This Preliminary Official Statement and the information contained herein are subject to change, completion and amendment without notice. The Series 2020A Bonds may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020A Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 28, 2020

NEW ISSUE
BOOK ENTRY ONLY

Ratings: Moody's: "Aa2"
S&P: "AA"
(See "Ratings" herein)

In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants and the accuracy of certain representations and certifications made by HRTAC, interest on the Series 2020A Bonds (i) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"), (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed under the Tax Code, and (iii) is exempt from income taxation by the Commonwealth of Virginia. See "TAX MATTERS."

Hampton Roads Transportation Accountability Commission

$599,775,000*

Hampton Roads Transportation Fund
Senior Lien Revenue Bonds
Series 2020A

Dated: Date of Delivery **Due: July 1, as shown on the inside cover**

This Official Statement has been prepared by the Hampton Roads Transportation Accountability Commission ("HRTAC" or the "Commission") to provide information on the above-referenced bonds (the "Series 2020A Bonds"). Selected information is presented on this cover page for the convenience of the reader. To make an informed decision regarding the Series 2020A Bonds, a prospective investor should read this Official Statement in its entirety.

Security/Payment	The Series 2020A Bonds are limited obligations of HRTAC that are payable solely from certain funds pledged by HRTAC for such purpose under the Master Indenture (defined herein). The Series 2020A Bonds are on parity in payment and the pledge of such funds with all other Senior Bonds and are senior to all Intermediate Lien Obligations and Subordinate Obligations, each as defined herein. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2020A BONDS." The pledged funds consist of amounts credited by the Commonwealth of Virginia (the "Commonwealth") to the Hampton Roads Transportation Fund (the "HRTF"), a non-reverting fund held by the State Treasurer and recorded on the books of the Comptroller of Virginia and transferred to HRTAC for inclusion in the HRTAC Revenues (defined herein). The HRTF consists of revenues generated by (i) an additional 0.7% retail sales and use tax on transactions occurring in HRTAC's Member Localities (defined herein), and (ii) an additional wholesale motor vehicle fuels sales tax on transactions occurring in the Member Localities at a rate of 7.6 cents per gallon on gasoline and gasohol (and 7.7 cents per gallon on diesel), subject to an annual adjustment in accordance with the consumer price index beginning July 1, 2021. The availability of these tax revenues for deposit in the HRTF is subject to annual appropriation by the General Assembly of the Commonwealth, and the General Assembly may eliminate or change the source of funds for the HRTF at any time. HRTAC relies entirely on the Commonwealth to collect and deposit such funds in the HRTF and to transfer them to HRTAC for inclusion in the HRTAC Revenues. HRTAC has no taxing powers. The Series 2020A Bonds are not a debt of the Commonwealth or any political subdivision thereof (including any Member Locality) other than HRTAC. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any Member Locality) is pledged to the payment of the Series 2020A Bonds. See "INTRODUCTION—Security and Sources of Payment" and "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2020A BONDS."
Issued Pursuant to	The Series 2020A Bonds will be issued pursuant to a Master Indenture of Trust dated as of February 1, 2018, and a Fourth Supplemental Series Indenture of Trust to be dated as of October 1, 2020. The Commission authorized the issuance of the Series 2020A Bonds in a resolution dated May 28, 2020.
Purpose	The proceeds of the Series 2020A Bonds, along with other available funds, will be used to finance a portion of the costs of the Hampton Roads Bridge Tunnel expansion project and to pay costs of issuance of the Series 2020A Bonds. See "DESCRIPTION OF THE SERIES 2020A BONDS—Estimated Sources and Uses of Funds."
Interest Rates/Yields	See inside cover.
Interest Payment Dates	January 1 and July 1, commencing January 1, 2021.
Redemption Terms	See inside front cover and "DESCRIPTION OF THE SERIES 2020A BONDS" herein.
Denominations	$5,000 or integral multiples thereof.
Closing/Delivery Date	October __, 2020.*
Registration	Full book-entry only; The Depository Trust Company, New York, New York.
Trustee	Wilmington Trust, National Association.
Bond Counsel	Kaufman & Canoles, a Professional Corporation, Richmond, Virginia.
Underwriter's Counsel	Butler Snow LLP, Richmond, Virginia.
Financial Advisor	PFM Financial Advisors, LLC, Orlando, Florida.

BofA Securities

Citigroup **J.P. Morgan** **Loop Capital Markets**

UBS **Wells Fargo Securities**

Official Statement Date: _______________, 2020

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* Preliminary, subject to change.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

$599.775,000*
HAMPTON ROADS TRANSPORTATION FUND
SENIOR LIEN REVENUE BONDS
SERIES 2020A

$159,290,000* Serial Bonds, due July 1, as follows

Year (July 1)*	Principal Amount*	Interest Rate	Yield	CUSIP†
2026				
2027	$ 8,280,000			
2028	8,695,000			
2029	9,130,000			
2030	9,585,000			
2031	10,065,000			
2032	10,565,000			
2033	11,095,000			
2034	11,650,000			
2035	12,115,000			
2036	12,600,000			
2037	13,105,000			
2038	13,630,000			
2039	14,175,000			
2040	14,600,000			

$82,240,000* ___% Term Bonds Maturing July 1, 2045*, priced at ___%, CUSIP ______

$72,450,000* ___% Term Bonds Maturing July 1, 2050*, priced at ___%, CUSIP ______

$70,155,000* ___% Term Bonds Maturing July 1, 2055*, priced at ___%, CUSIP ______

$215,640,000* ___% Term Bonds Maturing July 1, 2060*, priced at ___%, CUSIP ______

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* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of bondholders, and neither HRTAC nor the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2020A Bonds.

Optional Redemption

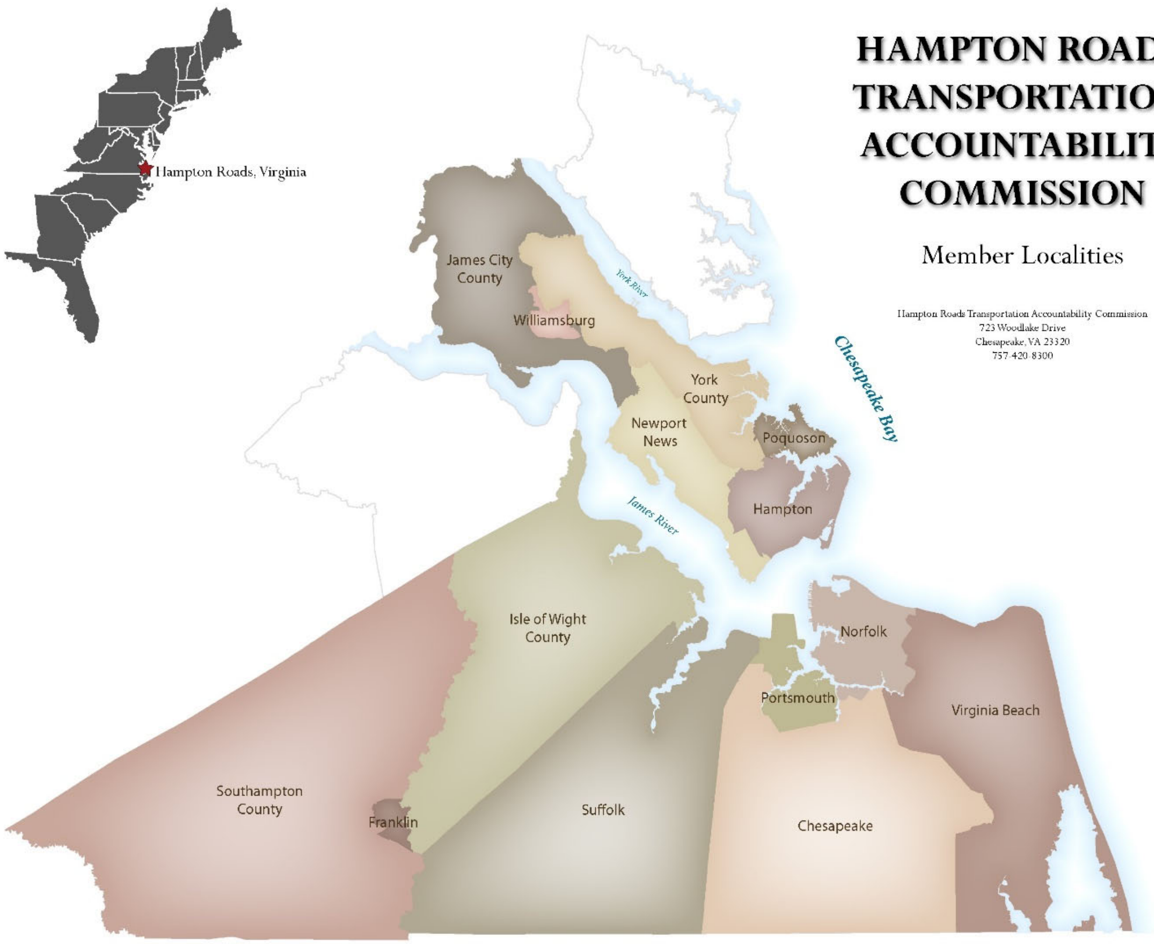
The Series 2020A Bonds maturing on or before July 1, 20__, will not be subject to optional redemption. The Series 2020A Bonds maturing on and after July 1, 20__, will be subject to optional redemption, at the sole discretion of HRTAC, on and after July 1, 20__, in whole or in part (in increments of $5,000) at any time, at par plus interest accrued thereon to the date fixed for redemption.

Mandatory Redemption

The Series 2020A Bonds maturing on July 1, 20__, are subject to mandatory sinking fund redemption prior to maturity in the years and amounts set forth below upon payment of 100% of the principal amount to be redeemed plus interest accrued to the redemption date:

<u>Year</u>*	<u>Amount</u>*

*final maturity



HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION
Member Localities
Hampton Roads Transportation Accountability Commission
723 Woodlake Drive
Chesapeake, VA 23320
757-420-8300
Hampton Roads, Virginia
James City County
Williamsburg
York River
York County
Chesapeake Bay
Newport News
Poquoson
James River
Hampton
Isle of Wight County
Norfolk
Portsmouth
Virginia Beach
Southampton County
Franklin
Suffolk
Chesapeake

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

VOTING MEMBERS

Linda T. Johnson, Chair, *City of Suffolk*
Donnie R. Tuck, Vice-Chair, *City of Hampton*

Kenneth C. Alexander, *City of Norfolk*
Christopher D. Cornwell, Sr., *Southampton County*
Robert M. Dyer, *City of Virginia Beach*
Michael J. Hipple, *James City County*
W. Eugene Hunt Jr., *City of Poquoson*
Clinton L. Jenkins, *Virginia House of Delegates*
Joseph C. Lindsey, *Virginia House of Delegates*
L. Louise Lucas, *Virginia Senate*
Montgomery "Monty" Mason, *Virginia Senate*
William M. McCarty, *Isle of Wight County*
Michael P. Mullin, *Virginia House of Delegates*
Douglas G. Pons, *City of Williamsburg*
Dr. McKinley L. Price, *City of Newport News*
Frank M. Rabil, *City of Franklin*
John L. Rowe, Jr., *City of Portsmouth*
Thomas G. Shepperd, *York County*
Dr. Richard W. "Rick" West, *City of Chesapeake*

NON-VOTING MEMBERS

Stephen Brich, Commissioner of Highways	Virginia Department of Transportation
Jennifer Mitchell, Director	Department of Rail and Public Transportation
John F. Malbon, Member	Commonwealth Transportation Board
John F. Reinhart, Executive Director	Virginia Port Authority

HRTAC SENIOR STAFF
Kevin B. Page, Executive Director

GENERAL COUNSEL
Willcox & Savage, P.C.
Norfolk, Virginia

BOND COUNSEL
Kaufman & Canoles, a Professional Corporation
Richmond, Virginia

FINANCIAL ADVISOR
PFM Financial Advisors, LLC
Orlando, Florida

The Series 2020A Bonds will be exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the Commonwealth, the Series 2020A Bonds will also be exempt from registration under the securities laws of the Commonwealth.

No dealer, broker, salesman or other person has been authorized by HRTAC to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by HRTAC. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020A Bonds by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between HRTAC and the purchasers or owners of any of the Series 2020A Bonds. 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 the affairs of HRTAC or in any other matters described herein since the date hereof or, as in the case of any information incorporated herein by reference to certain publicly available documents, since the date of such documents.

The information set forth herein has been obtained from HRTAC 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 the affairs of HRTAC or in any other matters described herein since the date hereof or, as in the case of any information incorporated herein by reference to certain publicly available documents, since the date of such documents.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements contained in this Official Statement, including the Appendices hereto, reflect not historical facts but forecasts, projections and "forward-looking statements." No assurance can be given that the future results discussed in certain sections of this Official Statement will be achieved and actual results may differ materially from the forecasts and projections contained herein. In this respect, words such as "plan," "expect," "estimate," "project," "anticipate," "intend," "believe," "budget" or words of similar import are intended to identify forward-looking statements. A number of factors affecting HRTAC and its financial results could cause actual results to differ materially from those stated in the forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. Such forward-looking statements include, among others, certain of the information under the captions **"SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2020A BONDS," "DESCRIPTION OF THE SERIES 2020A BONDS – Estimated Sources and Uses of Funds," "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS,"** and **"INVESTMENT CONSIDERATIONS."** See also "**FORWARD-LOOKING STATEMENTS**." All statements in this Official Statement, including forward-looking statements, speak only as of the date they are made, and HRTAC and the Underwriters disclaim any obligation to update any of the forward-looking statements contained herein to reflect future events or developments.

The achievement of certain results or other expectations contained in or implied by such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. HRTAC does not plan to issue updates or revisions to those forward-looking statements if or when its expectations change or events, conditions or circumstances on which such statements are based occur or fail to occur.

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this offering document for purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12, as amended.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the 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.

Third parties may engage in transactions that stabilize, maintain or otherwise affect the price of the Series 2020A Bonds, including transactions to (i) overallot in arranging the sales of the Series 2020A Bonds, and (ii) make purchases and sales of Series 2020A Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner beyond the control of HRTAC.

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OFFICIAL STATEMENT

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

$599,775,000*
HAMPTON ROADS TRANSPORTATION FUND
SENIOR LIEN BONDS
SERIES 2020A

INTRODUCTION

The purpose of this Official Statement, including the cover page and Appendices hereto, is to set forth certain information in connection with the issuance by the Hampton Roads Transportation Accountability Commission ("HRTAC" or the "Commission") of its $599,775,000* Hampton Roads Transportation Fund Senior Lien Bonds, Series 2020A (the "Series 2020A Bonds").

This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of HRTAC or of the revenues that will be credited to the Hampton Roads Transportation Fund (the "HRTF") (as described herein) and transferred to HRTAC. The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, including the Appendices hereto, reference to which is hereby made for all purposes.

Unless otherwise defined in this Official Statement, all capitalized terms shall have the meanings as set forth in Appendix A – "DEFINITIONS AND SUMMARIES OF THE MASTER INDENTURE AND THE FOURTH SERIES SUPPLEMENT."

Hampton Roads Transportation Accountability Commission

HRTAC is a body politic and a political subdivision of the Commonwealth of Virginia (the "Commonwealth") created pursuant to the Code of Virginia of 1950, as amended (the "Virginia Code"), under Title 33.2, Chapter 26, thereof (the "HRTAC Act"), and empowered to finance and construct highway, bridge and tunnel projects in Planning District 23 of the Commonwealth. Planning District 23 is an area designated by the Virginia Department of Housing and Community Development ("DHCD") to provide a forum for addressing regional cooperation among local governments in the Hampton Roads region of southeastern Virginia ("Hampton Roads"). As provided by the HRTAC Act, the Commission embraces all of the cities and counties in Planning District 23, which currently include the Counties of Isle of Wight, James City, Southampton, and York, and the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg (collectively, the "Member Localities"). All of the Member Localities other than Southampton County and the City of Franklin are located in the Virginia portion of the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (the "Hampton Roads MSA"), certain economic and demographic information about which is included in Appendix D. Cities and counties in the Commonwealth are independent entities; therefore, the Member Localities do not overlap. Certain local governments, including but not limited to the Member Localities, have agreed to assemble as the Hampton Roads Planning District Commission ("HRPDC"); however, the Member Localities (and sources of taxable transactions generating revenues for the HRTF) are limited to the localities designated by DHCD as constituting Planning District 23 and are not entirely identical to the membership of HRPDC. The membership of the Hampton Roads Transportation Planning

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* Preliminary, subject to change.

Organization ("HRTPO"), the federally-mandated metropolitan planning organization for transportation in the Hampton Roads region, is also not exactly the same as the composition of Planning District 23. For example, both the HRPDC and the HRTPO include Gloucester County which is not a Member Locality of HRTAC.

The HRTF was established as a non-reverting fund in the State Treasury under Chapter 766, 2013 Va. Acts of Assembly ("Chapter 766"), enacted on April 3, 2013 and effective July 1, 2013. Pursuant to Chapter 766, the General Assembly of the Commonwealth (the "General Assembly") dedicated to the HRTF all of the revenues generated by (i) an additional 0.7% retail sales and use tax on transactions occurring within the Member Localities, and (ii) an additional wholesale motor vehicle fuels sales tax on transactions occurring in the Member Localities, which is now at a rate of 7.6 cents per gallon on gasoline and gasohol (and 7.7 cents per gallon on diesel), subject to an annual adjustment in accordance with the consumer price index beginning July 1, 2021 (collectively, the "HRTF Revenues"). See "HAMPTON ROADS TRANSPORTATION FUND—HRTF Revenues."

Funds in the HRTF were originally to be directed by the HRTPO. However, pursuant to statutory changes set forth in Chapter 545, 2014 Va. Acts of Assembly ("Chapter 545"), enacted on April 3, 2014, HRTAC was created and replaced HRTPO as the entity directing the use of the HRTF funds. HRTAC collaborates with HRTPO to set transportation funding priorities on the basis of a regional consensus developed by HRTPO. HRTAC does not replace the planning function of HRTPO, but serves primarily as a financing vehicle for regional transportation projects. See "HAMPTON ROADS TRANSPORTATION FUND" and "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS." Decisions of HRTAC are subject to a supermajority voting test, including an affirmative vote by the present and voting elected officials who represent Member Localities that collectively contain at least two-thirds of the region's population.

The HRTAC Act provides, among other things, that the Commission shall use the moneys from the HRTF solely for the purposes of (i) funding new construction projects on new or existing highways, bridges, and tunnels in the Member Localities, giving priority to projects expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within the Member Localities, and (ii) paying the Commission's administrative and operating expenses as provided in the Commission's annual budget. See "HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION—HRTAC Annual Budget" herein, and "Table 5: HRTAC Operating Budget, FY 2021" in Appendix E. Although HRTAC has statutory authority to enter into agreements with public or private entities for the operation and maintenance of bridges, tunnels, transit, rail facilities, and highways, the HRTAC Act does not authorize HRTAC to include in its budget any funds to independently operate and maintain such facilities or to perform any transportation service.

HRTAC and the Virginia Department of Transportation ("VDOT") entered into a Memorandum of Agreement dated March 30, 2015 (the "HRTAC-VDOT MOA") to set forth terms under which the two entities would cooperate, along with HRTPO, to ensure the efficient and effective development and construction of projects to be funded with HRTF Revenues. All of HRTAC's projects to date have been pursued as part of VDOT's statewide transportation system. Therefore, consistent with the HRTAC-VDOT MOA, HRTAC and VDOT have entered into standard project agreements ("Standard Project Agreements") to govern their funding and performance obligations on such projects and a Project Agreement for Funding and Administration ("PAFA") with respect to the HRBT Expansion Project as described below in "HRBT EXPANSION PROJECT." Under the PAFA and all Standard Project Agreements to date, VDOT has agreed to provide administration of project construction as well as project operation and maintenance. See "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS."

The 2020 Virginia General Assembly, pursuant to Chapter 703, 2020 Va. Acts of Assembly ("Chapter 703") and effective July 1, 2020, granted additional and specific tolling authority to HRTAC for the "Hampton Roads Express Lanes Network," a high occupancy toll network, contiguous and in each traffic direction on Interstate-64 from Jefferson Avenue in Newport News to the interchange of Interstate 64, Interstate 264 and Interstate 664 at Bowers Hill in Chesapeake. The funding plan for the HRBT Expansion Project (as described below) anticipates that not less than $345,000,000, and up to $575,000,000, of the funding for such project will be derived through toll-backed financing derived from the Hampton Roads Express Lanes Network. **Although toll revenues are expected to be a source of funding for the HRBT Expansion Project, toll revenues are entirely distinct and separate from the HRTF Revenues, and toll revenues will not be pledged to or secure payment of the Series 2020A Bonds.**

The 2020 Virginia General Assembly, pursuant to Chapters 1241 and 1281, 2020 Va. Acts of Assembly (the "2020 Transit Legislation") and effective July 1, 2020, also created the Hampton Roads Regional Transit Program and Fund (the "Hampton Roads Regional Transit Fund") to develop, maintain, and improve a regional network of transit routes and related infrastructure in Planning District 23. The program is funded by an additional (i) regional grantor's tax at a rate of $0.06 per $100 of the consideration for the conveyance, and (ii) effective May 1, 2021, regional transient occupancy tax at a rate of one percent of the charge for the occupancy, both imposed in the Hampton Roads Transportation District. The legislation also dedicates $20 million of revenues from existing statewide recordation taxes to fund the program. Participating localities may not reduce funds appropriated for public transportation to levels less than those appropriated on July 1, 2019. **HRTAC administers the Hampton Roads Regional Transit Fund, but it is entirely distinct and segregated from the HRTF and will not be pledged to or secure payment of the Series 2020A Bonds.**

Master Indenture Structure

The HRTAC Act provides that HRTAC may issue bonds and pledge the funds received from the HRTF as security for such bonds. The Commission has entered into a Master Indenture of Trust dated as of February 1, 2018, as previously supplemented (the "Master Indenture"), between HRTAC and Wilmington Trust, National Association, as trustee (the "Trustee"), under which the Commission is authorized to issue senior lien, intermediate lien and subordinate lien obligations, as further described herein.

On February 14, 2018, the Commission issued its $500,000,000 Senior Lien Revenue Bonds, Series 2018A (the "Series 2018A Bonds"), payable and secured on parity with all senior lien revenue bonds to be issued by the Commission under the Master Indenture (the "Senior Bonds").

On December 10, 2019, the Commission issued its $500,789,463 TIFIA Series 2019A Bond (TIFIA – 20201001A) (the "2019 TIFIA Bond"), payable and secured on parity with all subordinate obligations to be issued by the Commission under the Master Indenture (the "Subordinate Obligations"). On December 17, 2019, the Commission issued its $414,345,000 Intermediate Lien Bond Anticipation Notes, Series 2019A (the "Series 2019A Notes"), payable and secured on parity with all intermediate lien revenue bonds to be issued by the Commission under the Master Indenture (the "Intermediate Lien Obligations"). HRTAC anticipates that the principal amount of the Series 2019A Notes will be repaid at maturity with the proceeds of the 2019 TIFIA Bond.

On May 28, 2020, the Commission adopted a resolution authorizing the issuance of the Series 2020A Bonds in a principal amount not to exceed $800,000,000 pursuant to the Master Indenture and a Fourth Supplemental Series Indenture of Trust to be dated as of October 1, 2020 (the "Fourth Series

Supplement"), between the Commission and the Trustee. The issuance of the Series 2020A Bonds is fully authorized by the provisions of the HRTAC Act, the Master Indenture and the Fourth Series Supplement.

The Series 2020A Bonds will be paid and secured as senior lien obligations under the Master Indenture and on a parity basis as to payment and security with the Series 2018A Bonds and all Senior Bonds that may be issued in the future, and senior as to payment and security to all Intermediate Lien Obligations and Subordinate Obligations.

The Series 2020A Bonds, together with all Senior Bonds, Intermediate Lien Obligations and Subordinate Obligations issued previously or in the future under the Master Indenture, are collectively referred to herein as the "Bonds."

Purpose of the Series 2020A Bonds

HRTAC intends to use the proceeds of the Series 2020A Bonds, along with other available funds, to finance a portion of the costs of the HRBT Expansion Project and to pay costs of issuance of the Series 2020A Bonds. The HRBT Expansion Project is one of the projects in the "FY 2020-2026 Six-Year Operating and Capital Plan of Finance Update for the Region's High Priority Projects," which was most recently revised and approved on June 18, 2020 (the "Six-Year Funding Plan"). See "HRBT EXPANSION PROJECT" and "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS—HRTAC Six-Year Funding Plan."

Security and Sources of Payment

The Series 2020A Bonds are limited obligations of HRTAC that are payable solely from the funds pledged under the Master Indenture for such purpose, consisting of the HRTAC Revenues (as defined below). The Series 2020A Bonds are on a parity basis in payment and security with the Series 2018A Bonds and any other Senior Bonds that may be issued by HRTAC in the future. The Series 2020A Bonds will be payable and secured senior to (i) the Series 2019A Notes and any other Intermediate Lien Obligations that HRTAC may issue in the future, and (ii) the 2019 TIFIA Bond and any other Subordinate Obligations that HRTAC may issue in the future.

The Series 2020A Bonds are not a debt of the Commonwealth or any political subdivision thereof (including any Member Locality or any member of the HRTPO or the HRPDC) other than HRTAC, and the Series 2020A Bonds do not constitute indebtedness within the meaning of any debt limitation or restriction. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any Member Locality or any member of the HRTPO or the HRPDC) is pledged to the payment of the Series 2020A Bonds. HRTAC has no taxing powers.

The "HRTAC Revenues" pledged pursuant to the Master Indenture include (i) all of the revenues appropriated by the General Assembly and transferred by the Commonwealth into the HRTF, (ii) all earnings from the investment of moneys held in any Fund or Account under and as defined in the Master Indenture, and (iii) any other revenues available under the HRTAC Act that may be designated as HRTAC Revenues pursuant to a Supplemental Indenture. The Master Indenture does not permit toll revenues to be pledged to payment of the Bonds issued thereunder (including the Series 2020A Bonds). The continued availability of tax revenues in the HRTF is subject to annual appropriation by the General Assembly of the Commonwealth. See "HAMPTON ROADS TRANSPORTATION FUND."

Validation

On August 15, 2016, the Commission instituted a bond validation proceeding in the Circuit Court for the City of Chesapeake, Virginia (the "Court"). The bond validation was not challenged. On October 7, 2016, the Court entered an Order (the "Order") by which the Court validated, among other things, the constitutionality and validity of the HRTAC Act, the HRTF, the six-year funding plan then in effect, the Series 2018A Bonds, the pledge of the HRTAC Revenues to the payment of Bonds, and the original version of the Master Indenture. No appeal was taken within the time prescribed in Section 15.2-2656 of the Virginia Code. The Commission is not required by law, and does not intend, to seek validation of any further Bonds, including but not limited to the Series 2020A Bonds, issued under the Master Indenture.

HAMPTON ROADS TRANSPORTATION FUND

General

The HRTF was established under Chapter 766, effective July 1, 2013. Pursuant to Chapter 766, the General Assembly dedicated to the HRTF all of the additional revenues generated by the imposition of an additional retail sales and use tax, and an additional wholesale motor vehicle fuels sales tax, on transactions occurring within the Member Localities. See "HAMPTON ROADS TRANSPORTATION FUND—HRTF Revenues." As described in the following section, the continued availability of these tax revenues is subject to annual appropriation by the General Assembly of the Commonwealth.

HRTAC was established under Chapter 545, enacted on April 3, 2014, to receive the HRTF funds and apply them to the financing of (i) new construction projects on new or existing highways, bridges, and tunnels in the Member Localities, and (ii) administrative and operating expenses as provided in the Commission's annual budget (which under the HRTAC Act shall be limited solely to administrative expenses of the Commission and shall not include any funds for construction or acquisition of transportation facilities or the performance of any transportation service). Under HRTAC's existing Standard Project Agreements and PAFA with VDOT, project construction and expenses for operating and maintaining projects funded by HRTAC are responsibilities of VDOT. See "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS."

The HRTF was created in the State Treasury to be held by the State Treasurer (the head of the Department of the Treasury) and recorded on the books of the Comptroller of Virginia (the head of the Department of Accounts) as a special non-reverting fund for Planning District 23. The tax revenues dedicated to the HRTF are collected and paid into the State Treasury and credited to the HRTF on a monthly basis. Interest earned on moneys in the HRTF remains in and is credited to the HRTF. Any moneys remaining in the HRTF, including interest thereon, at the end of each fiscal year of the Commonwealth will not revert to the Commonwealth's general fund, but shall remain in the HRTF. Pursuant to Chapter 608, 2016 Va. Acts of Assembly, enacted on April 1, 2016, the amounts held in the HRTF are distributed to the Commission as soon as practicable for use in accordance with the HRTAC Act. If the Commission determines that such moneys distributed to it exceed the amount required to meet the current needs and demands to fund transportation projects pursuant to the HRTAC Act, the Commission may invest such excess funds in accordance with state law.

Subject-to-Appropriation

The continued availability of the above-described tax revenues for deposit in the HRTF remains subject to annual appropriation by the General Assembly of the Commonwealth, and the General Assembly may eliminate or change the source of funds for the HRTF at any time. Funds already transferred to the

HRTF, which is a non-reverting fund, are no longer subject to appropriation but HRTAC continues to rely entirely on the Commonwealth to transmit such funds to HRTAC for inclusion in the HRTAC Revenues.

VDOT agreed, under the HRTAC-VDOT MOA, to annually request (in accordance with the schedule of the Virginia Department of Planning and Budget) for the Governor to include the HRTF Revenues in the budget delivered to the General Assembly for the next succeeding Fiscal Year or biennial period, as applicable. VDOT also agreed to promptly notify HRTAC upon becoming aware of any failure by the General Assembly to appropriate tax revenues to the HRTF. As a practical matter there is no effective remedy if the Governor or the General Assembly fail to provide for HRTF funding in the Commonwealth's Budget. Further, the HRTAC-VDOT MOA provides that VDOT shall bear no responsibility for collecting or depositing the tax revenues in the HRTF.

Under the Virginia Constitution, no appropriation is valid for more than two years and six months after the adjournment of the session of the General Assembly at which the appropriation was made. The General Assembly of the Commonwealth is not obligated to make any future appropriations, and the Commission makes no representation that the General Assembly will keep the HRTF in existence or that appropriations to the HRTF will be made by the General Assembly in any future fiscal year of the Commonwealth.

Enactment Clause 14 of Chapter 766 provides that the provisions of Chapter 766 that generate revenue through the additional state taxes for transportation projects in Planning District 23 shall expire on December 31 of any year in which the General Assembly appropriates or transfers any of such revenues for any non-transportation-related purpose. See "INVESTMENT CONSIDERATIONS—Risks of Non-Appropriation and Future Legislative Actions."

HRTF Revenues

This section provides a brief description of the taxes which comprise the HRTF Revenues, and is followed by separate sections describing each tax source in greater detail. The HRTF Revenues are derived from the revenues generated from the following taxes that were imposed starting July 1, 2013 on transactions taking place within Planning District 23:

(i) Additional Retail Sales and Use Tax. Section 58.1-638.H.2 of the Virginia Code provides for the deposit in the HRTF of the revenue generated by an additional retail sales and use tax of 0.70 percent imposed on retail sales transactions within the Member Localities other than food purchased for home consumption (the "Additional Sales and Use Tax").

(ii) Additional Wholesale Motor Vehicle Fuels Sales Tax. Section 58.1-2295.A.2 of the Virginia Code provides for the deposit in the HRTF of the revenue generated by an additional motor vehicle fuels sales tax imposed on sales of fuel by distributors at wholesale to retail dealers for retail sales in the Member Localities, at a rate of 7.6 cents per gallon on gasoline and gasohol (and 7.7 cents per gallon on diesel), subject to an annual adjustment in accordance with the consumer price index beginning July 1, 2021 (the "Additional Motor Vehicle Fuels Tax"). Prior to July 1, 2020, the Additional Motor Vehicle Fuels Sales Tax was calculated based on 2.1% of the average statewide wholesale price per gallon, subject, beginning July 1, 2018, to a floor of 6.7 cents per gallon. Effective July 1, 2020, in conjunction with transportation reform legislation that enacted statewide changes to the Commonwealth's method of funding transportation, the Additional Motor Vehicle Fuels Sales Tax was changed to its present per gallon rate and the floor rate was eliminated.

Additional Sales and Use Tax

The Additional Sales and Use Tax is administered and collected by the State Tax Commissioner, the head of the Virginia Department of Taxation, in the same manner and subject to the same penalties as provided for the statewide retail sales and use tax. The receipts of the Additional Sales and Use Tax are deposited into the State Treasury and then credited by the Comptroller of Virginia to the HRTF. In accordance with the HRTAC-VDOT MOU, VDOT provides monthly notice to HRTAC of the Additional Sales and Use Tax collection amounts. This usually occurs during the third week of the month. The revenues are typically transferred into the HRTF within a week after such notice. HRTAC is entirely dependent on the Virginia Department of Taxation, the Virginia Department of Treasury and the Virginia Department of Accounts to collect and deposit the Additional Sales and Use Tax revenues in the HRTF and to transfer them to HRTAC for inclusion in the HRTAC Revenues.

The Additional Sales and Use Tax is imposed upon transactions in the Member Localities in addition to the statewide retail sales and use tax of 4.3% and the local option retail sales and use tax of 1.0% used by the Commonwealth and its localities for other purposes. Consumers therefore pay a total of 6% in sales and use taxes on retail transactions occurring in the Member Localities. HRTAC does not receive any revenues from the statewide or local option retail sales and use taxes, but only receives the proceeds of the 0.7% Additional Sales and Use Tax.

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

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

The Commonwealth requires all dealers with nexus to the Commonwealth to collect and remit applicable retail sales and use tax. In *South Dakota v. Wayfair*, 138 S. Ct. 2080 (2018), the U.S. Supreme Court held for the first time that states have the authority to collect sales tax directly from out-of-state sellers having no physical presence in the taxing state. In 2019, the Virginia General Assembly enacted Chapter 815, Acts of Assembly, which became effective on July 1, 2019 and provides uniform nexus requirements for remote sellers, marketplace facilitators, and marketplace sellers. Dealers with no Virginia physical presence are required to collect and remit sales tax if they have more than $100,000 in Virginia gross sales or complete greater than 200 separate transactions in Virginia during the current or previous calendar year.

The Virginia Code provides various exclusions and exemptions from the retail sales and the use tax. For example, the sales and use tax is not levied upon medicines, certain purchases by nonprofit entities, certain agricultural supplies and commodities, certain industrial materials and machinery, supplies used to produce publications, and certain commercial computer equipment. Sales and use taxes are not imposed on food for human consumption except under the 1% local option sales tax described above (which is not included in the tax sources for the HRTF).

Additional Motor Vehicle Fuels Tax

The Additional Motor Vehicle Fuels Tax is administered and collected by distributors in each Member Locality and paid to the Commissioner of the Department of Motor Vehicles (the "DMV") each month. The distributor is required to collect the tax from the retail dealer by separately stating the amount of the tax and adding it to the sales price or charge. Distributors are required to remit the collected amounts to the DMV by midnight of the 20th day of the second month succeeding the month of collection. However, remittance of the tax for the month of May must be received by the DMV no later than the last business day of June. Once received by the DMV, revenues from the Additional Motor Vehicle Fuels Tax are credited by the Comptroller of Virginia to the HRTF on a monthly basis and are thereafter distributed to HRTAC as soon as practicable. HRTAC is entirely dependent on the Virginia Department of Taxation, the DMV and the Virginia Department of Accounts to collect and deposit the Additional Motor Vehicle Fuels Tax revenues in the HRTF and to transfer them to HRTAC for inclusion in the HRTAC Revenues.

The Additional Motor Vehicle Fuels Tax is imposed upon transactions in the Member Localities and is in addition to the statewide motor vehicle fuels tax, used by the Commonwealth for other purposes. Prior to July 1, 2020, the statewide motor vehicle fuels tax was 5.1% of the statewide average wholesale price of a gallon of unleaded regular gasoline for a trailing six-month base period, subject to a designated floor price of $3.17 per gallon. Legislation enacted by the 2020 Virginia General Assembly converted the then existing tax rate, which equated to a rate of $0.162 per gallon, to a cents-per-gallon rate of $0.262 per gallon of gasoline, which rate is phased in by increasing the rate by $0.05 per gallon each year over two years and then indexed to changes in the Consumer Price Index.

HRTAC does not receive any revenue from the statewide motor vehicle fuels tax, but instead receives the proceeds of the Additional Motor Vehicle Fuels Tax imposed on sales of fuel by distributors at wholesale to retail dealers for retail sales in the Member Localities, at a rate of 7.6 cents per gallon on gasoline and gasohol (and 7.7 cents per gallon on diesel), subject to an annual adjustment in accordance with the consumer price index beginning July 1, 2021. Unlike the change in the statewide motor vehicle fuels tax, the change in the Additional Motor Vehicle Fuels Tax was effective July 1, 2020 with no phase-in period.

Historical HRTF Revenues

The following Table I shows historical receipts from the two HRTF Revenue sources. See also "Table 1: HRTF Revenues" in Appendix E for additional information by jurisdiction. HRTF Revenues in Fiscal Years 2018 and 2019 were approximately $169.2 million and $225.7, respectively. From July 1, 2019 through June 30, 2020, HRTF Revenues (unaudited) were approximately $201.2 million.

There are certain considerations and risks relating to the HRTF Revenues to be received by the Commission due to COVID-19 disruptions, which are set forth in this Official Statement under the captions 'POTENTIAL IMPACT OF COVID-19 ON HRTF REVENUES" and "COVID-19 PANDEMIC."

[Table appears on following page]

Table I
Historical Hampton Roads Transportation Fund Revenues (in Millions)

Source	FY 2014[1]	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019[5]	FY 2020[5, 6]
Additional Sales and Use Tax[2]	$ 107.9	$ 130.0	$ 126.5	$ 131.5	$ 136.5	$ 144.6	$ 146.2
Additional Motor Vehicle Fuels Tax[3]	37.3	40.9	26.7	25.0	32.7	81.1[4]	55.0
TOTAL:	**$ 145.2**	**$ 170.9**	**$ 153.2**	**$ 156.5**	**$ 169.2**	**$ 225.7**	**$ 201.2**

Source: HRTAC.

(1) The Commission's fiscal year ends on June 30.
(2) Accelerated Retail Sales and Use Tax paid in June commencing in Fiscal Year 2015.
(3) Effective as of July 1, 2018, the General Assembly established a wholesale price floor for deriving the Additional Motor Vehicle Fuels Tax, as described above. Effective July 1, 2020, the General Assembly changed the tax rate to 7.6 cents per gallon on gasoline and gasohol (and 7.7 cents per gallon on diesel).
(4) Included $11 million special audit assessment adjustments sourced from vendor audit settlements.
(5) At the end of Fiscal Year 2020, the Commission changed its accounting policy for recognizing revenue in order to match the Virginia Department of Transportation's income, and thus accrued two months of Sales and Use tax and three months of Motor Fuels tax as receivables and revenue for the Fiscal Year ended June 30, 2020. This was a change from prior years where the Commission accrued one month of each of such taxes. This change in accounting and revenue recognition was made due to additional information provided by the agencies who collect and remit the taxes on behalf of the Commission. Accordingly, Fiscal Years 2014 – 2018 reflect 12 months of each of the two revenue sources, but Fiscal Year 2019 reflects a total of 13 months of Sales and Use tax (with the amount of the Sales and Use tax for the 13th month being $5.21 m.) and 14 months of Fuels tax (with the amount of the Fuels Tax for such months being $9.42 m.), while Fiscal Year 2020 reverts to 12 months of each. The Commission did not undertake a formal restatement of its financial statements for fiscal years prior to Fiscal Year 2020.
(6) Unaudited.

HRBT EXPANSION PROJECT

General

The "HRBT Expansion Project" is intended to address severe traffic congestion at the existing Hampton Roads Bridge Tunnel ("HRBT") by increasing capacity and upgrading approximately ten miles of Interstate 64 ("I-64") between the Settlers Landing Road interchange in Hampton, Virginia and the Interstate 564 ("I-564") interchange in Norfolk, Virginia. For over three decades, public and area leaders have consistently identified persistent and significant traffic congestion and delays at the HRBT, with vehicles routinely queuing in both directions, as an important issue for the Hampton Roads region. Over 90,000 vehicles use the existing HRBT daily, seasonally exceeding 100,000 vehicles per day, which represents about half of all traffic crossing the James River/Hampton Roads water body between South Hampton Roads and the lower "Peninsula" formed by the James and York Rivers. HRBT is part of the Hampton Roads Beltway, an approximate 55-mile loop of I-64 and I-664, encircling the metropolitan area. Likewise, the HRBT is an important regional transportation link for residential, commercial, industrial, and military mobility.

The 3.5-mile long HRBT was originally placed in service in 1957, replacing a 30+ minute ferry ride with a seven-minute drive over a two-lane facility. HRBT was the first bridge-tunnel water crossing

1976 expansion included the construction of new parallel trestle bridges and expansion of the portal islands to accommodate a new parallel tunnel. Both of the current HRBT tunnels, as well as all ten existing traffic tunnels in the region, were constructed using an immersed tube tunnel method that required extensive dredging followed by a fill covering. The four-lane configuration has remained constant since the HRBT expansion in 1976.

The HRBT Expansion Project will widen I-64 for approximately ten miles to create an eight lane facility with six consistent lanes. The expanded facility will include four general purpose lanes, two new High Occupancy Toll (HOT) lanes and two new drivable (hard-running) shoulders to be used as HOT lanes during certain times of the day. It is anticipated that the HOT lanes will be incorporated into the Hampton Roads Express Lanes Network. I-64 is currently six lanes from the I-64/I-664 interchange to the Settlers Landing Road interchange in Hampton, which represents the western project limit. The eastern project limit is near Little Creek Road at the I-564/I-64 interchange in Norfolk. The HRBT Expansion Project will include the construction of two new two-lane tunnels, expansion of the existing portal islands, and full replacement of the existing trestle bridges at the HRBT. Various other bridges will be replaced and/or expanded. The two new parallel tunnels will be constructed using a tunnel boring machine. When complete, four subaqueous tunnels will connect to the two expanded portal islands.

The HRBT Expansion Project received full Notice to Proceed from VDOT in September, 2020 with receipt of final permits from the applicable permitting agencies. It is estimated that the HRBT Expansion Project will reach substantial completion in September 2025 and full completion in November 2025.

The project budget for the HRBT Expansion Project is approximately $3.862 billion, including project administration, right of way, incentive awards and contingency. Of this amount, HRTAC's funding responsibility is approximately $3.753 billion, $200 million of which is expected to be provided by the allocation of Commonwealth SMART SCALE funds to HRTAC by VDOT. Substantially all of HRTAC's funding obligations for the HRBT Expansion Project are set forth in the below-described Project Agreement for Funding and Administration or "PAFA." The remaining funding obligations, related to procuring and installing certain tolling equipment and integrating the toll system for the Hampton Roads Express Lanes Network, are expected to be approximately $63 million and will be set forth in one or more Standard Project Agreements between HRTAC and VDOT. The funding plan for the HRBT Expansion Project contemplates that HRTAC will continue to provide funding from the various sources, including future debt issuances under the Master Indenture, described below in "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS."

Description of PAFA

Under the PAFA, HRTAC's maximum financial commitment for the HRBT Expansion Project is $3.562 billion, as described above and in "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS—VDOT Agreements." This amount, with the inclusion of SMART SCALE funding committed by VDOT, funds the main project scope and an additional $8.5 million programmed but not committed. The PAFA identifies separate budgets for certain HRTAC-funded portions and VDOT-funded portions (the south trestle portion), with each budget including scheduled contract costs (payable to the project's design-builder), percentage share of administration costs, and contingency. HRTAC pays in accordance with a schedule that is designed to align with HRTAC available funds (assumed bond proceeds plus cash). See "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS—VDOT Agreements."

The PAFA includes an option relating to certain additional bridge repair work. While VDOT has exercised this option, such additional work doesn't increase HRTAC's financial commitment under the

PAFA. VDOT may seek reimbursement for certain elements of the work, currently estimated by VDOT to cost approximately $32.2 million, but only in certain circumstances and then only to the extent there are funds available to HRTAC from the budget due to cost savings or, when the HRBT Expansion Project is completed, from unspent contingency.

The project contingency is designed to establish a reserve for potential additional costs, consistent with VDOT practice. Although the agreement for the design and construction of the HRBT Expansion Project is a fixed price contract, the design-builder may seek additional compensation if (i) certain differing conditions are encountered, or (ii) other compensation events occur, such as impacts to the work caused by VDOT delays, changes to permit requirements, interference with the work, changes in law, or discovery of unknown hazardous conditions. Separate contingencies exist for the (a) HRTAC-funded main Project scope, and (b) VDOT-funded south trestles.

The PAFA establishes protocols for addressing when VDOT must obtain HRTAC approval for change orders or claim settlements, which protocols are designed to balance (i) VDOT's need to efficiently and effectively manage the project with (ii) HRTAC's desire to monitor and control expenditures out of reserves. Before the end of the scope validation period, VDOT has discretion to approve change orders without HRTAC approval, provided that the cumulative amount approved does not exceed $65 million or cause the remaining HRTAC-funded contingency reserve to fall below 20% of the contingency reserve initially established. If HRTAC approval is not required, but the amount of the change order exceeds $20 million, HRTAC input would still be necessary. After the end-of-scope validation, a similar, but more restrictive, system is used: if (i) any individual change order exceeds $20 million, or (ii) the remaining HRTAC-funded contingency reserve has fallen below certain specific thresholds (tied to the remaining activities), then HRTAC approval will be required.

On a quarterly basis (or monthly if the remaining contingency reserve is below the then-applicable minimum), VDOT must evaluate whether the costs to complete the HRBT Expansion Project could reasonably be expected to exceed the remaining contingency reserve. If VDOT determines additional funding may be necessary, VDOT and HRTAC would consider solutions in the following order: reducing project scope, collaborating to identify other funding sources, or terminating the HRBT Expansion Project.

DESCRIPTION OF THE SERIES 2020A BONDS

General

The Series 2020A Bonds will be issued as fully registered bonds in book-entry form. The Series 2020A Bonds will be dated their date of delivery, will be issued in denominations of $5,000 or integral multiples of $5,000, and will bear interest from the dated date thereof, payable semiannually on each January 1 and July 1, beginning January 1, 2021, at the rates and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. Interest on the Series 2020A Bonds will be computed on the basis of a year of 360 days and twelve 30-day months. Interest will be payable to the registered owners of the Series 2020A Bonds at their addresses as they appear on the fifteenth day of the month preceding the interest payment date on the registration books kept by the Trustee. Principal of, premium, if any, and interest on the Series 2020A Bonds will be paid by the Trustee to The Depository Trust Company ("DTC") for distribution to its Direct and Indirect Participants (as defined in Appendix G). See "DESCRIPTION OF THE SERIES 2020A BONDS—Book-Entry System" herein, and Appendix G.

Estimated Sources and Uses of Funds

Set forth below are the expected amounts and components of the proceeds of the sale of the Series 2020A Bonds and the application of the proceeds on the date of delivery of the Series 2020A Bonds:

Sources:	
Principal Amount of Series 2020A Bonds	$ _____
[Net] Original Issue [Premium][Discount]	_____
Total Sources:	$_____
Uses:	
Deposit to Project Fund	$ _____
Underwriters' Discount	_____
Deposit to Cost of Issuance Fund	_____
Total Uses:	$_____

Redemption*

Optional Redemption. The Series 2020A Bonds maturing on or before July 1, 20__, will not be subject to optional redemption before their respective maturity dates. The Series 2020A Bonds maturing on and after July 1, 20__, may be redeemed prior to their respective maturities, at the option of the Commission, 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 the Commission shall determine on and after July 1, 20__, at 100% of the principal amount to be redeemed together with the interest accrued thereon to the date fixed for redemption.

* Preliminary, subject to change.

[***Mandatory Redemption.*** The Series 2020A Bonds maturing on July 1, 20__, are subject to mandatory sinking fund redemption prior to maturity in the years and amounts set forth below upon payment of 100% of the principal amount to be redeemed plus interest accrued to the redemption date:

Year	Amount

*final maturity]

Selection of Bonds for Redemption. If less than all of the Series 2020A Bonds are called for optional redemption, the Commission will select the maturities of the serial bonds and portions of the amortization of the term bonds to be redeemed and will designate such selection in an Officer's Certificate.

If less than all of the Series 2020A Bonds of a serial maturity are called for redemption, the particular Series 2020A Bonds of such maturity to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book entry system is discontinued, will be selected by the Registrar (as defined in Appendix A) by lot in such manner as the Registrar at its discretion may determine.

The portion of any Bond to be redeemed shall be in the principal amount of $5,000 or some multiple thereof. In selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by $5,000. If a portion of a Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof shall be issued to the registered owner upon the surrender thereof.

Notice of Redemption

The Commission will direct the Trustee to give notice in the name of the Commission if any Bonds have been called for redemption, and the Trustee shall cause notice of the redemption to be delivered not less than 20 nor more than 60 days prior to the redemption date, to the holders of the Series 2020A Bonds to be redeemed, stating that such Bonds will be due and payable on the date fixed for redemption upon surrender of such Bonds at the designated corporate trust office of the Trustee, stating the applicable redemption price, and stating that all interest on such Bonds will cease to accrue on and after the redemption date. The notice of optional redemption may, on written instructions of HRTAC to the Trustee, state (i) that it is conditional on the deposit of redemption moneys with the Trustee not later than the opening of business on the redemption date and/or (ii) that HRTAC has retained the right to rescind the redemption.

During the period that DTC or its nominee is the registered holder of the Series 2020A Bonds, the Trustee will not be responsible for mailing notices of redemption to the beneficial owners of the Series 2020A Bonds, but shall send such notice to DTC according to its requirements.

Book-Entry System

DTC will act as securities depository for the Series 2020A Bonds. The Series 2020A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2020A Bonds and will be deposited with DTC.

So long as Cede & Co. is the registered owner of the Series 2020A Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Series 2020A Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only owner of Bonds for all purposes under the Master Indenture and the Fourth Series Supplement.

Neither the Commission nor the Trustee has any responsibility or obligation to the Direct or Indirect Participants (as defined in Appendix G) or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, and interest on the Series 2020A Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Master Indenture to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

ESTIMATED DEBT SERVICE REQUIREMENTS

The following Table II sets forth for each fiscal year the amounts needed for payment of principal and interest on the Series 2020A Bonds, as of the date of issuance of the Series 2020A Bonds. ***Table II should be reviewed in conjunction with Table VII herein, which includes projected debt service requirements for HRTAC's Senior Bonds, including the Series 2020A Bonds and Series 2018A Bonds, HRTAC's Intermediate Obligations, including the Series 2019A Notes, which are expected to be retired on July 1, 2022 by a draw upon the 2019 TIFIA Bond, and HRTAC's Subordinate Obligations including the 2019 TIFIA Bond and projected future Subordinate Obligations. HRTAC has submitted a letter of interest to the Build America Bureau requesting a direct TIFIA loan in an amount not less*** than $***742,238,692, anticipated to be issued as a Subordinate Lien Obligation under the Master Indenture***.

Table II
Estimated Debt Service Requirements on the Series 2020A Bonds

				Series 2020A Bonds		
FY	Series 2018A Bonds (1)	Series 2019A Notes (2)	2019 TIFIA Bond (3)	Principal (4)	Interest (5)	Total (6)
2021	$25,854,075	$	$	$		
2022	25,854,075	20,717,250		-		
2023	25,854,075			-		
2024	25,854,075			-		
2025	30,599,075		14,197,579	-		
2026	30,601,825		14,694,188	-		
2027	30,602,575		15,209,022	8,280,000		
2028	30,600,825		15,742,771	8,695,000		
2029	30,601,075		16,296,147	9,130,000		
2030	30,602,575		16,869,893	9,585,000		
2031	30,599,575		17,464,779	10,065,000		
2032	30,601,575		18,081,605	10,565,000		
2033	30,602,575		18,721,202	11,095,000		
2034	30,601,825		19,384,430	11,650,000		

2035	30,603,575	20,072,187	12,115,000
2036	30,601,825	20,785,401	12,600,000
2037	30,600,825	21,525,039	13,105,000
2038	30,599,575	22,292,103	13,630,000
2039	30,602,075	23,087,634	14,175,000
2040	30,602,075	23,912,714	14,600,000
2041	30,598,575	24,768,465	15,185,000
2042	30,600,575	25,656,053	15,790,000
2043	30,601,575	26,576,690	16,420,000
2044	30,600,325	27,531,632	17,080,000
2045	30,600,575	28,522,186	17,765,000
2046	30,600,825	29,549,709	18,475,000
2047	30,599,575	30,615,607	19,400,000
2048	40,000,325	31,721,345	10,970,000
2049	40,001,325	32,868,442	11,515,000
2050	40,002,325	34,058,474	12,090,000
2051	40,000,325	35,293,081	12,695,000
2052	40,002,325	36,573,964	13,330,000
2053	39,999,825	37,902,891	14,000,000
2054	40,001,550	39,281,697	14,695,000
2055	40,000,600	40,712,288	15,435,000
2056	40,002,025		16,205,000
2057	40,000,325		17,015,000
2058			57,865,000
2059			60,760,000
2060			63,795,000

(1) Senior Lien Obligations.
(2) Intermediate Lien Obligations and expected to be retired on July 1, 2022 with proceeds of a drawn upon the 2019 TIFIA Bond. Amount shown is the net amount to be paid from HRTAC Revenues.
(3) Subordinate Lien Obligation.
(4) Preliminary, subject to change.
(5) Will be completed, following sale of the Series 2020A Bonds, in the final Official Statement.
(6) Will be completed, following sale of the Series 2020A Bonds, in the final Official Statement.

SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2020A BONDS

Limited Obligations

The Series 2020A Bonds are limited obligations of HRTAC and are payable solely as Senior Lien Obligations from the revenues, moneys and other property pledged by the Master Indenture for such purpose, consisting of the HRTAC Revenues. The pledged HRTAC Revenues include (i) the amounts credited by the Comptroller of Virginia to the HRTF and transferred to HRTAC, including the Additional Sales and Use Tax revenues and the Additional Motor Vehicle Fuels Tax revenues, (ii) all earnings from the investment of moneys held in any Fund or Account under and as defined in the Master Indenture, and (iii) any other revenues available under the HRTAC Act which may be hereafter designated as HRTAC

Revenues pursuant to a Supplemental Indenture. The availability of such Additional Sales and Use Tax revenues and Additional Motor Vehicle Fuels Tax revenues for deposit into the HRTF is subject to annual appropriation by the General Assembly, and the General Assembly may eliminate or change such taxes and fees at any time. The receipt of such funds is also conditioned upon their use for transportation-related purposes, specifically new construction projects on new or existing highways, bridges or tunnels in the Member Localities. See "HAMPTON ROADS TRANSPORTATION FUND—Subject-to-Appropriation" above.

The realization of amounts to be derived upon the enforcement of the Series 2020A Bonds will depend upon the exercise and effectiveness of the remedies specified in the Master Indenture. These and other remedies may, in many respects, require judicial action of a nature that is often subject to discretion and delay. Under existing laws, the remedies specified in the Master Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2020A Bonds will be qualified as to the enforceability of various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, fraudulent conveyance, reorganization and other laws affecting the enforcement of creditors' rights generally. See "INVESTMENT CONSIDERATIONS—Limitation on Remedies" herein, and "THE MASTER INDENTURE—Events of Default and Remedies Upon Default" in Appendix A.

The Series 2020A Bonds are not a debt of the Commonwealth or any political subdivision thereof (including any Member Locality or any member of the HRTPO or the HRPDC) other than the Commission, and the Series 2020A Bonds do not constitute indebtedness within the meaning of any debt limitation or restriction. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any Member Locality or any member of the HRTPO or the HRPDC) is pledged to the payment of the Series 2020A Bonds. The Commission has no taxing powers.

Pledges Under the Master Indenture

Senior Lien Obligations. The Series 2020A Bonds are being issued as Senior Lien Obligations and are the second Series of Senior Lien Obligations issued by HRTAC under the Master Indenture. The Series 2020A Bonds are payable as to principal and interest from, and secured by, a pledge of HRTAC Revenues that is on parity with the payment of principal of and interest on all Senior Bonds, including the Series 2018A Bonds, and senior to all Intermediate Lien Obligations, including the Series 2019A Notes, and all Subordinate Obligations, including the 2019 TIFIA Bond.

Indenture Accounts. With respect to the Series 2020A Bonds, the Fourth Series Supplement establishes solely for the benefit of the Owners of the Series 2020A Bonds, the Series 2020A Interest Account, the Series 2020A Principal Account, the Series 2020A Costs of Issuance Account and the Series 2020A Project Account, which are pledged exclusively to secure the obligations of HRTAC to the Owners of the Series 2020A Bonds. The Series 2020A Rebate Account is created exclusively to make certain payments, if any, to maintain the federal tax-exempt status of the Series 2020A Bonds, and is not pledged to the repayment of the Series 2020A Bonds.

Payment of Interest and Principal. Interest to be paid on the Series 2020A Bonds shall be paid from the HRTAC Revenues, subject to the prior application of such funds as described below under "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2020A BONDS—Flow of Funds."

2019 TIFIA Loan Agreement. The 2019 TIFIA Bond is subordinate in payment and security to all Senior Bonds including the Series 2020A Bonds, although the Commission has agreed to certain prepayment provisions under the terms of a TIFIA Loan Agreement dated December 10, 2019 (the "2019 TIFIA Loan Agreement"), between the U.S. Department of Transportation ("USDOT"), an agency of the United States of America, acting by and through the Executive Director of the Build America Bureau (the "TIFIA Lender") and the Commission. The 2019 TIFIA Loan Agreement is the agreement under which the TIFIA Lender has extended a direct loan (the "2019 TIFIA Loan") to HRTAC in an aggregate principal amount not to exceed $500,789,463. HRTAC issued and delivered to the TIFIA Lender the 2019 TIFIA Bond as a Subordinate Obligation to evidence HRTAC's obligation to repay the 2019 TIFIA Loan. See **"2019 TIFIA LOAN AGREEMENT"** and Appendix H – "2019 TIFIA LOAN AGREEMENT."

No Mortgage, Lien or Acceleration. The Series 2020A Bonds are not secured by any mortgage or lien on any transportation facilities of the Commission, VDOT, the Commonwealth, or any of the Member Localities or by a pledge of the revenues derived from any such facility. In the event of a failure to make any payment on the Series 2020A Bonds when due, neither the Trustee nor the owners of the Series 2020A Bonds shall have any right to take possession of any transportation facilities or to exclude the Commission, VDOT, the Commonwealth, or any of the Member Localities from possession of them, nor shall there be any right to accelerate payment of the Series 2020A Bonds.

No Toll Revenues. The Series 2020A Bonds are not secured by a pledge of any toll revenues. The Master Indenture does not permit toll revenues to be pledged to the payment of the Bonds. Although the funding plan for the HRBT Expansion Project anticipates that not less than $345,000,000, and up to $575,000,000, of the funding for such project will be derived through toll-backed financing from the Hampton Roads Express Lanes Network, such revenues are a source of project funding that is entirely distinct and separate from the HRTF Revenues and are not included under the Master Indenture waterfall.

Outstanding Bonds

As of the date of this Official Statement, the aggregate outstanding principal amount of the Series 2018A Bonds is $500,000,000 and the aggregate outstanding principal amount of the Series 2019A Notes is $414,345,000. No amount is presently outstanding under the 2019 TIFIA Bond, but HRTAC expects to make a single requisition under the 2019 TIFIA Loan on or before July 1, 2022 (subject to satisfaction of the conditions described in Appendix H - "2019 TIFIA LOAN AGREEMENT"), and to apply such amount to reimburse itself for eligible project costs, including payment of the principal on the Series 2019A Notes. Other than the Series 2018A Bonds, the Series 2019A Notes and the 2019 TIFIA Bond, on the date of issuance of the Series 2020A Bonds there will be no other obligations outstanding that are secured by or payable from HRTAC Revenues.

Additional Bonds

*Authority to Issue Additional Bonds***.** Under the Master Indenture, the Commission may issue additional Bonds, including (i) Senior Bonds that are on parity as to the pledge of HRTAC Revenues with the Series 2020A Bonds, (ii) Intermediate Lien Obligations that are subordinate as to the pledge of HRTAC Revenues with the Series 2020A Bonds and subordinate in payment and security to all Senior Bonds, and (iii) Subordinate Obligations that are subordinate in payment and security to all Intermediate Lien Obligations and all Senior Bonds. The Series 2020A Bonds and all other Senior Lien Obligations will be equally and ratably secured under the Master Indenture without preference, priority or distinction on account of the time of their authentication, delivery or maturity. However, different Series of Senior Lien Obligations may bear interest at different rates, have different maturity dates and payment dates, may be subject to different mandatory or optional redemption or tender terms, and may have the benefit of credit facilities that do not support other Series of Senior Lien Obligations. See "THE MASTER INDENTURE—Issuance of Bonds—Parity of Bonds" in Appendix A.

Conditions to Issuance of Senior Bonds. The Master Indenture requires as a condition to the issuance of any additional Senior Bonds for non-refunding purposes the filing with the Trustee of an Officer's Certificate to the effect that, during any twelve consecutive months of the eighteen months preceding the issuance of the additional Senior Bonds, the HRTAC Revenues were not less than 2.00 times the maximum annual Principal and Interest Requirements during the current or any future Fiscal Year (defined in the Master Indenture as the twelve-month period commencing on July 1 of one year and ending on June 30 of the following year) on all Senior Bonds Outstanding and the Series of Senior Bonds to be issued. See "THE MASTER INDENTURE—Issuance of Bonds—Conditions to the Issuance of Additional Series of Bonds" in Appendix A.

Conditions to Issuance of Intermediate Lien Obligations. HRTAC is permitted to issue Intermediate Lien Obligations secured by the HRTAC Revenues, the payment and security of each which shall be subordinate to all Senior Bonds and to the Senior Debt Service Fund deposits required to be made under the Master Indenture. The Series Supplement pursuant to which the Series 2019A Notes were issued provides that HRTAC will satisfy the following requirements in connection with the issuance of additional Intermediate Lien Obligations, other than Intermediate Lien Obligations to be incurred to rollover or refinance the 2019A Notes: (i) unless such additional Intermediate Lien Obligations shall not be secured by or participating in a debt service reserve fund, there shall be or have been established in connection with such additional Intermediate Lien Obligations, an Intermediate Lien Debt Service Reserve Fund as provided in the Master Indenture; (ii) HRTAC shall file with the Trustee an Officer's Certificate to the effect that the Intermediate Lien Debt Service Reserve Fund Requirement, calculated immediately after the issuance of such additional Intermediate Lien Obligations, will be met effective upon the issuance of such additional Intermediate Lien Obligations; (iii) HRTAC shall file with the Trustee an Officer's Certificate to the effect that during any twelve consecutive months of the eighteen months preceding the issuance of the Bonds to be issued, the HRTAC Revenues were not less than 1.50 times the maximum annual Principal and Interest Requirements during the current or any future Fiscal Year on any Senior Bonds and Intermediate Lien Obligations then Outstanding plus the Intermediate Lien Obligations to be issued; and (iv) HRTAC shall file with the Trustee an Officer's Certificate demonstrating that, for each Fiscal Year while such Intermediate Lien Obligations will be Outstanding, HRTAC Revenues are projected by HRTAC to equal at least 1.35 times the annual aggregate Principal and Interest Requirements during the current or any future Fiscal Year on any Senior Bonds, Intermediate Lien Obligations, and Subordinate Lien Obligations then Outstanding plus the Series of Intermediate Lien Obligations to be issued. Such projections shall be in reasonable detail and may be made by HRTAC in consultation with the Virginia Department of Transportation and the Virginia Department of Taxation or other relevant state, regional or local agency.

Conditions to Issuance of Subordinate Obligations. HRTAC is permitted to issue Subordinate Obligations secured by the HRTAC Revenues, the payment and security of each which shall be subordinate to all Senior Bonds and Intermediate Lien Obligations and to the Senior Debt Service Fund and Intermediate Debt Service Fund deposits required to be made under the Master Indenture.

The 2019 TIFIA Loan Agreement also requires that HRTAC satisfy certain conditions with respect to the issuance of permitted indebtedness thereunder. See "THE MASTER INDENTURE—Issuance of Bonds—Intermediate Lien Obligations" and "—Subordinate Obligations" in Appendix A.

Debt Service Reserve

No debt service reserve fund will be established or maintained for the Series 2020A Bonds.

Flow of Funds

The following summary of the Master Indenture's flow of funds provisions does not purport to be comprehensive or definitive and is qualified by reference to the entire Master Indenture, as supplemented by the Fourth Series Supplement. The Master Indenture establishes a Revenue Fund to which HRTAC will deposit all HRTAC Revenues immediately upon receipt. The Revenue Fund is the source of the following monthly transfers that will benefit the holders of the Bonds:

FIRST: To each Senior Debt Service Fund, ratably, the amount, if any, required under the Related Series Supplement so that the balance therein on the next Payment Date shall equal the amount of principal, if any, and interest due on the next Payment Date on the Related Series of Bonds; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in a Senior Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

SECOND: To each Senior Debt Service Reserve Fund, ratably, the amount, if any, required so that the balance in each such Fund shall be equal to the respective Senior Debt Service Reserve Requirement;

THIRD: To each Intermediate Lien Debt Service Fund, ratably, the amount, if any, required so that the balance in each such Fund shall equal the amount of principal, if any, and interest due on the Related Intermediate Lien Obligations on the next ensuing payment date; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in an Intermediate Lien Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

FOURTH: To each Intermediate Lien Debt Service Reserve Fund, ratably, the amount, if any, required so that the balance in such Fund shall be equal to the respective Intermediate Lien Debt Service Reserve Requirement;

FIFTH: To each Subordinate Debt Service Fund, ratably, the amount, if any, required so that the balance in each such Fund shall equal the amount of principal, if any, and interest due on the Related Subordinate Obligations on the next ensuing payment date; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in a Subordinate Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

SIXTH: To each Subordinate Debt Service Reserve Fund, ratably, the amount, if any, so that the balance in such Fund shall be equal to the respective Subordinate Debt Service Reserve Requirement;

SEVENTH: To each Rebate Fund the amounts necessary to provide for the payment of any Rebate Amounts with respect to the Related Series of Bonds as confirmed in an Officer's Certificate;

EIGHTH: To the Operating Account of the Operating Fund, the amount of funds necessary to pay Operating Expenses during such period in accordance with the Annual Budget (as defined in the Master Indenture; see Appendix A);

NINTH: To the Operating Reserve Account of the Operating Fund, the amount, if any, so that the balance in such Account shall be equal to the Operating Reserve Requirement;

TENTH: To fund any Hedging Termination Obligation in connection with a Qualified Hedge;

ELEVENTH: After curing any deficiencies as required by the Master Indenture to the deposits and balances required in "FIRST" through "TENTH" above, to the TIFIA Revenue Sharing Account, the amount, if any, as may be required under the TIFIA Series Supplement, and the applicable provisions of any other Series Supplement, an amount equal to Excess Revenues for such month, for deposit into the TIFIA Revenue Sharing Account (see Appendix H - "2019 TIFIA LOAN AGREEMENT—Prepayment of the 2019 TIFIA Loan;" and "INVESTMENT CONSIDERATIONS—Risks of Non-Appropriation and Future Legislative or Administrative Actions Affecting Revenues—TIFIA Revenue Sharing Trigger Event"); and

TWELFTH: To the General Fund, the balance remaining in the Revenue Fund.

Pursuant to the Fourth Series Supplement, each monthly transfer into the 2020A Bond Debt Service Fund under the Master Indenture shall be in an amount not less than the sum of (i) one-sixth of the interest due on the Series 2020A Bonds on the next ensuing Interest Payment Date, plus (ii) one-twelfth of the principal due on the Series 2020A Bonds at maturity or upon mandatory redemption on the next ensuing Principal Payment Date, less (iii) accrued interest and any other interest earnings currently on deposit therein. See "THE Fourth Series Supplement—Bond Debt Service Fund" in Appendix A.

HRTAC shall apply the balance in the General Fund, including interest earnings, as follows: (i) first to cure any deficiency in the amount required to be on deposit in any Senior Debt Service Fund, any Senior Debt Service Reserve Fund, any Intermediate Lien Debt Service Fund, any Intermediate Lien Debt Service Reserve Fund, any Subordinate Debt Service Fund, any Subordinate Debt Service Reserve Fund, any Rebate Fund, or the Operating Reserve Account, in that order; and (ii) then to any lawful purpose approved by resolution of HRTAC, including without limitation, expenditures for capital improvements or administrative expenses. See "THE MASTER INDENTURE—Revenue Fund and Flow of Funds" in Appendix A.

FLOW OF FUNDS DIAGRAM

Revenue Fund

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Senior Debt Service Fund*

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Senior Debt Service Reserve Fund (if any)

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Intermediate Lien Debt Service Fund

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Intermediate Lien Debt Service Reserve Fund (if any)

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Subordinate Debt Service Fund

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Subordinate Debt Service Reserve Fund (if any)

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Rebate Fund

↓

Operating Account

↓

Operating Reserve Account

↓

Hedging Termination Obligation (if any)

↓

TIFIA Excess Revenues Account
(if then due)

↓

General Fund

* ***No Debt Service Reserve Fund will be established or maintained for the Series 2020A Bonds*.**

2019 TIFIA LOAN AGREEMENT

Pursuant to the 2019 TIFIA Loan Agreement, HRTAC issued the 2019 TIFIA Bond in the amount of $500,789,463 as a Subordinate Lien Obligation under the Master Indenture. The 2019 TIFIA Bond bears interest on amounts disbursed thereunder at the fixed interest rate of 2.25%, computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed, except that, upon the occurrence and during the continuance of a payment default, the interest rate with respect to any overdue principal amount shall bear interest at the foregoing rate plus 2.00% *per annum*. HRTAC expects to make a single requisition under the 2019 TIFIA Loan on or before July 1, 2022, within one year after substantial completion of the Initial Financed Projects (as described herein), and apply the amount requisitioned under the 2019 TIFIA Loan Agreement to reimburse itself for eligible project costs, including the use of a portion of such funds to pay principal on the Series 2019A Notes at their maturity date of July 1, 2022.

See Appendix H – "2019 TIFIA LOAN AGREEMENT" for a summary of certain provisions of the 2019 TIFIA Loan Agreement. The 2019 TIFIA Loan Agreement has been filed with the MSRB through its EMMA system with respect to the outstanding Series 2018A Bonds and Series 2019A Notes and may be accessed over the internet at https://www.emma.msrb.org.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

The Commission was created by the Virginia General Assembly in 2014 to be a body politic and a political subdivision of the Commonwealth with responsibility for approving the funding of projects to be financed with the HRTF Revenues. Such revenues are derived from the additional taxes levied pursuant to Chapter 766 within Planning District 23. The Member Localities comprising Planning District 23 currently include the Counties of Isle of Wight, James City, Southampton, and York, and the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The Commission is a separate legal entity from these Member Localities within Planning District 23. Cities and counties in the Commonwealth are independent entities; therefore, the Member Localities do not overlap. Pursuant to Chapter 545, the Commission must use the HRTF Revenues for purposes of (i) funding new construction projects on new or existing highways, bridges, and tunnels in the Member Localities, giving priority to projects expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within the Member Localities, and (ii) paying the Commission's administrative and operating expenses as provided in its annual budget (which under the HRTAC Act shall be limited solely to administrative expenses of the Commission and shall not include any funds for construction or acquisition of transportation facilities or the performance of any transportation service). See "HAMPTON ROADS TRANSPORTATION FUND—General" herein, and "Table 5: HRTAC Operating Budget" in Appendix E. HRTAC collaborates with HRTPO to set transportation funding priorities on the basis of a regional consensus developed by HRTPO, but HRTAC serves primarily as a financing vehicle for regional transportation projects rather than as a planning board. To date, all of HRTAC's projects have been part of VDOT's statewide transportation system and HRTAC has entered into Standard Project Agreements and PAFA with VDOT whereby HRTAC provides funds to such projects. See "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS."

Hampton Roads Region

With the exception of Southampton County and the City of Franklin, all of the Member Localities are located in the Hampton Roads MSA. For a description of certain demographic, economic and financial information regarding Planning District 23 and Hampton Roads, see Appendix D.

Commission Members

Pursuant to the HRTAC Act, HRTAC has 23 members as follows: the chief elected official of the ten (10) cities embraced by the Commission, which in each such city is a mayor; a current elected official of each of the four (4) counties embraced by the Commission, provided that such official (a) serves on the governing body of the county and (b) has been appointed by resolution of such governing body to serve as the county's member on the Commission; three (3) members of the House of Delegates who reside in different counties or cities embraced by the Commission and who are appointed by the Speaker of the House; and two (2) members of the Senate who reside in different counties or cities embraced by the Commission, who are appointed by the Senate Committee on Rules. In addition, the Director of the Virginia

Department of Rail and Public Transportation ("VDRPT"), or his/her designee; the Commissioner of Highways, or his/her designee; the Executive Director of the Virginia Port Authority, or his/her designee; and a member of the Commonwealth Transportation Board (the "CTB") who resides in a locality embraced by the Commission and who is appointed by the Governor, serve as non-voting members of HRTAC.

The current membership of HRTAC is listed below, together with the related Member Locality or appointing official or body:

Voting Members	**Title**	**Source of Appointment**
Linda T. Johnson	HRTAC Chair	City of Suffolk
Donnie R. Tuck	HRTAC Vice-Chair	City of Hampton
Kenneth C. Alexander	Member	City of Norfolk
Christopher D. Cornwell, Sr.	Member	Southampton County
Robert M. Dyer	Member	City of Virginia Beach
Michael J. Hipple	Member	James City County
W. Eugene Hunt Jr.	Member	City of Poquoson
Clinton L. Jenkins	Member	Virginia House of Delegates
Joseph C. Lindsey	Member	Virginia House of Delegates
L. Louise Lucas	Member	Virginia Senate
Montgomery "Monty" Mason	Member	Virginia Senate
William M. McCarty	Member	Isle of Wight County
Michael P. Mullin	Member	Virginia House of Delegates
Douglas G. Pons	Member	City of Williamsburg
Dr. McKinley L. Price	Member	City of Newport News
Frank M. Rabil	Member	City of Franklin
John L. Rowe, Jr.	Member	City of Portsmouth
Thomas G. Shepperd	Member	York County
Dr. Richard W. West	Member	City of Chesapeake

Non-Voting Members:	**Title**	**Source of Appointment**
Stephen Brich	Non-Voting Member	Commissioner of Highways, VDOT
Jennifer Mitchell	Non-Voting Member	Director of VDRPT
John F. Malbon	Non-Voting Member	Commonwealth Transportation Board
John F. Reinhart	Non-Voting Member	Executive Director, Virginia Port Authority

HRTAC Executive Director

Kevin B. Page serves as the Executive Director of HRTAC. He has served the Commission in this role for over 5 years. Mr. Page is responsible for management of the day-to-day administrative affairs of the Commission, which relate principally to the support of more than $7.02 billion in mega highway transportation projects that are planned for Hampton Roads. Mr. Page is also responsible for coordinating the management and investment of the HRTF funds received by HRTAC. Mr. Page has over 30 years of multimodal leadership experience within the transportation industry and has served in executive roles on major infrastructure funding and construction initiatives and in forging strategic partnerships, including serving on various transportation boards and safety committees. Before joining HRTAC, he spent over 10 years in executive leadership roles over transit and rail funding and program delivery with the Virginia Department of Rail and Public Transportation, 7 years as the Transit Manager of Petersburg, Virginia's separate transit and school bus enterprise operations, and 2 years with the Greater Richmond Transit Company in Richmond, Virginia. He has led the planning, development and implementation of a wide variety of projects including large scale public-private and multistate partnerships, the safety oversight of transportation systems, corridor long environmental studies, short and long-range planning and financing, and was instrumental in the development and delivery of regional Amtrak passenger train service and the expansion of the Virginia Railway Express to serve new markets. Mr. Page earned a B.S. degree in Urban Studies and Planning from Virginia Commonwealth University, is a graduate of the Virginia Executive Institute, and his professional awards of recognition include the VDOT Peer Award, VDOT Commissioner's Award of Excellence, the Virginia Economic Developer's Association Economic Development Ally of the Year Award, HB2 Team Excellence in Teamwork Award, CSX Transportation Partnershipping Award, the Commonwealth Transportation Safety Board's Award for Rail Safety, and the Amtrak President's State Partner Award.

HRTAC Annual Budget

As adopted, HRTAC's Fiscal Year 2021 administrative and operating expense budget totals $7.27 million and is expected to be funded proportionately by the HRTF and the Hampton Roads Regional Transit Fund. The largest expenditures in the budget are personnel and professional services costs. As required by the HRTAC Act, the annual budget is limited solely to the administrative and operating expenses of the Commission and does not include funds for construction or acquisition of transportation facilities or for the performance of any transportation service. See "HAMPTON ROADS TRANSPORTATION FUND—General" and "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2020A BONDS — Flow of Funds" herein, and "Table 5: HRTAC Operating Budget" in Appendix E. The financial activities of the Commission are overseen by the Commission's Finance Committee and are subject to annual audit (as described below) and annual reporting to the Commonwealth's Joint Legislative Commission on Transportation Accountability.

HRTAC Financial Statements

The audited financial statements of HRTAC for the Fiscal Year ending June 30, 2019 are included in Appendix B. The Commission's financial statements are prepared in accordance with generally accepted accounting principles and audited annually in accordance with government auditing standards. The Commission's independent auditor, PBMares, LLP, has not been engaged to perform and has not performed since the date of its report included in Appendix B any procedures on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS

The primary documents which guide the Commission's transportation funding priorities are the HRTPO Long-Range Transportation Plan and the Six-Year Funding Plan, both of which are described below.

HRTPO's Long-Range Transportation Plan

HRTAC sets its long-range transportation funding priorities in coordination with the conceptual, regional consensus developed through meetings of the HRTPO. The HRTPO is a metropolitan planning organization ("MPO") established in accordance with the Federal-Aid Highway Act of 1962, as amended. Federal regulations require that urbanized areas throughout the United States have MPOs to conduct a continuing, cooperative and comprehensive transportation planning process. Urbanized areas are defined as areas with a population of 200,000 or greater, known as Transportation Management Areas ("TMAs"). MPOs participate in a federal certification review of the transportation planning process for their TMAs every four years. MPOs must be certified in order to receive federal funds for transportation projects. The transportation planning process must result in plans and programs that consider all modes of transportation and support metropolitan community development and social goals. These plans and programs must lead to the development and operation of an integrated, intermodal transportation system that facilitates the efficient, economic movement of people and goods.

HRTAC participates in the HRTPO's planning process by preparing and updating a fiscally constrained long-range regional transportation project funding plan for Planning District 23 which includes transportation improvements of regional significance and improvements necessary or incidental thereto. It is important to note the "constrained" aspect of HRTAC's plan for regional priority projects, which means HRTAC has identified only those projects which can be funded from available resources (HRTAC's 2045 Long-Range Transportation Plan ("2045 LRTP") includes long-range and "Vision Plan" projects as detailed herein). HRTAC communicates its long-range plan to the HRTPO, and the HRTPO works to incorporate such plan into the constrained section of its broader Long-Range Transportation Plan. HRTPO currently has a 2040 Long-Range Transportation Plan ("2040 LRTP") that differs from HRTAC's 2045 LRTP with respect to HRTF funded projects, but HRTPO is in the process of updating for a 2045 LRTP which will be consistent with respect to HRTF funded projects. HRTPO's 2040 LRTP includes the HRBT Expansion Project which is being funded in part by the Series 2020A Bonds.

The 2045 LRTP is the official transportation blueprint guiding multimodal transportation investments for Hampton Roads and is used to (i) identify regional priority projects, and (ii) help determine project sequencing based on project readiness and available funding. As the guiding regional transportation plan, the 2045 LRTP is designed to be a "living" document, updated through an amendment process. HRTAC most recently amended its 2045 LRTP on June 18, 2020, to conform to updated cost estimates and opening year information for multiple regional priority projects to be supported by HRTAC funds and to reflect updated revenue forecasts used to fiscally-constrain those projects. Total HRTAC project costs included in the 2045 LRTP are approximately $8.5 billion, expressed in year-of-expenditure dollars to properly reflect inflation. HRTAC's approach has been to provide funding as the project planning, engineering and readiness process warrants, and in coordination with VDOT.

The fiscally-constrained HRTAC projects in the 2040 LRTP include the Interstate 64 Peninsula Widening Project in Newport News, York County and James City County, the I-64 /I-264 Interchange Improvements Project in Norfolk and Virginia Beach, and the I-64 Southside Widening and High Rise Bridge Project (Phase I) in Chesapeake (the "Initial Financed Projects"), together with the HRBT Expansion Project. HRTAC has entered into Standard Project Agreements with VDOT for the construction of the

Initial Financed Projects, and all of the Initial Financed Projects are expected to be completed by Fiscal Year 2022. See “Table III: HRTAC Projects under Agreements with VDOT.” The HRBT Expansion Project is expected to be delivered by Fiscal Year 2026.

As HRTAC allocates funds to projects in its 2045 LRTP, those projects are reflected in HRTPO’s Transportation Improvement Program (“TIP”), which is a four-year program for the implementation of surface transportation projects in Hampton Roads. The TIP includes all funded transportation projects of regional significance.

The 2045 LRTP also identifies certain long-range HRTAC projects that are expected to be completed within the 2045 LRTP but whose completion dates and costs are subject to funding availability and other factors. The long-range HRTAC projects in the 2045 LRTP include I-64 Hampton Roads Express Lanes Network, Bowers Hill Interchange Improvements in Suffolk, and I-64/Fort Eustis Boulevard Interchange Improvements in Newport News. See “Table VI: Future HRTAC Projects in the 2045 LRTP.”

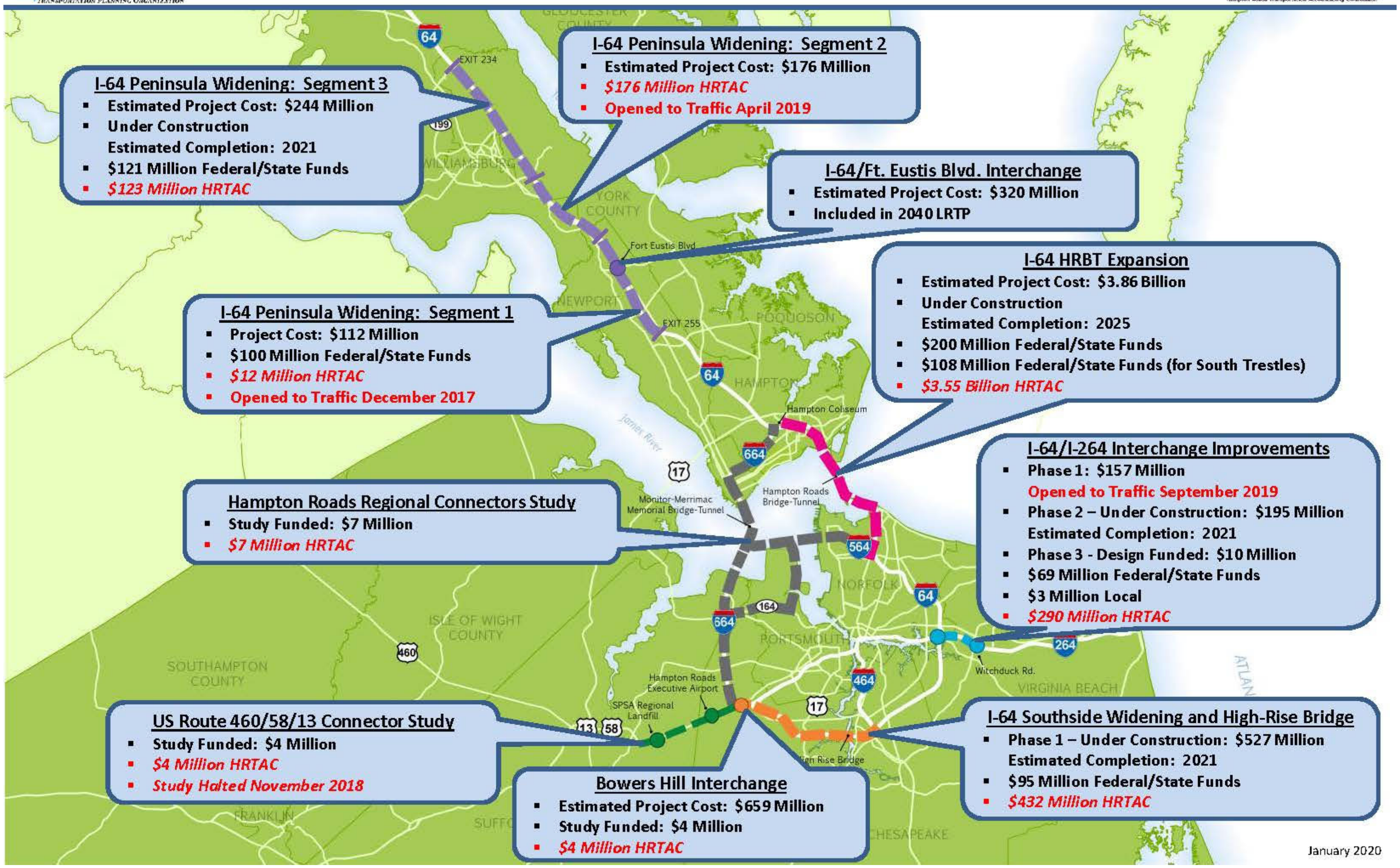
Projects not included in the 2045 LRTP, but included within a “Vision Plan” for the region, are longer term and will require additional study and evaluation. They will not be completed unless additional resources become available. The projects within the “Vision Plan” include construction of an I-564/I-664 Connector (dubbed “Patriot’s Crossing”) to connect Norfolk with the existing Monitor Merrimac Memorial Bridge Tunnel, improvements to the I-664 Monitor-Merrimac Memorial Bridge-Tunnel connecting Suffolk with Newport News, improvements to VA 164 in Portsmouth, and construction of a VA I-64 Connector to the Patriot’s Crossing.

The map on the following page illustrates the regional priority projects included in the 2045 LRTP and the Vision Plan, excluding the Hampton Roads Express Lanes Network.

Hampton Roads Regional Transportation Priority Projects

"Moving Projects Forward – HRTAC Investments"

Projects Planned and Prioritized by HRTPO, Powered by HRTAC



HRTAC Six-Year Funding Plan

The Commission is required by the HRTAC Act to develop and adopt the Six-Year Funding Plan (which is a rolling six-year plan) to provide for the expenditure of funds over a four- to six-year period for projects that have been planned and also programmed for actual development. The Six-Year Funding Plan is required by the HRTAC Act to align as much as possible with the Statewide Transportation Plan maintained by the CTB and described below.

HRTAC's current Six-Year Funding Plan (for Fiscal Years 2021 through 2026) was adopted in June 2020, and includes the Initial Financed Projects, the HRBT Expansion Project, and the Hampton Roads Express Lanes Network (HREL). Although the HREL is included in the Six-Year Funding Plan, the budgeted costs and financing alternatives are only conceptual, and it is anticipated that the HREL will be developed in sections, subject to the availability of funding, the development of a definitive funding plan, and the execution and delivery of one or more Standard Project Agreement(s) with VDOT in the future.

The current Six-Year Funding Plan identifies a variety of funding sources that may be utilized by the Commission, including HRTF funds not sourced from bond or loan proceeds ("PayGo"), remaining proceeds of the Series 2018A Bonds, proceeds of the Series 2020A Bonds and/or the 2019 TIFIA Loan, additional Bonds (including another TIFIA Loan secured as a Subordinate Obligation under the Master Indenture), toll revenue debt proceeds (which toll-backed debt is separate from and not cross-collateralized with HRTF Revenues), VDOT funding, and other public funds. The current Six-Year Funding Plan envisions issuance of Bonds (some of which constitute TIFIA Loans).

The Six-Year Funding Plan is designed to prioritize the funding of projects in a manner consistent with (i) the regional project sequencing set forth in the 2045 LRTP, (ii) the CTB's Statewide Transportation Plan and its prioritization process (described below), and (iii) the goal of providing the greatest impact on reducing congestion for the greatest number of citizens residing in the Member Localities.

Statewide Transportation Plan

Under state law, the CTB's Statewide Transportation Plan must incorporate the measures and goals of the approved long-range plans developed by applicable regional organizations. In addition, consistent with the Statewide Transportation Plan, the CTB is required to develop, in accordance with federal transportation requirements, and in cooperation with MPOs situated within the Commonwealth, a statewide prioritization process for the use of available highway funds in a manner that considers congestion mitigation, economic development, accessibility, safety, environmental quality, and other factors.

The statewide prioritization process for transportation projects financed by the Commonwealth was established under Chapter 726, 2014 Va. Acts of Assembly, enacted on April 6, 2014, and codified in Virginia Code Section 33.2-214.1. This project selection process, known as the SMART SCALE (System for the Management and Allocation of Resources for Transportation) (the "SMART SCALE Program"), is a competitive prioritization process administered by the Commonwealth to advise the CTB in its funding decisions. For each SMART SCALE cycle, the screening and scoring results are presented to the CTB and the public and a Six-Year Improvement Program for the Commonwealth is developed based on CTB direction and the SMART SCALE scoring results. As enacted, the prioritization process utilized by the CTB is designed to be an objective and quantifiable analysis for project selection that considers, at a minimum, congestion mitigation, economic development, accessibility, safety, and environmental quality. When evaluating and scoring projects within the geographical confines of HRTAC, the SMART SCALE Program requires the CTB to weigh congestion mitigation as the most important factor.

To-date, the SMART SCALE Program has provided approximately $463.7 million toward the Initial Financed Projects and the HRBT Expansion Project.

The Six-Year Funding Plan assumes no additional SMART SCALE funding beyond these amounts. The HRTPO will submit HRTAC project SMART SCALE funding applications for the next allocation cycle. For each SMART SCALE cycle, basic project information must be submitted by June 1st of the calendar year, and final project applications must be submitted by August 1st.

VDOT Agreements

HRTAC has entered into Standard Project Agreements with VDOT for the Initial Financed Projects, and a Project Administration and Funding Agreement ("PAFA") with VDOT for the HRBT Expansion Project, both of which relate to HRTAC's funding of approved projects and will be part of VDOT's statewide transportation system. Under certain Standard Project Agreements and the PAFA, CTB has agreed to also contribute state funds to the construction of certain of the Initial Financed Projects and to the construction of the HRBT Expansion Project. Under all Standard Project Agreements to date and the PAFA, VDOT has agreed to provide administration of project construction as reimbursed by HRTAC, and VDOT has assumed responsibility for operation and maintenance of all roadway, bridge and tunnel structures of the Initial Financed Projects and the HRBT Expansion Project at no cost to HRTAC. HRTAC's construction funding obligation under each of these agreements is limited to the amounts budgeted. If VDOT determines it may incur additional, unbudgeted costs, such as to cover construction cost overruns, HRTAC has the option to provide additional funding, cancel the Initial Financed Projects or the HRBT Expansion Project or a portion thereof, or authorize VDOT to make modifications or reductions in scope or design to stay within the initial budget under the applicable Standard Project Agreement or PAFA. The HRTAC Act does not permit HRTAC to include in its budget any HRTF funds to independently operate and maintain funded projects or to perform any transportation service therefore. HRTAC has no control over the long-term impact of its spending on future obligations of the Commonwealth. See "**INVESTMENT CONSIDERATIONS – Risks Arising from Operating and Maintenance Burdens on Commonwealth.**"

HRTAC has not entered into a Standard Project Agreement with VDOT for the HREL project. The HREL project is divided into sections, and HRTAC's funding commitment will be made on a project section-by-section basis. The first project section is not expected to commence construction until spring 2022.

HRTAC's executed Standard Project Agreements and funding shares to date are described in Table III below. Upon issuance of the Series 2020A Bonds, HRTAC will continue to contribute funds to the Initial Financed Projects as well as the HRBT Expansion Project, and such contributions will be made from proceeds of Bonds issued under the Master Indenture, PayGo funds from the HRTF, or toll revenue debt proceeds. See "DEVELOPMENT OF CAPITAL EXPENDITURE AND FUNDING PLANS."

Table III
HRTAC Projects under Agreements With VDOT (in Millions)

	Prior Years	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total[1]
Interstate 64 Peninsula Widening (Segments 1-3)								
HRTAC Funding	$304	$6	-	-	-	-	-	$310
VDOT Funding	187	34	-	-	-	-	-	221
Total	$491	$40	-	-	-	-	-	$531
I-64/I-264 Interchange Improvements (Phases I-III)								
HRTAC Funding	$266	$24	-	-	-	-	-	$290
VDOT Funding	60	-	8	-	-	-	-	68
HRTPO and Local Funding	5	-	-	-	-	-	-	5
Total	$331	$24	$8	-	-	-	-	$363
I-64 Southside Widening and High Rise Bridge Project (Phase I)								
HRTAC Funding	$353	$79	-	-	-	-	-	$432
VDOT Funding	95	-	-	-	-	-	-	95
Total	$448	$79	-	-	-	-	-	$527
(Mega Project) Delivery of HRBT Expansion Project								
HRTAC Funding[2]	$441	$1,129	$714	$546	$421	$291	$11	$3,553
VDOT Funding[3]	1	14	39	39	126	90	-	309
Total	$442	$1,143	$753	$585	$547	$381	$11	$3,862
Project Development								
HRTAC Funding	$39	-	-	-	-	-	-	$39
VDOT Funding	-	-	-	-	-	-	-	-
Total	$39	-	-	-	-	-	-	$39
Total To-Date Standard Project Funding Agreements or Project Administration and Funding Agreement With VDOT								
HRTAC Funding	$1,403	$1,238	$714	$546	$421	$291	$11	$4,624
VDOT Funding	343	48	47	39	126	90	-	693
HRTPO and Local Funding	5	-	-	-	-	-	-	5
Total	$1,751	$1,286	$761	$585	$547	$381	$11	$5,322

Source: HRTAC, as of July, 2020.
Notes:
(1) Totals may not add up due to rounding.
(2) Assumes not less than $345 million, and up to $575 million, would be sourced from debt secured by and payable from toll revenues, expected to be issued under indenture(s) separate from and not cross-collateralized with HRTF Revenues. To the extent the amount derived from such source is less, then funding from HRTF Revenues could increase.
(3) Includes $109 million in VDOT Funded HRBT South Trestle Replacement Costs in Project Administration and Funding Agreement but not included in HRTAC Six-Year Funding Plan and $200 million in Smart Scale funding.

The HRTAC projects in the 2045 LRTP that are subject to funding availability or are planned on a vision basis, but not yet programmed for actual development, are shown in Table IV below. HRTAC may receive SMART SCALE and other funding for these projects in the future. The expected completion dates and estimated costs shown below incorporate a number of assumptions and are subject to change.

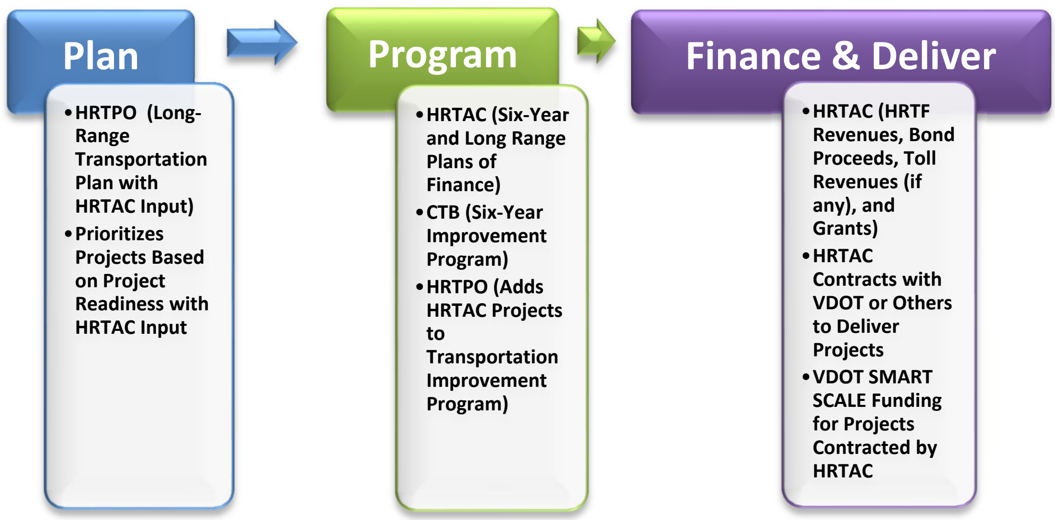
Table IV
HRTAC Projects in the HRTAC 2045 LRTP (in Millions)[(1)]

Project	Expected Completion	Estimated Cost
Hampton Roads Express Lanes (HREL) Network	2026	$940[(2)]
Bowers Hill Interchange	2035	600
I-64/Fort Eustis Blvd Interchange	2037	298

Source: HRTAC, 2045 Long Range Plan of Finance Update adopted June 18, 2020.
Notes:
(1) Identified completion years and estimated costs are subject to funding availability and are subject to change.
(2) Although the costs of and funding for the HREL have not been determined and programmed, approximately $63 million of the estimated cost will be related to procuring and installing certain tolling equipment and integrating the toll system for the HRBT and certain sections of the HREL.

Collaborative Planning Process

As outlined above, the planning, programming, funding, and delivery of HRTAC projects requires input and collaboration between HRTAC, HRTPO and VDOT. HRTAC also receives administrative and technical support upon request from VDOT and VDRPT. In general, the three entities have different, but interdependent roles: HRTPO undertakes regional transportation planning, HRTAC provides funding from the HRTF and VDOT delivers and administers the projects. The interplay and cooperation among the various public entities is summarized by the following diagram and bullet points.



- HRTPO's LRTP identifies priority projects in the constrained plan or vision plan as under study/development/construction.
- HRTAC develops six-year and long range plans of finance to guide in project funding for development and construction; HRTAC's plans feed into HRTPO's LRTP and when HRTAC allocates funds to specific projects, they are added to HRTPO's TIP.
- The CTB selects Local Preferred Alternative, maintains Statewide Transportation Plan and the Commonwealth's Six-Year Improvement Program, allocates state funding to projects in the VDOT Six-Year Funding Program, and awards SMART SCALE funding through its competitive statewide prioritization process.
- VDOT assists in project readiness and construction through HRTAC/VDOT Standard Project Agreements.

HRTAC Debt Management Plan

Established on September 21, 2017 and as amended on March 21, 2019 and June 18, 2020, the Commission's Debt Management Plan helps to guide the Commission with respect to the funding and delivery of the projects in the Commission's Six-Year Funding Plan, currently through Fiscal Year 2026. The purpose of the plan is to support the furtherance of HRTAC's construction funding program while achieving the lowest cost of capital on its borrowings. The Debt Management Plan evolves over time and sets forth the following goals:

(a) Fully fund Project costs through Fiscal Year 2026 identified in the current Six-Year Funding Plan including the HRBT Expansion Project and the HREL project through completion in such year. Although the HREL is incorporated into the Six-Year Funding Plan, HRTAC's commitments related to funding the sections of the HREL project are subject to the execution and delivery of one or more Standard Project Agreement(s) with VDOT in the future.

(b) Issue Bonds as construction progresses (which began in calendar year 2018 with issuance of the Series 2018A Bonds), including Bonds to reimburse PayGo expenditures, so that Bond sales can be minimized in later years which would likely have greater expenditure requirements;

(c) Establish and maintain a structure suited for subsequent Bond issuances needed for the HRTAC projects in the 2045 LRTP; and

(d) Explore the possibility of credit assistance under additional TIFIA through a series of one or more TIFIA Loans backed by HRTAC Revenues under the Master Indenture and/or toll revenue-backed TIFIA Loans, issued under indenture(s) separate from the Master Indenture and not cross-collateralized with HRTF Revenues, and including the use of bond anticipation notes where appropriate.

To fund its commitments to VDOT, HRTAC expects to issue approximately $1.2 billion of Senior Bonds (including but not limited to the previously-issued Series 2018A Bonds in the original principal amount of $500,000,000 and the Series 2020A Bonds to be issued), and approximately $1.7 billion of Intermediate Lien Obligations and/or Subordinate Obligations (including but not limited to the previously-issued Series 2019A Notes in the original principal amount of $414,345,000, which are expected to be paid, as described above, from proceeds of the previously-incurred 2019 TIFIA Loan, in a principal amount of up to $500,789,463), all issued under the Master Indenture and secured by HRTAC Revenues. HRTAC has submitted a letter of interest to the Build America Bureau requesting a direct TIFIA loan in the amount of not less than $742,238,692, expected to be issued as a Subordinate Lien Obligation, to partially fund the HRBT Expansion Project. Where appropriate, HRTAC may continue to utilize bond anticipation notes in conjunction with TIFIA Loans. The 2019 TIFIA Loan was implemented under the provision of the TIFIA statute that allows for a waiver of TIFIA's non-subordination or "springing lien" requirement, and HRTAC anticipates than any further TIFIA Loans will also be implemented with a waiver from that requirement.

The Debt Management Plan incorporates a number of assumptions regarding project costs, project timing, inflation rates, interest rates, revenue growth and federal and state funding, among others. The likelihood that all assumptions will prove to be accurate cannot be predicted. Assumptions and actual results are subject to change and to the occurrence of unanticipated events, such as those described under the captions "**COVID-19 PANDEMIC**" and "**INVESTMENT CONSIDERATIONS.**" HRTAC's ability to incur indebtedness pursuant to its Debt Management Plan is in all instances subject to the conditions set forth in the Master Indenture and Related Supplemental Indentures, including but not limited to debt service coverage tests. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2020A BONDS" above.

The funding components and the debt issuance plan incorporated in the Debt Management Plan are described in Tables V and VI below.

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Table V
Estimated HRTAC Project Costs by Funding Source (in Millions)[1]
(Fiscal Years 2021 to 2026)

Sources	**Amounts**
HRTF Bonds and TIFIA Loans[2]	$1,753
Toll Revenue Debt[3]	575
HRTAC PayGo	1,050
VDOT Funding	242
Total	$3,620

Source: HRTAC.
Notes:
[1] Preliminary, subject to change. Does not include HREL project costs.
[2] Includes Senior Bonds, Intermediate Lien Obligations and Subordinate Obligations, both existing and those which may be incurred in the future. See Table VII herein.
[3] May include one or more TIFIA obligations, in addition to the 2019 TIFIA Loan described in this Official Statement, payable from and secured by indenture(s) separate from and not cross-collateralized with HRTF Revenues.

Table VI
HRTAC Debt Issuance Plan in Par Amounts (in Millions)[1]

	CY 2020	**CY 2021**	**CY 2022**	**CY 2023**	**CY 2024**	**CY 2025**	**Total**
HRTF Bonds/TIFIA[2]	$600	$330	$412	-	-	-	$1,342
Toll Revenue Debt[3]	-	-	-	78	384	113	575
Total	$600	$330	$412	$78	$384	$113	$1,917

Source: HRTAC.
Notes:
[1] Preliminary, subject to change. Does not include debt issued with respect to the HREL project.
[2] Includes Senior Bonds, Intermediate Lien Obligations and Subordinate Obligations, both existing and those which may be incurred in the future. See Table VII herein.
[3] May include one or more TIFIA loans issued under and secured by indenture(s) separate from and not cross-collateralized with HRTF Revenues.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement, including the Appendices hereto, constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “anticipate,” “intend,” “believe,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that actual results will meet the Commission’s forecasts in any way, regardless of any level of optimism communicated in this Official Statement, including the Appendices hereto. The Commission will not issue any updates or revisions to forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, change.

POTENTIAL IMPACT OF COVID-19 ON HRTF REVENUES

The following Table VII presents a forward looking presentation of HRTAC Revenues, Principal and Interest Requirements and related measures of debt service coverage through Fiscal Year 2060, in light of the actual and potential impacts of COVID-19 and the governmental and societal responses thereto. **Investors considering a purchase of the Series 2020A Bonds should consider the following:**

The impact of the COVID-19 pandemic on Hampton Road's economy and revenues has reduced and is expected to reduce the level of tax revenues collected and deposited into the HRTF, but HRTAC cannot predict the full amount or duration of such impact. For a more detailed discussion of the risks and the impact, see "**COVID-19 PANDEMIC.**" HRTAC and VDOT continue to review the impact of COVID-19 on transportation revenues, and HRTAC believes that it will be some time before it or VDOT will have a better understanding of the longer-term fiscal impact that COVID-19 will have on the taxes and revenues comprising the HRTF.

In order to evaluate the issuance of the Series 2020A Bonds and the funding of the HRBT Expansion Project, HRTAC subjected HRTF Revenues to a "stress test" (the "Potential Impact of COVID-19 Review"), that assumed there will be significantly reduced HRTF Revenues in future years, with the amount or percentage of reductions based on an average of reports released in March and April, 2020 from certain rating agencies on the effects of COVID-19 on governmental entities, as well as regional sales tax reductions observed during the 2008 – 2012 recession and the resulting slow recovery. It should be noted that the Potential Impact of COVID-19 Review is not an economic forecast or an official projection by HRTAC or its professional advisors. The amounts shown on the table below reflect application of the Potential Impact of COVID-19 Review.

The Potential Impact of COVID-19 Review employed the following steps and assumptions:

- modify Fiscal Year 2019 actual results to back out \$11 million in regional fuels tax revenues associated with vendor audits (there being no indications that these amounts would repeat as a recurring revenue);

- for Fiscal Year 2020, decrease the modified Fiscal Year 2019 HRTF Revenues by the amount determined in the Potential Impact of COVID-19 Review (-11.25%);

- for Fiscal Year 2021, decrease Fiscal Year 2020 adjusted HRTF Revenues by the amount determined in the Potential Impact of COVID-19 Review (-0.39%), but take into account the new tax rate of 7.6 cents per gallon on gasoline and gasohol (and 7.7 cents per gallon on diesel fuel), which effectively results in a 13% increase in the regional fuels tax rate since the prior rate of 2.1% of the average statewide wholesale price per gallon was subject to a floor of 6.7 cents per gallon;

- for Fiscal Years 2022 through 2024, increase each year by the amount determined in the Potential Impact of COVID-19 Review (3.96%, 2.85%, and 3.17%, respectively); and

- starting in Fiscal Year 2025, increase the regional sales and uses tax by 2.16% and the regional fuels tax by 1.04%, which percentage increases reflect trend line projection methodology accepted by rating agencies and TIFIA in previous communications and rating agency processes with HRTAC.

Compared to the pre-COVID-19 HRTF revenue estimates provided by the Commonwealth, as extrapolated by HRTAC, assuming full application of the Potential Impact of COVID-19 Review, HRTAC would experience the following:

- a decrease in HRTF Revenues of 15.07% in Fiscal Year 2020,*
- a decrease in HRTF Revenues of 16.43% in Fiscal Year 2021,
- a decrease in HRTF Revenues of 14.09% in Fiscal Year 2022,
- a decrease in HRTF Revenues of 12.52% in Fiscal Year 2023, and
- a decrease in HRTF Revenues of 10.72% in Fiscal Years 2024 through 2065,

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* On an unaudited basis, HRTF Revenues declined approximately 5% in Fiscal Year 2020.

The HRTF Revenues derived from application of the Potential Impact of COVID-19 Review are used in the following Table VII. The footnotes are an integral part of such table.

Actual future HRTAC Revenues are likely to vary from those presented below, especially in light of the uncertainty presented by the ongoing COVID-19 Pandemic. See "**COVID-19 PANDEMIC.**"

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Table VII - Projected HRTF Bonds' Debt Service and Debt Service Coverage Ratio[1]

	Pledged Revenues[2], [3]			Principal and Interest Requirements					Debt Coverage		
FY	Additional Sales and Uses Tax	Additional Wholesale Motor Vehicle Fuels Sales Tax	Total Pledged Revenues	Senior Lien (2018A Bonds)	Senior Lien (2020A Bonds)	Intermediate Lien (2019A Notes)	Subordinate Lien (2019 TIFIA Loan)[4]	Subordinate Lien (Future Debt)[5]	Senior Lien	Intermediate Lien	Subordinate Lien
			[A]	[B]	[C]	[D]	[E]	[F]	[A]/([B]+[C])	[A]/([B]+[C]+[D])	[A]/([B]+[C]+[D]+[E]+[F])
2021 [6]	$126,856,157	$57,886,687	$184,742,844	$25,854,075	$24,442,213	$	$	$	3.67x		
2022 [6]	132,558,905	59,508,897	192,067,802	25,854,075	28,112,450	20,717,250			3.56x	2.57x	
2023	137,337,211	60,198,311	197,535,522	25,854,075	28,112,450				3.66x		
2024	142,756,480	61,035,314	203,791,794	25,854,075	28,112,450				3.78x		
2025	145,256,281	60,833,545	206,089,825	30,599,075	28,112,450		14,197,579	0	3.51x		2.83x
2026	148,023,917	60,833,545	208,857,462	30,601,825	28,112,450		14,694,188	9,065,657	3.56x		2.53x
2027	151,221,234	61,467,473	212,688,707	30,602,575	36,392,450		15,209,022	18,760,517	3.17x		2.11x
2028	154,487,613	62,108,007	216,595,619	30,600,825	36,393,450		15,742,771	18,752,758	3.23x		2.13x
2029	157,824,545	62,755,215	220,579,760	30,601,075	36,393,700		16,296,147	18,770,158	3.29x		2.16x
2030	161,233,555	63,409,169	224,642,724	30,602,575	36,392,200		16,869,893	18,712,092	3.35x		2.19x
2031	164,716,200	64,069,936	228,786,136	30,599,575	36,397,950		17,464,779	22,663,518	3.41x		2.14x
2032	168,274,070	64,737,590	233,011,660	30,601,575	36,394,450		18,081,605	23,559,263	3.48x		2.14x
2033	171,908,790	65,412,201	237,320,991	30,602,575	36,390,950		18,721,202	24,521,384	3.54x		2.15x
2034	175,622,020	66,093,842	241,715,861	30,601,825	36,396,200		19,384,430	25,435,561	3.61x		2.16x
2035	179,415,455	66,782,585	246,198,041	30,603,575	36,390,000		20,072,187	26,466,566	3.67x		2.17x
2036	183,290,829	67,478,507	250,769,336	30,601,825	36,395,400		20,785,401	27,517,063	3.74x		2.17x
2037	187,249,911	68,181,680	255,431,591	30,600,825	36,396,200		21,525,039	28,637,808	3.81x		2.18x
2038	191,294,509	68,892,180	260,186,690	30,599,575	36,396,800		22,292,103	29,734,773	3.88x		2.19x
2039	195,426,471	69,610,085	265,036,556	30,602,075	36,391,400		23,087,634	30,953,667	3.96x		2.19x
2040	199,647,682	70,335,471	269,983,153	30,602,075	36,391,150		23,912,714	32,159,473	4.03x		2.19x
2041	203,960,072	71,068,415	275,028,488	30,598,575	36,397,150		24,768,465	33,438,063	4.11x		2.20x
2042	208,365,610	71,808,998	280,174,608	30,600,575	36,394,550		25,656,053	34,701,723	4.18x		2.20x
2043	212,866,307	72,557,298	285,423,605	30,601,575	36,392,750		26,576,690	36,086,663	4.26x		2.20x
2044	217,464,219	73,313,396	290,777,615	30,600,325	36,395,750		27,531,632	37,506,375	4.34x		2.20x
2045	222,161,446	74,077,372	296,238,819	30,600,575	36,392,350		28,522,186	39,005,578	4.42x		2.20x
2046	226,960,134	74,849,310	301,809,444	30,600,825	36,396,750		29,549,709	40,506,590	4.50x		2.20x
2047	231,862,472	75,629,292	307,491,765	30,599,575	36,397,750		30,615,607	42,083,765	4.59x		2.20x

2048	236,870,702	76,417,402	313,288,104	40,000,325	26,997,500	31,721,345	43,704,640	4.68x		2.20x	
2049	241,987,109	77,213,725	319,200,834	40,001,325	26,993,750	32,868,442	45,408,070	4.76x		2.20x	
2050	247,214,031	78,018,346	325,232,377	40,002,325	26,992,750	34,058,474	47,131,038	4.85x		2.19x	
2051	252,553,854	78,831,352	331,385,205	40,000,325	26,993,000	35,293,081	48,973,453	4.95x		2.19x	
2052	258,009,017	79,652,829	337,661,846	40,002,325	26,993,000	36,573,964	50,874,696	5.04x		2.19x	
2053	263,582,012	80,482,867	344,064,879	39,999,825	26,996,250	37,902,891	51,431,802	5.14x		2.20x	
2054	269,275,383	81,321,555	350,596,938	40,001,550	26,996,000	39,281,697	53,996,249	5.23x		2.19x	
2055	275,091,731	82,168,982	357,260,714	40,000,600	26,995,750	40,712,288	56,108,065	5.33x		2.18x	
2056	281,033,713	83,025,241	364,058,953	40,002,025	26,993,750		57,333,295	5.43x		2.93x	
2057	287,104,041	83,890,422	370,994,462	40,000,325	26,993,250		58,507,277	5.54x		2.96x	
2058	293,305,488	84,764,618	378,070,107		66,997,250		59,625,197	5.64x		2.99x	
2059	299,640,887	85,647,925	385,288,812		66,993,500		63,291,392	5.75x	0	2.96x	
2060	306,113,130	86,540,436	392,653,566		66,995,250			5.86x	0		0

Notes:
(1) Existing HRTF debt and planned debt to be issued through CY 2025 - see Table V. Toll debt not included.

(2) Does not include Revenue Fund investment earnings

(3) See "Potential Impact of COVID-19 Review"

(4) 2.25% loan rate

(5) Assume 1.6% - 2.4% loan rates
(6) Compares to estimates of total HRTF Revenues of $183.5 million and $188.0 million in Fiscal Years 2021 and 2022, respectively, provided by VDOT as described below.

In previous years, in conjunction with VDOT's Six Year Plan, VDOT and the Virginia Department of Taxation provided estimates of HRTF Revenues, the most recent full projection of which occurred in December, 2019, prior to the onset of the COVID-19 pandemic. On August 28, 2020, VDOT provided HRTAC with an interim estimate of HRTF Revenues for Fiscal Years 2021 and 2022 that took the COVID-19 Pandemic into account, similar to the recent revenue re-forecast provided for statewide revenues for the Commonwealth's General Fund and Transportation Trust Fund. See "**COVID-19 PANDEMIC.**" The VDOT estimate included projections of HRTF Revenues for Fiscal Years 2023 through 2026 that did not take into account any continuing effect of the COVID-19 Pandemic for such periods**.** VDOT has indicated that it anticipates a full update of its HRTF Revenue projection estimate in December, 2020. The following are the estimates of HRTF Revenues for Fiscal Years 2021 and 2022 as provided to VDOT by the Virginia Department of Taxation; HRTAC has determined not to present the estimates for Fiscal Years 2023 through 2026 as VDOT informed HRTAC that these had not been updated to account for the COVID-19 Pandemic.

August 2020 Interim VDOT/Va. Dept. of Taxation Estimate of HRTF Revenues

Fiscal Year	Additional Sales and Use Tax	Additional Wholesale Motor Vehicle Fuels Sales Tax	Total HRTF Revenues
2021	$129.0m.	$54.5m.	$183.5m.
2022	132.6m.	55.4m.	188.0m.

Source:. Virginia Department of Transportation.

None of the Commission, the Financial Advisor or the Underwriters warrants or represents that the estimates or amounts set forth in Table VII or the August 2020 VDOT estimates will be met. In addition, the Commission gives no assurances that the actual financial results of future HRTAC Revenues and debt service coverage will meet or exceed the presentation set forth in Table VII. See "**FORWARD-LOOKING STATEMENTS**" and "**BONDHOLDER RISK FACTORS – Risks of Non-Appropriation and Future Legislative or Administrative Actions Affecting Revenues," "– Forward-Looking Statements and Review Presentation," and "– Actual Results May Diverge From Review Presentation**."

COVID-19 PANDEMIC

The information in this Section supplements the information provided elsewhere in this Official Statement and the other information in this Section of the Official Statement should be read in conjunction with the information in this Official Statement. The information herein is preliminary and is subject to change without notice. The information in this Section and the effects on HRTAC and HRTF Revenues of the COVID-19 pandemic will be affected by future events, circumstances, and actions that are outside of the control of HRTAC, and HRTAC does not undertake to update or supplement the information contained in this Section for such future events or circumstances.

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus that is currently negatively impacting most, if not all, areas of the world, including the United States and the Commonwealth. Within the United States, the federal government and various state and local governments, as well as private entities and institutions, have implemented a variety of different efforts aimed at preventing the spread of COVID-19 including, but not limited to, travel restrictions, voluntary and mandatory quarantines, event postponement and cancellations, voluntary and mandatory work from home arrangements, and facility closures. The impact of these various measures, as well as general concerns related to the global and national public health emergency and other contributing factors (including an ongoing oil production dispute), have also resulted in significant volatility in the stock and credit markets, dislocations in the labor market, and a general consensus that the global and national economies are distressed.

The economic and financial fallout from COVID-19 on the United States, including the Commonwealth, is expected to be significant and may be prolonged. For example, unemployment has increased significantly as service sector workers and others who cannot telework experience reduced hours or are laid-off because of decreases in business demand. In addition, supply shortages have increased as the production and distribution of raw and finished materials are adversely affected by efforts to mitigate the impact of COVID-19 on the labor force. The long-term and short-term capital markets have experienced significant volatility and deterioration in value, adversely affecting the liquidity and operations of private companies.

Steps Taken by the Governor of Virginia to Address the COVID-19 Pandemic.

On March 12, 2020, Governor Northam declared a state of emergency in the Commonwealth as a result of the COVID-19 pandemic (which declaration was reaffirmed and continued on May 26, 2020). Subsequently, he imposed restrictions designed to address the COVID-19 pandemic in the Commonwealth. Beginning on March 24, 2020, and lasting through May 14, 2020, those restrictions included the prohibition of public and private in-person gatherings of ten (10) or more people, the closure of certain recreational and entertainment businesses and the ban on more than ten (10) patrons in nonessential retail stores capable of maintaining required social distancing (collectively, the "Restrictions"). Businesses offering professional rather than retail services could have remained open, but they were encouraged to utilize teleworking as much as possible. Further, in-person instruction at schools in the Commonwealth was cancelled for the remainder of the academic year.

On March 30, 2020, Governor Northam issued a statewide Stay at Home executive order to protect the health and safety of Virginians and mitigate the spread of COVID-19, effective until June 10, 2020, unless amended or rescinded (the "Stay at Home Order"). The Stay at Home Order directed all Virginians to stay home except in extremely limited circumstances. Individuals could leave their residence for allowable travel, including to seek medical attention, work, care for family or household members, obtain goods and services like groceries, prescriptions, and others as outlined in the Restrictions, and engage in outdoor activity with strict social distancing requirements. The Stay at Home Order also directed all Virginia institutions of higher education to stop in-person classes and instruction. Private campgrounds were closed for short-term stays, and beaches were closed statewide except for fishing and exercise.

Also on March 30, 2020, Governor Northam requested federal disaster assistance, which was received in the form of a Major Disaster Declaration on April 2, 2020. A Major Disaster Declaration designation provides federal public assistance for all areas in the Commonwealth affected by COVID-19 at a federal cost share of 75%. The cost share allows state agencies, local governments and certain non-profit organizations to purchase supplies and receive reimbursements for COVID-19 related costs under its Public Assistance program. The Major Disaster Declaration also authorizes federal agencies to provide direct emergency assistance to the Commonwealth.

On May 8, 2020, Governor Northam signed a new executive order that presented a detailed framework for the first phase ("Phase One") of the "Forward Virginia" plan to safely and gradually ease the

Restrictions while mitigating the spread of COVID-19. Under Phase One, which became effective on May 15, 2020, the executive order moved the Commonwealth into a "Safer at Home" strategy that continued the ban on social gatherings of more than 10 people and maintained recommendations for social distancing, teleworking, and wearing face coverings. All businesses were directed to make modifications to maintain at least six feet of physical distancing, increase cleaning and sanitization of high contact surfaces, and provide enhanced workplace safety measures. Further, under Phase One, retail establishments were allowed to operate at 50 percent occupancy, restaurant and beverage establishments could offer outdoor dining at 50 percent occupancy, personal grooming services could begin operating with one patron per service provider, and fitness centers could offer outdoor exercise services. Campgrounds could also begin taking reservations for short-term stays. The Governor subsequently amended this executive order in part to allow all beach areas within the Commonwealth to reopen for individual and family recreational activity, in addition to exercise and fishing, subject to certain operating procedures. Implementation of Phase One was delayed by two weeks for the City of Richmond, the County of Accomack and certain Northern Virginia localities to allow such localities more time to meet the health metrics outlined by the Commonwealth. As of May 29, 2020, all localities in the Commonwealth had entered into Phase One.

On June 2, 2020, Governor Northam signed a new executive order that presented the second phase ("Phase Two") of the "Forward Virginia" plan. Under Phase Two, which became effective on June 5, 2020, the executive order maintained for the Commonwealth a Safer at Home strategy with continued recommendations for social distancing, teleworking, and requiring individuals to wear face coverings in indoor public settings. The maximum number of individuals permitted in a social gathering was increased from 10 to 50 people. All businesses were still required to adhere to physical distancing guidelines. Restaurant and beverage establishments could offer indoor dining at 50 percent occupancy, fitness centers could open indoor areas at 30 percent occupancy, and certain recreation and entertainment venues without shared equipment may open with restrictions. These venues include museums, zoos, aquariums, botanical gardens, and outdoor concert, sporting, and performing arts venues. Swimming pools could also expand operations to both indoor and outdoor exercise, diving, and swim instruction. The Phase Two guidelines for religious services, non-essential retail, and personal grooming services were largely the same as they were in Phase One. Overnight summer camps, most indoor entertainment venues, amusement parks, fairs, and carnivals also remained closed in Phase Two. Implementation of Phase Two was delayed by two weeks for the City of Richmond and certain Northern Virginia localities. As of June 12, 2020, all localities in the Commonwealth had entered into Phase Two.

On June 18, 2020, Governor Northam presented Phase Three of the "Forward Virginia" plan, which went into effect across the Commonwealth on July 1, 2020. In Phase Three, the Commonwealth maintains a Safer at Home strategy with continued recommendations for social distancing and teleworking, and the requirement that individuals wear face coverings in indoor public settings. The maximum number of individuals allowed in social gatherings increased from 50 to 250 people. All brick and mortar retail establishments were allowed to resume full operations and all restaurant and beverage establishments were allowed to offer indoor and outdoor dining, provided that all such businesses continue to follow physical distancing guidelines, frequently clean and sanitize high contact surfaces, and keep enhanced workplace safety measures in place. Additionally, fitness centers may open indoor areas at 75 percent occupancy, and recreation and entertainment venues may operate at 50 percent occupancy, or a maximum of 1,000 persons. Swimming pools may also expand operations to free swim in addition to indoor and outdoor exercise, diving and swim instruction. Overnight summer camps are required to remain closed in Phase Three.

On July 15, 2020, the Virginia Department of Labor and Industry promulgated an Emergency Temporary Standard on Infectious Disease Prevention that imposes numerous workplace safety requirements during the extent of the COVID-19 emergency.

Given the fluidity of the public health crisis, there is no basis to predict how long Phase Three and any additional phases may be in place before all Restrictions have been lifted or whether the Governor may determine to re-impose some or all of the Restrictions in one or more localities or regions of the Commonwealth or to advance further regulatory changes in response to COVID-19.

Fiscal Impact of the COVID-19 Pandemic on HRTAC and HRTF Revenues.

The unpredictable duration and extent of the COVID-19 pandemic and the governmental and private-sector responses to the pandemic are expected to continue to adversely affect the economy and revenues of the Commonwealth and of the Hampton Roads region, as well as the revenues deposited into the HRTF. Because HRTAC cannot predict the amount or duration of such impact, the impact of the COVID-19 pandemic also creates challenges in forecasting and budget preparation.

For instance, HRTF Revenues for the fourth quarter of Fiscal Year 2020 were $48,070,783 (unaudited and not including interest or investment earnings) compared to $51,800,400 for the similar period in 2019. For this quarterly period, Additional Retail Sales and Use Tax revenues increased slightly by approximately 0.9%, while Additional Wholesale Motor Vehicle Fuels Sales Tax revenues fell by approximately 26.8%. See Appendix E, Table 2. On a fiscal year basis (unaudited), collections of the Additional Retail Sales and Use Tax revenues rose approximately 4.8%, while Additional Wholesale Motor Vehicle Fuels Sales Tax revenues declined by approximately 32.2% from Fiscal Year 2019 (which 2019 amount included certain accrued revenues and $11 million in special audit assessment adjustments due to vendor audit settlements, such amounts not expected to continue on a recurring basis). See Appendix E, Table 2. By comparison, according to Commonwealth interim estimates released on August 18, 2020, on an unaudited basis, for Fiscal Year 2020, statewide motor fuels tax revenues declined 0.2% from Fiscal Year 2019 (the Commonwealth's forecast was for a 4.8% increase). Similarly, statewide sales and use tax revenues finished 3.3% over 2019, but lagged the Commonwealth's forecast of a 6.0% increase. HRTF Revenues received by HRTAC may consist of amounts paid or collected at the point of sale several months earlier, as the Code of Virginia specifies various time periods for collection and payment of these amounts and, ultimately, their remittance to HRTAC. See "HAMPTON ROADS TRANSPORTATION FUND – Additional Retail Sales and Use Tax and – Additional Wholesale Motor Vehicle Fuels Sales Tax. Therefore, the full effect of the COVID-19 emergency may be greater than is currently apparent.

HRTAC and VDOT are currently reviewing the impact of COVID-19 on transportation revenues, and HRTAC believes that it will be some time before it or VDOT will have a better understanding of the fiscal impact that COVID-19 will have on the taxes comprising the HRTF.

INVESTMENT CONSIDERATIONS

The Series 2020A Bonds are Limited Obligations

The Series 2020A Bonds are not a debt of the Commonwealth or any political subdivision thereof (including any Member Locality or any member of the HRTPO or the HRPDC) other than the Commission, and the Series 2020A Bonds do not constitute indebtedness within the meaning of any debt limitation or restriction. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions (including any Member Locality or any member of the HRTPO or the HRPDC) is pledged to the payment of the Series 2020A Bonds. The Series 2020A Bonds are not secured by a pledge of any toll revenues or any other revenues generated by HRTAC projects.

COVID-19

The current COVID-19 pandemic has adversely impacted the HRTF revenues and is expected to continue to adversely impact such revenues in future years. For a more detailed discussion of the risks and the impact, see "**COVID-19 PANDEMIC.**"

Risks of Non-Appropriation and Future Legislative or Administrative Actions Affecting Revenues

The Availability of HRTF Revenues is Subject to Appropriation. The General Assembly is responsible for setting the rates of the taxes and fees from which the HRTF Revenues are derived and for appropriating such revenues from the state budget to the HRTF. HRTAC makes no representation that the General Assembly will maintain the rates of the taxes and fees or continue to make appropriations of amounts to the HRTF. In addition, HRTAC makes no representation that the General Assembly will not repeal or materially modify the legislation creating the HRTF or imposing the taxes and fees. The General Assembly is not legally required to make the aforementioned appropriations or to refrain from repealing or modifying such legislation. Legislative considerations regarding the Commonwealth's budget priorities could materially impact HRTAC's ability to continue receiving the HRTF Revenues.

Under the Virginia Constitution, no appropriation is valid for more than two years and six months after the adjournment of the session of the General Assembly at which the appropriation was made. The General Assembly of the Commonwealth is not obligated to make any future appropriations, and the Commission makes no representation that the General Assembly will keep the HRTF in existence or that appropriations to the HRTF will be made by the General Assembly in any future fiscal year of the Commonwealth. As a practical matter there is no effective remedy if the Governor or the General Assembly fail to provide for HRTF funding in the Commonwealth's budget. See "HAMPTON ROADS TRANSPORTATION FUND—Subject-to-Appropriation" above.

Political Risks. As in the Hampton Roads region, the General Assembly has established regional motor vehicle fuels taxes in the Northern Virginia region (Planning District 8) and, more recently under 2019 legislation, in the I-81 Corridor of western Virginia (Planning Districts 3, 4, 5, 6 and 7) and Central Virginia (to begin October 1, 2020). The Northern Virginia region also has a regional sales tax like Hampton Roads, but the I-81 Corridor does not. Each such regional tax is subject to the Sunset Provision described in the following section. Only Northern Virginia and Hampton Roads have independent political subdivisions that control the regional tax receipts; the Northern Virginia counterpart to the Commission is called the Northern Virginia Transportation Authority ("NVTA"). Certain political trends may be discerned from observing the examples of the I-81 Corridor and NVTA. The new revenues being raised in the I-81 Corridor will be controlled by VDOT, and no authority is being delegated to any regional independent political subdivision. With regard to NVTA, a legislative change in 2018 caused portions of the regional tax receipts in Northern Virginia to be diverted to the Washington Metropolitan Area Transit Authority, reducing available funding for a period of time, although such funding was subsequently replenished through legislative action in 2019. The policy implications of these changes may suggest that the General Assembly and VDOT are currently comfortable with the regional taxation approach to funding new, large-scale transportation projects in the Commonwealth, but that they are less comfortable continuing to delegate power and authority over such funds to local or regional bodies. More generally, the funding sources for the Commission may, over time, be subject to political scrutiny as viewpoints change or new economic or financial challenges arise, including but not limited to, the COVID-19 pandemic and its impacts on economic and societal activities, the burdens of long-term operating and maintenance expense, and other factors. This is particularly true given that sales taxes and fuels taxes are regressive taxes that are not necessarily allocated to entities and persons that most benefit from the expenditures derived from such taxes. As with any body that undertakes infrastructure projects that involve significant sums of money and that affect many citizens and businesses, there is a risk of political interference into the operations of the funding and operating authorities, some of which may be detrimental to bondholders or their rights under the Indenture.

Sunset Provision. Chapter 766 is a broad-based transportation initiative that provides not only for the collection and application of HRTF Revenues, but also for generating certain other additional revenues to fund transportation improvements throughout the Commonwealth. However, enactment Clause 14 of Chapter 766 declares that the provisions of Chapter 766 that generate additional revenue through state taxes or fees for transportation throughout the Commonwealth and in Planning District 23 shall expire on December 31 of any year in which the General Assembly appropriates or transfers any of such additional revenues for any non-transportation-related purpose. In other words, the appropriation of revenues generated pursuant to Chapter 766 for a purpose other than that permitted by Chapter 766, even if the particular revenue affected is not payable to the HRTF, could result in expiration of all revenue provisions of Chapter 766 if the General Assembly does not enact any savings clause or otherwise take action to override such sunset provision. The General Assembly enacted a similar provision in 2020 Acts of Assembly, Chapter 1230 ("Chapter 1230"), in connection with the statewide restructuring of the Commonwealth's transportation funding arrangements and which legislation changed the Additional Motor Vehicles Fuels Sales Tax from its previous tax rate to the current rate of 7.6 cents per gallon (and 7.7 cents for diesel fuels).

No assurance can be given that the General Assembly will not take action in the future that could activate the sunset provisions of Chapter 766 or Chapter 1230, and no assurance can be given that, if such activation occurs, the General Assembly will enact a savings clause or otherwise take action to override such sunset provision(s). In such event, it is possible that the rights of bondholders under the Indenture could be impaired without any recourse by either bondholders or the Commission.

TIFIA Revenue Sharing Trigger Event. The 2019 TIFIA Loan Agreement provides that, following a Revenue Sharing Trigger Event, prepayment of the 2019 TIFIA Loan will be made, on a pro rata basis with any other TIFIA Loans then outstanding, and such prepayment would be made in monthly increments under the Master Indenture after current payments are made on the senior and intermediate lien bonds of the Commission. A "Revenue Sharing Trigger Event" is defined to occur whenever the Commission or VDOT, on behalf of the Commission, is not actively engaged in the development of capital project programs in the HRTPO's most recently adopted long-range transportation plan. If a Revenue Sharing Trigger Event occurs and obligations to TIFIA become due earlier in time than otherwise required by the 2019 TIFIA Loan Agreement, it is possible that the interests of holders of senior and intermediate lien obligations under the Indenture could be impaired either immediately or over time, particularly if termination of Commission's active engagement in capital project programs is coupled with a reduction in the Commission's authority or the triggering of the Sunset Provision described in the foregoing section.

Administrative Actions. HRTAC's ability to continue to fund its projects and its ability to receive and effectively utilize HRTF Revenues depends on the continued cooperation of the CTB and VDOT. If the CTB does not cause VDOT to satisfy its obligations under its Standard Project Agreements or PAFA with HRTAC, if HRTAC does not continue to obtain funding under SMART SCALE or any successor statewide prioritization process for transportation projects, or if the CTB and the Commonwealth's Secretary of Transportation cause transportation projects in Hampton Roads to be constructed without HRTAC's involvement and assistance, HRTAC may not continue to effectively function as the recipient of HRTF Revenues and as a key funding source of transportation projects in Hampton Roads. If HRTAC is unable to complete needed projects, it may lose political support and thereafter lose control of HRTF Revenues, impeding HRTAC's ability to make timely payments of debt service on the Series 2020A Bonds.

In addition to the foregoing, HRTAC is entirely dependent on the Virginia Department of Taxation and other state agencies to collect and deposit in the HRTF the Additional Sales and Use Tax revenues and the Additional Motor Vehicle Fuels Tax revenues and to timely transfer them to HRTAC. Failure or delay in this regard would also impede HRTAC's ability to make timely payments of debt service on the Series 2020A Bonds.

Risk of Future Legislative or Court Decisions Affecting Tax-Exempt Obligations

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Virginia General Assembly. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2020A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2020A Bonds will not have an adverse effect on the tax status of the interest on the Series 2020A Bonds or the market value or marketability of the Series 2020A Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2020A Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Additionally, investors in the Series 2020A Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2020A Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2020A Bonds may be affected and the ability of holders to sell their Series 2020A Bonds in the secondary market may be reduced. The Series 2020A Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2020A Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2020A Bonds.

No Assurance of Funds under 2019 TIFIA Loan Agreement

It is anticipated that the Series 2019A Notes will be paid at their maturity from a disbursement made to HRTAC under the 2019 TIFIA Loan Agreement. There are numerous conditions that must be satisfied by HRTAC in connection with the requisitioning of moneys under the 2019 TIFIA Loan Agreement, including certain conditions relating to third parties, such as VDOT, over which HRTAC has no control. There can be no assurances that all such conditions to disbursement will be satisfied and thus no assurances that such funds will be available under the 2019 TIFIA Loan Agreement for HRTAC to reimburse itself for eligible project costs or to pay the Series 2019A Notes. In addition, the TIFIA Lender may refuse to honor a requisition if, among other things, an event of default under the 2019 TIFIA Loan Agreement or certain other material contracts has occurred and is continuing, or if HRTAC or certain other parties are not in compliance with federal law or their obligations under certain material contracts. If HRTAC does not meet the conditions for disbursement of moneys under the 2019 TIFIA Loan Agreement, the Series 2019A Notes will need to be paid from the HRTAC Revenues, subject to the prior application of such funds to pay scheduled debt service on Senior Bonds, or from proceeds of Additional Bonds issued under the Master Indenture. No assurance can be given that HRTAC will be able to pay such debt service from the HRTAC Revenues, or access the credit markets for the issuance of Additional Bonds, in the event it cannot requisition moneys under the 2019 TIFIA Loan Agreement.

Forward-Looking Statements and Review Presentation

The statements contained in this Official Statement, and in other information provided by HRTAC, that are not purely historical, including statements regarding HRTAC's expectations regarding the collection and timing of future HRTF Revenues as discussed earlier in this Official Statement, are forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to HRTAC as of the date hereof, and HRTAC assumes no obligation to update any such forward-looking statements, other than as set out in the Continuing Disclosure Undertaking, the form of which is attached hereto as Appendix C.

The forward-looking statements herein are based on various assumptions, forecasts and estimates that are inherently subject to numerous risks and uncertainties, including the possible invalidity of underlying assumptions, forecasts and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or not taken by third parties and legislative, judicial and other governmental authorities and officials. In addition, these assumptions, forecasts and estimates involve judgments regarding, among other things, future economic conditions, future actions by third parties and future events and decisions, all of which are difficult, if not impossible, to predict accurately. There can be no assurance that the forward-looking statements in this Official Statement will prove to be accurate.

No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2020A Bonds are cautioned not to place undue reliance upon any forward looking estimates or projections contained in this Official Statement. If actual results are less favorable than the results projected or if the assumptions used in preparing the forward looking statements or projections prove to be incorrect, HRTAC's ability to make timely payment of the principal of and interest on the Series 2020A Bonds may be materially and adversely affected.

Actual Results May Diverge From Review Presentation

The Potential Impact of COVID-19 Review contained in "POTENTIAL IMPACT OF COVID-19 ON HRTF REVENUES**" is based on assumptions regarding future transactions, trends and events that may not materialize, and unanticipated events or circumstances may occur. Future decisions, actions and policies of the Commission, to the extent they deviate from the Commission's current expectations and assumptions, may also materially impact the future performance and amount of HRTF Revenues. Factors outside of the Commission's control may also materially impact such HRTF Revenues. The Commission cannot determine the nature and scope of the impact such divergence may have on the Commission's operations or the HRTF Revenues. Summaries of certain assumptions upon which Potential Impact of COVID-19 Review is based can be found in "**POTENTIAL IMPACT OF COVID-19 ON HRTF REVENUES**."**

Enforceability of Rights and Remedies, including Bankruptcy Ramifications

Effects of Bankruptcy on Rights and Remedies. The rights and remedies available to the owners of the Series 2020A Bonds may be subject to the provisions of the United States Bankruptcy Code (the "Bankruptcy Code"), to other bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally and equitable principles that may limit enforcement of such remedies. Under existing constitutional and statutory law and judicial decisions, including specifically the Bankruptcy Code, the remedies provided in the Master Indenture may not be readily available or may be limited. No assurances can be given that a court or regulatory agency would enforce the rights or types of remedies available under the Master Indenture, including any rights and remedies with respect to the pledge of HRTF Revenues.

The various legal opinions to be delivered concurrently with the delivery of the Series 2020A Bonds, including the opinion of Bond Counsel, will be qualified as to the enforceability of these rights and remedies by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by principles of equity.

Bankruptcy Filing by HRTAC. Under the Bankruptcy Code and current Virginia law, the Commission may not file for bankruptcy protection under Chapter 9 of the Bankruptcy Code and no creditor or judgment holder of the Commission may file a Chapter 9 petition on behalf of the Commission. Pursuant to Section 109(c)(2) of the Bankruptcy Code, a political subdivision or public agency or instrumentality of a state must be specifically authorized by state law before it may file for bankruptcy protection. Currently, there is no Virginia statute that prescribes, authorizes or otherwise contains authorization for a political subdivision such as the Commission to file for Chapter 9 protection, or delegates such authority to any governmental officer or organization. There can be no assurance, however, that the Bankruptcy Code or Virginia law will not be amended in the future to permit the Commission to file for bankruptcy protection, and such a filing could, under certain circumstances, subject all or a portion of the HRTF Revenues to the jurisdiction of the bankruptcy court. Potential purchasers of the Series 2020A Bonds should consult their own attorneys and advisors in assessing the risk and the likelihood of recovery in the event the Commission becomes a debtor in a bankruptcy proceeding. When an entity is in bankruptcy, its creditors (including bondholders) may be prohibited from acting to collect from or to enforce obligations of the debtor entity without permission of the bankruptcy court; therefore, the Commission may be prevented from making payments to the bondholders from funds in its possession. These restrictions may result in delays or reductions in payments on the Series 2020A Bonds. Should the Commission become the debtor in a bankruptcy case, the holders of the Series 2020A Bonds will not have a lien on HRTAC Revenues received by the Commission after the commencement of the bankruptcy case unless the bankruptcy court determines that such HRTAC Revenues constitute "Special Revenues" within the meaning of the Bankruptcy Code. "Special Revenues" are defined to include, among other things, receipts from the ownership, operation, or disposition of projects or systems that are primarily used or intended to be used primarily to provide transportation, utility or other services, as well as other revenues or receipts derived from functions of the debtor. Although the Commission believes that HRTAC Revenues should be treated as "Special Revenues," no assurance can be given that a bankruptcy court would agree with such characterization. Further, even if the HRTAC Revenues are treated as "Special Revenues," no assurance can be provided that a bankruptcy court would allow bondholders to compel payments on the Series 2020A Bonds from such "Special Revenues." In any case, there could be delays or reductions in payments on the Series 2020A Bonds or losses to bondholders. Regardless of any specific adverse determinations in any bankruptcy proceeding involving the Commission, the mere existence of such a bankruptcy proceeding would have an adverse effect on the liquidity and value of the Series 2020A Bonds.

Judicial Discretion. Upon a default under the Master Indenture, the remedies available to the Trustee may depend upon judicial actions that may be subject to substantial discretion and delay. Some of these remedies may in fact turn out not to be enforceable at all. The rights of the owners of the Series 2020A Bonds and the enforceability of HRTAC's obligations will be subject to the exercise of judicial discretion under a variety of circumstances. The enforceability of governmental obligations is also subject to constitutional, statutory and public policy limitations and to other considerations that do not limit enforcement of obligations of private parties.

Market Liquidity

The Series 2020A Bonds constitute a new issue. Although the Underwriters currently intend to make a market for the Series 2020A Bonds, the Underwriters are not obligated to do so, and they may discontinue any such market-making at any time without prior notice. No assurance can be given as to the development or liquidity of any market for the Series 2020A Bonds. If an active public market does not develop, the market price and liquidity of the Series 2020A Bonds may be adversely affected.

Economic Conditions Affecting the HRTF

The availability of HRTF Revenues from the HRTF is dependent on a number of economic factors. The revenues received from the Additional Sales and Use Tax and the Additional Motor Vehicle Fuels Tax tend to fluctuate significantly based on economic variables, including, but not limited to, the condition of the economies of the Member Localities in which such taxes are collected, the Commonwealth and the United States, economic growth or recessions, population growth, income and employment levels, levels of tourism, weather conditions, fuel prices, road conditions, and the availability of alternate modes of transportation. HRTAC's revenues and purposes may be further generally affected by those factors, as well as by trends or changes in housing and business concentrations, the opinions and sensitivities of area residents, the costs and consequences of complying with federal regulations, and unintended effects of infrastructure development on urban growth patterns. The economic recession that commenced with the COVID-19 pandemic could have severe, negative repercussions upon HRTAC's revenue and capital sources, including market disruptions in the financial sector and potential effects on the cost and duration of its funded projects in addition to the tax base upon which the HRTF relies. There can be no assurance that negative impacts attributable to economic factors will not materially adversely affect the availability of revenues in the HRTF and impede the ability of HRTAC to receive transfers from the HRTF sufficient to make timely payments on the Series 2020A Bonds. See Appendix D.

Risk Arising from Operating and Maintenance Burdens on Commonwealth

The HRTAC Act does not permit HRTAC to include in its budget any funds to independently operate and maintain funded projects or to perform any transportation service; therefore, HRTAC has no control over the long-term impact of its spending on future obligations of the Commonwealth. This could result in future budgetary and political conditions that are difficult to predict, but may have a material adverse impact on HRTAC, the HRTF Revenues and HRTAC's ability over the long term to support debt service payments on the Senior Bonds.

Impact of Federal Budget Restraints and Federal Tax Policy

Hampton Roads has been directly affected by federal budget restraints and sequestration, given the large impact of the military and government contracts on the Hampton Roads economy. It is uncertain whether such budget restraints will be reduced or increased, or whether other industries will provide adequate economic growth to make up for any reduction in spending resulting from federal budget restraints. See "Economic Profile" in Appendix D.

To the extent that federal funds for transportation projects cease to be provided to the Commonwealth or its political subdivisions, or that the federal government reduces funding to, restricts or eliminates the TIFIA credit assistance program, HRTAC will have difficulty carrying out its funding plans. If HRTAC is unable to complete needed projects, it may lose political support and thereafter lose control of HRTF Revenues, impeding HRTAC's ability to make timely payments of debt service on the Series 2020A Bonds.

Restraints under tax reform, such as limitations on the federal deduction for state and local tax payments, or limitations on the home mortgage interest deduction, could affect consumer behavior and policy priorities at the state and local level, having an adverse effect on the HRTF that cannot presently be quantified.

Hurricanes, Flooding, Sea-Level Rise and Other Natural Risks

Planning District 23 is located in the Mid-Atlantic region of the east coast of the United States. The Mid-Atlantic region is an area that has in the past been periodically susceptible to damaging storms, storm surge, and flooding. The risk of hurricanes, tropical storms or other major weather events affecting the Member Localities and interrupting commerce and military activities within Hampton Roads is a material risk that could negatively affect the regional economy and the revenues available through the HRTF to pay debt service on the Series 2020A Bonds and could directly impact or damage Commission-funded facilities. Further, storm and flooding-related risks are likely to intensify over time if scientific projections about climate change and sea-level rise are correct. In addition, the Member Localities are located within a seismic zone that has experienced earthquakes in the past 15 years, and there can be no assurance that Commission-funded projects would not be damaged in any future earthquakes.

Reduced Fuel Prices and Fuel Usage May Reduce HRTF Revenues

Improved automobile fuel economy, the increased adoption of electric and hybrid vehicles, increases in telecommuting, and the economic and societal impacts of the COVID-19 Pandemic have had, and are expected to continue to have, a material adverse effect on fuel tax revenues throughout the United States. In addition, reductions or fluctuations in fuel prices have had, and are expected to continue to have, a significant effect on the level of tax revenues that can be expected in any period from the Additional Motor Vehicle Fuels Tax.

Increased E-Commerce Activity May Reduce Retail Sales and Use Tax Revenues

Internet sales of physical products by businesses located in the Commonwealth, and Internet sales of physical products delivered to the Commonwealth are generally subject to the Additional Sales and Use Tax. However, many of these transactions may avoid taxation either through error or deliberate non-reporting and this potentially reduces the amount of Additional Sales and Use Tax revenues. As a result, additional incremental growth in retail sales on the Internet, along with the failure or inability to collect retail sales and use taxes on such Internet purchases, might result in reductions in HRTF Revenues. In its 2019 session, the Virginia General Assembly enacted Chapter 815, Acts of Assembly, which became effective on July 1, 2019 and provides uniform nexus requirements for remote sellers, marketplace facilitators, and marketplace sellers. Dealers with no Virginia physical presence are required to collect and remit sales tax if they have more than $100,000 in Virginia gross sales or complete greater than 200 separate transactions in Virginia during the current or previous calendar year. It is uncertain whether Virginia's nexus requirements will be successful in reducing the negative impact of e-commerce activity on retail sales and use tax revenues.

General Assembly May Enact Exemptions to and Holidays from Sales and Use Tax

The Additional Sales and Use Tax applies to the same transactions and items that are subject to the statewide retail sales and use tax levied by the Commonwealth. In the past, the General Assembly has made changes to the transactions and items subject to the statewide retail sales and use tax. For example, in 1990, the General Assembly enacted legislation to exempt from the statewide retail sales and use tax all nonprescription drugs and proprietary medicines purchased for the cure, mitigation, treatment, or prevention of disease in human beings. There can be no assurance that further exemptions will not be granted.

In addition, the General Assembly has established certain sales tax holidays. A "sales tax holiday" is a temporary period during which purchases of certain items are exempt from retail sales and use taxes. Following legislation enacted by the 2007 session of the General Assembly, the Commonwealth now has three annual sales tax holidays. During a seven-day period in May of each year, purchases of items designated by the Virginia Department of Taxation as hurricane preparedness equipment, including portable generators, are exempt from the statewide sales tax. Portable generators must be priced at $1,000 or less, and other eligible items must be priced at $60 or less for each item. During a three-day period in August of each year, purchases of certain school supplies, clothing and footwear are exempt from the statewide sales tax. Each eligible school supply item must be priced at $20 or less, and each eligible article of clothing and footwear must be priced at $100 or less. During a four-day period in October of each year, purchases of products meeting the Energy Star and WaterSense qualifications, such as certain energy-efficient appliances, are exempt from the statewide sales tax. Eligible products must be priced at $2,500 or less for each item, and be purchased for noncommercial home or personal use.

Each such exemption and holiday affects the application of the Additional Sales and Use Tax that benefits the HRTF. In the future, the General Assembly could further change the transactions and items upon which either the general or additional tax is imposed or add or delete sales tax holidays. The Additional Sales and Use tax revenues available to the HRTF could increase or decrease depending on the nature of the change.

Actual Results May Diverge From Review Presentation

The Potential Impact of COVID-19 Review contained in "**POTENTIAL IMPACT OF COVID-19 ON HRTF REVENUES**" is based on assumptions regarding future transactions, trends and events that may not materialize, and unanticipated events or circumstances may occur. Future decisions, actions and policies of the Commission, to the extent they deviate from the Commission's current expectations and assumptions, may also materially impact the Commission's future performance and the amount of HRTF Revenues. The Commission cannot determine the nature and scope of the impact such divergence may have on the Commission's operations or the HRTF Revenues. Summaries of certain assumptions upon which the Potential Impact of COVID-19 Review is based can be found in "**POTENTIAL IMPACT OF COVID-19 ON HRTF REVENUES**."

Tax Revenues Could be Eroded by Changes to Planning District 23

The sources of taxable transactions generating revenues for the HRTF from the Additional Sales and Use Tax and the Additional Motor Vehicle Fuels Tax are limited geographically to Planning District 23. The mix of localities within Planning District 23, which currently include Isle of Wight, James City, Southampton, York, Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg, could be altered by administrative action of DHCD. Any such change could have a material adverse effect on the composition of the tax base for the Additional Sales and Use Tax and the Additional Motor Vehicle Fuels Tax, which could erode the revenues available to pay debt service on the Series 2020A Bonds.

No Right to Accelerate Debt Service

The Master Indenture does not permit the Trustee or Owners, upon the occurrence of an Event of Default under the Master Indenture or for any other reason, to accelerate the maturity of any Bonds, including the Series 2020A Bonds, or the payment of principal of and interest due thereon. Owners will be able to collect principal and interest that become due after an Event of Default only from the HRTAC Revenues and any other funds pledged under the Master Indenture and only when such principal and interest are scheduled to be paid.

No Mortgage or Other Liens

Payment of the principal of and interest on the Series 2020A Bonds is not secured by any deed of trust, mortgage or other lien on any of the Initial Financed Projects, the HRBT Expansion Project, any equipment or other tangible personal property of HRTAC or VDOT, or any property of the Member Localities.

Limitation on Remedies

The remedies available to the Owners upon a default under the Master Indenture are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the Bankruptcy Code. Although political subdivisions of the Commonwealth, including the Commission, are not currently authorized to seek relief under the provisions of Chapter 9 of the Federal Bankruptcy Code, the various legal opinions to be delivered concurrently with delivery of the Series 2020A Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of credits generally, now of hereafter in effect; to usual equity principles which shall limit the specific enforcement under laws of the Commonwealth as to certain remedies; to the exercise by the United States of America of the powers delegated to it by the United States Constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the Commonwealth and its governmental bodies, in the interest of serving an important public purpose.

Loss of Premium Upon Early Redemption

Purchasers of the Series 2020A Bonds at a price in excess of their principal amount should consider the fact that the Series 2020A Bonds are subject to redemption prior to maturity at a redemption price equal to their principal amount plus accrued interest under certain circumstances. See "THE SERIES 2020A Bonds—Redemption Provisions."

No Redemption of Bonds in the Event of Taxability

The Series 2020A Bonds are not subject to redemption prior to maturity upon the occurrence of an event which has the effect of rendering interest on the Series 2020A Bonds includable in the gross income of the owners of the Series 2020A Bonds for purposes of federal income taxation. No provision is made in the Master Indenture for any increase or other adjustment in the rate of interest payable on the Series 2020A Bonds in the event of such an occurrence.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2020A Bonds will be subject to the approving opinion of Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the Commission upon delivery of the Series 2020A Bonds, in substantially the form set forth as Appendix F (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the Series 2020A Bonds and to the tax status of interest thereon as described in the section "TAX MATTERS." Bond Counsel has not been engaged to investigate the financial resources of the Commission or its ability to provide for payment of principal of, interest, or premium, if any, on the Series 2020A Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds.

Certain legal matters will be passed upon for HRTAC by Willcox & Savage, P.C., Norfolk, Virginia, its general counsel, and Kaufman & Canoles, a Professional Corporation, Richmond, Virginia, as disclosure counsel, and for the Underwriters by their counsel, Butler Snow LLP, Richmond, Virginia.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest on the Series 2020A Bonds (a) is not included in gross income for Federal income tax purposes, and (b) is not an item of tax preference for purposes of the Federal alternative minimum tax. Interest on the Series 2020A Bonds is exempt from income taxation by the Commonwealth. No other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Series 2020A Bonds.

The Bond Opinion will be given in reliance upon certifications by representatives of the Commission as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and applicable regulations thereunder. The Bond Opinion is subject to the condition that there is compliance subsequent to the issuance of the Series 2020A Bonds with all requirements of the Tax Code that must be satisfied in order for interest thereon to remain excludable from gross income for Federal income tax purposes. The Commission has covenanted to comply with the current provisions of the Tax Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2020A Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2020A Bonds. Failure by the Commission to comply with such covenants, among other things, could cause interest on the Series 2020A Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue.

Original Issue Premium

Series 2020A Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Series 2020A Bonds must be reduced by the amount of premium which accrues while such Series 2020A Bonds is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Series 2020A Bonds while so held. Purchasers of such Series 2020A Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Series 2020A Bonds.

Original Issue Discount

The initial public offering prices of the Series 2020A Bonds will not be less than their stated principal amount. Therefore, interest on the Series 2020A Bonds will not include any accrued original issue discount.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Series 2020A 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, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2020A Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Series 2020A Bonds should consult their own tax advisors as to the status of interest on the Series 2020A Bonds under the tax laws of any state other than the Commonwealth.

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine, as applicable, whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Series 2020A Bonds, under current Service procedures, the Service will treat the Commission as the taxpayer and the owners of the Series 2020A Bonds will have only limited rights, if any, to participate.

The Bond Opinion represents Bond Counsel's legal judgment based in part upon the representations and covenants referenced therein and its review of existing law, but are not a guarantee of results or binding on the Service or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Future Events and Legislative and Regulatory Actions

There are many events that could affect the value and liquidity or marketability of the Series 2020A Bonds after their issuance, including but not limited to public knowledge of an audit of the Series 2020A Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes. For example, the tax reform act that was enacted by the U.S. Congress in December, 2017, and signed into law by the President on December 22, 2017, and effective after December 31, 2017, changed both corporate and individual tax rates and eliminated tax-exempt advance refunding bonds. The U.S. Treasury Department and the IRS are continuously drafting regulations to interpret and apply the provisions of the Tax Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2020A Bonds, regulatory interpretation of the Tax Code or actions by a court involving either the Series 2020A Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2020A Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Series 2020A Bonds. Neither the Bond Opinion nor this Official Statement purports to address the likelihood or effect of any such future events or legislative and regulatory actions, and purchasers of the Series 2020A Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Series 2020A Bonds.

LITIGATION

There is no litigation of any kind now pending or, to the best of its information, knowledge and belief, threatened against the Commission to restrain or enjoin the issuance or delivery of the Series 2020A Bonds or the collection and application of HRTAC Revenues under the Master Indenture, or in any manner contesting or affecting the validity of the Series 2020A Bonds, any proceeding of HRTAC taken with respect to their issuance, authentication or sale, or any appropriation of funds to pay debt service on the Series 2020A Bonds.

RATINGS

Moody's Investor Service ("Moody's") and S&P Global Ratings ("S&P"), 55 Water Street, New York, New York 10041, have given the Series 2020A Bonds the ratings of "Aa2" and "AA," respectively. The Commission requested that the Series 2020A Bonds be rated and furnished certain information to Moody's and S&P, including certain information that may not be included in this Official Statement.

Reference should be made to the individual rating agency for a more complete description of the meaning of the rating assigned by such rating agency. These ratings are not a recommendation to buy, sell or hold the Series 2020A Bonds. The ratings are subject to review and change or withdrawal at any time if, in the judgment of the respective rating agency, circumstances so warrant. There is no assurance that any such ratings will continue for any period of time or that any such rating will not be revised or withdrawn. A downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2020A Bonds.

FINANCIAL ADVISOR

The Commission has retained PFM Financial Advisors, LLC, Orlando, Florida, as financial advisor (the "Financial Advisor") in connection with the issuance of the Series 2020A Bonds. Although the Financial Advisor assisted in the review of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is a financial advisory, investment management and consulting organization and is not engaged in the business of underwriting municipal securities.

RELATIONSHIP OF PARTIES

Kaufman & Canoles, a Professional Corporation, Bond Counsel, from time to time represents one or more of the Underwriters, the Trustee in matters unrelated to the Series 2020A Bonds or one or more of the Member Localities in matters unrelated to HRTAC. Butler Snow LLP, counsel to the Underwriters, from time to time represents the Trustee in matters unrelated to the Series 2020A Bonds or one or more of the Member Localities in matters unrelated to HRTAC.

UNDERWRITING

The Series 2020A Bonds are being purchased by the Underwriters pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between HRTAC and BofA Securities, as representative of the Underwriters. The Bond Purchase Agreement sets forth the obligation of the Underwriters to purchase the Series 2020A Bonds at an aggregate purchase price of $_____ (representing the sum of the $_____ par amount of the Series 2020A Bonds, [plus] [less] [net] original issue [premium] [discount] of $_____, less an underwriting discount of $_____ on such Series 2020A Bonds) and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2020A Bonds if any are purchased. The Underwriters may offer and sell the Series 2020A Bonds to certain dealers (including dealers depositing the Series 2020A Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Commission (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Commission. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities, as an Underwriter of the Series 2020A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities may distribute securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2020A Bonds.

Citigroup Global Markets Inc., one of the Underwriters of the Series 2020A Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts with respect to the Series 2020A Bonds.

J.P. Morgan, one of the Underwriters of the Series 2020A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co."), and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase the Series 2020A Bonds from J.P. Morgan at the original issue price less a negotiated portion of the selling concession applicable to any Series 2020A Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), one of the Underwriters of the Series 2020A Bonds, has entered into an agreement (the "WFA Distribution

Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2020A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2020A Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2020A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

CONTINUING DISCLOSURE

To assist the underwriters in complying with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission, HRTAC will execute a Continuing Disclosure Undertaking (the "Disclosure Undertaking") at closing pursuant to which the Commission will agree to provide certain annual financial information and material event notices required by the Rule. Such information will be filed through the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board and may be accessed through the Internet at emma.mrsb.org. As described in Appendix C, the Disclosure Undertaking requires the Commission to provide only limited information at specific times, and the information provided may not be all the information necessary to value the Series 2020A Bonds at any particular time. The Commission may from time to time disclose certain information and data in addition to that required by the Disclosure Undertaking. If the Commission chooses to provide any additional information, the Commission will have no obligation to continue to update such information or to include it in any future disclosure filing.

Failure by the Commission to comply with the Disclosure Undertaking is not an event of default under the Series 2020A Bonds or the Master Indenture. The sole remedy for a default under the Disclosure Undertaking is to bring an action for specific performance of the Commission's covenants thereunder, and no assurance can be provided as to the outcome of any such proceeding.

APPROVAL OF PRELIMINARY OFFICIAL STATEMENT

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not representations of fact. No representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Series 2020A Bonds.

The attached Appendices are an integral part of this Official Statement and must be read together with the balance of this Preliminary Official Statement.

The distribution of this Preliminary Official Statement has been duly authorized by the Commission. For purposes of compliance with the Rule, this Preliminary Official Statement constitutes an official statement of the Commission that has been deemed final by the Commission as of its date except for the omission of certain pricing and other information as permitted by the Rule.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

By:__________________________________

Chair

APPENDIX A

DEFINITIONS AND SUMMARIES OF THE MASTER INDENTURE AND THE FOURTH SERIES SUPPLEMENT

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DEFINITIONS AND SUMMARIES OF THE MASTER INDENTURE AND THE FOURTH SERIES SUPPLEMENT

Set forth below are definitions of certain terms contained in the Master Indenture or the Fourth Series Supplement, followed by summaries of certain provisions of the Master Indenture and the Fourth Series Supplement. The descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Master Indenture and the Fourth Series Supplement, copies of which can be obtained from HRTAC or the Trustee. The headings below have been added for ease of reference only.

DEFINITIONS OF CERTAIN TERMS

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

"2020A Bonds" means the Series of Senior Bonds authorized to be issued under the Fourth Series Supplement.

"2020A Bond Debt Service Fund" means the Bond Debt Service Fund Related to the Series 2020A Bonds established pursuant to the Master Indenture and the Fourth Series Supplement.

"2020A Cost of Issuance Fund" means the Cost of Issuance Fund Related to the Series 2020A Bonds established pursuant to the Master Indenture and the Fourth Series Supplement.

"2020A Project Fund" means the Project Fund Related to the Series 2020A Bonds established pursuant to the Master Indenture and the Fourth Series Supplement.

"2020A Rebate Fund" means the Rebate Fund Related to the Series 2020A Bonds established pursuant to the Master Indenture and the Fourth Series Supplement.

"Fourth Series Supplement" means the Fourth Supplemental Indenture of Trust dated as of October 1, 2020, between HRTAC and the Trustee, being a Series Supplement with respect to the Series 2020A Bonds pursuant to the provisions of the Master Indenture.

"2020A Tax Regulatory Agreement" means the Tax Certificate and Regulatory Agreement made by HRTAC for the benefit of the Trustee and the Owners of the Series 2020A Bonds.

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

"Accreted Amount" means with respect to Capital Appreciation Bonds of any Series, the amount set forth in the Related Series Supplement as the amount representing the initial public offering price plus the accreted and compounded interest on such Bonds as of any point in time.

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

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

"Annual Budget" means the administrative and operating expense budget of HRTAC for any Fiscal Year as adopted by HRTAC in accordance with the HRTAC Act, as such budget may be amended from time to time throughout such Fiscal Year.

"Assumed Debt Service" means for any Fiscal Year the aggregate amount of principal and interest that would be payable on all Bonds if each Excluded Principal Payment were amortized on a substantially level debt service basis or other amortization schedule provided by HRTAC for a period commencing on the date of calculation of such Assumed Debt Service and ending on the earlier of (i) the date specified by HRTAC or (ii) 30 years from the date of calculation, such Assumed Debt Service to be calculated on a level debt service basis or other amortization schedule provided by HRTAC, based on a fixed interest rate equal to the rate at which HRTAC could borrow for such period, as expressed in an Officer's Certificate (which shall be based upon the opinion of HRTAC's financial advisor or of a third party consultant reasonably acceptable to the Trustee).

"Bankruptcy Law" means Title 11 of the United States Code, as it is amended from time to time and any successor to or replacement of such Title and any other applicable federal or state bankruptcy, insolvency or other similar law.

"Bond" or **"Bonds"** means any or all of the bonds that HRTAC may issue under the Virginia Code and pursuant to Article V of the Master Indenture, including any Senior Bonds, any Intermediate Lien Obligations, or any Subordinate Obligations.

"Bond Counsel" means (i) Kaufman & Canoles, a Professional Corporation, or (ii) other counsel selected by HRTAC 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 Series Supplement.

"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 Series Supplement in respect of such Series of Bonds.

"Bond Year" means each twelve month period beginning on July 1 and ending on June 30, or such other twelve-month period as may be selected by the Commission and approved by Bond Counsel with respect to any Series of Bonds.

"Business Day" means any day on which commercial banking institutions generally are open for business in New York and the Commonwealth.

"Capital Appreciation Bonds" means a Series of Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in the Related Series Supplement and is payable upon redemption or on the maturity date of such Series of Bonds.

"Commonwealth" means the Commonwealth of Virginia.

"Convertible Capital Appreciation Bonds" means a Series of Capital Appreciation Bonds having a conversion date after which such Bonds become Current Interest Bonds.

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

"Current Interest Bonds" means a Series of Bonds the interest on which is payable currently on the Interest Payment Dates provided therefor in the Related Series Supplement.

"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) selected by HRTAC and reasonably acceptable to the Trustee.

"Debt Service Fund" means a Senior Debt Service Fund, an Intermediate Lien Debt Service Fund, and/or a Subordinate Debt Service Fund established with respect to any Series of Bonds issued under the Master Indenture.

"Debt Service Reserve Fund" means, as the context requires, a Senior Debt Service Reserve Fund, an Intermediate Lien Debt Service Reserve Fund, and/or a Subordinate Debt Service Reserve Fund established with respect to any Series of Bonds issued under the Master Indenture.

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

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

"Defeased Municipal Obligations" means obligations of the Commonwealth or any county, city, town, district, authority, agency, political subdivision or other public body of the Commonwealth that are rated in the highest rating category by any Rating Agency and provision for the payment of the principal of and redemption premium, if any, 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 along with any cash held by the trustee or escrow agent provide sufficient money to pay the principal of and redemption premium, if any, and interest on such obligations.

"DSRF Credit Facility" means a letter of credit, surety bond or similar credit enhancement facility acquired by HRTAC, from a financial institution (including, without limitation, any bank, trust company, insurance company, or broker-dealer) with a long term credit rating at the time of issuance of such facility in the third highest rating category or higher by any Rating Agency, to substitute for cash or investments required to be held in a Debt Service Reserve Fund for any Series of Bonds pursuant to the Related Series Supplement.

"DSRF Credit Provider" means the financial institution providing, and qualified under the definition of, a DSRF Credit Facility.

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

"Event of Default" means any of the events enumerated in the subsection "Events of Default and Remedies Upon Default" below.

"**Excess Revenues**" means, following the occurrence of a Revenue Sharing Trigger Event and until such time as the Revenue Sharing Trigger Event ends, an amount in each month equal to 50% of the Pledged Revenues remaining after the transfers described in clauses "FIRST" through "TENTH" in Section 8.1(b) "FLOW OF FUNDS" have occurred.

"Excluded Interest Payment" means each payment of interest on obligations that HRTAC has specified in a Related Series Supplement or in an Officer's Certificate to be payable from or secured by funds or revenues that do not constitute HRTAC Revenues, which may include, without limitation, (i) Toll Revenues, (ii) any grants from the Commonwealth or federal government, or any agency or instrumentality thereof, that have not been designated as HRTAC Revenues, or (iii) any other funds that have not been designated as HRTAC Revenues.

"Excluded Principal Payment" means each payment of Principal on obligations that HRTAC has specified in a Related Series Supplement or in an Officer's Certificate to be payable from or secured by funds or revenues that do not constitute HRTAC Revenues, which may include, without limitation, (i) Toll Revenues, (ii) any grants from the Commonwealth or federal government, or any agency or instrumentality thereof, that have not been designated as HRTAC Revenues, (iii) any proceeds of anticipated future borrowings, or (iv) any other funds that have not been designated as HRTAC Revenues.

"Fiscal Year" means the twelve-month period commencing on July 1 of one year and ending on June 30 of the following year.

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

"GAAP" means generally accepted accounting principles, existing from time to time, as applicable to state and local governmental units.

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

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

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

"Hedge Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that HRTAC determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

"Hedge Payments" means amounts payable by HRTAC pursuant to any Hedge Agreement, other than termination payments, fees, expenses, and indemnity payments.

"Hedge Period" means the period during which a Hedge Agreement is in effect and has not been terminated.

"Hedge Receipts" means amounts payable by any Swap Provider pursuant to a related Hedge Agreement, other than termination payments, fees, expenses, and indemnity payments.

"**Hedging Termination Obligations**" means the aggregate amount payable to the Hedging Banks (as defined in the 2019 TIFIA Loan Agreement) by HRTAC upon the early termination of all or a portion of the Hedging Agreements (as defined in the 2019 TIFIA Loan Agreement), net of all amounts payable to HRTAC by such Hedging Banks upon the early unwind of all or a portion of such Hedging Agreements. For the avoidance of doubt, all calculations of such amounts payable under the Hedging Agreements shall be made in accordance with the terms of the applicable Hedging Agreements.

"HRTAC" or **"Commission"** means the Hampton Roads Transportation Accountability Commission, a body politic and a political subdivision of the Commonwealth.

"HRTAC Act" means Chapter 26, Title 33.2 of the Virginia Code, as the same may be amended from time to time, and any successor statutes.

"HRTAC Representative" means (i) the Chair or Vice Chair of HRTAC, and (ii) any other commissioner, officer or employee of HRTAC authorized by resolution of HRTAC to perform the act or sign the document in question.

"HRTAC Revenues" means, in any period, (i) all of the HRTF Revenues received by HRTAC during such period, (ii) all earnings from the investment of moneys held in any Fund or Account that is pledged to the payment of any Bonds issued under the Master Indenture (other than any Rebate Fund or any Fund or Account that is established to hold the proceeds of a drawing on a Bond Credit Facility), and (iii) any and all other revenues available under the HRTAC Act that have been designated as HRTAC Revenues pursuant to a Supplemental Indenture, but shall not include Toll Revenues.

"HRTF" means the Hampton Roads Transportation Fund established pursuant to Section 33.2-2600 of the HRTAC Act.

"HRTF Revenues" means the revenues dedicated to the HRTF from the additional sales and use tax revenues described in Section 58.1-638.H.2 of the Virginia Code and the additional wholesale motor vehicle fuels sales tax revenues described in Section 58.1-2295.A.2 of the Virginia Code, together with any other funds that may be hereafter appropriated to the HRTF.

"Initial Resolution" means the resolution numbered 2016-08 and entitled "Resolution Authorizing Hampton Roads Transportation Fund Revenue Bonds," adopted by HRTAC on June 16, 2016, as supplemented by the resolution numbered 2017-08 adopted by HRTAC on December 14, 2017.

"Interest Payment Date" means any January 1 or July 1, as the case may be, or such other date or dates provided with respect to any Bond as may be designated in a Related Series Supplement.

"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, subject to Section 5.4 (Modification of Certain Definitions) of the Master Indenture. Interest expense shall be excluded from the definition of Interest Requirement to the extent that (i) they constitute Excluded Interest Payments, or (ii) proceeds of any Bonds or other funds (including, without limitation, applicable Debt Service Funds and Debt Service Reserve Funds) are held by the Trustee, or are reasonably expected to be obtained from investment earnings thereon, to pay such interest. Unless HRTAC 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.

"Intermediate Lien Debt Service Fund" means a Debt Service Fund established with respect to a Series of Intermediate Lien Obligations pursuant to the Master Indenture.

"Intermediate Lien Debt Service Reserve Fund" means a Debt Service Reserve Fund established with respect to one or more Series of Intermediate Lien Obligations pursuant to the Master Indenture.

"Intermediate Lien Debt Service Reserve Requirement" means an amount, required to be maintained in an Intermediate Lien Debt Service Reserve Fund established by the Series Supplement for any Intermediate Lien Obligations; provided, however, (1) to the extent specified in a Related Series Supplement or in an Officer's Certificate in connection with the issuance of any additional Series of Intermediate Lien Obligations or any calculation of the Intermediate Lien Debt Service Reserve Requirement, HRTAC may hold any Intermediate Lien Debt Service Reserve Fund collectively with respect to all or multiple Series of Intermediate Lien Obligations; and (2) if any Intermediate Lien Debt Service Reserve Fund held collectively with respect to all or multiple Series of Intermediate Lien Obligations is determined as of the beginning of any Fiscal Year to be in an amount greater than the amount that would be derived by measuring the Intermediate Lien Debt Service Reserve Requirement separately for each Outstanding Series of Intermediate Lien Obligations, then such lesser derived amount shall be the Intermediate Lien Debt Service Reserve Requirement for such Fiscal Year.

"Intermediate Lien Obligations" means any Bonds issued under the Master Indenture and designated as being subordinate as to payment and security to the Senior Bonds but senior as to payment and security to the Subordinate Obligations.

"Majority Owners" means the Owners of greater than 50% of the aggregate principal amount of the Senior Bonds Outstanding.

"Master Indenture" means the Master Indenture of Trust dated as of February 1, 2018, between HRTAC and the Trustee, as the same may be modified, altered, amended and supplemented in accordance with its terms by one or more Series Supplements and other Supplemental Indentures.

"Member Localities" means, collectively, each county and city located in Planning District 23, established pursuant to Chapter 42, Title 15.2, of the Virginia Code, currently consisting of the Counties of Isle of Wight, James City, Southampton and York, and the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg, and any other localities that may hereafter be added to HRTAC by amendment to the Virginia Code.

"Officer's Certificate" means a certificate signed by an HRTAC Representative and filed with the Trustee, upon which the Trustee may conclusively rely.

"One Month USD LIBOR Rate" means, on any determination date, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for U.S. Dollars for a period equal in length to the interest period for calculation, as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page or screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by HRTAC in its reasonable discretion; in each case the "LIBOR Screen Rate") at approximately 11:00 a.m., London time, two London Banking Days (defined below) prior to the commencement of such interest period; provided that if the LIBOR Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of the Master Indenture; provided further that if the LIBOR Screen Rate shall not be available at such time, or if HRTAC or the Trustee determines that it is unlawful at such time to determine interest by reference to the LIBOR Screen Rate, then the "One Month USD LIBOR Rate" shall be determined by any comparable alternate method designed to measure interest rates in a similar manner as the original One Month USD LIBOR Rate, as selected by HRTAC and expressed in an Officer's Certificate (which shall be based upon the opinion of HRTAC's financial advisor or of a third party consultant reasonably acceptable to the Trustee). Any successor rate or alternate methodology must be an interest-based index, variations in the value of which can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in U.S. dollars. In order to account for the relationship of the replacement index to the original One Month USD LIBOR Rate, such alternate method will incorporate any spread to any replacement index or rate as is necessary to ensure that the alternate method will measure interest rates in a manner similar to the original One Month USD LIBOR Rate; provided further that if any rate established pursuant to any of the foregoing clauses is less than zero, such rate shall be deemed to be zero for purposes of the Master Indenture. As used in this definition, **"London Banking Day"** means any day on which commercial banks are open for general business, including dealings in U.S. dollars and foreign exchange and foreign currency, in London, England.

"Operating Expenses" means any expenditure made or to be made by HRTAC that is properly categorized as an "expense" under GAAP, including, without limitation, the administrative expenses of HRTAC, but shall exclude expenses related to the payment of debt service on any Bonds, capital expenditures for Projects, or expenses for the operation or maintenance of any Project.

"Operating Fund" means the Operating Fund established pursuant to the Master Indenture, in which there is established an Operating Account and an Operating Reserve Account.

"Operating Reserve Requirement" means an amount not to exceed 110% of the aggregate amount of Operating Expense provided for in the Annual Budget in effect as of the applicable measurement date.

"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 HRTAC or the Trustee.

"Optional Tender Bonds" means any Series of 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 HRTAC, or to the Trustee, any Paying Agent or other fiduciary for such Owners, or to an agent of any of the foregoing, all or a portion of such Bonds for payment or purchase.

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

(c) Any Bond deemed paid under Article XII of the Master Indenture except that any such Bond shall be considered Outstanding until its maturity or redemption date only for the purpose of actually being paid and for purposes of Articles III and IV and Section 6.1 of the Master Indenture (or the corresponding provisions of the Related Series Supplement, as the case may be); and

(d) Any Bond not deemed Outstanding under, but only to the extent provided for in, Section 15.2 of the Master Indenture.

"Owner" means the registered owner of any Bond.

"Paying Agent" means any national banking association, state bank, bank and trust company or trust company appointed by HRTAC to fulfill the duties of a "paying agent" for the Bonds or any portion thereof as commonly understood in the municipal bond market and meeting the qualifications of, and subject to the obligations of, the Trustee in the Master Indenture. Unless otherwise provided in a Supplemental Indenture, the Trustee shall be the Paying Agent.

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

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

"Principal" or **"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 unpaid 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 any July 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 with respect to any Bond as may be provided by a Related Series Supplement.

"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, subject to Section 5.4 (Modification of Certain Definitions) of the Master Indenture. Principal payments shall be excluded from the definition of Principal Requirement to the extent that (i) they constitute Excluded Principal Payments, or (ii) proceeds of any Bonds or other funds are held by the Trustee to pay such Principal.

"Project" means any transportation facility or project that HRTAC may finance or refinance pursuant to the Virginia Code.

"Project Fund" means the Project Fund to be established with respect to a Series of Bonds as provided in the Master Indenture.

"Purchase Price" means the purchase price established in any Series Supplement 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 HRTAC, maintains a rating on such Bonds.

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

"Rebate Amount" means the liability of HRTAC under Section 148 of the Tax Code (including any "yield reduction payments") with respect to any Series of Bonds as may be calculated or specified (including with such reserves or error margin as HRTAC may deem appropriate) in accordance with a Related Series Supplement, a Related Tax Regulatory Agreement, or an Officer's Certificate.

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

"Refunding Bonds" shall have the meaning set forth in the subsection "Issuance of Bonds" below.

"Reimbursement Accounts" means any Reimbursement Account that may be established within a Related Debt Service Fund by a Related Series Supplement and pursuant to Section 7.2 of the Master Indenture.

"Reimbursement Obligations" means any reimbursement obligations of HRTAC for principal and interest drawings on any Bond Credit Facility or DSRF Credit Facility with respect to which moneys in a Debt Service Fund, or Reimbursement Account thereof, are pledged or payable pursuant to the provisions of the Master Indenture or any Series Supplement.

"Related" means (i) when used with respect to any Fund, Account or Series of Bonds, the Fund, Account or Series of Bonds so authorized, designated and established by the Master Indenture and the Series Supplement authorizing a particular Series of Bonds, (ii) when used with respect to a Series Supplement, Tax Regulatory Agreement or other document contemplated hereunder, such document authorizing or related to a particular Series of Bonds, or Supplemental Indenture related thereto and (iii) when used with respect to a Bond Credit Facility, DSRF Credit Facility or Reimbursement Obligation, the Bond Credit Facility or DSRF Credit Facility securing a particular Series of Bonds and the Reimbursement Obligation entered into in connection therewith.

"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 Series Supplement or an Officer's Certificate for the valuation of a Debt Service Reserve Fund.

"Reserve Requirement" means, as the context requires, the Senior Debt Service Reserve Requirement, the Intermediate Lien Debt Service Reserve Requirement, and/or the Subordinate Debt Service Reserve Requirement.

"Revenue Fund" means the Revenue Fund established pursuant to the Master Indenture.

“**Revenue Sharing Trigger Event**” means any date on which Subordinate Obligations issued to the United States Department of Transportation, acting by and through the Executive Director of the Build America Bureau, are outstanding and HRTAC or the Virginia Department of Transportation, an agency of the Commonwealth of Virginia, on behalf of HRTAC, is not actively engaged in the development of capital project programs in the Hampton Roads Transportation Planning Organization’s most recently adopted long-range transportation plan.

“Senior Bonds” means any Bonds issued under the Master Indenture with seniority of payment and security to the Intermediate Lien Obligations and the Subordinate Obligations.

“Senior Debt Service Fund” means a Debt Service Fund established with respect to a Series of Senior Bonds pursuant to the Master Indenture.

“Senior Debt Service Reserve Fund” means a Debt Service Reserve Fund established with respect to one or more Series of Senior Bonds pursuant to the Master Indenture.

“Senior Debt Service Reserve Requirement” means an amount, required to be maintained in a Senior Debt Service Reserve Fund established by the Series Supplement for any Series of Senior Bonds; provided, however, (1) to the extent specified in a Related Series Supplement or in an Officer’s Certificate in connection with the issuance of any additional Series of Senior Bonds or any calculation of the Senior Debt Service Reserve Requirement, HRTAC may hold any Senior Debt Service Reserve Fund collectively with respect to all or multiple Series of Senior Bonds; and (2) if any Senior Debt Service Reserve Fund held collectively with respect to all or multiple Series of Senior Bonds is determined as of the beginning of any Fiscal Year to be in an amount greater than the amount that would be derived by measuring the Senior Debt Service Reserve Requirement separately for each Outstanding Series of Senior Bonds, then such lesser derived amount shall be the Senior Debt Service Reserve Requirement for such Fiscal Year.

“Serial Bonds” means the Bonds of a Series that are stated to mature in semiannual or annual installments as designated in the Related Series Supplement.

“Series” means all of the Bonds of a particular series issued, authenticated and delivered pursuant to the Master Indenture and the Related Series Supplement and identified as such pursuant to such Series Supplement, 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 Series Supplement, regardless of variations in priority of payment, lien status, maturity, interest rate, sinking fund installments or other provisions.

“Series Supplement” means a Supplemental Indenture providing for the issuance of a Series of Bonds, as such Series Supplement may be modified, altered, amended and supplemented by a Supplemental Indenture in accordance with the provisions of the Master Indenture.

“SIFMA” means the Securities Industry and Financial Markets Association and its successors.

“SIFMA Swap Index” means, on any determination date, the rate calculated, on the basis of the seven day high grade market index comprised of tax exempt variable rate demand obligation reset rates, by Bloomberg (or successor organizations) and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA as the SIFMA Municipal Swap Index on such date.

“Subordinate Debt Service Fund” means a Debt Service Fund established with respect to a Series of Subordinate Obligations pursuant to the Master Indenture.

“Subordinate Debt Service Reserve Fund” means a Debt Service Reserve Fund established with respect to one or more Series of Subordinate Obligations pursuant to the Master Indenture.

“Subordinate Debt Service Reserve Requirement” means an amount, required to be maintained in a Subordinate Debt Service Reserve Fund established by the Series Supplement for any Subordinate Obligations; provided, however, (1) to the extent specified in a Related Series Supplement or in an Officer’s Certificate in connection with the issuance of any additional Series of Subordinate Obligations or any calculation of the Subordinate

Debt Service Reserve Requirement, HRTAC may hold any Subordinate Debt Service Reserve Fund collectively with respect to all or multiple Series of Subordinate Obligations; and (2) if any Subordinate Debt Service Reserve Fund held collectively with respect to all or multiple Series of Subordinate Obligations is determined as of the beginning of any Fiscal Year to be in an amount greater than the amount that would be derived by measuring the Subordinate Debt Service Reserve Requirement separately for each Outstanding Series of Subordinate Obligations as of such date, then such lesser derived amount shall be the Subordinate Debt Service Reserve Requirement for such Fiscal Year.

"Subordinate Obligations" means any Bonds that are made specifically subordinate as to payment and security to the Senior Bonds and the Intermediate Lien Obligations.

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

"Swap Provider" means, with respect to a Hedge Agreement, the Person that is identified in such agreement as the counterparty to, or contracting party with, HRTAC.

"Swap Related Bonds" means all or any portion of Bonds with respect to which HRTAC has entered into a Hedge Agreement identified as relating to such Bonds, whether or not such Hedge Agreement constitutes a "qualified hedge" under the Tax Code.

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

"Tax Regulatory Agreement" means, with respect to any Series of Bonds, the Tax Certificate and Regulatory Agreement, dated the date of the issuance of such Series of Bonds, entered into by HRTAC for the benefit of the Owners of the Bonds of such Series, 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 Series Supplement.

"**TIFIA Revenue Sharing Account**" means the account by that name established in the Subordinate Debt Service Fund with respect to the 2019 TIFIA Loan and any Additional TIFIA Loans (as defined in the 2019 TIFIA Loan Agreement) of HRTAC secured by HRTAC Revenues as provided in Section 5.1(b) of the Second Series Supplement.

"Toll Revenues" means revenues received from tolls established for the use of any transportation facility located in one or more of the Member Localities.

"Trustee" means Wilmington Trust, National Association, and its successors serving in the same capacity under the Master Indenture.

"Variable Rate Bonds" means any Series of 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 such Bonds.

"Verification Agent" means (i) a firm of nationally-recognized independent certified public accountants or (ii) any other qualified firm acceptable to HRTAC and the Trustee.

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

THE MASTER INDENTURE

Establishment of Trust

Security for Bonds. In order to provide for the payment of the principal of and the premium, if any, and interest on the Bonds issued hereunder, and to secure the performance of all of the obligations of HRTAC with respect to the Bonds, this Master Indenture and the Series Supplements, subject to the terms hereof and thereof, HRTAC pledges and grants to the Trustee:

(a) All of the HRTAC Revenues; and

(b) The Revenue Fund; and

(c) All other property of any kind mortgaged, pledged or hypothecated to provide for the payment of or to secure the Bonds by HRTAC or by anyone on its behalf and with its written consent at any time as and for additional security under this Master Indenture and the Series Supplements 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 this Master Indenture and the Series Supplements.

In order to provide for the payment of the principal of and the premium, if any, and interest on each Series of Bonds issued hereunder, and to secure the performance of all of the obligations of HRTAC with respect to such Series, the Master Indenture, and the Related Series Supplement, subject to the terms thereof, HRTAC pledges and grants to the Trustee with respect to such Series (and to such Series only) the money and investments held in the Related Project Fund (if any), Related Debt Service Fund, and Related Debt Service Reserve Fund (if any).

Bond Credit Facility. Any Bond Credit Facility that is given to secure some, but not all, of the Bonds, together with money drawn or paid under it, will be held by the Trustee solely as security for such Bonds of the Series 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 Series of the Bonds. The status of the Bond Credit Facility as a Senior Bond, an Intermediate Lien Obligation, a Subordinate Obligation or otherwise will be provided for in the Related Series Supplement.

Issuance of Bonds

In General. HRTAC may issue Bonds, subject to the terms and conditions contained in the Master Indenture, for any purpose permitted to be financed from the proceeds of Bonds under the HRTAC Act or other law, including without limitation the construction and acquisition of any Project and the refunding of any Bonds previously issued and Outstanding. Such Bonds may be issued in any form permitted by law, including, but not limited to, Current Interest Bonds, Variable Rate Bonds, Capital Appreciation Bonds, Optional Tender Bonds, Serial Bonds or Term Bonds or any combination thereof.

HRTAC shall not issue or incur any Bonds that will be secured by a pledge of revenues, money or property pledged by the Master Indenture to the payment of any Series of Bonds, except for Senior Bonds, Intermediate Lien Obligations and Subordinate Obligations.

Subject to the restrictions described in the previous paragraph, HRTAC reserves the right in its sole discretion and without the consent of the Trustee or any Owner of any Bond to issue from time to time Bonds for any lawful purpose authorized by the HRTAC Act.

Parity of Bonds. The Master Indenture constitutes a continuing irrevocable pledge of the HRTAC Revenues and other revenues, money and property of HRTAC pledged as described in the subsection "Establishment of Trust" above to secure payment of the principal of and premium, if any, and interest on all Bonds which may, from time to time, be executed, authenticated and delivered under the Master Indenture. Except as otherwise described herein, all Bonds shall in all respects be equally and ratably secured under the Master Indenture without preference, priority or distinction on account of the time of their authentication, delivery or maturity, so that all such Bonds at any time outstanding under the Master Indenture will have the same right, lien and preference under the Master Indenture with respect to the pledge described in the subsection "Establishment of Trust" above with like effect as if they had all been executed, authenticated and delivered simultaneously. Nothing in the Master Indenture will be construed, however, as (i) requiring that any Bonds bear interest at the same rate or in the same manner as any other Bonds, have the same or an earlier or later maturity, have the same Principal or Interest Payment Dates as other Bonds, be subject to mandatory or optional redemption before maturity on the same basis as any other Bonds, or precluding the creation of separate reserve funds or obtaining separate surety bonds, insurance policies or other Bond Credit Facilities or DSRF Credit Facilities for any Series of Bonds or portions thereof, (ii) prohibiting HRTAC from entering into financial arrangements, including any Bond Credit Facility or DSRF Credit Facility, designed to assure that funds will be available for the payment of certain Bonds at their maturity or tender for purchase, or (iii) prohibiting HRTAC from pledging funds or assets of HRTAC other than those pledged under the Master Indenture or any Supplemental Indenture for the benefit of any Bonds. Intermediate Lien Obligations shall in all respects be junior and subordinate to the Senior Bonds, but senior to the Subordinate Obligations. Subordinate Obligations shall in all respects be junior and subordinate to the Senior Bonds and the Intermediate Lien Obligations.

Conditions to the Issuance of Additional Series of Bonds. Before the issuance and authentication of any Series of Bonds by the Trustee, HRTAC shall deliver or cause to be delivered to the Trustee:

(a) In the case of the initial Series of Bonds issued under the Master Indenture only:

(1) An original executed counterpart of the Master Indenture;

(2) A certified copy of the Initial Resolution, which authorized the execution and delivery of the Master Indenture; and

(3) An Opinion or Opinions of Counsel, subject to customary exceptions and qualifications, to the effect that the Master Indenture has been duly authorized, executed and delivered by HRTAC;

(b) An original executed counterpart of the Related Series Supplement 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, 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 the Funds to be established with respect to the Series of Bonds as required or authorized under the Master Indenture; (iii) for the application of the proceeds of the Bonds of the Series; (iv) any term or condition 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 Related Debt Service Reserve Fund to cause the amount held therein to equal the applicable Reserve Requirement; and (vi) for such other matters as HRTAC may deem appropriate;

(c) A certified copy of each resolution adopted by HRTAC authorizing the execution and delivery of the Related Series Supplement, any Related Bond Credit Facility and any Related Reimbursement Obligation and the issuance, sale, execution and delivery of the Series of Bonds then to be issued;

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

(e) Except for the initial Series of Bonds to be issued under the Master Indenture and for any Series of Refunding Bonds, an Officer's Certificate (subject to the requirements of Section 5.4 (Modification of Certain Definitions) of the Master Indenture, as applicable) to the effect that during any twelve consecutive months of the eighteen months preceding the issuance of the Series of Bonds to be issued the HRTAC Revenues were not less than 2.00 times the maximum annual Principal and Interest Requirements during the current or any future Fiscal Year on the Senior Bonds Outstanding plus the Series of Senior Bonds to be issued; and to the extent that the Series of

Bonds to be issued consists of or includes Intermediate Lien Obligations or Subordinate Obligations, HRTAC shall also provide in such Officer's Certificate evidence of compliance with any minimum ratio of HRTAC Revenues to Principal and Interest Requirements on Intermediate Lien Obligations and/or Subordinate Obligations as may be established by any Series Supplement;

(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") evidence satisfactory to the Trustee that (i) the refunding produces present value debt service savings, and (ii) HRTAC has made provision for the payment or redemption of all of the Bonds to be refunded as required by the Master Indenture and the Related Series Supplement and for the payment of the estimated expenses of HRTAC and the Trustee incident to the refunding, including, if applicable, the fees of the Verification Agent and the escrow agent for the Related Escrow Fund;

(g) An Opinion of Bond Counsel to the effect that (i) the Bonds of the Series then to be issued have been duly authorized, (ii) all conditions precedent to the issuance of such Bonds have been fulfilled, (iii) the Related Series Supplement has been duly authorized, executed and delivered by HRTAC and complies in all respects with the requirements of the Master Indenture and (iv) Bonds are valid and legally binding limited obligations of HRTAC and are secured by the Master Indenture and the Related Series Supplement to the extent provided herein and therein;

(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 Series Supplement 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 HRTAC, signed by an HRTAC 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 Series Supplement.

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 preparing and delivering the Officer's Certificate regarding the coverage of HRTAC Revenues described above shall be modified as follows:

(1) Optional Tender Bonds. (i) 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 and Principal and Interest Requirements shall be calculated based on Assumed Debt Service, (ii) if such Bonds also constitute Variable Rate Bonds, HRTAC shall also make the adjustments described in the next paragraph, and (iii) any obligation HRTAC 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 and Principal and Interest Requirements shall be calculated based on Assumed Debt Service.

(2) Variable Rate Bonds.

(i) Tax-Exempt. If any of the Outstanding Bonds or Bonds of the Series then to be issued constitute Variable Rate Bonds the interest on which is or will be excluded from gross income for federal income tax purposes, then the interest rate used in the above-described computations shall be assumed to equal the average of the SIFMA Swap Index for the five years preceding such date of calculation, or such other rate as shall be specified in a Related Series Supplement or in an Officer's Certificate in connection with the issuance of any additional Series of Bonds or any calculation of the Reserve Requirement.

(ii) Taxable. If any of the Outstanding Bonds or Bonds of the Series then to be issued constitute Variable Rate Bonds the interest on which is or will be included in gross income for federal income tax purposes, then the interest rate used in the above-described computations shall be assumed to equal the average of the One Month USD LIBOR Rate for the five years preceding such date of calculation, or such other rate as shall be specified in a Related Series Supplement or in an Officer's Certificate in connection with the issuance of any additional Series of Bonds or any calculation of the Reserve Requirement.

(3) Swap Related Bonds. If any of the Outstanding Bonds or Bonds of the Series then to be issued constitute Swap Related Bonds, then the Interest Requirements on such Swap Related Bonds during any Hedge Period and, for so long as the Swap Provider has not defaulted on its payment obligations under the related Hedge Agreement, shall be calculated by adding (i) the amount of interest payable by HRTAC on such Swap Related Bonds pursuant to their terms, subject to paragraphs (a)(1) and (2) as applicable, and (ii) the amount of Hedge Payments payable by HRTAC pursuant to the Hedge Agreement and subtracting (iii) the amount of Hedge Receipts payable by the Swap Provider to HRTAC pursuant to the Hedge Agreement; provided, however, that if the Swap Provider is in default under the related Hedge Agreement, the Interest Requirements on such Swap Related Bonds shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed by assuming that the variables comprising the calculation applicable to the Determination Period are equal to the higher of (1) such variables in effect as of the date of calculation and (2) the average of the actual variables that were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(b) 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.

(c) With respect to any Bonds bearing interest that is subject to a federal interest subsidy the proceeds of which are not otherwise designated as HRTAC Revenues, the interest rate on such Bonds shall be assumed to be the rate net of such interest subsidy.

Intermediate Lien Obligations. Nothing in the Master Indenture shall prohibit or prevent HRTAC from authorizing and issuing Intermediate Lien Obligations for any lawful purpose payable from HRTAC Revenues subject and subordinate to the payment of any Senior Bonds and to the deposits required to be made from HRTAC Revenues to the Senior Debt Service Funds and the Senior Debt Service Reserve Funds, or any other Fund or Account established to secure any Senior Bonds, or from securing any Intermediate Lien Obligations and their payment by a lien and pledge of HRTAC Revenues junior and inferior to the lien on and pledge thereof for the payment and security of the Senior Bonds.

Subordinate Obligations. Nothing in the Master Indenture shall prohibit or prevent HRTAC from authorizing and issuing Subordinate Obligations for any lawful purpose payable from HRTAC Revenues subject and subordinate to the payment of any Senior Bonds and Intermediate Lien Obligations and to the deposits required to be made from HRTAC Revenues to Senior and Intermediate Lien Debt Service Funds and Senior and Intermediate Lien Debt Service Reserve Funds, or any other Fund or Account established to secure any Senior Bonds or Intermediate Lien Obligations, or from securing any Subordinate Obligations and their payment by a lien and pledge of HRTAC Revenues junior and inferior to the lien on and pledge thereof for the payment and security of the Senior Bonds and the Intermediate Lien Obligations.

Establishment of Funds and Accounts

Permanent Funds. The Funds listed below have been established under the Master Indenture with respect to all of the Outstanding Bonds issued under or in accordance with the Master Indenture and HRTAC's operations, and HRTAC will hold each such Fund without commingling the monies held therein.

(a) Revenue Fund;

(b) Operating Fund, in which there is established an Operating Account and an Operating Reserve Account; and

(c) General Fund.

Series-Specific Funds. The Funds listed below will be established with respect to each separate Series of Bonds in the Related Series Supplement, and the Trustee shall hold such Funds without commingling the monies held therein, except that (i) HRTAC has the option not to establish a Debt Service Reserve Fund for a Series of Bonds, (ii) HRTAC has the option to establish a Debt Service Reserve Fund securing multiple Series of Bonds on a parity basis, and (iii) HRTAC shall hold each Cost of Issuance Fund.

(a) Cost of Issuance Fund;

(b) Project Fund and/or Escrow Fund, as appropriate;

(c) Debt Service Fund;

(d) Debt Service Reserve Fund; and

(e) Rebate Fund.

HRTAC may direct that a Debt Service Fund and/or Debt Service Reserve Fund established for a Series of Bonds will also provide for the payment of and/or secure any Refunding Bonds issued to refund such Series of Bonds in whole or in part.

Certain Special Funds.

(a) HRTAC 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 Series Supplement.

(b) HRTAC may establish with the Trustee in connection with the incurrence of any Reimbursement Obligation, a Reimbursement Account in any Related Debt Service Fund. Amounts held for the credit of any such Reimbursement Account shall be paid out by the Trustee as necessary to enable HRTAC to meet its obligations constituting Reimbursement Obligations.

Revenue Fund and Flow of Funds

Revenue Fund. HRTAC will hold the Revenue Fund as a separate Fund. HRTAC will deposit into the Revenue Fund all HRTAC Revenues, including any HRTF Revenues transferred from the HRTF, immediately upon receipt.

At least once each month, not later than the last Business Day of each month, HRTAC shall make transfers from the Revenue Fund in the amounts and in the order of priority set forth below:

FIRST: To each Senior Debt Service Fund ratably, the amount, if any, required under the Related Series Supplement so that the balance therein on the next Payment Date shall equal the amount of principal, if any, and interest due on the next Payment Date on the Related Series of Bonds; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in a Senior Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

SECOND: To each Senior Debt Service Reserve Fund, ratably, the amount, if any, required so that the balance in each such Fund shall be equal to the respective Senior Debt Service Reserve Requirement;

THIRD: To each Intermediate Lien Debt Service Fund, ratably, the amount, if any, required so that the balance in each such Fund shall equal the amount of principal, if any, and interest due on the Related Intermediate Lien Obligations on the next ensuing payment date; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in an Intermediate Lien Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

FOURTH: To each Intermediate Lien Debt Service Reserve Fund, ratably, the amount, if any, so that the balance in such Fund shall be equal to the respective Intermediate Lien Debt Service Reserve Requirement;

FIFTH: To each Subordinate Debt Service Fund, ratably, the amount, if any, required so that the balance in each such Fund shall equal the amount of principal, if any, and interest due on the Related Subordinate Obligations on the next ensuing payment date; provided that HRTAC shall receive a credit against such transfer for the amount, if any, held in a Subordinate Debt Service Fund as capitalized interest or otherwise, together with the investment earnings thereon;

SIXTH: To each Subordinate Debt Service Reserve Fund, ratably, the amount, if any, so that the balance in such Fund shall be equal to the respective Subordinate Debt Service Reserve Requirement;

SEVENTH: To each Rebate Fund the amounts necessary to provide for the payment of any Rebate Amounts with respect to the Related Series of Bonds as confirmed in an Officer's Certificate;

EIGHTH: To the Operating Account of the Operating Fund, the amount of funds necessary to pay Operating Expenses during such period in accordance with the Annual Budget;

NINTH: To the Operating Reserve Account of the Operating Fund, the amount, if any, so that the balance in such Account shall be equal to the Operating Reserve Requirement;

TENTH: To fund any Hedging Termination Obligation in connection with a Qualified Hedge;

ELEVENTH: After curing any deficiencies as required by Section 8.5(b) of the Master Indenture to the deposits and balances required in "FIRST" through "TENTH" above, to the TIFIA Revenue Sharing Account, the amount, if any, as may be required under Section 6.1 of the Second Supplemental Indenture of Trust dated as of December 1, 2019, and the applicable provisions of any other Series Supplement, an amount equal to Excess Revenues for such month, for deposit into the TIFIA Revenue Sharing Account; and

TWELFTH: To the General Fund, the balance remaining in the Revenue Fund.

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 Related Debt Service Fund, or the Related Reimbursement Account thereof, or elsewhere as provided in the Related Series Supplement 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.

<u>Operating Fund</u>. HRTAC will hold the Operating Fund and the Accounts therein, as a separate Fund for the purpose of paying Operating Expenses. Neither the Operating Fund nor any amount therein is pledged to secure the Bonds. HRTAC shall pay Operating Expenses from the Operating Account as they become due and in accordance

with the purposes and amounts provided in the Annual Budget. If at any time there is a deficiency in the Operating Account, HRTAC shall transfer funds from the Operating Reserve Account to cover such deficiency. In determining the balance on deposit in the Operating Account for any purpose of the Master Indenture, there shall be deducted the amount of any pending payments or transfers from the Operating Account. HRTAC may cause amounts in the Operating Fund in excess of those required by the Annual Budget to be transferred to the General Fund.

Debt Service Funds. The Trustee shall promptly deposit the following amounts in each Debt Service Fund:

(a) The amount, if any, of the proceeds of the Related Series of Bonds required by the Related Series Supplement to be deposited in the Debt Service Fund with respect to accrued and/or capitalized interest;

(b) All amounts received from the Revenue Fund as described above;

(c) Any amounts required to be transferred to the Debt Service Fund from a Debt Service Reserve Fund as provided under the Master Indenture; and

(d) Any other amounts required to be paid to the Debt Service Fund or otherwise made available for deposit therein by HRTAC, including amounts made available pursuant to the Related Series Supplement.

The Trustee shall pay out of each Debt Service Fund ratably to the Trustee or, if applicable, the Paying Agent for the Related Series of Bonds (i) on each Interest Payment Date, the amount required for the payment of interest on such Bonds then due, (ii) on any redemption date, the amount required for the payment of accrued interest on such Bonds to be redeemed, unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Trustee or the Paying Agent, as applicable, to such payment, and (iii) the accrued interest included in the Purchase Price of any such Bonds of the Related Series purchased for retirement pursuant to the Master Indenture.

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

Whenever the amounts in a Debt Service Fund is sufficient to redeem all of the Outstanding Bonds of the Related Series and to pay interest accrued to the redemption date, the Commission will cause the Trustee to redeem all such Related Bonds on the applicable redemption date specified by the Commission. Any amounts remaining in the Related Debt Service Fund after payment in full of the principal or redemption price and interest on the Related Bonds (or provision for payment thereof) and the fees, charges and expenses related to such transaction, shall be transferred to the Revenue Fund.

Debt Service Reserve Funds. Except as specifically described below, the amount in each Debt Service Reserve Fund shall be used solely to cure deficiencies in the amount on deposit in the Related Debt Service Fund and only with respect to the Related Series of Bonds. If there are insufficient funds in the Related Bond Service Fund to pay the principal of and interest on a particular Series of Bonds when due, then the Trustee shall transfer the amount of deficiency from the amount, if any, on deposit in the Related Debt Service Reserve Fund to such Debt Service Fund.

Any interest earned from the investment of money in a Debt Service Reserve Fund shall be transferred upon receipt to the Revenue Fund and/or to the Related Rebate Fund to pay any Rebate Amounts in accordance with the Series Supplements and Tax Regulatory Agreements (as confirmed in an Officer's Certificate) to the extent that such transfer will not cause the balance in the Debt Service Reserve Fund to be less than its Reserve Requirement.

On each Reserve Determination Date, the Trustee shall determine if the balance in each of the Debt Service Reserve Funds is at least equal to the Reserve Requirement for the Related Series of Bonds. In making each such determination, investments in each Debt Service Reserve Fund shall be valued as described in the subsection

"Permitted Investments and Valuation of Funds" below or as otherwise provided in the Related Series Supplement. If on any Reserve Determination Date the amount in any Debt Service Reserve Fund is less than its Reserve Requirement, the Trustee shall immediately notify HRTAC of such fact and the amount of the deficiency.

Any interest earned from the investment of money in a Debt Service Reserve Fund shall be transferred upon receipt to the Related Debt Service Fund and/or to the Related Rebate Fund to pay any Rebate Amounts in accordance with the applicable Series Supplements, Tax Regulatory Agreements and Officer's Certificates to the extent that such transfer will not cause the balance in the Debt Service Reserve Fund to be less than its Reserve Requirement. If on any Reserve Determination Date there exists a surplus in a Debt Service Reserve Fund, the Trustee shall transfer such surplus to the Related Debt Service Fund and/or to the Related Rebate Fund to pay any Rebate Amounts in accordance with the applicable Series Supplements, Tax Regulatory Agreements and Officer's Certificate; provided, however, that if on any Reserve Determination Date there exists or will exist a surplus in a Debt Service Reserve Fund as the result of the payment at maturity, redemption or defeasance under the Master Indenture of a portion of the Bonds of the Related Series on or as of such Reserve Determination Date, then the Trustee is authorized to transfer the surplus (including to an Escrow Fund for any such Bonds to be redeemed or defeased) as specified in (i) a Series Supplement (as confirmed in an Officer's Certificate) or (ii) an Officer's Certificate.

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

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

If HRTAC provides the Trustee with a DSRF Credit Facility as provided above, the Trustee will transfer the corresponding amount of funds then on deposit in the applicable Debt Service Reserve Fund to HRTAC, provided HRTAC delivers to the Trustee (i) an Opinion of Bond Counsel that such transfer of funds will not adversely affect the excludability 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) HRTAC covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

<u>General Fund</u>. HRTAC will hold the General Fund and, except as otherwise provided below, neither such Fund nor any moneys or investments therein shall be pledged to secure the Bonds.

HRTAC shall apply the balance in the General Fund, including interest earnings, first to cure any deficiency in the amount required to be on deposit in any Senior Debt Service Fund, any Senior Debt Service Reserve Fund, any Intermediate Lien Debt Service Fund, any Intermediate Lien Debt Service Reserve Fund, any Subordinate Debt Service Fund, any Subordinate Debt Service Reserve Fund, any Rebate Fund, or the Operating Reserve Account, in that order; and then to any lawful purpose approved by resolution of HRTAC, including without limitation, expenditures for capital improvements with respect to any Project or payment of any Operating Expenses.

Operation of Certain Series-Specific Funds

<u>Cost of Issuance Funds</u>. 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 Series Supplement. HRTAC will use the amounts in each Cost of Issuance Fund to pay costs of issuance incurred in connection with the issuance of the Related Series of Bonds.

<u>Project Funds</u>. There will be deposited into each Project Fund such portion of the proceeds of the Related Series of Bonds and other amounts as may be specified in the Related Series Supplement. HRTAC shall use the

amounts in each Project Fund to finance or refinance the Projects in accordance with the requirements of the Related Series Supplement and Tax Regulatory Agreement.

Rebate Funds. There shall be transferred to each Rebate Fund amounts to be used to pay Rebate Amounts with respect to the Related Series of Bonds to the extent, and from the sources, specified in a Related Series Supplement, a Related Tax Regulatory Agreement or an Officer's Certificate. Whenever amounts on deposit in a Rebate Fund shall be required to pay Rebate Amounts and any other obligations under Section 148 of the Tax Code in connection with a Related Series of Bonds, HRTAC shall direct the Trustee to transfer such amounts to or on behalf of HRTAC for such purpose. HRTAC may direct the Trustee to transfer any amounts on deposit in a Rebate Fund that are not needed for such purpose to the Revenue Fund and/or another Fund or Account established hereunder as may be authorized or directed in a Related Series Supplement, a Related Tax Regulatory Agreement or an Officer's Certificate.

Permitted Investments and Valuation of Funds

Permitted Investments. Subject to the provisions of any Supplemental Indenture, any amounts held in any Fund or Account established by the Master Indenture or any Supplemental Indenture may be separately invested and reinvested by the Trustee, at the request of and as directed in writing by an HRTAC Representative, in any investments that are at the time (i) legal investments for public funds of the type to be invested under Virginia law, including without limitation the Investment of Public Funds Act, Chapter 45 of Title 2.2 of the Virginia Code or any successor provision of law and the Government Non-Arbitrage Investment Act, Chapter 47 of Title 2.2 of the Virginia Code or any successor provision of law, (ii) authorized by HRTAC's Statement of Investment Policy then in effect, and (iii) structured to permit adequate liquidity to permit the purpose of such Fund or Account to be satisfied. Notwithstanding anything to the contrary contained herein, HRTAC may invest the amounts on deposit in the General Fund to the same extent as provided in Section 33.2-1525 of the Virginia Code for excess funds in the Transportation Trust Fund.

Subject to the provision of any Supplemental Indenture, all investments shall be held by or under the control of the Trustee or HRTAC, 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 HRTAC shall sell and reduce to cash a sufficient amount of investments whenever the case balance in any Fund or Account is insufficient for its purposes.

Valuation of Investments. Unless otherwise provided in a Supplemental Indenture, HRTAC 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; provided that, notwithstanding the foregoing, a Debt Service Reserve Fund shall be valued only on Reserve Determination Dates.

Unless otherwise provided in a Supplemental Indenture, each such investment shall be valued (i) at amortized cost if the weighted average life of all investments held in the same Fund or Account is five years or less or (ii) at its fair market value or the amortized cost thereof, whichever is lower if the weighted average life of all investments held in the same Fund or Account exceeds five years. A DSRF Credit Facility shall be valued at the amount that the Trustee is authorized to draw thereon to pay debt service on the Series of Bonds secured thereby.

Discharge and Defeasance

Discharge. If the following conditions exist:

(a) The principal of any and all of the Series of Bonds and the interest due or to become due thereon together with any redemption premium required by redemption of any of the Bonds prior to maturity shall be paid, or is caused to be paid, or is provided for as described under the heading "Defeasance" below, at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the Outstanding Bonds shall have been paid and discharged in accordance with the Master Indenture, and

(b) All of the covenants, agreements, obligations, terms and conditions of HRTAC under the Master Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Bond Registrar and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions of the Master Indenture, then the right, title and interest of the Trustee in the trust estate granted pursuant the Master Indenture will thereupon cease and the Trustee, on the request of and at the expense of HRTAC, shall release the Master Indenture and the trust estate and shall execute such documents to evidence such release as may be reasonably required by HRTAC and shall turn over to HRTAC, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds and Accounts established hereunder except for amounts required to pay the Bonds.

Provision for Payment of Particular Bonds. If HRTAC shall pay or provide for the payment of all or part of the indebtedness on particular Bonds in any one or more of the following ways:

(a) 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;

(b) by delivering such Bonds to the Trustee for cancellation; or

(c) 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 on such Defeasance Obligations (the "Defeasance 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 Defeasance Amount, as a Verification Agent will verify to the Trustee's satisfaction; and if HRTAC shall also pay or provide for the payment of all other sums payable hereunder by HRTAC 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 the Master indenture (or the corresponding provisions of the Related Series Supplements) 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 except as described below.

HRTAC may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered that HRTAC may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired as described above.

Upon such defeasance all rights of HRTAC, including its right to provide for optional redemption of such Bonds on dates other than planned pursuant to such defeasance, shall cease unless specifically retained by filing a written notification thereof with the Trustee on or prior to the date the Defeasance Amount is deposited with the Trustee or escrow agent.

When a Transportation Bond is deemed to be paid as described above, it shall no longer be secured by or entitled to the benefits of the Master Indenture, except for the purposes of any such payment (to the exclusion of all other Owners) from the Defeasance Amount and except for the provisions of payment and redemption provisions of the Master Indenture.

Events of Default and Remedies Upon Default

Events of Default. 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 the any Series of Bonds 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 Series of Bonds 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 Bond that is a Term Bond as the same shall become due and payable; or

(d) failure on the part of HRTAC duly to observe or perform any other of the covenants or agreements on the part of HRTAC contained in the Master Indenture, a Series Supplement, a Tax Regulatory Agreement or any Bond (a "Covenant Event of Default"), subject to the provisions described in the subsection "Notice of Certain Defaults; Opportunity to Cure Such Defaults" below; or

(e) appointment by a court of competent jurisdiction of a receiver for all or any substantial part of the HRTAC Revenues and the other Funds and Accounts pledged pursuant to the Master Indenture, or the filing by HRTAC of any petition for reorganization of HRTAC or rearrangement or readjustment of the obligations of HRTAC under the provisions of any applicable Bankruptcy Law.

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

An Event of Default with respect to one Series of Bonds shall not cause an Event of Default with respect to any Series of Bonds unless such event or condition independently constitutes an Event of Default with such other Series of Bonds.

HRTAC may, pursuant to a Series Supplement, 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; provided, however, no such Series Supplement shall provide for any acceleration of the full principal amount of any Bonds.

Remedies Upon Default. If an Event of Default occurs and is continuing, there shall be no right of acceleration with respect to any Bonds but the Trustee may, and upon the written request to the Trustee by the Majority Owners shall, subject to the indemnity requirements of the Master Indenture, protect and enforce its rights and the rights of the Owners of such Bonds by such suits, actions or proceedings to enforce payment of and receive any and all amounts due from the Commission hereunder, together with any and all costs and expenses of proceedings and collections, and to collect (but solely from HRTAC Revenues available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

Without limiting the generality of the foregoing, the Commission shall not enter into any agreement, including, without limitation, a Credit Facility, continuing covenants agreement or similar direct purchase agreement, which purports to create any rights of acceleration of any Bonds; provided, however, the following shall not be considered acceleration for purposes of this paragraph: (i) termination payments under any Hedge Agreement; and (ii) term-outs of Reimbursement Obligations under Bond Credit Facilities that occur as a result of (A) mandatory tender for purchase of the Bonds or (B) revised amortization requirements and/or increased interest rates following an optional or mandatory tender for purchase of the Bonds.

Control of Remedies. 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 will control and direct all actions of the Trustee in exercising such of the rights and powers conferred by the Master Indenture on the Trustee or the Owners.

So long as any Senior Bonds are Outstanding, no owner or holder of any Intermediate Lien Obligation or any Subordinate Obligation may exercise any remedy under the Master Indenture or any Supplemental Indenture, and so long as any Intermediate Lien Obligations are Outstanding, no owner or holder of any Subordinate Obligation may exercise any remedy under the Master Indenture or any Supplemental Indenture.

Restriction on Owners' Actions. 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 Master Indenture, or of which it is deemed to have notice thereunder; (ii) the Majority Owners 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 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 generally to enforce payment of the Bonds in accordance with their terms.

Power of Trustee to Enforce. All rights of action under the Master Indenture or under any of the Bonds secured by it that are enforceable by the Trustee may be enforced without the possession of any of the Bonds, or their production at the trial or other related proceedings. Any suit, action or proceedings instituted by the Trustee may be brought in its own name, as trustee, for the equal and ratable benefit of the Owners subject to the provisions of the Master Indenture.

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. 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 HRTAC 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.

Application of Money. Any amounts received by the Trustee following an Event of Default 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 HRTAC in carrying out the provisions of the Master Indenture, be deposited in an appropriate Account established and held by the Trustee and shall be applied as follows:

FIRST: To the payment of the persons entitled to it of all installments of interest then due on the Senior 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;

SECOND: To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of on any of the Senior Bonds which have become due (other than Senior 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 Senior 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;

THIRD: To the payment of the persons entitled to it of all installments of interest then due on the Intermediate Lien Obligations, 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;

FOURTH: To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of any of the Intermediate Lien Obligations that have become due (other than Intermediate Lien Obligations 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 Intermediate Lien Obligations 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;

FIFTH: To the payment of the persons entitled to it of all installments of interest then due on the Subordinate Obligations, 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

SIXTH: To the payment of the persons entitled to it of the unpaid principal or Amortization Requirements of any of the Subordinate Obligations that have become due (other than Subordinate Obligations 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 Subordinate Obligations 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 as described above, 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, in such form as it may deem appropriate, notice to the Owners of the fixing of such payment date.

Notice of Certain Defaults; Opportunity to Cure Such Defaults. Notwithstanding anything to the contrary in the Master Indenture, no Covenant Event of Default will occur until actual notice of the default is given to HRTAC by the Trustee or by the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds, and HRTAC 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 within the applicable period, it will not constitute an Event of Default if corrective action is instituted by HRTAC within the applicable period and diligently pursued (as determined by the Trustee) until the default is corrected.

Rights of Bond Credit Provider. Notwithstanding anything contained in the Master Indenture to the contrary, until HRTAC has reimbursed a Bond Credit Provider for amounts paid under a Bond Credit Facility to pay the interest on or the principal of any Bonds on any Payment Date, (i) such Bonds shall be deemed to be Outstanding and such Bond Credit Provider shall succeed to the rights and interests of the Owners to the extent of the amounts paid under the Bond Credit Facility until such amounts have been reimbursed and (ii) upon presentation to the Trustee, such Bond shall be registered in the name of the Bond Credit Provider or its nominee.

Amendments and Supplemental Indentures

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

(a) To cure or correct any ambiguity, formal defect, omission or inconsistent provision in the Master Indenture or in a Supplemental Indenture;

(b) To grant to or confer on the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Owners or the Trustee;

(c) To permit the appointment of a co-Trustee or additional Paying Agents under the Master Indenture;

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

(e) To provide for the issuance of coupon Bonds if authorized under the Related Supplemental Indenture;

(f) To amend certain provisions of the Master Indenture or any Supplemental Indenture in any manner consistent with Sections 103 and 141 through 150 of the Tax Code (or such other sections of the Tax Code as may be applicable to the Bonds) as in effect at the time of the amendment;

(g) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Master Indenture or any Supplemental Indenture, of the HRTAC Revenues or any other moneys, property or Funds or Accounts;

(h) To modify, amend or supplement the Master Indenture or any Supplemental Indenture as required to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to permit the qualification of any of the Bonds for sale under the securities laws of any of the states of the United States, and, if HRTAC and the Trustee so determine, to add to the Master Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or similar federal statute;

(i) To add to the covenants and agreements of HRTAC contained in the Master Indenture or any Supplemental Indenture other covenants and agreements thereafter to be observed for the Owners' protection, including, but not limited to, additional requirements imposed by virtue of a change of law, or to surrender or to limit any right, power or authority therein reserved to or conferred upon HRTAC;

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

(k) In the case of Series Supplements, 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;

(l) To make any changes necessary to comply with the requirements of a Rating Agency, a Bond Credit Provider, or an DSRF Credit Provider that, as expressed in a written finding or determination by HRTAC (which shall be stated in the Related Supplemental Indenture, and may be based on an Opinion of Bond Counsel or the written opinion of HRTAC's financial advisor), would not materially adversely affect the security for the Bonds;

(m) To make any other changes that (i) will have no adverse effect upon the ratings currently assigned to the Bonds by any Rating Agency, as expressed in a Rating Confirmation or (ii) shall not prejudice in any material respect the rights of the Owners of such Bonds then Outstanding, as expressed in a written determination or finding by HRTAC (which shall be stated in the Supplemental Indenture, and may be based upon an Opinion of Bond Counsel or the written opinion of HRTAC's financial advisor); and

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

Exclusive of Supplemental Indentures covered above and subject to the terms and provisions contained above, the Majority Owners shall have the right from time to time, notwithstanding any other provision of the Master Indenture, to consent to and approve the execution by HRTAC and the Trustee of such other Supplemental Indenture or Supplemental Indentures as HRTAC 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 Senior Bonds, Intermediate Lien Obligations or Subordinate Obligations, as applicable, 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 such Senior Bond, Intermediate Lien Obligation or Subordinate Obligation, (ii) a reduction in the principal amount of any such Senior Bond, Intermediate Lien Obligation or Subordinate Obligation or the rate of interest on it, (iii) a privilege or priority of any such Senior Bond over any other Senior Bond, any such Intermediate Lien Obligation over any other Intermediate Lien Obligation, or any such Subordinate Obligation over any other Subordinate Obligation, or (iv) a reduction in the aggregate principal amount of Senior Bonds, Intermediate Lien Obligations or Subordinate Obligations required for consent to such Supplemental Indenture.

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

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

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

THE FOURTH SERIES SUPPLEMENT

Authorization and Details of 2020A Bonds

The Fourth Series Supplement authorizes the issuance pursuant to the Master Indenture of the Series 2020A Bonds. The details as to principal, interest, and redemption terms are set forth in the Fourth Series Supplement and are consistent with the provisions of the Series 2020A Bonds as described in the Official Statement.

Establishment of Funds

The Fourth Series Supplement creates the following funds to be held by the Trustee:

1. the 2020A Cost of Issuance Fund;

2. the 2020A Project Fund;

3. the 2020A Bond Debt Service Fund; and

4. the 2020A Rebate Fund.

On the date of issuance of the Series 2020A Bonds, the Trustee shall apply the amounts received from the underwriters of the Series 2020A Bonds in payment therefor to the 2020A Cost of Issuance Fund and the 2020A Project Fund as provided in the Fourth Series Supplement.

The money and investments held in the 2020A Project Fund and in the 2020A Bond Debt Service Fund are pledged to secure the Series 2020A Bonds.

Cost of Issuance Fund

HRTAC shall apply the amounts in the 2020A Cost of Issuance Fund to pay the issuance and financing costs of the Series 2020A Bonds. Any amount deposited in the 2020A Cost of Issuance Fund that is not applied in accordance with the Master Indenture to pay the costs of issuance of the Series 2020A Bonds shall be transferred by HRTAC to the Project Fund and applied as set forth below.

Project Fund

The Trustee will apply the amounts in the 2020A Project Fund to the payment or reimbursement of the costs of certain projects as directed by HRTAC. Disbursements from the 2020A Project Fund shall be made by the Trustee to HRTAC or as directed by HRTAC upon receipt by the Trustee of a requisition signed by an HRTAC Representative and containing all information called for by the Fourth Series Supplement.

Bond Debt Service Fund

Each monthly transfer into the 2020A Bond Debt Service Fund under the Master Indenture shall be in an amount not less than the sum of (i) one-sixth of the interest due on the Series 2020A Bonds on the next ensuing Interest Payment Date, plus (ii) one-twelfth of the principal due on the Series 2020A Bonds at maturity or upon mandatory redemption on the next ensuing Principal Payment Date, less (iii) accrued interest and any other interest earnings currently on deposit therein.

Rebate Fund

The Trustee shall invest and apply amounts on deposit in the 2020A Rebate Fund as directed by Officer's Certificates provided pursuant to and in accordance with the Master Indenture.

Tax Regulatory Agreement

HRTAC agrees that it will not directly or indirectly use or permit the use of the proceeds of the Series 2020A Bonds except in accordance with the 2020A Tax Regulatory Agreement. HRTAC agrees that it will not take any action, or omit to take any action, if any such action or omission would adversely affect the excludability from gross income of interest on the Series 2020A Bonds under Section 103 of the Tax Code. HRTAC agrees that it will not directly or indirectly use or permit the use of any proceeds of the Series 2020A Bonds or any other funds of HRTAC or take or omit to take any action that would cause the Series 2020A Bonds to be "arbitrage bonds" under Section 148(a) of the Tax Code. To these ends, HRTAC will comply with all requirements of Sections 141 through 150 of the Tax Code, including Section 148(f)(2) and (3) of the Tax Code, to the extent applicable to the Series 2020A Bonds.

The Trustee agrees to comply with all written instructions of an HRTAC Representative given in accordance with the 2020A Tax Regulatory Agreement, but the Trustee shall not be required to ascertain whether the instructions comply with the 2020A Tax Regulatory Agreement. The Trustee shall be entitled to receive and may request from time to time from HRTAC written instructions from a nationally-recognized bond counsel acceptable to the Trustee regarding the interpretation of Sections 141 through 150 of the Tax Code, and the Trustee agrees that it will comply with such instructions (upon which the Trustee and HRTAC may conclusively rely) so as to enable HRTAC to perform its covenants under the Master Indenture and the Fourth Series Supplement.

Notwithstanding any provisions of the Fourth Series Supplement, if HRTAC shall provide to the Trustee an opinion of nationally-recognized bond counsel addressed and acceptable to HRTAC and the Trustee to the effect that any action required under the Fourth Series Supplement by incorporation or otherwise is not required or is no longer require to maintain the excludability from gross income of the interest on the Series 2020A Bonds under Section 103 of the Tax Code, HRTAC and the Trustee may rely conclusively on such opinion in complying with the provisions of the Master Indenture and the Fourth Series Supplement.

APPENDIX B

FINANCIAL STATEMENTS OF HRTAC FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

Hampton Roads Transportation Accountability Commission

A COMPONENT UNIT OF THE
COMMONWEALTH OF VIRGINIA

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2019

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

DIRECTORY OF PRINCIPAL OFFICIALS

Voting Members

Linda T. Johnson, Chair, City of Suffolk
Donnie R. Tuck, Vice-Chair, City of Hampton
Joel C. Acree, Isle of Wight County
Kenneth C. Alexander, City of Norfolk
John A. Cosgrove, Virginia Senate
Bobby Dyer, City of Virginia Beach
Paul Freiling, City of Williamsburg
Michael J. Hipple, James City County
W. Eugene Hunt Jr., City of Poquoson
Chris Jones, Virginia House of Delegates
Montgomery "Monty" Mason, Virginia Senate
Barry T. Porter, Southampton County
Dr. McKinley Price, City of Newport News
Frank Rabil, City of Franklin
John Rowe, City of Portsmouth
Thomas G. Shepperd, York County
Christopher P. Stolle, Virginia House of Delegates
Richard W. West, City of Chesapeake
David E. Yancey, Virginia House of Delegates

Non-Voting Members

Stephen Brich, Commissioner of Highways, VDOT
Jennifer Mitchell, Director of VDRPT
John F. Malbon, Commonwealth Transportation Board
John F. Reinhart, Executive Director, Virginia Port Authority

Commission Staff

Kevin B. Page, Executive Director
Jennifer D. Hodnett, Executive Assistant

Support Staff

Sheila Wilson, Chief Financial Officer
Danetta M. Jankosky, Accounting Manager
Tiffany Smith, Accounting Manager

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members
Hampton Roads Transportation Accountability Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Hampton Roads Transportation Accountability Commission (Commission), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Commission, as of June 30, 2019, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-9 and pages 46-49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
September 25, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Hampton Roads Transportation Accountability Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2019.

The Commission is a political subdivision of the Commonwealth of Virginia, created April 3, 2014 by the Hampton Roads Transportation Accountability Commission Act, Title 15.2, of the *Code of Virginia* (HB1253 & SB513) and became effective July 1, 2014. The Commission's primary function is determining how the Hampton Roads Transportation Fund (HRTF) (HB2313 of the 2013 Acts of Assembly) regional Sales and Use Tax and Fuel Tax monies will be invested in new construction projects on new or existing highways, bridges, and tunnels in the localities comprising Planning District 23. This function includes an improvement program development with priority to those projects that are expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23.

The Commission member jurisdictions are the counties of Isle of Wight, James City, Southampton, and York and the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The Commission has 23 members as follows: the chief elected official, of each of the ten cities and a current elected official of each of the four counties that are members of the Commission; and, five members of the General Assembly (two senators and three delegates). The counties embraced by the Commission must appoint by resolution a current member from its governing body to serve as its member on the Commission. In addition, there are four non-voting ex-officio members, one each from the Virginia Department of Rail and Public Transportation, the Commonwealth Transportation Board, the Virginia Department of Transportation, and the Virginia Port Authority.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

The government-wide financial statements report information about the Commission's reporting entity as a whole using the economic resources measurement focus and accrual basis of accounting.

- Assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources for the year ended June 30, 2019 by $478,905,213 (net position).

- For the fiscal year ended June 30, 2019 regional tax revenues for the Commission's governmental activities totaled $211.1 million with an additional $30.9 million in investment income. Expenses totaled $292.3 million; $265.7 million represents project funding in accordance with HB2313 and $26.6 million represents reimbursement of authorized administrative costs, most of which was interest expense on bond proceeds ($23.7 million).

Highlights for Fund Financial Statements

The fund financial statements provide detailed information about the Commission's funds using the current financial resources measurement focus and modified accrual basis of accounting.

- The Commission's Capital Project Fund, established in the fiscal year 2018, reported a decrease in fund balance of $160,570,121, for a fund balance of $199,544,707 as of June 30, 2019.

- The Commission's Special Revenue Fund, established in fiscal year 2016, reported an increase in fund balance of $114,809,050 for a fund balance of $859,663,315 as of June 30, 2019.

- The Commission's Debt Service Fund, established in the current fiscal year, has a fund balance of $ -0-, since all bond interest due was paid on the last day of the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The financial statements presented include all of the activities which are part of the Commission reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB). The government-wide financial statements present the financial picture of the Commission's governmental activities from the economic resources measurement focus using the accrual basis of accounting.

The fund financial statements include a separate column for each of the major governmental funds. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, with the governmental activities combined. The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Commission with the difference reported as net position. The Statement of Activities shows in broad terms changes to net position during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or declining. Net position is one way to measure financial position but the reader should also consider other indicators, such as general economic conditions.

The Statement of Activities presents information indicating how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods.

General revenue consists of investment earnings used to cover the Commission's administrative expenses and Special revenues include the two intergovernmental revenues: sales and use tax, and fuel tax collected on behalf of the HRTF and remitted from the Commonwealth of Virginia. These tax receipts commenced July 1, 2013.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources which have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission only reports governmental funds. The Commission does not operate proprietary funds nor does it maintain fiduciary funds at this time. The governmental funds of the Commission are presented using four fund types: General Fund, Special Revenue Fund, Capital Project Fund, and Debt Service Fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

As mentioned above, the Commission maintains four governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the Commission's operating activities including the cost of the Commission's two member staff. The Special Revenue Fund reports revenue received by the Commission and used to fund prioritized projects on new or existing highways, bridges and tunnels in the localities comprising Planning District 23. The Capital Project Fund reports interest earned on unexpended bond proceeds, cost of bond issuance, and project cost distributions. The Debt Service Fund reports interest earned on funds set aside to pay bond interest, and interest expense, which is paid December 31 and June 30 of each fiscal year.

The Commission adopts an annual appropriated budget for its General Fund. An internal budgetary comparison statement is maintained for the General Fund to demonstrate compliance with this budget.

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The Required Supplementary Information provides additional information that is required by accounting principles generally accepted in the United States to be presented as a supplement to the basic financial statements.

Supplementary Information

Additional information is presented as a supplement to the basic financial statements. Although not required to be presented and not part of the basic financial statements, the schedules are included to provide additional information of interest to certain financial statement users.

FINANCIAL ANALYSIS OF THE COMMISSION REPORTING ENTITY AS A WHOLE

Statement of Net Position

The following table presents a summary of the Statement of Net Position for the Commission as of June 30, 2019. Data for June 30, 2018 has been included for comparison purposes.

Summary of Net Position
June 30, 2019 and 2018

	Governmental Activities	
	2019	2018
Assets and Deferred Outflows of Resources:		
Current and other assets	**$ 1,125,412,190**	$ 1,138,597,893
Deferred outflows of resources	**64,054**	74,066
Total assets and deferred outflows of resources	**1,125,476,244**	1,138,671,959
Liabilities:		
Current and other liabilities	**646,561,742**	609,373,418
Deferred inflows of resources	**9,289**	6,301
Total liabilities	**646,571,031**	609,379,719
Net Position:		
Net investment in capital assets	**8,285**	8,529
Restricted	**478,901,157**	522,608,835
Unrestricted	**(4,229)**	6,674,876
Total net position	**$ 478,905,213**	$ 529,292,240

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities by $478,905,213 at June 30, 2019 and mostly represents resources subject to external restriction.

Current assets consist primarily of amounts due from the Commonwealth of Virginia, cash and cash equivalents, and restricted cash and cash equivalents. As of June 30, 2019, approximately $25.1 million was due from the Commonwealth of Virginia which is restricted for prioritized projects on new or existing highways, bridges, and tunnels in the localities comprising Planning District 23.

Statement of Activities

The following table presents the revenues, expenses and change in net position of the Commission for the fiscal year ended June 30, 2019. Data for June 30, 2018 has been included for comparison purposes.

Summary of Changes in Net Position
Years Ended June 30, 2019 and 2018

	Governmental Activities	
	2019	2018
Revenues:		
General revenue:		
Intergovernmental	**$ 211,051,221**	$ 169,203,373
Use of money	**30,869,204**	9,189,903
Total revenues	**241,920,425**	178,393,276
Expenses:		
General and administrative	**775,631**	468,009
Investment fees	**663,365**	643,699
Professional services	**929,501**	-
Cost of issuance	**512,885**	1,540,064
Interest expense	**23,740,621**	8,993,531
Project cost distributions	**265,685,449**	155,861,728
Total expenses	**292,307,452**	167,507,031
Change in net position	**(50,387,027)**	10,886,245
Net Position, beginning	**529,292,240**	518,405,995
Net Position, ending	**$ 478,905,213**	$ 529,292,240

For the fiscal year ended June 30, 2019, revenues totaled approximately $241.9 million. Expenses totaled approximately $292.3 million. A discussion of the key components of the revenue and expense is included in the funds analysis.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Governmental Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Commission governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the needs of the Commission's financing requirements.

General Fund. The General Fund is the operating fund of the Commission. It is currently funded by transfers of investment earnings with any additional costs covered from the Special Revenue fund per legislative action HB1111. Any investment income not required for General Fund use is retained in the Special Revenue fund.

Special Revenue Fund. The Commission established a special revenue fund during fiscal year 2016 which is categorized as a major fund in the governmental fund statements. This fund is used to report the intergovernmental revenue received from the Commonwealth of Virginia.

Capital Project Fund. The Commission established a capital project fund during fiscal year 2018 which is categorized as a major fund in the governmental fund statements. This fund is used to report bond issuance expense, bond issuance premium and project cost distributions.

Debt Service Fund. The Commission established a debt service fund during fiscal year 2019 which is categorized as a non-major fund in the governmental fund statements. This fund is used to report investment earnings and bond interest expense.

Economic Factors and the Fiscal Year 2020 Budget

- Hampton Roads is both a nationally and globally significant region. It is categorized as having a broad, diverse and stable regional economy. The region is the driver of economic activity for the Commonwealth of Virginia.

- The fiscal year 2020 budget is based on an analysis of trending revenues.

- The Commission's General Fund operating budget will increase from the amended budget of $4,447,512 in fiscal year 2019 to $5,597,390 in fiscal year 2020. This increase of $1,149,878 is due to bond issuance expenses and related financial advisor fees for the upcoming issuance of additional debt.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those interested. If you have any questions about this report or need additional financial information, contact Kevin Page, Executive Director, Hampton Roads Transportation Accountability Commission, 723 Woodlake Drive, Chesapeake, Virginia, 23320, or by e-mail to kpage@hrtac.org.

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BASIC FINANCIAL STATEMENTS

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities
ASSETS	
Due from the Commonwealth of Virginia	$ 25,078,109
Accrued investment income	1,958,398
Prepaid items	4,373
Restricted cash, cash equivalents and investments	1,098,350,728
Capital assets, net	8,285
Net pension asset	12,297
Total assets	1,125,412,190
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	64,054
Total deferred outflows of resources	64,054
LIABILITIES	
Current Liabilities	
Accounts payable	520,434
Accrued liabilities	4,352
Due to the Commonwealth of Virginia	64,838,486
Due to other governments	887,232
Total current liabilities	66,250,504
Long-term Liabilities	
Long-term debt	580,311,238
Total long-term liabilities	580,311,238
Total liabilities	646,561,742
DEFERRED INFLOWS OF RESOURCES	
Pension plan	9,289
Total deferred inflows of resources	9,289
NET POSITION	
Net investment in capital assets	8,285
Restricted	478,901,157
Unrestricted	(4,229)
Total net position	$ 478,905,213

See Notes to Financial Statements.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Expenses	Net (Expense) Revenue and Change in Net Position Governmental Activities
Functions/Programs		
Governmental activities:		
General and administrative	$ 775,631	$ (775,631)
Investment fees	663,365	(663,365)
Professional Services	929,501	(929,501)
Cost of issuance	512,885	(512,885)
Interest expense	23,740,621	(23,740,621)
Project cost distributions	265,685,449	(265,685,449)
Total governmental activities	$ 292,307,452	(292,307,452)
General revenues:		
Intergovernmental revenue:		
Motor fuel tax		71,647,063
Sales and use tax		139,404,158
Use of money		30,869,204
Total general revenues		241,920,425
Change in net position		(50,387,027)
Net Position, beginning of year		529,292,240
Net Position, end of year		$ 478,905,213

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Special Revenue Fund	Capital Project Fund	Non-Major Debt Service Fund	Total Governmental Funds
ASSETS					
Due from the Commonwealth of Virginia	$ -	$ 25,078,109	$ -	$ -	$ 25,078,109
Accrued investment income	-	1,958,398	-	-	1,958,398
Prepaid items	4,373	-	-	-	4,373
Restricted cash, cash equivalents and investments	-	885,021,178	213,329,550	-	1,098,350,728
Total assets	$ 4,373	$ 912,057,685	$ 213,329,550	$ -	$ 1,125,391,608
LIABILITIES					
Accounts payable	$ 10,321	$ 312,230	$ 197,883	$ -	$ 520,434
Accrued liabilities	4,352	-	-	-	4,352
Due to the Commonwealth of Virginia	-	51,251,526	13,586,960	-	64,838,486
Due to other governments	56,618	830,614	-	-	887,232
Total liabilities	71,291	52,394,370	13,784,843	-	66,250,504
FUND BALANCES					
Nonspendable	4,373	-	-	-	4,373
Restricted	-	859,663,315	199,544,707	-	1,059,208,022
Unassigned	(71,291)	-	-	-	(71,291)
Total fund balances (deficit)	(66,918)	859,663,315	199,544,707	-	1,059,141,104
Total liabilities and fund balances	$ 4,373	$ 912,057,685	$ 213,329,550	$ -	$ 1,125,391,608

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2019

		Governmental Funds
Reconciliation of fund balances on the Balance Sheet for the governmental funds to the net position of the governmental activities on the Statement of Net Position:		
Fund balances - governmental funds		$1,059,141,104
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds until then.		
Pension plan		64,054
Pension asset		12,297
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund.		
Capital assets	$ 8,773	
Less - accumulated depreciation and amortization	(488)	
		8,285
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	(500,000,000)	
Bond premium	(80,311,238)	
		(580,311,238)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized in the governmental funds until then.		
Pension plan		(9,289)
Net position of governmental activities		$ 478,905,213

See Notes to Financial Statements.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Project Fund	Non-Major Debt Service Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Motor fuel tax	$ -	$ 71,647,063	$ -	$ -	$ 71,647,063
Sales and use tax	-	139,404,158	-	-	139,404,158
Use of money	-	23,574,671	7,207,747	86,786	30,869,204
Total revenues	-	234,625,892	7,207,747	86,786	241,920,425
Expenditures					
Current:					
General and administrative	578,082	199,933	-	-	778,015
Investment fees	-	663,365	-	-	663,365
Professional services	-	929,501	-	-	929,501
Cost of issuance	-	-	512,885	-	512,885
Interest expense	-	-	-	25,854,075	25,854,075
Project cost distributions	-	112,154,662	153,530,787	-	265,685,449
Total expenditures	578,082	113,947,461	154,043,672	25,854,075	294,423,290
Excess (deficiency) of revenues over (under) expenditures	(578,082)	120,678,431	(146,835,925)	(25,767,289)	(52,502,865)
Other Financing Sources (Uses)					
Transfers in	578,082	10,428,435	9,748,571	25,767,289	46,522,377
Transfers out	(6,741,794)	(16,297,816)	(23,482,767)	-	(46,522,377)
Total other financing sources (uses), net	(6,163,712)	(5,869,381)	(13,734,196)	25,767,289	-
Net change in fund balances	(6,741,794)	114,809,050	(160,570,121)	-	(52,502,865)
Fund Balances, beginning of year	6,674,876	744,854,265	360,114,828	-	1,111,643,969
Fund Balances (deficit), end of year	$ (66,918)	$ 859,663,315	$ 199,544,707	$ -	$ 1,059,141,104

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	$ (52,502,865)
Deferred outflows of resources:	
Pension plan contributions subsequent to measurement date	35,265
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(32,637)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.	
Depreciation and amortization	(244)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, does not have any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Amortization of bond premium	2,113,454
Change in net position of governmental activities	$ (50,387,027)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Hampton Roads Transportation Accountability Commission ("the Commission") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

A. Reporting Entity

The Commission is an independent political subdivision of the Commonwealth of Virginia, created in 2014 by House Bill 1253 (HB1253) and Senate Bill 513 (SB513). The Commission has sovereign power, and its operations and resources are not subjected to the control, direction or oversight of the Commonwealth. The member jurisdictions of the Commission are embraced by Planning District 23 and are the counties of Isle of Wight, James City, Southampton, York, and the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The Commission has 23 members as follows: the chief elected official, or their designee, of the 14 cities and counties that are members of the Commission; three members of the House of Delegates; two members of the Senate; and four non-voting ex-officio members from the Commonwealth Transportation Board, Virginia Department of Transportation, Virginia Department of Rail and Public Transportation, and Virginia Port Authority.

Currently, the Commission's primary undertaking is to provide funding for regional transportation purposes in the Hampton Roads region. A significant part of this activity presently consists of allocating and leveraging funding from the Hampton Roads Transportation Fund (established by HB2313 of the 2013 Acts of Assembly and containing regional sales tax and use tax and motor fuel tax monies) to new construction projects on new or existing highways, bridges, and tunnels in member localities, with priority given to those projects that are expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23.

All moneys received by the Commission are required to be used solely for transportation purposes benefiting the member jurisdictions, as outlined above.

Although the Commission's economic resources are not for the direct benefit of the Commonwealth and the Commonwealth is not obligated by the debt of the Commission, the Comptroller has determined that, based on the projects that the Commission is presently funding and its current relationship with the Virginia Department of Transportation relating to the delivery of those projects, it would be misleading to exclude the Commission from the Commonwealth's audited financial statements. Thus, solely for financial reporting purposes, the Commonwealth has decided to include the Commission as a component unit of the Commonwealth. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities determined to meet the component unit definition. Based on the Comptroller's decision to treat the Commission as a blended component unit, the Commission is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, all funds of the Commission are included in the financial statements of the Commonwealth as part of the reporting entity.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information of the governmental activities supported by intergovernmental revenues.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints are in effect. Internally imposed designations of resources are not presented as restricted net position.

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include contributions that are restricted to meet the operational requirements of a particular function.

Separate fund financial statements are provided for each of the governmental funds. In the fund financial statements, financial transactions and accounts of the Commission are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental funds are reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances (fund equity). Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements – Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of taxes from the Commonwealth of Virginia, are recognized in the period the funding is made available.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Commission considers revenues to be available if they are collected within 45 days after year end. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. The individual Government Funds are:

General Fund – The General Fund is the primary operating fund of the Commission and is used to account for and report all revenues and expenditures applicable to the general operations of the Commission which are not accounted for in other funds. Revenues are derived primarily from transfers from the Special Revenue Fund. The General Fund is considered a major fund for financial reporting purposes.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Special Revenue Fund – The Special Revenue Fund accounts for and reports the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes. The Commission has one Special Revenue Fund. The Special Revenue Fund is considered a major fund for financial reporting purposes.

Capital Project Fund – The Capital Project Fund accounts for and reports the proceeds from the Commission's debt issuances and the expenditures associated with these financial instruments. The Capital Projects fund transfers money to the Special Revenue fund to cover costs incurred within the Special Revenue fund that are approved to be paid from the debt proceeds and not local revenue sources. The Commission has one Capital Projects Fund. The Capital Projects Fund is considered a major fund for financial reporting purposes.

Debt Service Fund – The Debt Service Fund accounts for and reports the financial resources that are restricted or committed for expenditures related to principal and interest obligations. The Debt Service Fund is considered a non-major fund for financial reporting purposes.

D. Budgeting

The Commission adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Commission to determine the annual transfer required from the Special Revenue Fund to fund its general and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

   Cash equivalents include all highly liquid investments with maturities of three months or less.

2. Restricted Cash, Cash Equivalents and Investments

   Restricted cash, cash equivalents and investments as reported in the Statement of Net Position and Balance Sheets are comprised of intergovernmental deposits and unspent bond proceeds that shall be used solely for regional highways, bridges and tunnel transportation projects benefiting the member jurisdictions.

3. Prepaid Items

   Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements using the consumption method.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

4. Capital Assets

Capital assets include property and equipment and computer hardware with an individual cost of more than $5,000 and an estimated useful life in excess of one year. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Repairs and maintenance are charged to operations as incurred. Additions and betterments are capitalized. The cost of assets retired and accumulated depreciation are removed from the accounts.

Depreciation and amortization of all exhaustible equipment, leasehold improvements and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Asset Category	Useful Life (years)
Office Furniture and Equipment	5
Automobiles	5

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2019.

Funding of transportation capital projects: For projects approved and funded by the Commission, the Commission does not take ownership of such projects. Therefore, these projects are not reflected on the Commission's financial statements.

5. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's retirement plan and the additions to/deductions from the Commission's retirement plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Compensated Absences

The Commission's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from the Commission's service up to twice the annual earnings. The liability for such leave is reported as incurred in the government-wide statements. Vacation leave for Commission employees is granted to all full-time employees and is earned based upon the length of employment. The General Fund is responsible for paying the liability for compensated balances for employees. The Commission has elected not to record a liability for compensated balances for fiscal year 2019 due to the amount being immaterial.

Accumulated sick leave accrues until employees leave the Commission and will be paid out at 25% of the balance, up to limits established by policy, reflective of years employed.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Long-Term Obligations

   In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

   In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Interfund Transactions

   Transactions among Commission funds are treated as revenues and expenditures or expenses within the funds involved if the transaction involved organizations external to the Commission government.

   Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

   Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

9. Fund Equity

   The Commission reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

   Nonspendable fund balance classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

   Restricted fund balance classification includes amounts constrained to specific purposes by their providers (higher levels of government), through constitutional provisions, or by enabling legislation.

   Committed fund balance classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

9. Fund Equity (Continued)

Assigned fund balance classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.

Unassigned fund balance classification includes the residual balance of the General Fund that has not been restricted, committed or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in more than one classification, the Commission will consider the use of restricted, committed or assigned funds prior to the use of unassigned fund balance as they are needed.

10. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Commission first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

11. Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The Commission currently has items that qualify for reporting in this category, and are described in detail in Note 7.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

12. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission currently has items which arise under the accrual basis of accounting, that qualify for reporting in this category, and are described in detail in Note 7.

13. Subsequent Events

Subsequent events have been evaluated through September 25, 2019, which was the date the financial statements were available to be issued.

Note 2. Deposits and Investments

At June 30, 2019, cash, cash equivalents, and investments consisted of the following, at cost, which approximates fair value:

Governmental Activities

Cash	$ 15,436,375
LGIP	530,133,914
US Bank	334,896,021
State Non-Arbitrage Pool (SNAP)	213,329,550
Union Bank	4,554,868
Total	$ 1,098,350,728

Note 2. Deposits and Investments (Continued)

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (SPDA), Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Commission has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet Commission expenditures, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of the Commission's investment activities in priority order are: safety, liquidity and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

Investment Policy

Investment	Credit Quality
U.S. Treasury Obligations	Bills, notes and any other obligation or securities issued by or backed by the full faith and credit of the United States Treasury. The final maturity shall not exceed a period of three years from the time of purchase.
Federal Agency/ Government Sponsored Enterprise Obligations	Bonds, notes and other obligations of the United States, and securities issued by any federal government agency or instrumentality or government sponsored enterprise except for Collateralized Mortgage Obligations, with a rating of at least "AA" (or its equivalent) by at least two Nationally Recognized Statistical Rating Organizations (NRSROs), one of which will be either Moody's Investors Services, Inc. ("Moody's"), or Standard & Poor's, Inc. ("S&P"). The final maturity shall not exceed a period of three years from the time of purchase.

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investment	Credit Quality
Municipal Obligations	Bonds, notes and other general obligations of the Commonwealth of Virginia and its agencies, authorities, and political subdivisions upon which there is no default, has a rating of at least "AA" by S&P and "Aa" by Moody's, matures within three years of the date of purchase, and otherwise meets the requirements of *Code of Virginia* §2.2-4501.
Commercial Paper	"Prime quality" commercial paper, with a maturity of 270 days or less, issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of at least two of the following: P-1 by Moody's, A-1 by S&P, F-1 by Fitch Investor's Services, Inc., and D-1 by Duff and Phelps, Inc., and that otherwise meets the requirements of *Code of Virginia* §2.2-4502.
Bankers' Acceptance	Issued by domestic banks or a federally chartered office of a foreign bank, which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating of no less than "A-1" by S&P and "P-1" by Moody's.
Corporate Notes	High quality corporate notes with a rating of at least "AA" by S&P and "Aa" by Moody's. The final maturity shall not exceed a period of three years from the time of purchase.
Negotiable Certificates of Deposit and Bank Deposit Notes	Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least "A-1" by S&P and "P-1" by Moody's for maturities of one year or less, and a rating of at least "AA" by S&P and "Aa" by Moody's, for maturities over one year. The final maturity may not exceed a period of three years from the time of purchase.
Non-Negotiable Certificates of Deposit	Demand deposits, time deposits, and other deposits that comply with all aspects of SPDA or with §2.2-4518 with a final maturity no greater than two years.
Repurchase Agreement	In overnight repurchase agreements provided that the following conditions are met: a. the contract is fully secured by deliverable U.S. Treasury and Federal Agency/Government Sponsored Enterprise obligations as described in paragraphs 1 and 2 above, including the maximum maturity of three years, having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investment	Credit Quality
Repurchase Agreement (Continued)	b. a Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction; c. the securities are free and clear of any lien and held by an independent third party custodian acting solely as agent for the Commission, provided such third party is not the seller under the repurchase agreement; d. a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Commission; e. the counterparty is a: i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or ii. a bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and f. the counterparty meets the following criteria: i. a long-term credit rating of at least "AA" or the equivalent from an NRSRO; ii. has been in operation for at least five years; and iii. is reputable among market participants.
Money Market Mutual Funds (Open-Ended Investment Funds)	Shares in open-end, no-load investment funds provided such funds are registered under the Investment Company Act of 1940 and provided that the fund is rated at least "AAAm" or the equivalent by an NRSRO. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the *Code of Virginia* for political sub-divisions.
Local Government Investment Pool (LGIP)	A specialized commingled investment program that operates in compliance with GASB Statement No. 79 ("GASB 79") that was created in the 1980 session of the General Assembly (*Code of Virginia* §2.2-4700 et seq.) designed to offer a convenient and cost-effective investment vehicle for public funds. The LGIP is administered by the Treasury Board of the Commonwealth of Virginia.
Virginia Investment Pool (VIP)	A commingled investment program organized as a local government investment pool with oversight provided by a shareholder elected board of trustees. VIP is designed for the investment of longer-term monies that are not necessary for near term disbursement.

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investment	Credit Quality
Virginia State Non-Arbitrage Program's (Virginia SNAP) SNAP Fund	A specialized commingled investment program that operates in compliance with GASB 79 and that was authorized by the Government Non-Arbitrage Act in 1989 (*Code of Virginia* §2.2-4700 et seq.). Virginia SNAP and the SNAP Fund are administered by the Treasury Board of the Commonwealth of Virginia. Virginia SNAP offers several investment options, including the SNAP Fund, and arbitrage rebate reporting services that are specifically designed for the investment of tax exempt bond proceeds. The Commission's investments in SNAP are stated at amortized cost.

Credit Risk

The investment policy specifies credit quality for certain types of investments, as described below, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services. In addition, the Executive Director must conduct a review of the condition of each authorized financial institution and broker/dealer.

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's, S&P's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by S&P's and "P-1" by Moody's. Notes having a maturity of greater than one year must be rated "AA" by S&P or "Aa" by Moody's.

The Commission's rated investments as of June 30, 2019 were rated by Standard & Poor's and the ratings are presented below.

	Commission's Rated Debt Investments' Values				
	Fair Quality Ratings				
	AAAm	AAA	AA	A	A-1
Government Agencies	$ -	$ -	$ 60,703,535	$ -	$ -
Foreign Government Bonds	-	4,275,820	-	-	-
Commercial Paper	-	-	-	-	25,825,280
Corporate Notes	-	1,527,053	40,605,530	24,275,696	-
U.S. Treasury Obligations	-	-	144,993,745	-	-
Certificates of Deposit	-	-	8,512,040	-	24,056,140
Money Market	121,182	-	-	-	-
Local Government Investment Pool	530,133,914	-	-	-	-
State Non-Arbitrage Pool (SNAP)	213,329,550	-	-	-	-
	$ 743,584,646	$ 5,802,873	$ 254,814,850	$ 24,275,696	$ 49,881,420

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk (Deposits)

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All of the Commission's deposits are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act.

The Commission's investment policy provides that securities purchased for the Commission shall be held by the Commission or by the Commission's custodian. If held by a custodian, the securities must be in the Commission's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Commission. Further, if held by a custodian, the custodian must be a third-party, not a counterparty (buyer or seller) to the transaction. At June 30, 2019, all of the Commission's investments were held in accordance with this policy.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure of the amount and issuer. At June 30, 2019, the Commission's portfolio did not have any investment in a single issuer over 5% that is required to be disclosed.

Interest Rate Risk

In accordance with its investment policy, the Commission manages its exposure to declines in fair values by limiting the maturity of various investment vehicles, as indicated in the chart below.

The limitations provided in the investment policy for maximum maturity and percentage of the portfolio for each category of investment are as follows:

Permitted Investment	Sector Limit	Issuer Limit
U.S. Treasury Obligations	100%	100%
Federal Agency/GSE Obligations	100%	35%
Municipal Obligations	15%	5%
Commercial Paper	35%	5%
Bankers' Acceptances	35%	5%
Corporate Notes	15%	5%
Negotiable Certificates of Deposit and Bank Deposit Notes	15%	5%
Bank Deposits and Non-Negotiable Certificates of Deposit	100%	100%
Repurchase Agreements	25%	25%
Money Market Mutual Funds	25%	25%
LGIP	100%	100%
VIP	25%	25%
Virginia SNAP-SNAP Fund (Proceeds of Tax Exempt Bonds Only)	100%	100%

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

As a means of limiting exposure to fair value losses arising from interest rates, the Commission's policy limits investments to investments with a duration and/or weighted average maturity of the total investment portfolio not to exceed two years.

		Investment Maturities (in years)		
	Fair Value	Less Than 1 Year	1 - 5 Years	Over 5 Years
U.S. Treasury Obligations	$ 144,993,745	$ 23,827,217	$ 121,166,528	$ -
Foreign Government Bonds	4,275,820	1,990,480	2,285,340	-
Certificates of Deposit	32,568,180	24,056,140	8,512,040	-
Money Market	121,182	121,182	-	-
Corporate Notes	66,408,279	24,190,781	42,217,498	-
Commercial Paper	25,825,280	25,825,280	-	-
Government Agencies	60,703,535	21,977,489	35,636,215	3,089,831

As of June 30, 2019, the Commission had investments of $530,133,914 in the LGIP for governmental activities. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Commission's investments in LGIP are stated at amortized cost and classified as cash and cash equivalents.

Note 3. Fair Value Measurement

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.

Level 3 Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

Note 3. Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Commission's assets at fair value as of June 30, 2019:

	June 30, 2019	Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Treasury Obligations	$ 144,993,745	$ 144,993,745	$ -	$ -
Government Agency (State Taxable)	60,703,535	-	60,703,535	-
Foreign Government Bonds	4,275,820	-	4,275,820	-
Corporate Notes	66,408,279	-	66,408,279	-
Commercial Paper	25,825,280	-	25,825,280	-
Certificates of Deposit	32,568,180	-	32,568,180	-
Money Market	121,182	121,182	-	-

Note 4. Due To/From Other Governments

At June 30, 2019, due from the Commonwealth of Virginia consisted of the following:

	Special Revenue Fund
Sales and Use Tax	$ 17,653,517
Motor Fuel Tax	7,424,592
Total	$ 25,078,109

At June 30, 2019, due to other governments and due to the Commonwealth of Virginia consisted of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund
Virginia Department of Transportation	$ -	$ 51,051,593	$ 13,586,960
Virginia Department of Motor Vehicles	-	199,933	-
Hampton Roads Planning District	56,618	830,614	-
	$ 56,618	$ 52,082,140	$ 13,586,960

Note 5. Long-Term Debt

Changes in long-term debt consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Senior lien revenue bonds	$ 500,000,000	$ -	$ -	$ 500,000,000	$ -
Premium on bonds	82,424,692	-	2,113,454	80,311,238	-
	$ 582,424,692	$ -	$ 2,113,454	$ 580,311,238	$ -

Details of long-term obligations are as follows:

In 2018, the Commission issued $500,000,000 in senior lien revenue bonds, Series 2018A, due in annual installments of $4,745,000 to $37,915,000, plus semi-annual interest at 5.0% to 5.5%. The bonds were issued at a premium of $83,270,073, which will be amortized over the life of the bonds.

Annual requirements to amortize long-term obligations and related interest are as follows:

	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2018A	
Year(s) Ending June 30,	Principal	Interest
2020	$ -	$ 25,854,075
2021	-	25,854,075
2022	-	25,854,075
2023	-	25,854,075
2024	-	25,854,075
2025-2029	20,460,000	127,798,375
2030-2034	31,885,000	121,122,375
2035-2039	40,695,000	112,312,625
2040-2044	51,935,000	101,069,875
2045-2049	75,680,000	86,721,625
2050-2054	139,135,000	60,871,125
2055-2058	140,210,000	19,794,500
	$ 500,000,000	$ 758,960,875

Note 6. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include additional fees or taxes imposed in each of the Member Jurisdictions as follows:

- An additional Retail Sales Tax of 0.7% is added to the standard rate of retail sales tax imposed by the Virginia Code. The additional tax is not levied upon food purchased for human consumption.
- An additional Motor Fuel Tax at a rate of 2.1% on retail sales of motor vehicle fuel levied by the Commonwealth of Virginia through its Department of Motor Vehicles.

Note 7. Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of the Commission are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The Commission is a new entity and has not been included in the actuarial calculations with VRS for the current year.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

Plan 1	Plan 2	Hybrid Retirement Plan
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		About the Hybrid Retirement Plan (Continued) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees.* • Members in Plan 1 or Plan 2 who elect to opt into the plan during the election window held January 1 – April 30, 2014; in the plan's effective date for opt-in members was July 1, 2014. **<u>* Non-Eligible Members</u>** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Retirement Contributions	**Retirement Contributions**	**Retirement Contributions**
Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Same as Plan 1.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contribution Component** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 ½.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component** See definition under Plan 1. **Defined Contribution Component** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** The retirement multiplier for the defined benefit component is 1.0%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age with at least 5 years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component** Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component** Age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Not applicable.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement (Continued) **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)** **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)** **Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	**Disability Coverage** Eligible political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported services. **Defined Contribution Component** Not applicable.

Employees Covered by Benefit Terms

As of June 30, 2019, the following employees were covered by the benefit terms of the pension plan:

Active Members	2

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement.

The Commission's contractually required contribution rate for the year ended June 30, 2019 was 13.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $35,265 and $40,173 for the years ended June 30, 2019 and 2018, respectively.

B. Net Pension Asset

The net pension asset is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Commission's net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total pension liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate or return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Note 7. Pension Plan (Continued)

B. Net Pension Asset (Continued)

Actuarial Assumptions (Continued)

Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Note 7. Pension Plan (Continued)

B. Net Pension Asset (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation is best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
* Expected arithmetic nominal return			7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Commission retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Note 7. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2017	$ 78,295	$ 74,964	$ 3,331
Changes for the year:			
Service cost	43,344	-	43,344
Interest	5,481	-	5,481
Differences between expected and actual experience	(4,896)	-	(4,896)
Contributions - employer	-	40,173	(40,173)
Contributions - employee	-	12,538	(12,538)
Net investment income	-	6,867	(6,867)
Administrative expense	-	(13)	13
Other changes	-	(8)	8
Net changes	43,929	59,557	(15,628)
Balances at June 30, 2018	$ 122,224	$ 134,521	$ (12,297)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following represents the net pension liability (asset) calculated using the stated discount rate, as well as what the net pension liability (asset) would be if it were calculated using a stated discount rate that is one-percentage point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Plan's net pension liability (asset)	$ 3,970	$ (12,297)	$ (25,873)

Note 7. Pension Plan (Continued)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the Commission recognized pension expense of ($32,637). At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 35,265	$ -
Net difference between projected and actual earnings on pension plan investments	28,789	4,281
Changes of assumptions	-	3,821
Net difference between projected and actual earnings on pension plan investments	-	1,187
	$ 64,054	$ 9,289

The $35,265 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ending June 30, 2020.

Amounts reported as deferred outflows of resources related to pensions as of June 30, 2019 will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	$ 3,420
2021	3,418
2022	3,367
2023	3,856
2024	3,812
Therafter	1,627
Total	$ 19,500

E. Pension Plan Data

Information about the VRS is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://varetire.org/pdf/publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 8. Operating Leases and Agreements

Governmental Activities

The Commission leases office space under a 36-month agreement, which commenced on November 9, 2015 and expired November 30, 2018. The lease provides an additional option to renew for two additional terms of one year at which time annual rent will be increased to an amount equal to 105% of the annual rent in effect. The Commission exercised their first option to renew their lease for an additional year which expires on November 30, 2019. The current lease terms call for the Commission to pay $917 monthly ($11,008 annually). Rent expense for Governmental Activities as reported in the government-wide financial statements totaled $11,008.

As of June 30, 2019, the future minimum long-term lease commitments were as shown below:

Year Ending June 30,	Amount
2020	$ 4,816

Note 9. Interfund Transfers

Transfers from the Special Revenue Fund to the General Fund are for general administration. Transfers from the Capital Projects Fund to the Special Revenue Fund were made to cover the costs of capital projects incurred by the Special Revenue Fund. Transfers from the General Fund to the Special Revenue Fund were made to remit Motor Fuel and Sales Tax revenues received by the General Fund to the Special Revenue Fund. Transfers from the Special Revenue Fund to the Debt Service Fund were made to cover debt service requirements.

Note 10. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from VML Insurance Programs, a group insurance pool in the Commonwealth of Virginia. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded insurance coverage for the past three years.

Note 11. Pending GASB Statements

At June 30, 2019, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Commission. The statements which might impact the Commission are as follows:

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

Note 11. Pending GASB Statements (Continued)

GASB Statement No. 87, *Leases*, will increase the usefulness of the Commission's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

Management has not yet determined the effect these statements will have on its financial statements.

Note 12. Development and Delivery of Congestion Relief Projects – Project Agreements with VDOT

The Commission has entered into Standard Project Agreements with the Virginia Department of Transportation (VDOT) for its pre-HRBT projects, and a Project Administration and Funding Agreement with VDOT for the HRBT Expansion Project, both of which relate to the Commission's funding of approved projects that will be part of VDOT's statewide transportation system. To date, all of the Commission's projects are included in the statewide transportation system. Under certain Project Agreements, the Commonwealth Transportation Board has agreed to also contribute state funds to the construction of Commission projects. Under all Project Agreements to date, VDOT has agreed to provide administration of project construction as reimbursed by the Commission, and VDOT has assumed responsibility for operation and maintenance of the projects at no cost to the Commission. The Commission's funding obligation under each of these agreements is limited to the amounts budgeted. If VDOT determines it may incur additional, unbudgeted costs, such as to cover cost overruns, the Commission has the option to provide additional funding, cancel the project or a portion thereof, or authorize VDOT to make modifications or reductions in scope or design to stay within the initial budget under the applicable Standard Project Agreement.

The Commission's executed Standard Project Agreements, PAFA for HRBT, and funding shares looking forward are described below. In the administration of its financing plan, the Commission will continue to allocate funds to such projects and others, and such contributions will be made either from Bond proceeds or other available funds.

Commission Projects Under Agreements with VDOT (in Millions)

	Year Ending June 30,							
	2020	2021	2022	2023	2024	2025	2026	Total
Interstate 64 Peninsula Widening (Segments 1-3)	$ 52	$ 6	$ -	$ -	$ -	$ -	$ -	$ 58
I-64/I-264 Interchange Improvements (Phases I-III)	42	24	-	-	-	-	-	66
I-64 Southside Widening and High Rise Bridge Project (Phase I)	162	79	-	-	-	-	-	241
(Mega Project) Delivery of HRBT Expansion Project	365	1,129	714	546	531	181	11	3,477

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REQUIRED SUPPLEMENTARY INFORMATION

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,	
	2018	**2019**
Total Pension Liability:		
Service cost	$ 44,473	**$ 43,344**
Interest	-	**5,481**
Differences between expected and actual experience	-	**(4,896)**
Changes of assumptions	(5,175)	**-**
Benefit payments, including refunds of employee contributions	38,997	**-**
Net change in total pension liability	78,295	**43,929**
Total pension liability - beginning	-	**78,295**
Total pension liability - ending (a)	$ 78,295	**$ 122,224**
Plan Fiduciary Net Position:		
Contributions - employer	$ 39,187	**$ 40,173**
Contributions - employee	12,231	**12,538**
Net investment income	5,504	**6,867**
Administrative expense	20	**(13)**
Other	(7)	**(8)**
Net change in plan fiduciary net position	56,935	**59,557**
Plan fiduciary net position - beginning	18,029	**74,964**
Plan fiduciary net position - ending (b)	$ 74,964	**$ 134,521**
Commission's net pension liability (asset) - ending (a)-(b)	$ 3,331	**$ (12,297)**
Plan fiduciary net position as a percentage of the total pension liability	N/A	**N/A**
Covered payroll	$ 265,658	**$ 264,821**
Commission's net pension liability (asset) as a percentage of covered payroll	1.25%	**(4.64%)**

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years which information is available.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF COMMISSION CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2018	Fiscal Year June 30, **2019**
Contractually required contribution (CRC)	$ 40,173	**$ 35,265**
Contributions in relation to the CRC	40,173	**35,265**
Contribution deficiency (excess)	$ -	**$ -**
Employer's covered payroll	$ 265,658	**$ 264,821**
Contributions as a percentage of covered payroll	15.12%	**13.72%**

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
Year Ended June 30, 2019

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change

Note 3. Contractually Required Contributions

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Expenditures				
General and administrative	$ 2,464,512	$ 4,447,512	$ 578,082	$ (3,869,430)
Total expenditures	2,464,512	4,447,512	578,082	(3,869,430)
Deficiency of revenues under expenditures	(2,464,512)	(4,447,512)	(578,082)	3,869,430
Other Financing Sources (Uses)				
Transfers in	2,464,512	4,447,512	578,082	3,869,430
Transfers out	-	-	(6,741,794)	6,741,794
Total other financing sources (uses)	2,464,512	4,447,512	(6,163,712)	(10,611,224)
Net change in fund balance	-	-	(6,741,794)	(6,741,794)
Fund Balance, beginning of year	-	-	6,674,876	-
Fund Balance (Deficit), end of year	$ -	$ -	$ (66,918)	$ (6,741,794)

Note:

The Commission adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Commission to determine the annual transfer required from the Special Revenue Fund to fund its general and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

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SUPPLEMENTARY INFORMATION

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES
Year Ended June 30, 2019

Expenditures		
Salaries and wages	$	264,821
Employee benefits		44,025
VRS contributions		35,265
Support services - HRTPO/HRPDC		118,302
Office rent		11,329
Office furniture and equipment		12,728
Professional and legal		45,700
Travel and meeting		17,177
Insurance		3,752
Computer hardware		24,166
Other		817
Total expenditures	$	578,082

COMPLIANCE SECTION

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PBMares[SM]

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Commission Board Members
Hampton Roads Transportation Accountability Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the remaining fund information of the Hampton Roads Transportation Accountability Commission (Commission), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
September 25, 2019

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated _______________, 2020 (the "Disclosure Undertaking"), is executed and delivered by the Hampton Roads Transportation Accountability Commission (the "Commission"), in connection with the issuance by the Commission of its $_____ Hampton Roads Transportation Fund Senior Lien Bonds, Series 2020A (the "Series 2020A Bonds"). The Commission hereby covenants and agrees as follows:

Section 1. Purpose. This Disclosure Undertaking is being executed and delivered by the Commission for the benefit of the holders of the Series 2020A Bonds and in order to assist the original purchasers of the Series 2020A Bonds in complying with the provisions of Section (b)(5)(i) of Securities and Exchange Commission ("SEC") Rule 15c2-12, as amended (the "Rule"), by providing certain annual financial information and event notices required by the Rule (collectively, "Continuing Disclosure").

Section 2. Annual Disclosure.

(a) The Commission shall provide annually certain financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) the audited financial statements of the Commission prepared in accordance with accounting principles generally accepted in the United States; and

(ii) updated operating data of the type described in the Official Statement for the Series 2020A Bonds in (A) Table I: "Historical Hampton Roads Transportation Fund Revenues," (B) Appendix E, Table 1: "HRTF Revenues," (C) Appendix E, Table 2: "Hampton Roads Transportation Fund (HRTF) Revenues and Expenditures," and (D) Appendix E, Table 3: "Hampton Roads Transportation Fund (HRTF) Transportation Project Expenditures."

(b) The Commission shall file annually with the Municipal Securities Rulemaking Board (the "MSRB") the financial information and operating data described in subsection (a) above (collectively, the "Annual Disclosure") within 180 days after the end of the Commission's fiscal year, commencing with the Commission's fiscal year ending June 30, 2020.

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(d) The Commission shall file with the MSRB in a timely manner notice specifying any failure of the Commission to provide the Annual Disclosure by the date specified.

Section 3. Event Disclosure. The Commission shall file with the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Series 2020A Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on any credit enhancement reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2020A Bonds, or other material events affecting the tax status of the Series 2020A Bonds;

(g) modifications to rights of Bondholders, if material;

(h) bond calls, if material, and tender offers;

(i) defeasance of all or any portion of the Series 2020A Bonds;

(j) release, substitution, or sale of property securing repayment of the Series 2020A Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Commission;

(m) the consummation of a merger, consolidation, or acquisition involving the Commission or the sale of all or substantially all of the assets of the Commission, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

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

(o) incurrence of a "Financial Obligation"* of the Commission, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Commission, any of which affect Bondholders of the Series 2020A Bonds, if material; and

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

Section 4. Termination. The obligations of the Commission hereunder will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Series 2020A Bonds.

Section 5. Amendment. The Commission may modify its obligations hereunder without the consent of Bondholders, provided that this Disclosure Undertaking as so modified complies with the Rule as it exists at the time of modification. The Commission shall within a reasonable time thereafter file with the MSRB a description of such modification(s).

Section 6. Defaults. (a) If the Commission fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Undertaking, any holder (within the meaning of the Rule) or beneficial holder of Bonds then outstanding may, by notice to the Commission, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Commission's covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Commission to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Undertaking (i) shall not be deemed to constitute an event of default under the Series 2020A Bonds or the Master Indenture of Trust, and any supplement thereto, providing for the issuance of the Series 2020A Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

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* "Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Section 7. Filing Method. Any filing required hereunder shall be made by transmitting such disclosure, notice or other information in electronic format to the MSRB through the MSRB's Electronic Municipal Market Access (EMMA) system pursuant to procedures promulgated by the MSRB.

Section 8. Additional Disclosure. The Commission may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Commission will not incur or be subject to any obligation or duty to continue to provide, or to update, such additional information or data.

Section 9. Dissemination Agent. The Commission may, in its discretion, from time to time appoint or engage an entity to serve as Dissemination Agent to assist the Commission in fulfilling its covenants and obligations regarding this Disclosure Undertaking. HRTAC anticipates utilizing the services of Digital Assurance Certification, L.L.C. to serve as Dissemination Agent.

Section 10. Counterparts. This Disclosure Undertaking may be executed in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11. Governing Law. This Disclosure Undertaking shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

By:____
Linda T. Johnson, Chair

By:____
Kevin B. Page, Executive Director

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APPENDIX D

DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING PLANNING DISTRICT 23 AND THE HAMPTON ROADS MSA

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DEMOGRAPHIC, ECONOMIC AND FINANCIAL INFORMATION REGARDING PLANNING DISTRICT 23 AND THE HAMPTON ROADS MSA

Member Localities

The Member Localities of HRTAC currently include:

City of Chesapeake	City of Poquoson	Isle of Wight County
City of Franklin	City of Portsmouth	James City County
City of Hampton	City of Suffolk	Southampton County
City of Newport News	City of Virginia Beach	York County
City of Norfolk	City of Williamsburg	

Cities and counties in the Commonwealth are independent entities; therefore, the Member Localities do not overlap.

Economic Profile

Much of the statistical information contained below is provided with respect to the Virginia portion of the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (the "Hampton Roads MSA"), which includes all of HRTAC's Member Localities other than Southampton County and the City of Franklin. The Counties of Mathews and Gloucester are included in the Hampton Roads MSA but are not Member Localities. The information provided in this Appendix D about the Hampton Roads MSA is taken from a report of the Virginia Employment Commission dated November 14, 2019, entitled "Virginia Community Profile – Virginia Beach-Norfolk-Newport News MSA (VA Part)" (the "Virginia Employment Commission Report"). Such information is limited to the Virginia portions of the Hampton Roads MSA and omits the portions of northeastern North Carolina that are otherwise included in the Hampton Roads MSA where possible.

The Hampton Roads region is a metropolitan area in Southeastern, Virginia, with a growing population of more than 1.7 million people. The economy of Hampton Roads is largely driven by U.S. military employment and federal civilian contracting, as well as industries such as shipbuilding that are highly dependent on the Department of Defense. Other important economic drivers include the tourism industry, healthcare services, retail, and cargo shipping through the Port of Virginia.

Military. The presence of the military in the Hampton Roads MSA has a significant impact on the regional economy. Norfolk is the home of the world's largest naval complex, with headquarters for the Commander in Chief of U.S. Atlantic Command, NATO's Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. Naval Station Norfolk is home to six aircraft carriers. Overall, Hampton Roads is home port to approximately 68 ships and home to 37 aircraft squadrons.

The Hampton Roads MSA is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in Norfolk. The Langley Air Base is located in Hampton and the U.S. Army facilities at Fort Eustis are located in Newport News. Norfolk hosts the U.S. Navy's Norfolk Naval Ship Yard and various military facilities are located in almost every Member Locality, including the Oceana Naval Air Station, Oceana Naval Air Station Dam Neck Annex and Joint Expeditionary Base Little Creek-Fort Story in Virginia Beach, Naval Weapons Center in York County, and Department of Defense and U.S. Navy technology complexes in Suffolk.

The military assigns to and reassigns from its various locations within the region ships, squadrons and personnel on a regular basis. Due to the ongoing military presence, the arrivals and departures from the region do not typically alter the military's year-to-year economic impact on the region.

According to the most recent data available, the U.S. Navy's direct economic impact on the region was $16.1 billion in Fiscal Year 2018, comprised of a total annual payroll of $11.7 billion and the balance consumed on goods and services and procurement contracts. See Navy Region Mid-Atlantic Public Affairs Office Advisory No. 19-32, Dec. 10, 2019. The region is likely to continue as a center of activity for the U.S. Navy with total working personnel (military and civilian) in Fiscal Year 2018 of more than 136,000, with an additional 15,321 military contractor personnel.

The shipbuilding and repair industry in the Hampton Roads MSA, though diverse, is highly dependent on military funding for new vessels and vessel repairs, repair cancellations or deferrals, the number of Navy Ships homeported in the region and other factors affecting the predictability and stability of work flows and access to work by smaller firms. Significant layoffs and additional employment demands occur from time to time. Newport News-based Huntington Ingalls is the largest industrial employer in the Commonwealth and the region is home to a number of other industry participants, including General Dynamics – NASSCO, BAE Systems, Norfolk Ship Repair and Colonna's Shipyard, Inc.

The Virginia Port Authority. The Port of Virginia (the "Port"), one of the world's largest natural deep-water harbors, is an integral part of the Hampton Roads economy. In 1981, the General Assembly of the Commonwealth passed legislation that unified the ports in the Hampton Roads MSA under a single agency, the Virginia Port Authority, with a single operating company named Virginia International Terminals, Inc. The terminals of the Port are situated in several different locations in Hampton Roads, including Norfolk International Terminal in Norfolk, Newport News Marine Terminal in Newport News, Portsmouth Marine Terminal in Portsmouth, and Virginia International Gateway ("VIG") in Portsmouth. VIG is the newest and most technologically advanced of the terminals and unlike the other terminals it is leased from a private owner rather than owned by the Virginia Port Authority. The VIG lease extends through December 31, 2065.

The Port has the third highest volume of seaports on the east coast of the United States in terms of total value of port trade, after New York / New Jersey and Savannah, Georgia. In 2019, the Port handled a total of 21,940,750 tons of general cargo, including 21,779,260 tons of containerized cargo, with 161,490 tons of breakbulk making up the remainder.

Table 1
Virginia Port Authority Terminals
General Cargo Tonnage
Calendar Years 2012 – 2019

Calendar Year	Total General Cargo Tonnage (in thousands)	Percent Change Over Previous Year
2012	17,528	12.24%
2013	18,840	7.49
2014	19,061	1.17
2015	19,978	4.81
2016	20,869	4.50
2017	21,972	5.30
2018	21,975	0.01
2019	21,940	(0.01)

Source: Virginia Port Authority.

The Virginia Port Authority has worked on several initiatives to facilitate further growth. The Heartland Corridor rail transport project has expanded the Port's rail access to markets in Ohio, Illinois, Michigan and points west. VIG is currently pursuing a 650-berth expansion, together with other improvements. In 2016, the Port received a $350,000,000 investment from the Commonwealth to expand cargo capacity and increase capacity by 46%, as well as to improve the speed at which the cargo moves through the area. As part of that investment, a 300-acre expansion of Norfolk International Terminal has been announced and is expected to transform Norfolk International Terminal into the largest inter-modal center in the United States. In 2018, the Port received a $15.5 million federal grant to double its rail capacity at its Virginia Inland Port, to add equipment, and to build a new highway bridge grade separation.

Tourism. From Colonial Williamsburg to the Atlantic Ocean at Virginia Beach, Hampton Roads has a wide variety of tourism activities where tourists spend an aggregate of approximately $4.6 billion per year. Tourist attractions in the northwestern part of Hampton Roads include Colonial Williamsburg which consists of the restored Colonial Capital and Governor's Manson with related shops, educational exhibits and presentations; the Jamestown Settlement, including living history exhibits and presentations on the original English settlement in Virginia; the Yorktown Battlefield which was the final battlefield of the American Revolutionary War; and the Colonial Parkway connecting these three locations. The Busch Gardens Williamsburg and Water Country USA theme parks are also in the Williamsburg area.

The oceanfront area in Virginia Beach offers extensive tourist attractions, including the Virginia Beach Aquarium and Virginia Beach Air Museum, and over 7,700 hotel rooms. Virginia Beach also attracts significant convention and conference visits, driving economic activity and tax receipts. Virginia Beach also has two state parks that offer camping and hiking.

Hampton Roads also hosts a large variety of museums including history, art, science, military, nature and children's museums, particularly including the Virginia War Museum (in Hampton), The Chrysler Museum of Art (in Norfolk), Virginia Air and Space Center (in Hampton), Norfolk Botanical Garden, the Virginia Zoo (in Norfolk), the Children's Museum of Virginia (in Portsmouth), the Mariner's Museum (in Newport News) and the Nauticus Naval Museum (in Norfolk) which features the decommissioned U.S. Navy battleship USS Wisconsin.

Population

The Hampton Roads MSA is the 37th largest metropolitan statistical area in the United States based on population figures from the 2010 U.S. Census. The Weldon Cooper Center for Public Service estimates that the population of the Hampton Roads Planning District in July 2019 was 1,729,109 and that the region experienced average annual population growth of 3.8% from 2010 through 2019.[1] Hampton Roads localities account for approximately 20% of the Commonwealth's total population.

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[1] The Hampton Roads Planning District includes the Counties of Gloucester and Surry, accounting for the difference between this figure and the calendar year 2019 figure stated in Table 2.

Table 2
Population Trend Comparisons
2009 – 2019

Calendar Year	Hampton Roads MSA	Percentage Change	U.S.[1]	Percentage Change
2009	1,636,770	0.29%	306,771,529	0.88%
2010	1,641,078	0.26	309,326,085	0.83
2011	1,654,311	0.81	311,580,009	0.72
2012	1,672,401	1.09	313,874,218	0.39
2013	1,682,842	0.62	316,057,727	0.26
2014	1,690,090	0.43	318,386,421	1.01
2015	1,700,609	0.62	320,742,673	0.94
2016	1,702,431	0.11	323,071,342	0.28
2017	1,704,710	0.13	325,147,121	1.13
2018	1,702,889	-0.11	327,167,434	1.01
2019	1,705,077	0.13	329,018,969	0.56

Sources: U.S. Census Bureau and University of Virginia Weldon Cooper Center for Public Service: Demographic Research Group (hereinafter, the "Weldon Cooper Center").
Notes: (1) U.S. population estimates are from the U.S. Census Bureau.

Table 3 shows the population distribution by age in the Hampton Roads MSA, the Commonwealth of Virginia and the United States, as reported by the 2017 U.S. Census Bureau Population Estimates.

Table 3
Population by Age in Hampton Roads MSA

	Hampton Roads MSA	Virginia	United States
Under 5 years	109,035	510,924	19,810,275
5 to 9 years	105,051	514,457	20,195,642
10 to 14 years	104,632	528,362	20,879,527
15 to 19 years	113,514	542,284	21,097,221
20 to 24 years	136,256	578,812	21,873,579
25 to 29 years	138,965	604,186	23,561,756
30 to 34 years	127,513	586,120	22,136,018
35 to 39 years	109,134	578,634	21,563,587
40 to 44 years	105,584	526,249	19,714,301
45 to 49 years	100,797	558,081	20,747,135
50 to 54 years	104,322	567,303	20,884,564
55 to 59 years	115,288	583,042	21,940,985
60 to 64 years	105,825	523,830	20,331,651
65 to 69 years	85,243	432,802	17,086,893
70 to 74 years	64,775	346,236	13,405,423
75 to 79 years	44,568	235,193	9,267,066
80 to 84 years	30,517	149,278	6,127,308
85 years and over	28,095	151,892	6,544,503
Total	**1,729,114**	**8,517,685**	**327,167,434**

Source: U.S. Census Bureau, 2020 (Virginia and United States as of July 1, 2018; Hampton Roads MSA as of 2018).

Based on 2017 U.S. Census information, population in the Hampton Roads MSA has been consistently growing. The Virginia Employment Commission projects that that the population of both the Hampton Roads MSA and Virginia will continue to grow in the future.

Table 4
Population Change in Hampton Roads MSA

Calendar Year	Hampton Roads MSA	(% change)	Virginia	(% change)
2000	1,551,898	-	7,079,030	-
2010	1,641,078	5.75%	8,001,024	13.02%
2020	1,753,966	6.88	8,744,273	9.29
2030	1,840,560	4.94	9,546,958	9.18
2040	1,900,007	3.23	10,201,530	6.86

Sources: U.S. Census Bureau, 2017, and Virginia Employment Commission Labor Market Information *Virginia Community Profile: Virginia Beach-Norfolk-Newport News MSA* (hereinafter, the "Virginia Employment Commission Report") (as of June 25, 2020).

Table 5
Population Projections by Age and Gender in Hampton Roads MSA

	2020		2030		2040	
	Female	Male	Female	Male	Female	Male
Under 5 years	54,536	56,693	55,771	57,945	55,728	57,868
5 to 9 years	51,916	53,706	54,503	56,369	55,037	56,906
10 to 14 years	53,544	55,794	55,441	57,768	57,465	59,889
15 to 19 years	54,410	57,752	54,559	57,966	57,668	61,323
20 to 24 years	60,966	70,840	62,965	73,082	64,912	75,172
25 to 29 years	66,702	69,607	61,351	63,846	61,684	64,186
30 to 34 years	64,142	63,855	59,274	58,747	61,360	60,737
35 to 39 years	60,791	59,016	66,315	64,092	62,088	59,850
40 to 44 years	52,483	48,968	63,700	59,389	59,753	55,589
45 to 49 years	50,223	46,751	58,780	54,756	64,736	60,626
50 to 54 years	54,342	50,095	51,079	47,066	62,324	57,503
55 to 59 years	63,181	56,861	48,969	44,095	57,565	51,850
60 to 64 years	60,417	52,748	52,803	46,136	49,786	43,503
65 to 69 years	48,021	40,278	58,438	49,080	46,221	38,824
70 to 74 years	38,923	31,401	53,522	43,058	47,294	38,180
75 to 79 years	27,036	19,936	39,169	28,899	47,214	34,791
80 to 84 years	17,612	11,420	27,637	18,028	37,625	24,427
85 years and over	19,651	9,355	24,302	11,649	34,212	16,490
Total by Gender	**898,896**	**855,076**	**948,578**	**891,971**	**982,672**	**917,350**
Total		**1,753,972**		**1,840,549**		**1,900,022**

Source: Virginia Employment Commission Report and Weldon Cooper Center.

Hampton Roads includes three of the ten most populous local jurisdictions in Virginia, including four of the five largest cities. Virginia Beach is the second most populous locality in Virginia besides Fairfax County in Northern Virginia. The populations of certain urban counties in Northern Virginia and the Richmond area exceed populations of Norfolk, Chesapeake, and Newport News.

Table 6
Five Most Populous Cities in Virginia

City[1]	2010 Census Population	2019 Population Estimate
Virginia Beach	437,994	452,643
Chesapeake	222,209	245,745
Norfolk	242,803	245,054
Richmond	204,219	226,841
Newport News	180,719	181,000

Sources: U.S. Census Bureau and the Weldon Cooper Center (January 27, 2020).
Note: (1) Data does not take into account urban counties such as Fairfax and Arlington.

The most populous Member Localities are the Cities of Virginia Beach, Norfolk and Chesapeake, which are contiguously located in the southeastern corner of the state, encompassing territory between the Atlantic Ocean, the Chesapeake Bay, and the North Carolina border. These localities, with others, are located to the south of the harbor and the Hampton Roads Bridge-Tunnel, and are known as the "Southside." Another large portion of the region's population is clustered in the Cities of Newport News and Hampton on the Virginia Peninsula, situated between the York River and James River and extending into the Chesapeake Bay north of the Hampton Roads Bridge-Tunnel.

The five most populous Member Localities (the Cities of Virginia Beach, Norfolk, Chesapeake, Newport News and Hampton) account for approximately 75% of the region's population.

Table 7
Population by Member Locality

Member Locality	2019 Population Estimate	Percentage of Total
City of Chesapeake	245,745	14.58%
City of Franklin	8,261	0.49
City of Hampton	135,753	8.05
City of Newport News	181,000	10.74
City of Norfolk	245,054	14.54
City of Poquoson	12,395	0.74
City of Portsmouth	94,581	5.61
City of Suffolk	93,825	5.57
City of Virginia Beach	452,643	26.86
City of Williamsburg	15,383	0.91
Isle of Wight County	37,649	2.23
James City County	75,907	4.50
Southampton County	17,855	1.06
York County	69,407	4.12
Total	1,685,458	

Sources: U.S. Census Bureau and the Weldon Cooper Center (January 27, 2020).

Residential concentration largely follows population by jurisdiction; however, the region includes significant affluent suburban communities with strong real estate values.

Table 8
2018 Tax Year Assessed Value of Taxable Real Estate of Member Locality

Member Locality	Assessed Value
City of Chesapeake	$26,639,866,700
City of Franklin	565,805,145
City of Hampton	10,855,226,400
City of Newport News	15,364,793,800
City of Norfolk	19,437,728,600
City of Poquoson	1,602,049,325
City of Portsmouth	7,494,771,402
City of Suffolk	9,772,028,500
City of Virginia Beach	57,236,895,600
City of Williamsburg	1,872,691,459
Isle of Wight County	5,088,426,019
James City County	12,973,922,300
Southampton County	2,135,124,100
York County	14,308,656,457

Source: Virginia Department of Taxation 2019 Annual Report (Tax Year 2018).

Although Hampton Roads encompasses numerous local jurisdictions and movement within the region often requires water crossings, the economy of the region is well integrated, as demonstrated by the commuting patterns within the area, including significant commuting between the Southside and the Virginia Peninsula, largely by way of the Hampton Roads Bridge-Tunnel. There is also significant commuting into and out of the region.

Employment Statistics

The following table illustrates the unemployment rates for the Hampton Roads MSA, the state and the United States for the years since 2008. Through April 2019, the unemployment rate in the Hampton Roads MSA is 2.8%, which is below the Commonwealth of Virginia's unemployment rate of 2.9% and the national unemployment rate of 3.6%.

Table 9
Unemployment Rates
2008 – 2019

Calendar Year	Hampton Roads MSA	Virginia	U.S.
2009	6.9%	6.7%	9.3%
2010	7.6	7.1	9.6
2011	7.3	6.6	8.9
2012	6.8	6.1	8.1
2013	6.2	5.7	7.4
2014	5.7	5.2	6.2
2015	4.9	4.5	5.3
2016	4.7	4.1	4.9
2017	4.1	3.7	4.4
2018	3.2	3.0	3.9
2019	3.1	2.8	3.7

Source: Virginia Employment Commission Report.

Although large employers such as the Department of Defense are critical to the Hampton Roads economy, the region's employment is, like much of the United States, largely reliant on the success of small businesses, as demonstrated by Tables 10 and 11 below.

Table 10
Employers by Size of Establishment in Hampton Roads MSA

	Hampton Roads MSA	Virginia
0 to 4 employees	22,716	174,215
5 to 9 employees	6,658	39,029
10 to 19 employees	5,497	28,864
20 to 49 employees	4,082	21,667
50 to 99 employees	1,377	7,458
100 to 249 employees	742	3,965
250 to 499 employees	188	1,132
500 to 999 employees	63	379
1,000 and over employees	55	258
Total	**41,378**	**276,967**

Source: Virginia Employment Commission Report.

Table 11
Employment by Size of Establishment in Hampton Roads MSA

	Hampton Roads MSA	**Virginia**
0 to 4 employees	33,850	235,552
5 to 9 employees	44,747	259,787
10 to 19 employees	75,369	393,338
20 to 49 employees	124,203	657,331
50 to 99 employees	93,840	511,805
100 to 249 employees	110,286	588,047
250 to 499 employees	63,681	386,792
500 to 999 employees	44,019	260,623
1,000 and over employees	160,981	682,778
Total	**750,976**	**3,976,053**

Source: Virginia Employment Commission Report.

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As noted earlier in this Appendix D, defense, seaport, healthcare and tourism related industries are major drivers of the regional economy, as demonstrated by the 50 largest employers in the Hampton Roads MSA and the industry-sorted statistics in the following tables.

Table 12
50 Largest Employers in Hampton Roads MSA

1. U.S. Department of Defense
2. Huntington Ingalls Industries, Inc.
3. Sentara Healthcare
4. City of Virginia Beach Schools
5. Wal Mart
6. Riverside Regional Medical Center
7. City of Virginia Beach
8. Chesapeake City Public School Board
9. Norfolk City School Board
10. Food Lion
11. City of Norfolk
12. Newport News Public Schools
13. City of Newport News
14. City of Chesapeake
15. Old Dominion University, Norfolk
16. Target Corp
17. Anthem
18. Hampton City School Board
19. Children's Daughters of the King's Daughters
20. Postal Service
21. U.S. Navy Exchange
22. City of Hampton
23. College of William and Mary
24. Busch Entertainment Corp.
25. Portsmouth City Public Schools
26. Maryview Hospital
27. Science Applications International Corporation
28. Williamsburg James City County School Board
29. Kroger
30. U.S. Department of Veteran Affairs
31. Suffolk Public Schools
32. Harris Teeter Supermarket
33. Chesapeake General Hospital
34. Ferguson Enterprises Inc.
35. Tidewater Community College
36. Smithfield Fresh Meats Corporation
37. Stihl
38. U.S. Department of Homeland Defense
39. York County School Board
40. Nat'l Aeronautics & Space Admin.
41. City of Portsmouth
42. Lowes' Home Centers, Inc.
43. Norfolk Naval Station
44. Onsite Engineering & Mana Inc.
45. Norfolk Cent YMCA
46. Sentara Health Management
47. The Home Depot
48. Eastern Virginia Medical School
49. Kinetix Staffing and Recruiting
50. City of Suffolk

Source: Virginia Employment Commission Report.

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Table 13
Employment by Industry in Hampton Roads MSA

Industry	Employment
Agriculture, Forestry, Fishing and Hunting	812
Mining, Quarrying, and Oil and Gas Extraction	90
Utilities	1,401
Construction	36,432
Manufacturing	58,214
Wholesale Trade	16,697
Retail Trade	84,179
Transportation and Warehousing	24,275
Information	9,679
Finance and Insurance	21,586
Real Estate and Rental and Leasing	12,874
Professional, Scientific, and Technical Service	47,354
Management of Companies and Enterprises	11,563
Administrative and Support and Waste Management	46,648
Educational Services	11,498
Healthcare and Social Assistance	94,327
Arts, Entertainment, and Recreation	11,578
Accommodation and Food Services	77,117
Other Services (except Public Administration)	23,044
Federal Government	58,882
State Government	19,817
Local Government	81,101
Unclassified	1,805

Source: Virginia Employment Commission Report.

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Table 14
Average Weekly Wage by Industry in Hampton Roads MSA

Industry	Employment
Agriculture, Forestry, Fishing and Hunting	$ 842
Mining, Quarrying, and Oil and Gas Extraction	1,469
Utilities	1,779
Construction	1,191
Manufacturing	1,304
Wholesale Trade	1,293
Retail Trade	539
Transportation and Warehousing	1,114
Information	1,162
Finance and Insurance	1,532
Real Estate and Rental and Leasing	1,009
Professional, Scientific, and Technical Service	1,600
Management of Companies and Enterprises	1,944
Administrative and Support and Waste Management	727
Educational Services	846
Healthcare and Social Assistance	1,062
Arts, Entertainment, and Recreation	482
Accommodation and Food Services	364
Other Services (except Public Administration)	637
Federal Government	1,615
State Government	933
Local Government	891
Unclassified	677
Total All Industries	$ 1,001

Source: Virginia Employment Commission Report.

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Table 15
Age of Workers by Industry in Hampton Roads MSA

	14-18	19-21	22-24	25-34	35-44	45-54	55-64	65+
Agriculture, Forestry, Fishing, Hunting	44	61	55	201	161	158	227	107
Mining/Quarrying/Oil and Gas Extraction	0	4	4	17	7	18	12	11
Utilities	22	76	113	803	925	922	977	166
Construction	341	1,475	1,961	8,377	8,866	8,517	7,918	2,469
Manufacturing	153	1,679	2,985	14,358	12,385	12,738	14,904	2,870
Wholesale Trade	68	352	642	3,595	4,194	4,538	4,206	1,360
Retail Trade	3,507	8,810	7,056	18,573	14,218	13,171	12,900	5,800
Transportation and Warehousing	105	758	1,176	5,212	5,288	5,572	4,920	1,431
Information	364	622	601	2,421	2,583	2,523	2,051	744
Finance and Insurance	42	338	859	5,336	5,819	5,219	3,938	1,142
Real Estate/Rental and Leasing	168	486	843	3,320	3,098	2,969	2,922	1,191
Professional/Scientific/Technical Serv.	188	1,164	2,364	11,381	11,582	11,241	10,184	3,656
Management of Companies/Enterprises	139	409	672	2,909	2,930	2,812	2,563	770
Administrative/Support and Waste Mgmt.	443	2,563	3,562	12,941	10,988	9,538	7,772	2,836
Educational Services	261	808	1,429	9,516	13,150	15,771	15,260	5,887
Health Care and Social Assistance	498	2,451	4,777	24,846	24,243	22,537	20,099	6,593
Arts, Entertainment, and Recreation	2,526	2,159	1,359	3,427	2,559	2,556	2,431	1,364
Accommodation and Food Services	9,643	11,150	8,085	19,812	13,227	9,411	7,256	3,001
Other Serv. (except Public Administration)	1,011	1,880	1,694	5,294	4,627	4,477	4,445	2,151
Public Administration	254	430	773	4,743	5,283	6,168	5,522	1,704
Total, All Industries	19,777	37,674	41,011	157,080	146,134	140,856	130,506	45,256

Source: U.S. Census Bureau and Virginia Employment Commission Report.

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Per Capita Personal Income

Presented below are tables focusing on per capita personal income for the entire Hampton Roads MSA, and thereafter on the Member Localities individually. Per capita income is defined as total personal income divided by the area's residential population. Total personal income is a measurement of income from all sources.

Table 16
Per Capita Personal Income Comparison
2006 – 2018

Calendar Year	Hampton Roads MSA	State	U.S.
2006	$37,404	$42,386	$38,130
2007	39,277	44,422	39,776
2008	40,597	45,618	41,052
2009	40,345	44,458	39,366
2010	41,032	45,412	40,274
2011	42,830	47,689	42,459
2012	44,134	49,320	44,247
2013	44,097	48,956	44,425
2014	45,276	50,345	46,392
2015	46,400	52,687	48,940
2016	46,992	53,605	49,870
2017	48,485	55,306	51,885
2018	50,619	57,799	54,446

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System (hereinafter, "Bureau of Economic Analysis"). 2018 data is the most recent data available.

Table 17
Per Capita Income by Member Locality
2018

Member Locality	Per Capita Income
City of Chesapeake	$50,529
City of Franklin/Southampton County	42,381
City of Hampton	43,547
City of Newport News	43,501
City of Norfolk	41,822
City of Poquoson/York County	59,113
City of Portsmouth	41,169
City of Suffolk	51,798
City of Virginia Beach	58,308
James City County/City of Williamsburg	65,906
Isle of Wight County	55,308

Source: Bureau of Economic Analysis (as of 2018).

Education

Planning District 23 is the home for a number of higher educational institutions: in Williamsburg, The College of William and Mary (8,587 students); in Newport News, Christopher Newport University (5,042 students); in Hampton, Hampton University (4,646 students); in Norfolk, Norfolk State University (5,421 students) and Old Dominion University (24,322 students); in Virginia Beach, Virginia Wesleyan University (1,374 students) and Regent University (8,868 students); and Eastern Virginia Medical School in Norfolk (1,130 students). Tidewater Community College has campuses throughout Planning District 23 with a total enrollment of 22,776.

The Hampton Roads MSA is home to a fairly well-educated population, as shown in Table 18 below.

Table 18
Educational Attainment in Hampton Roads MSA

	Hampton Roads MSA	Virginia	United States
8th Grade or less	33,841	275,329	12,639,425
Some High School	90,116	464,075	20,093,117
High School Grad/GED	343,578	1,633,105	68,044,371
Some College	371,371	1,457,887	57,431,237
Associate's Degree	109,866	440,219	18,586,866
Bachelor's Degree	217,627	1,258,661	42,027,629
Graduate or Professional Degree	124,266	862,686	24,008,551
	1,290,665	**6,391,962**	**242,831,196**

Source: U.S. Census Bureau, American Community Survey, 2011-2015; Virginia Employment Commission Report.

Tax Base Data

The tables presented below summarize ten years of historical taxable retail sales from the Member Jurisdictions. The data is not specific to the tax base for the Additional Sales and Use Tax included within the HRTF, but is based on the tax base for the statewide and local option retail sales and use taxes. The data does not include sales which are exempt from taxation. Also, the figures do not include the significant amount of non-taxable sales on military bases in the region.

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Table 19
PLANNING DISTRICT 23 HISTORICAL TAXABLE RETAIL SALES[1]

	2009	2010	2011	2012	2013
Isle of Wight Co.	$ 200,079,929	$ 193,079,662	$ 204,651,647	$ 201,168,634	$ 202,181,719
James City County	787,049,384	779,388,132	838,306,392	900,327,488	928,447,217
Southampton Co.	42,834,335	42,714,936	45,345,887	45,294,291	45,106,012
York County	897,426,613	869,224,277	867,742,727	878,090,000	882,105,332
Chesapeake City	2,897,360,063	2,914,222,025	2,927,041,905	3,068,371,746	3,156,162,495
Franklin City	149,254,304	147,977,590	149,028,981	162,318,801	158,121,626
Hampton City	1,192,612,862	1,313,196,923	1,291,230,845	1,310,456,652	1,341,696,078
Norfolk City	2,597,753,733	2,554,999,044	2,589,607,975	2,646,234,819	2,635,223,970
Portsmouth City	626,320,512	559,061,414	583,260,969	594,918,146	603,127,114
Newport News City	1,933,222,912	1,923,436,250	1,892,223,547	1,992,553,878	2,061,726,939
Poquoson City	43,129,623	42,249,817	43,773,528	47,883,990	50,061,535
Suffolk City	632,874,977	642,273,819	671,236,320	716,383,956	729,619,398
Virginia Beach City	4,638,871,814	4,690,141,163	4,738,333,394	4,946,894,714	5,064,938,738
Williamsburg	321,601,815	339,281,019	341,210,119	353,677,177	384,692,454
	$16,960,392,874	$17,011,246,070	$17,182,994,237	$17,864,574,293	$18,243,210,624
Increase (Decrease)	(4.3)%	0.3%	1.0%	3.8%	2.1%

Sources: University of Virginia Weldon Cooper Center for Public Service: Center for Economic Policy Studies, and Virginia Department of Taxation: Taxable Sales Summary Report (Annual Report).
Note: (1) Totals may not add up due to rounding.

Table 19 (Continued)
PLANNING DISTRICT 23 HISTORICAL TAXABLE RETAIL SALES[1]

	2014	2015	2016	2017	2018	2019
Isle of Wight Co.	$ 212,836,390	$ 220,426,281	$ 224,436,001	$ 236,926,649	$ 239,894,599	$ 235,286,198
James City County	950,407,956	1,002,337,085	993,784,681	982,030,980	963,154,495	955,037,318
Southampton Co.	46,712,769	45,382,015	44,707,780	43,903,421	48,221,427	50,295,097
York County	889,086,749	922,303,790	939,115,512	949,567,169	960,938,398	971,997,702
Chesapeake City	3,239,193,243	3,343,105,780	3,425,962,195	3,514,278,566	3,616,819,973	3,597,884,568
Franklin City	156,495,518	162,315,899	162,713,731	164,268,775	165,928,106	161,178,318
Hampton City	1,365,676,976	1,396,275,490	1,369,473,557	1,354,676,659	1,378,896,759	1,387,274,077
Norfolk City	2,621,266,232	2,671,631,730	2,698,815,474	2,800,002,004	2,881,209,414	2,973,652,023
Portsmouth City	613,854,126	619,199,126	615,214,858	609,799,751	614,321,844	613,457,381
Newport News City	2,018,911,218	2,082,466,488	2,137,255,812	2,188,701,991	2,256,228,196	2,308,575,953
Poquoson City	50,505,443	52,684,184	53,034,017	52,879,880	52,952,914	49,655,125
Suffolk City	759,946,651	821,340,721	872,967,019	895,475,060	956,916,039	976,127,267
Virginia Beach City	5,159,858,692	5,374,616,764	5,530,431,346	5,597,203,814	5,658,176,716	5,763,591,049
Williamsburg	369,902,748	389,879,512	390,892,339	400,643,947	408,899,048	418,177,903
	$18,454,654,709	$19,103,964,864	$19,458,804,321	$19,790,358,666	$20,202,557,928	$20,462,189,979
Increase (Decrease)	1.2%	3.4%	1.8%	1.7%	2.1%	1.3%

Sources: University of Virginia Weldon Cooper Center for Public Service: Center for Economic Policy Studies, and Virginia Department of Taxation: Taxable Sales Summary Report (Annual Report).
Note: (1) Totals may not add up due to rounding.

As demonstrated above, the five most populous Member Localities (the Cities of Virginia Beach, Norfolk, Chesapeake, Newport News and Hampton) account for 78.34% of the region's 2019 taxable sales. The average annual growth rate of taxable sales in the Member Localities was approximately 1.3% from 2010 through 2019.

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APPENDIX E

HRTAC REVENUES AND EXPENSES

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Table 1
HRTF Revenues

	FY2015	FY2016	FY2017	FY2018	FY2019[(1)]	FY2020[(1)]	TOTAL FY2015-2020
Chesapeake	$ 31,178,258	$ 28,020,650	$ 29,401,662	$ 32,250,621	$ 39,727,050	$ 36,670,438	$ 197,248,678
Franklin	1,564,370	1,228,551	1,274,670	1,579,266	4,158,309	2,281,780	12,086,947
Hampton	12,779,918	11,230,061	11,407,701	12,320,071	15,389,473	15,148,360	78,275,584
Isle of Wight	2,789,926	2,219,931	2,448,695	2,691,809	3,414,924	3,408,826	16,974,111
James City	7,707,919	7,178,553	7,231,155	7,676,723	10,032,285	7,749,736	47,576,370
Newport News	18,000,282	16,398,094	16,760,658	17,959,888	24,299,573	21,392,551	114,811,047
Norfolk	23,497,042	21,127,765	21,348,692	23,756,517	32,363,142	29,026,351	151,119,510
Poquoson	475,270	386,529	326,471	388,414	706,306	574,820	2,857,810
Portsmouth	6,041,957	5,481,676	5,236,943	5,602,132	8,121,980	7,607,733	38,092,420
Southampton	868,306	658,083	698,315	930,823	1,344,397	1,197,770	5,697,694
Suffolk	8,135,329	7,270,093	7,445,683	8,350,181	13,129,408	11,519,309	55,850,003
Virginia Beach	46,214,795	41,692,132	42,354,144	44,479,314	58,873,702	52,591,130	286,205,216
Williamsburg	3,776,886	3,318,678	3,486,719	3,677,161	4,239,562	3,606,413	22,105,419
York	7,879,525	6,980,452	7,083,019	7,540,450	9,880,288	8,438,220	47,801,955
Total[(2)]	$ 170,909,785	$ 153,191,246	$ 156,504,527	$ 169,203,370	$ 225,680,398	$ 201,213,437	$ 1,076,702,763
Interest[(3)]	1,243,218	272,261	291,738	321,499	1,000,093	669,108	3,797,917
Investment Income[(4)]	153,050	3,993,773	980,870	8,868,404	29,869,111	26,275,750	70,140,958
Bond Proceeds	-	-	-	583,270,073	-	452,833,507	1,036,103,580
Total Revenue	$ 172,306,053	$ 157,457,280	$ 157,777,136	$ 761,663,346	$ 256,549,602	$ 680,991,802	$ 2,186,745,218

Source: VDOT report "Revenues by Locality"; Interest and Investment Income: HRTAC (September 2019).

Notes: (1) At the end of Fiscal Year 2020, the Commission changed its accounting policy for recognizing revenue in order to match the Virginia Department of Transportation's income, and thus accrued two months of Sales and Use tax and three months of Motor Fuels tax as receivables and revenue for the Fiscal Year ended June 30, 2020. This was a change from prior years where the Commission accrued one month of each of such taxes. This change in accounting and revenue recognition was made due to additional information provided by the agencies who collect and remit the taxes on behalf of the Commission. Accordingly, Fiscal Years 2014 – 2018 reflect 12 months of each of the two revenue sources, but Fiscal Year 2019 reflects a total of 13 months of Sales and Use tax (with the amount of the Sales and Use tax for the 13th month being $5.21 m.) and 14 months of Fuels tax (with the amount of the Fuels Tax for such months being $9.42 m.), while Fiscal Year 2020 reverts to 12 months of each. The Commission did not undertake a formal restatement of its financial statements for fiscal years prior to Fiscal Year 2020.

(2) Totals may not add up due to rounding.

(3) Interest income from funds in State Treasury and in bank accounts held by HRTAC.

(4) Investment income from local government investment pool managed by PFM Asset Management LLC.

Table 2
Hampton Roads Transportation Fund (HRTF)
Revenues and Expenditures

	Gross Revenue[1]						Expenditures						Cumulative Balance
	Sales & Use Tax	Fuels Tax	Interest	Investment Income	Bond Proceeds	Total	Projects	Dept. of Taxation Admin Fee	Investment Fees	Bond Expenses	Operating Expenses	Total	7/1/13 – 6/30/19
July 2013 – June 2019	$ 776,993,866	$ 243,707,722	$ 3,277,405	$ 44,080,467	$ 583,270,073	$1,651,329,532	$ 532,811,477	$ 826,678	$ 1,126,630	$ 37,233,051	$ 5,508,645	$ 577,506,481	$1,073,823,050
July 2019	12,954,223	5,342,744	43,730	1,668,925	-	20,009,622	-	-	19,598	2,154,506	46,851	2,220,955	1,091,611,718
August 2019	13,109,642	5,354,805	39,415	3,305,932	-	21,809,795	15,335,134	-	19,552	2,154,506	95,288	17,604,480	1,095,817,033
September 2019	12,051,627	5,047,483	40,427	1,420,836	-	18,560,374	18,399,487	-	19,029	2,154,506	172,956	20,745,978	1,093,631,429
October 2019	12,148,914	5,125,012	117,921	2,247,287	-	19,639,133	14,129,508	-	19,696	2,154,506	349,475	16,653,185	1,096,617,378
November 2019	12,507,667	4,749,138	(21,047)	1,299,079	-	18,534,837	21,970,226	-	19,099	2,154,506	76,246	24,220,076	1,090,932,139
December 2019	14,608,830	4,995,007	68,154	2,020,466	452,833,507	474,525,965	12,188,878	-	19,789	2,960,177	1,059,078	16,227,922	1,549,230,182
January 2020	10,537,969	4,504,735	156,360	2,985,826	-	18,184,890	19,348,861	-	19,751	3,880,944	171,694	23,421,249	1,543,993,823
February 2020	10,013,105	4,267,340	78,131	3,559,448	-	17,918,024	32,785,799	-	18,480	3,880,944	171,762	36,856,984	1,525,054,863
March 2020	11,294,866	4,529,544	45,257	2,766,621	-	18,636,288	44,512,900	-	19,830	3,880,944	239,547	48,653,221	1,495,037,929
April 2020	10,513,497	4,050,540	65,506	2,603,561	-	17,233,104	12,842,838	-	19,243	3,880,944	149,574	16,892,600	1,495,378,433
Mary 2020	17,813,127	3,134,001	26,500	1,627,145	-	22,600,772	16,011,917	-	19,872	3,880,944	162,423	20,075,156	1,497,904,049
June 2020	8,632,239	3,927,381	8,754	770,625	-	13,338,999	105,260,202	82,785	19,255	(5,930,212)	902,266	100,334,296	1,410,908,752
Total 12 Months	146,185,709	55,027,730	669,108	26,275,750	452,833,507	680,991,804	312,785,748	82,785	233,193	27,207,215	3,597,160	343,906,102	
Grand Totals	$ 923,179,575	$ 298,735,451	$ 3,946,512	$ 70,356,217	$ 1,036,103,580	$ 2,332,321,335	$ 845,597,225	$ 909,464	$ 1,359,823	$ 64,440,266	$ 9,105,805	$ 921,412,583	
Less Balance of Encumbered (through FY2026)[2]													(3,234,637,986)
Total Net Available													(1,823,729,234)

Source: HRTAC.

Notes: [1] At the end of Fiscal Year 2020, the Commission changed its accounting policy for recognizing revenue in order to match the Virginia Department of Transportation's income, and thus accrued two months of Sales and Use tax and three months of Motor Fuels tax as receivables and revenue for the Fiscal Year ended June 30, 2020. This was a change from prior years where the Commission accrued one month of each of such taxes. This change in accounting and revenue recognition was made due to additional information provided by the agencies who collect and remit the taxes on behalf of the Commission. Accordingly, Fiscal Years 2014 – 2018 reflect 12 months of each of the two revenue sources, but Fiscal Year 2019 reflects a total of 13 months of Sales and Use tax (with the amount of the Sales and Use tax for the 13th month being $5.21 m.) and 14 months of Fuels tax (with the amount of the Fuels Tax for such months being $9.42 m.), while Fiscal Year 2020 reverts to 12 months of each. The Commission did not undertake a formal restatement of its financial statements for fiscal years prior to Fiscal Year 2020.

[2] Excluding funding obligations expected to be paid with toll revenue funding (estimated to be $575 m.).

Table 3
Hampton Roads Transportation Fund (HRTF)
Transportation Project Expenditures

Project	Total FY 2015 – FY 2020	FY 2020[1]	Total
I-64 Peninsula Widening			
UPC 104905/111926 - Segment 1 - PE/Construction	$ 11,608,384	$ -	$ 11,608,384
UPC 106665 - Segment 2 - PE/ROW/Construction	152,522,993	2,456,147	154,979,140
UPC 109790/106689 - Segment 3 - PE	5,141,294	327,692	5,468,986
UPC 109790/106689 - Segment 3 - Construction	-	-	-
I-64/264 Interchange Improvement			
UPC 57048/108042 - Phase I - PE/ROW	15,071,063	-	15,071,063
UPC 57048/108042 - Phase I - Construction	107,384,764	12,335,388	119,720,152
UPC 17630/108041 - Phase II - PE/ROW	47,959,987	22,899,084	70,859,071
UPC 17630/108041 - Phase II - Construction	-	-	-
UPC 106693 - Phase III - PE & ROW	1,855,504	346,023	2,201,527
I-64 Southside Widening/High-Rise Bridge			
UPC 106692 - Phase I - PE	12,189,098	-	12,189,098
UPC 106692/108990 - Phase I - ROW/Construction	51,667,159	65,146,723	116,813,882
I-64 HRBT Expansion Project			
UPC 115008 - I-64 HRBT Expansion Project D-B Contract	82,836,930	193,461,169	276,298,099
UPC 115009 - I-64 HRBT Expansion Project Owners Oversight	11,570,087	14,162,791	25,732,878
HRCS Preferred Alternative Refinement – HRBT UPC 110577 - SEIS	28,686,354	115,223	28,801,578
460/58/13 Connector Study - UPC 106694 - PE	1,095,368	-	1,095,368
Bowers Hill Interchange Study - UPC 111427	1,756,331	308,548	2,064,879
HR Regional Connector Study – HRTPO (Remaining Projects of Third Crossing)	1,466,160	1,226,962	2,693,122
Total	$ 532,811,477	$ 312,785,748	$ 845,597,225

Source: HRTAC.
Notes: [1] Unaudited.

Table 4

FY 2020 Hampton Roads Transportation Accountability Commission HRTF Collections[(1)]

Member Locality	Sales and Use Tax	Fuels Tax	Total	%	Current Rating *(Moody's/S&P/Fitch)*
Chesapeake	$ 26,541,497	$ 10,128,942	$ 36,670,438	18.22	Aaa/AAA/AAA
Franklin	1,116,194	1,165,587	2,281,780	1.13	A1/AA/NR
Hampton	10,325,507	4,822,854	15,148,360	7.53	Aa1/AA+/AA+
Isle of Wight	1,990,648	1,418,178	3,408,826	1.69	Aa2/AA+/AA
James City	6,089,321	1,660,414	7,749,736	3.85	Aaa/AAA/AAA
Newport News	16,122,375	5,270,176	21,392,551	10.63	Aa1/AA+/NR
Norfolk	21,659,763	7,366,589	29,026,351	14.43	Aa2/AAA/AA+
Poquoson	430,171	144,649	574,820	0.29	Aa2/AAA/NR
Portsmouth	5,152,243	2,455,489	7,607,733	3.78	Aa2/AA/AA
Southampton	474,771	722,999	1,197,770	0.60	NR/AA-/NR
Suffolk	7,146,425	4,372,884	11,519,309	5.72	Aaa/AAA/AAA
Virginia Beach	40,134,747	12,456,383	52,591,130	26.14	Aaa/AAA/AAA
Williamsburg	2,711,485	894,928	3,606,413	1.79	Aa1/AAA/NR
York	6,290,564	2,147,657	8,438,220	4.19	Aa1/AAA/NR
Total	$ 146,185,709	$ 55,027,728	$ 201,213,437	100%	

Sources: HRTAC; and Rating Agencies (Moody's/S&P/Fitch).

Notes: [(1)] At the end of Fiscal Year 2020, the Commission changed its accounting policy for recognizing revenue in order to match the Virginia Department of Transportation's income, and thus accrued two months of Sales and Use tax and three months of Motor Fuels tax as receivables and revenue for the Fiscal Year ended June 30, 2020. This was a change from prior years where the Commission accrued one month of each of such taxes. This change in accounting and revenue recognition was made due to additional information provided by the agencies who collect and remit the taxes on behalf of the Commission. Accordingly, Fiscal Years 2014 – 2018 reflect 12 months of each of the two revenue sources, but Fiscal Year 2019 reflects a total of 13 months of Sales and Use tax (with the amount of the Sales and Use tax for the 13th month being $5.21 m.) and 14 months of Fuels tax (with the amount of the Fuels Tax for such months being $9.42 m.), while Fiscal Year 2020 reverts to 12 months of each. The Commission did not undertake a formal restatement of its financial statements for fiscal years prior to Fiscal Year 2020.

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Table 5
HRTAC Operating Budget, FY 2021

CATEGORY	**FY 2021 PROPOSED BUDGET***
REVENUES	
HRTF Support	
Interest/Investment Income	$ 7,270,701
TOTAL REVENUE	**7,270,701**
EXPENDITURES	
PERSONNEL*	
HRTAC Staff/Fringes/Leave Reserve	656,741
HRTPO/HRPDC Support Staff*	123,000
SUBTOTAL PERSONNEL	**779,741**
PROFESSIONAL SERVICES	
Audit	244,000
Trustee	10,000
Bank Fees & Investment Services	355,000
Legal	1,025,000
Financial Advisors	600,000
Insurance - D&O/Liability	2,000
Recruiting	-
Bond Issuance Expense/TIFIA/T&R Study	4,170,000
SUBTOTAL PROFESSIONAL SERVICES	**6,406,000**
TECHNOLOGY/COMMUNICATION *	
IT/Communications	7,500
LAN system/ Cloud	10,000
Website Consultant	2,000
SUBTOTAL TECHNOLOGY/COMMUNICATION	**19,500**
ADMINISTRATIVE *	
Public Notices/Advertising	1,000
Office Space	24,745
Office Supplies*	5,000
Furniture	2,000
Printing/Copying*	6,000
Dues/Subscriptions/Computer Licenses	3,000
Travel	8,000
Meeting Expenses*	7,750
Telephone*	2,465
Postage*	500
Professional Development	5,000
SUBTOTAL ADMINISTRATIVE	**65,460**
TOTAL EXPENDITURES	**$ 7,270,701**
BUDGET BALANCE	

Source: HRTAC.

* Includes items to be reimbursed to HRPDC/HRTPO

** Pursuant to §33.2-2605 of the Code of Virginia, expenses shall be paid from the Hampton Roads Transportation Fund and the Hampton Roads Regional Transit Fund on an approximately pro rata basis.

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APPENDIX F

FORM OF BOND COUNSEL OPINION

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PROPOSED FORM OF BOND COUNSEL OPINION

Set forth below is the proposed form of the opinion of Kaufman & Canoles, a Professional Corporation, bond counsel, with respect to the Series 2020A Bonds. It is preliminary and subject to change prior to the delivery of the Series 2020A Bonds.

October __, 2020

Hampton Roads Transportation Accountability Commission
Chesapeake, Virginia

Hampton Roads Transportation Accountability Commission
$________________
Hampton Roads Transportation Fund
Senior Lien Revenue Bonds, Series 2020A

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the Hampton Roads Transportation Accountability Commission (the "Commission"), of its $_______________ Hampton Roads Transportation Fund Senior Lien Revenue Bonds, Series 2020A (the "Series 2020A Bonds"). Reference is made to the form of the Series 2020A Bonds for information concerning their details, including payment and redemption provisions, and the proceedings pursuant to which they are issued, including a Master Indenture of Trust dated as of February 1, 2018 (the "Master Indenture") between the Commission and Wilmington Trust, National Association (the "Master Trustee"), as previously supplemented and amended, and as further supplemented by a Fourth Supplemental Series Indenture of Trust dated as of October 1, 2020 (the "2020A Supplement" and, collectively, the "Indenture"). All capitalized terms used but not defined herein have the same meaning ascribed to such terms in the Indenture.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Commission as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Commission has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2020A Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2020A Bonds, all as set forth in the proceedings and documents relating to the issuance of the Series 2020A Bonds (the "Covenants"). In rendering the following opinions, we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as copies.

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

1. The Series 2020A Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia and constitute valid and binding limited obligations of the Commission payable solely from the revenues pledged by the Commission for such

purpose under the Indenture. The Series 2020A Bonds and the interest thereon do not constitute a pledge of the faith and credit of the Commonwealth of Virginia or of any political subdivision thereof, including the Commission or any of its Member Localities.

2. The Indenture has been duly authorized, executed and delivered and assuming due authorization, execution and delivery by the Master Trustee constitutes a valid and binding obligation of the Commission, enforceable in accordance with its terms, and the 2020A Supplement complies in all respects with the requirements of the Master Indenture.

3. The rights of the holders of the Series 2020A Bonds and the enforceability of such rights, including the enforcement of the obligations of the Commission under the Indenture, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally, and (b) principles of equity, whether considered at law or in equity.

4. Under current law, interest on the Series 2020A Bonds (a) is not included in gross income for Federal income tax purposes, and (b) is not an item of tax preference for purposes of the Federal alternative minimum tax. The opinion in the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Series 2020A Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for Federal income tax purposes. Failure by the Commission to comply with the Covenants, among other things, could cause interest on the Series 2020A Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest on the Series 2020A Bonds.

5. Under current law, interest on the Series 2020A Bonds is exempt from income taxation by the Commonwealth of Virginia.

Our services as bond counsel to the Commission have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2020A Bonds and the tax-exempt status of the interest thereon. We express no opinion herein as to the financial resources of the Commission, its ability to provide for payment of the Series 2020A Bonds or the accuracy or completeness of any information, including the Commission's Preliminary Official Statement dated September __, 2020, and its Official Statement dated October __, 2020, that may have been relied upon by anyone in making the decision to purchase Series 2020A Bonds.

The opinions expressed herein are for your benefit and the benefit of your successors and assigns and may not, without our prior written consent, be distributed to or relied upon by any other person. Our opinions are expressed as of the date hereof, and we do not assume any obligation to update or supplement our opinions to reflect any fact or circumstance subsequently arising or any change in law subsequently occurring. Our opinions expressed herein are limited to the matters expressly stated, and no opinion is implied or may be inferred beyond such matters.

Very truly yours,

APPENDIX G

INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM

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INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and premium, if any and interest on the Bonds to The Depository Trust Company, New York, New York ("DTC"), its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

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

DTC, the world's largest 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 (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Registrar, 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 Commission or the Registrar 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 the Commission or the Registrar, 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Commission or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

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

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

Neither the Commission nor the Registrar has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Master Indenture to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Master Indenture.

The Commission may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

APPENDIX H

2019 TIFIA LOAN AGREEMENT

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2019 TIFIA LOAN AGREEMENT

Set forth below are certain terms contained in the 2019 TIFIA Loan Agreement. The descriptions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the 2019 TIFIA Loan Agreement. The headings below have been added for ease of reference only. The 2019 TIFIA Loan Agreement has been filed with the MSRB through its EMMA system with respect to the outstanding Series 2018A Bonds and Series 2019A Notes and may be accessed over the internet at https://www.emma.msrb.org.

Disbursement Conditions

Disbursements under the 2019 TIFIA Loan are subject to numerous conditions precedent. Other than the delivery of customary certificates as to representations and warranties, no defaults and other corporate matters, the following, among others, are additional conditions to the TIFIA Lender's obligation to fund a requisition request:

- delivery to the TIFIA Lender of updated Financial Plans and amendments and modifications, if any, to certain project contracts;
- compliance with statutes and regulations relating to the Financed Projects (as defined in the 2019 TIFIA Loan Agreement);
- all applicable insurance policies shall be in full force and effect and all permits and governmental approvals necessary to complete construction of the Financed Projects shall have been obtained;
- no event of default under the 2019 TIFIA Loan Agreement, the Master Indenture or other material contracts, or event which with the giving of notice or the passage of time or both under such documents would result in an event of default shall have occurred and be continuing; and
- since the date HRTAC submitted the application for the 2019 TIFIA Loan to the TIFIA Lender there shall not have occurred a Material Adverse Effect (as defined in the 2019 TIFIA Loan Agreement).

The TIFIA Lender shall be entitled to withhold approval of the disbursement of 2019 TIFIA Loan proceeds if:

- an event of default or an event that, with the giving of notice of the passage of time or both, would constitute an event of default, under the 2019 TIFIA Loan Agreement shall have occurred and be continuing; or
- HRTAC:
  - knowingly takes any action, or omits to take any action, amounting to fraud or violation of any applicable federal or local criminal law, in connection with the transactions contemplated by the 2019 TIFIA Loan Agreement; or
  - fails to ensure construction of the Financed Projects in a manner consistent with the governmental and other approvals therefor, where such failure prevents or materially impairs the project from fulfilling its intended purpose, or prevents or materially impairs the ability of the TIFIA Lender to monitor compliance by HRTAC with applicable federal or local law pertaining to the Financed Projects, or with the terms and conditions of the 2019 TIFIA Loan Agreement; or
  - fails to observe or comply with any applicable federal or local law, or any term or condition of the 2019 TIFIA Loan Agreement; or
  - fails to deliver documentation satisfactory to the TIFIA Lender evidencing eligible project costs claimed for disbursement at the times and in the manner specified by the 2019 TIFIA Loan Agreement; provided, that in such case the TIFIA Lender may, in its sole discretion, partially approve a disbursement request in respect of any amounts for which adequate documentation

evidencing eligible project costs has been provided and may, in its sole discretion, disburse in respect of such properly documented amounts.

See "INVESTMENT CONSIDERATIONS—No Assurance of Funds under 2019 TIFIA Loan Agreement."

Repayment Terms

No payment of the principal of or interest on the 2019 TIFIA Loan is required to be made during the capitalized interest period, which will be the period from the drawdown of the 2019 TIFIA Loan to the date that HRTAC commences repayment of the 2019 TIFIA Loan as described below ("TIFIA Capitalized Interest Period"). As of each June 30 and December 31 during the TIFIA Capitalized Interest Period and on the last day of the TIFIA Capitalized Interest Period, interest accrued in the six-month period ending on the subject date (or such lesser period in connection with the end of the TIFIA Capitalized Interest Period) on the 2019 TIFIA Loan shall be capitalized and added to the outstanding 2019 TIFIA Loan balance. Within 30 days after the end of the TIFIA Capitalized Interest Period, the TIFIA Lender shall give written notice to HRTAC stating the outstanding 2019 TIFIA Loan balance as of the close of business on the last day of the TIFIA Capitalized Interest Period, which statement thereof shall be deemed conclusive absent manifest error; provided, however, that no failure to give or delay in giving such notice shall affect any of the obligations of the Commission under the 2019 TIFIA Loan Agreement or under any of the other 2019 TIFIA Loan documents.

On the earlier of (a) January 1, 2025, and (b) the ninth semi-annual payment date immediately succeeding the substantial completion date of the Initial Financed Projects financed with 2019 TIFIA Loan proceeds, HRTAC shall pay TIFIA Debt Service in the amount of interest on and principal of the 2019 TIFIA Loan equal to the amount set forth in the 2019 TIFIA Loan Agreement, as the same may be revised as provided in the 2019 TIFIA Loan Agreement, which payments shall be made in accordance with the terms of the 2019 TIFIA Loan Agreement. A projected amortization of the 2019 TIFIA Bond is set forth in Table II – Estimated Debt Service Requirements in "ESTIMATED DEBT SERVICE REQUIREMENTS."

Prepayment of the 2019 TIFIA Loan

HRTAC will be required to mandatorily prepay all or a portion of the 2019 TIFIA Loan without penalty or premium following the occurrence of a Revenue Sharing Trigger Event (defined below), on each semi-annual payment date under the 2019 TIFIA Loan Agreement occurring while the Revenue Sharing Trigger Event remains in effect, from any amounts on deposit in the Revenue Sharing Account. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Flow of Funds" above. Prepayment of the 2019 TIFIA Loan would be made, on a pro rata basis with any other TIFIA Loans secured by HRTAC Revenues then outstanding, based on the then outstanding amount of such TIFIA Loans.

A "Revenue Sharing Trigger Event" is any date on which the 2019 TIFIA Loan Agreement is outstanding and HRTAC or VDOT, on behalf of HRTAC, is not actively engaged in the development of capital project programs in the Hampton Roads Transportation Planning Organization's most recently adopted long-range transportation plan. See "INVESTMENT CONSIDERATIONS—Risks of Non-Appropriation and Future Legislative or Administrative Actions Affecting Revenues—TIFIA Revenue Sharing Trigger Event." Under the Indenture and its flow of funds provisions, "Excess Revenues" are, following the occurrence of a Revenue Sharing Trigger Event, an amount in each month equal to 50% of the HRTAC Revenues remaining after occurrence of the transfers described in paragraphs FIRST through TENTH described in "FLOW OF FUNDS" above have occurred. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2020A BONDS – Flow of Funds" above.

HRTAC is required to prepay the 2019 TIFIA Loan upon any voluntary prepayment of any Bonds, other than any voluntary prepayment of any Bonds made with the proceeds of Additional Bonds issued on the same lien level, in accordance with the requirements of the 2019 TIFIA Loan Agreement for the purpose of refinancing such Bonds, pro rata with such voluntary prepayment.

In addition, HRTAC will have the right to prepay the 2019 TIFIA Loan in whole or in part (and, if in part, the amounts thereof to be prepaid will be determined by HRTAC; provided, however, that such prepayments have to be in principal amounts of $1,000,000 or any integral multiple of $1.00 thereof), at any time or from time-to-time, without penalty or premium, by paying to the TIFIA Lender such principal amount of the 2019 TIFIA Loan to be prepaid, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment. Each prepayment of the 2019 TIFIA Loan has to be made on such date and in such principal amount as HRTAC specifies in a written notice delivered to the TIFIA Lender. In the case of any prepayment, such written notice has to be delivered to the TIFIA Lender not less than 10 days or more than 30 days prior to the date set for prepayment.

If such notice has been given, the principal amount of the 2019 TIFIA Loan stated in such notice or the whole thereof, as the case may be, is due and payable on the prepayment date stated in such notice, together with interest accrued and unpaid to the prepayment date on the principal amount then being prepaid.

TIFIA Debt Service Reserve

The 2019 TIFIA Bond will be secured by a Subordinate Debt Service Reserve Fund. On or prior to the later of the substantial completion date of the Initial Financed Projects or the date of the final disbursement under the 2019 TIFIA Loan Agreement, HRTAC shall cause the deposit of available HRTAC Revenues in such Subordinate Debt Service Reserve Fund in an amount sufficient to cause the balance therein to equal the "2019 TIFIA Debt Service Reserve Required Balance." Such amount is the lesser of (x) ten percent (10%) of the 2019 TIFIA Loan, (y) one hundred percent (100%) of the 2019 TIFIA maximum annual debt service, or (z) one hundred and twenty-five percent (125%) of the average annual 2019 TIFIA debt service and any other TIFIA loans secured by HRTAC Revenues outstanding at any one time. If there are more than one TIFIA Loan secured by HRTAC Revenues outstanding at any time, then such amounts will be calculated using the summation of all TIFIA Loans as if there were one TIFIA Loan.

Events of Default Under the 2019 TIFIA Loan Agreement

The following events constitute events of default under the 2019 TIFIA Loan Agreement:

(1) Failure to pay any of the principal amount of or interest due and payable on the 2019 TIFIA Loan or to make any required mandatory prepayment thereunder;

(2) A failure by HRTAC to observe or perform any covenant, agreement or obligation of HRTAC, respectively, under the 2019 TIFIA Loan Agreement or any other 2019 TIFIA Loan Document (other than in the case of any payment default or any development default), and such failure shall not be cured within 30 days after HRTAC's knowledge thereof or receipt by HRTAC from the TIFIA Lender of written notice thereof provided, however, that if such failure is capable of cure but cannot reasonably be cured within such 30-day period, then no event of default shall be deemed to have occurred or be continuing under this provision if and so long as within such 30-day period HRTAC shall commence actions reasonably designed to cure such failure and shall diligently pursue such actions until such failure is cured, provided such failure is cured within 180 days of the first occurrence of such failure;

(3) A development default shall occur;

(4) Any of the representations, warranties or certifications of HRTAC made in or delivered pursuant to the 2019 TIFIA Loan Agreement, the TIFIA Note and the 2019 TIFIA Loan Agreement (or in any certificates delivered by HRTAC in connection with such documents) shall prove to have been false or misleading in any material respect when made;

(5) Any acceleration shall occur of the maturity of any Senior Obligations, Intermediate Lien Obligations, or Subordinate Obligations, or any such Senior Obligations, Intermediate Lien Obligations, or Subordinate Obligations shall not be paid in full upon the final maturity thereof;

(6) One or more judgments (A) for the payment of money in an aggregate amount in excess of \$5,000,000 (inflated annually by CPI) that are payable from HRTAC Revenues and are not or have not been otherwise fully covered by insurance (for which the insurer has acknowledged and not disputed coverage), or (B) that would reasonably be expected to result in a Material Adverse Effect shall, in either case, be rendered against HRTAC, and the same shall remain undischarged for a period of thirty (30) consecutive days during which time period execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of HRTAC to enforce any such judgment;

(7) HRTAC shall fail to maintain its existence as a body politic and a political subdivision created and existing under the laws of the Commonwealth, unless at or prior to the time HRTAC ceases to exist in such form a successor public agency or governing body has been created by the Commonwealth pursuant to a valid and unchallenged Commonwealth law and has succeeded to the assets of HRTAC and has assumed all of the obligations of HRTAC under the 2019 TIFIA Loan Documents and the Indenture, including the payment of all Secured Obligations;

(8) A Bankruptcy Related Event, as defined in the 2019 TIFIA Loan Agreement, shall occur with respect to HRTAC, VDOT, or certain principal project parties;

(9) HRTAC or VDOT shall abandon the Financed Projects, subject to certain exceptions;

(10) (A) Any 2019 TIFIA Loan Document ceases to be in full force and effect (other than as a result of the termination thereof in accordance with its terms) or becomes void, voidable, illegal or unenforceable, or HRTAC contests in any manner the validity or enforceability of any 2019 TIFIA Loan Document to which it is a party or denies it has any further liability under any 2019 TIFIA Loan Document to which it is a party, or purports to revoke, terminate or rescind any 2019 TIFIA Loan Document to which it is a party; or (B) any Indenture Document ceases (other than as expressly permitted thereunder) to be effective to grant a valid and binding security interest on any material portion of the Trust Estate other than as a result of actions or a failure to act by, and within the control of, the Trustee or any Secured Party, and with the priority purported to be created thereby; and

(11) Operation of the Financed Projects shall cease for a continuous period of not less than one hundred eighty (180) days, subject to certain exceptions.

Remedies

Upon the occurrence of a development default under the 2019 TIFIA Loan Agreement, all obligations of the TIFIA Lender thereunder with respect to the disbursement of any undisbursed amounts of the 2019 TIFIA Loan shall immediately be deemed suspended, subject to cure by HRTAC.

Upon the occurrence of any bankruptcy related event of default with respect to HRTAC, all obligations of the TIFIA Lender thereunder with respect to the disbursement of any undisbursed amounts of the 2019 TIFIA Loan shall automatically be deemed terminated, and, to the extent permitted under the Indenture, the outstanding 2019 TIFIA Loan balance, together with all interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the 2019 TIFIA Bond or the other 2019 TIFIA Loan documents, shall automatically become immediately due and payable;

Upon the occurrence of any other event of default under the 2019 TIFIA Loan Agreement, the TIFIA Lender, by written notice to HRTAC, may (A) suspend or terminate all of its obligations thereunder with respect to the disbursement of any undisbursed amounts of the 2019 TIFIA Loan, and (B) to the extent permitted under the Indenture, declare the unpaid principal amount of the TIFIA Bond to be, and the same shall thereupon forthwith become, immediately due and payable, together with the interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the 2019 TIFIA Loan Agreement, the TIFIA Bond or the other 2019 TIFIA Loan documents.

Whenever any Event of Default thereunder shall have occurred and be continuing, the TIFIA Lender shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of any sums due and unpaid thereunder or under the TIFIA Bond or the other 2019 TIFIA Loan Documents, and may prosecute any such judgment or final decree against HRTAC and collect in the manner provided by law out of the property of HRTAC the moneys adjudged or decreed to be payable, and the TIFIA Lender shall have all of the rights and remedies of a creditor, including all rights and remedies of a secured creditor under the Uniform Commercial Code, and may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by HRTAC under the 2019 TIFIA Loan Agreement, the TIFIA Bond or the other 2019 TIFIA Loan documents then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of HRTAC under the 2019 TIFIA Loan Agreement, the TIFIA Bond or the other 2019 TIFIA Loan documents.

In the event that any Event of Default by HRTAC under the 2019 TIFIA Loan Agreement shall occur and be continuing, the TIFIA Lender may suspend or debar HRTAC from further participation in any federal government program administered by the TIFIA Lender and to notify other departments and agencies of such default.

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