and a list of the investments, if any, held in each of the Infrastructure Revenue Debt Service Reserve Fund, the Capital Reserve Fund and the Operating Reserve Fund and a statement as to whether the balance was at least equal to the level required under the Indenture.

(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 ended June 30, 2010, 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 or cause to be provided in a timely manner to the MSRB notice of the occurrence of any of the following events with respect to the 2010B Bonds, if material:

- (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 enhancement reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the 2010B Bonds;
- (g) modifications to rights of the Owners of the 2010B Bonds;
- (h) bond calls;
- (i) defeasance of all or any portion of the 2010B Bonds;
- (j) release, substitution, or sale of property securing repayment of the 2010B Bonds; and
- (k) rating changes.

## **Objective Criteria**

(a) The objective criteria for identifying a Material Local Government with respect to the 2010B 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 Local Government in the Program, which is funded by the Bonds issued under the Indenture. Any Local Government, the aggregate outstanding principal amount of Local Obligations of which represents 15% or more of the aggregate outstanding principal amount of all Local Obligations purchased or acquired with proceeds of Bonds issued under the Master Indenture, shall be a Material Local Government with respect to the 2010B Bonds as long as such Local Government satisfies such objective criteria. VRA shall determine whether any of the Local Governments are (or remain) Material Local Governments as of each Sale Date and as of the end of each of VRA’s fiscal years, commencing June 30, 2011.

(b) VRA covenants to require that each Agreement and Financing Lease with a Local Government contain a continuing disclosure undertaking substantially in the form summarized in Appendix G to this Official Statement.

(c) VRA shall, within 45 days of the end of each fiscal year of VRA, notify each Local Government satisfying the objective criteria set forth above that such Local Government is a “Material Local Government” as of the end of such fiscal year.

## **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 2010B Bonds.

## **Amendment**

VRA may modify its continuing disclosure obligations without the consent of the underwriters of the 2010B 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 Seventeenth 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, the Texas MAC Central Post Office, 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 LOCAL GOVERNMENTS**

## Part I

### SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS BY LOCAL GOVERNMENTS

The following is a summary of the continuing disclosure undertakings that each Local Government will be required to make under its respective Agreement or Financing Lease for the benefit of the Owners of the 2010B 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 Local Government has been notified by VRA that it is a Material Local Government until it has been further notified by VRA that it is no longer a Material Local Government.

(a) The Local Government 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) audited financial statements of the Local Government, prepared in accordance with generally accepted accounting principles; and

(ii) the operating data of the type set forth in Part II hereof for a General Obligation Bond Local Government, a Financing Lease Local Government, a Revenue Bond Local Government or a Double Barrel Bond Local Government, as appropriate.

If the financial statements filed pursuant to subsection (a) above are not audited, the Local Government shall file such statements as audited when available.

(b) The Local Government 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 Local Government's fiscal year (commencing with the Local Government's fiscal year ending June 30, 2010) as of the end of which such Local Government constitutes a "Material Local Government," 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 Local Government 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 Local Government to provide the Annual Disclosure by the date specified.

#### Event Disclosure

Each Local Government shall notify VRA as promptly as possible upon becoming aware of any of the following events that may from time to time occur with respect to its Local Obligation:

- (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 enhancement reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Local Obligation (if applicable);
- (g) modifications to rights of the holders of the Local Bond;
- (h) bond calls;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Local Bond; and
- (k) rating changes.

### **Termination**

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

### **Amendment**

The Local Government 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 Local Government shall within a reasonable time thereafter send to VRA and to the MSRB a description of such modifications.

### **Defaults**

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

(b) Notwithstanding anything herein to the contrary, any failure of the Local Government 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 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 Local Government 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 Local Government 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 Local Government may, in its discretion, from time to time appoint or engage an entity to serve as Dissemination Agent to assist the Local Government in providing its Annual Disclosure under this Agreement.

## Part II

### CONTENT OF ANNUAL DISCLOSURE

#### **Operating Data for General Obligation Bond Local Government and Financing Lease Local Government**

*Description of Local Government.* A description of the Local Government including a summary of its form of government and budgetary processes.

*Debt.* A description of the terms of the Local Government's outstanding tax-supported and other debt, including capital leases and moral obligations, including a historical summary of outstanding tax-supported debt; a summary of authorized but unissued tax-supported debt; a summary of legal debt margin; a summary of overlapping debt; and a summary of annual debt service on outstanding tax-supported debt as of the end of the preceding fiscal year. The Annual Disclosure should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Local Government and any unfunded pension liabilities.

*Financial Information and Operating Data.* Financial information and operating data respecting the Local Government including a description of revenues and expenditures for its major funds and a summary of its tax policy, structure and collections as of the end of the preceding fiscal year.

#### **Operating Data for Revenue Bond Local Government**

*Description of Local Government.* A description of the Local Government including a summary description of the revenue-producing system (the "System").

*Debt.* A description of the terms of the Local Government's outstanding debt including a historical summary of outstanding debt and a summary of annual debt service on outstanding debt as of the end of the preceding fiscal year. The Annual Disclosure should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Local Government and any unfunded pension liabilities.

*Financial Information and Operating Data.* Financial information for the System as of the end of the preceding fiscal year, including a description of revenues and expenditures, largest users, a summary of rates, fees and other charges of the System, and a historical summary of debt service coverage.

**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 2010B Bonds, payments of principal, premium, if any, and interest on the 2010B 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 2010B 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 2010B Bonds. The 2010B 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 2010B Bond certificate will be issued for each maturity of the 2010B 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 2010B 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 2010B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010B Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2010B 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 2010B 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 2010B Bonds, except in the event that use of the book-entry system for the 2010B Bonds is discontinued.

To facilitate subsequent transfers, all 2010B 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 2010B 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 2010B Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2010B 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 2010B 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 2010B 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 2010B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2010B 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 2010B 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, 2010B 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, 2010B 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 2010B 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 2010B BONDS.

**So long as Cede & Co. is the registered owner of the 2010B Bonds, as nominee of DTC, references in this Official Statement to the Owner or Owners of the 2010B 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 2010B 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.