

**MOTION:**

**December 15, 2020**

**SECOND:**

**Regular Meeting**

**Res. No. 20-**

**RE:**

**AGREE TO A MORAL OBLIGATION PLEDGE FOR THE COUNTY'S PROPORTIONATE SHARE OF A STAFFORD REGIONAL AIRPORT AUTHORITY FINANCING OF \$790,000 AS SET FORTH IN THE ATTACHED SUPPORT AGREEMENT AND SECURITY AGREEMENT**

**ACTION:**

**WHEREAS**, Stafford Regional Airport Authority (the Authority) presently owns, operates and maintains a regional airport serving the needs of the residents of Stafford County, Prince William County, and the City of Fredericksburg; and

**WHEREAS**, the Authority has determined it to be advisable, and necessary, to finance certain capital improvements to the Airport, including a new aviation tee hanger building and related improvements (the Project) and to finance the Project by contracting a debt and issuing its revenue bonds in an aggregate principal amount not to exceed \$790,000 (the Local Bond) to be secured principally by a lien on the revenues of the Authority's airport facilities; and

**WHEREAS**, the Authority has determined to cause the Local Bond to be sold to the Virginia Resources Authority (VRA) pursuant to the terms of a Local Bond Sale Agreement (the Local Bond Sale Agreement) and a Financing Agreement (the Financing Agreement), each between the Authority and VRA; and

**WHEREAS**, the Prince William Board of County Supervisors (the Board or Prince William) has determined to undertake a non-binding obligation to consider certain appropriations in support of the Local Bond and the Project conditioned upon the participation of the Stafford County Board of Supervisors (Stafford), and the City Council of the City of Fredericksburg, Virginia (Fredericksburg), in such non-binding obligation; and

**WHEREAS**, the foregoing arrangements will be reflected in the Support Agreement (the Support Agreement), between the Board, Stafford, Fredericksburg, the Authority, and VRA, and a Security Agreement (the Security Agreement) between Prince William, Stafford, Fredericksburg and the Authority;

**NOW, THEREFORE, BE IT RESOLVED** by the Prince William Board of County Supervisors:

1. **Approval of Support Agreement.** The Support Agreement is approved in substantially the form presented to this meeting, with such changes, insertions or omissions as may be approved by the Chair of the Board, whose approval shall be evidenced conclusively by the execution and delivery of the Support Agreement on the Board's behalf. The Board affirms the Prince William County's contribution limit of 29% of the Airport debt service obligation under the Moral Obligation as it is described in both the new and the old support agreement. The Chair of the Board is authorized to execute and deliver the Support Agreement and such other documents and certificates as such officer may consider necessary in connection therewith.
2. **Operating Expense Support Statement.** The Board further declares that it does not intend to increase its operating expense support contribution to the Authority beyond its existing agreed levels. Any further future operating cost overruns of the Authority need to be absorbed or adjusted by the Authority.
3. **Approval of Security Agreement.** The Chair of the Board is authorized to execute and deliver the Security Agreement and such other documents and certificates as such officer may consider necessary in connection therewith.
4. **No Pledge.** Nothing contained herein or in the Support Agreement or the Security Agreement is or shall be deemed to be a lending of the credit of Prince William County to the Authority, VRA, or to any holder of the Local Bond or to any other person, and nothing herein contained is or shall be deemed to be a pledge of the faith and credit or the taxing power of Prince William County, nor shall anything contained herein or in the Support Agreement or the Security Agreement legally bind or obligate the Board to appropriate funds for the purposes described in the Support Agreement.
5. **Sequence of County Contributions Used for Debt Service.** If Prince William County's moral obligation commitment is invoked, Prince William County's proportionate share of the debt service paid on the financing of the new aviation tee hanger building shall be taken from the first dollars Prince William County annually sends to the Authority.
6. **Airport Authority Property Lien.** The Board insists on a commitment from the Authority that if Prince William County's moral obligation on this financing is invoked, and results in supplemental payments by Prince William County for debt service of this financing, then a lien by Prince William County on the property of the Authority will be created in an amount equal to Prince William County's supplemental debt service payment(s) or contribution(s).

**December 15, 2020**  
**Regular Meeting**  
**Res. No. 20-**  
**Page Three**

**7.                    Further Actions: Authorized Representations.** All officers and agents of Prince William County are authorized and directed to take such further actions in conformity with the purpose and intent of this resolution as may be necessary or appropriate in connection with the delivery and performance of the Support Agreement and the Security Agreement, including the execution and delivery on behalf of Prince William County of such instruments, documents or certificates as necessary or appropriate to carry out the transactions contemplated by this resolution. All actions previously taken by such officers and agents in connection with the Support Agreement and the Security Agreement are ratified and confirmed.

**8.                    Repeal of Conflicting Resolutions.** All resolutions are repealed to the extent they are inconsistent with this resolution.

**9.                    Effective Date.** This resolution shall take effect immediately; provided, however, that the Support Agreement shall not be executed and delivered on behalf of Prince William County until Stafford and Fredericksburg have authorized the execution of the Support Agreement.

ATTACHMENTS:    Support Agreement  
                             Security Agreement

**Votes:**

**Ayes:**

**Nays:**

**Absent during Vote:**

**Absent during Meeting:**

**For Information:**

Finance Director  
County Attorney

**ATTEST:** \_\_\_\_\_  
**Clerk to the Board**

**EXHIBIT H**  
**SUPPORT AGREEMENT**  
**PURSUANT TO THE FINANCING AGREEMENT**

**THIS SUPPORT AGREEMENT** is made as of the first day of \_\_\_\_\_, 202\_, by and among the **BOARD OF SUPERVISORS OF STAFFORD COUNTY, VIRGINIA** (the “Stafford Board”), acting as the governing body of the County of Stafford, Virginia (“Stafford”), the **BOARD OF SUPERVISORS OF PRINCE WILLIAM COUNTY, VIRGINIA** (the “Prince William Board”), acting as the governing body of the County of Prince William, Virginia (“Prince William”), the **CITY COUNCIL OF THE CITY OF FREDERICKSBURG, VIRGINIA** (the “Fredericksburg Council”), acting as the governing body of the City of Fredericksburg, Virginia (“Fredericksburg”), the **STAFFORD REGIONAL AIRPORT AUTHORITY** (the “Borrower”), and the **VIRGINIA RESOURCES AUTHORITY** (the “Authority”), as Administrator of the **VIRGINIA AIRPORTS REVOLVING FUND** (the “Fund”) and as purchaser of the Local Bond, as hereinafter defined, pursuant to a Financing Agreement dated as of the date hereof (the “Financing Agreement”), between the Authority and the Borrower.

**RECITALS:**

**WHEREAS**, the Borrower was created by the Stafford Board, the Prince William Board, and the Fredericksburg Council (collectively, the “Member Jurisdictions”) pursuant to Section 5.1-31, et seq., of the Code of Virginia of 1950, as amended, and owns and operates the Airport; and

**WHEREAS**, the Borrower has determined that it is in its best interest to issue and sell an airport revenue bond in an original aggregate principal amount not to exceed \$\_\_\_\_\_ (the “Local Bond”) to the Authority, as Administrator of the Fund, pursuant to the terms of the Financing Agreement in order to finance the Project; and

**WHEREAS**, the Stafford Board adopted on \_\_\_\_\_, 202\_, a resolution authorizing, among other things, the execution of an agreement providing for a non-binding obligation of the Stafford Board to consider certain appropriations in support of the Local Bond and the Project; and

**WHEREAS**, the Prince William Board adopted on \_\_\_\_\_, 202\_, a resolution authorizing, among other things, the execution of an agreement providing for a non-binding obligation of the Prince William Board to consider certain appropriations in support of the Local Bond and the Project; and

**WHEREAS**, the Fredericksburg Council adopted on \_\_\_\_\_, 202\_, a resolution authorizing, among other things, the execution of an agreement providing for a non-binding obligation of the Fredericksburg Council to consider certain appropriations in support of the Local Bond and the Project.

## **AGREEMENT**

**NOW, THEREFORE**, for and in consideration of the foregoing and of the mutual covenants herein set forth, the parties hereto agree as follows:

1. Unless otherwise defined, each capitalized term used in this Support Agreement shall have the meaning given it in the Financing Agreement.

2. The term “Proportional Share” shall mean for each of the Member Jurisdictions, the following percentages of the Annual Deficiency Amount (as defined in paragraph 5) or other insufficiency (as set forth in paragraph 7), if any, or such other percentages as may be agreed upon by the Member Jurisdictions in writing, provided such amended allocation shall add up to 100%:

Member Jurisdiction	Proportional Share
Stafford	[57%]
Prince William	[29%]
Fredericksburg	[14%]

Each of the Member Jurisdictions’ obligations is limited to its Proportional Share of debt service on the Local Bond and the amounts to be included in each Member Jurisdiction’s submitted budget pursuant to paragraphs 6 and 7 below shall not be increased to offset a non-appropriation of any of the other Member Jurisdictions.

3. If the Member Jurisdictions’ moral obligation commitments are invoked, the Member Jurisdictions’ Proportional Shares of debt service on the Local Bond shall be taken from the first dollars the Member Jurisdictions annually submitted to the Borrower.

4. The Borrower shall use its best efforts to issue the Local Bond, to use the proceeds thereof to pay the costs of the Project, and to construct and place the Project in operation at the earliest practical date.

5. No later than \_\_\_\_\_ of each year, beginning \_\_\_\_\_, 202\_, the Borrower shall notify the Member Jurisdictions of (a) the amount (the “Annual Deficiency Amount”) by which the Borrower reasonably expects the Revenues to be insufficient to pay (i) the debt service obligations under the Financing Agreement, the Local Bond and any other indebtedness secured by or payable from the Revenues, including the Existing Parity Bonds set forth on Exhibit F to the Financing Agreement, (ii) the Operation and Maintenance Expense, and (iii) the Additional Payments in full as and when due during the Member Jurisdictions’ fiscal year beginning the following July 1 and (b) the corresponding Proportional Share of each Member Jurisdiction.

6. The County Administrator of Stafford (the “Stafford Administrator”), the County Executive of Prince William (the “Prince William Executive”), and the City Manager of Fredericksburg (the “Fredericksburg Manager”) (the Stafford Administrator, the Prince William Executive, and the Fredericksburg Manager are each a “Designated Local Official”) each shall include the respective Proportional Share for his or her Member Jurisdiction in the respective

budget submitted to the Member Jurisdiction for the following fiscal year as an amount to be appropriated to or on behalf of the Borrower. Each Designated Local Official shall deliver to the Authority within ten (10) days after the adoption of the respective Member Jurisdiction's budget for each fiscal year, but not later than July 15 of each year, a certificate stating whether the respective Member Jurisdiction has appropriated to or on behalf of the Borrower an amount equal to its Proportional Share.

7. If at any time Revenues shall be insufficient to make any of the payments referred to in paragraph 5 hereof, the Borrower shall notify the Designated Local Officials of the amount of such insufficiency and the Designated Local Officials shall request a supplemental appropriation from the Member Jurisdictions in the amount necessary to make such payment.

8. Each Designated Local Official shall present each request for appropriation pursuant to paragraph 7 above to his or her Member Jurisdiction, and the respective Member Jurisdiction shall consider such request at such Member Jurisdiction's next regularly scheduled meeting at which it is possible to satisfy any applicable notification requirement. Promptly after such meetings, each Designated Local Official shall notify the Authority as to whether the amount so requested was appropriated. If any Member Jurisdiction shall fail to make any such appropriation, the respective Designated Local Official shall add the amount of such requested appropriation to the Proportional Share reported to that Member Jurisdiction by its Designated Local Official for the next fiscal year.

9. The Member Jurisdictions hereby undertake a non-binding obligation to appropriate their respective Proportional Shares as may be requested from time to time pursuant to paragraphs 6 and 7 above, to the fullest degree and in such manner as is consistent with the Constitution and laws of the Commonwealth of Virginia. The Member Jurisdictions, while recognizing that they are not empowered to make any binding commitment to make such appropriations in future fiscal years, hereby state their intent to make such appropriations in future fiscal years, and hereby recommend that future Boards or Councils, as appropriate, do likewise.

10. The Member Jurisdictions acknowledge that (i) the Authority would not purchase the Local Bond without the security and credit enhancement provided by this Agreement, and (ii) the Authority is treating this Agreement as a "local obligation" within the meaning of Section 62.1-199 of the Code of Virginia of 1950, as amended (the "Virginia Code"), which in the event of a nonpayment by a Member Jurisdiction hereunder authorizes the Authority to file an affidavit with the Governor that such nonpayment by such Member Jurisdiction has occurred pursuant to Section 62.1-216.1 of the Virginia Code. In purchasing the Local Bond, the Authority is further relying on Section 62.1-216.1 of the Virginia Code, providing that if the Governor is satisfied that the nonpayment has occurred, the Governor will immediately make an order directing the Comptroller to withhold all further payment to the respective Member Jurisdiction of all funds, or of any part of them, appropriated and payable by the Commonwealth of Virginia to the Member Jurisdiction for any and all purposes, and the Governor will, while the nonpayment continues, direct in writing the payment of all sums withheld by the Comptroller, or as much of them as is necessary, to the Authority, so as to cure, or cure insofar as possible, such nonpayment.

11. Nothing herein contained is or shall be deemed to be a lending of the credit of the Member Jurisdictions to the Borrower, the Authority or to any holder of the Local Bond or to any other person, and nothing herein contained is or shall be deemed to be a pledge of the faith and credit or the taxing power of any Member Jurisdiction, nor shall anything herein contained legally bind or obligate the Member Jurisdictions to appropriate funds for the purposes described herein.

12. Any notices or requests required to be given hereunder shall be deemed given if sent by registered or certified mail, postage prepaid, addressed (i) if to Stafford, to [P.O. Box 339, 1300 Courthouse Road, Stafford, Virginia 22555], Attention: County Administrator, (ii) if to Prince William, to [1 County Complex Court, Prince William, Virginia 22192], Attention: County Executive, (iii) if to Fredericksburg, to [P.O. Box 7447, Fredericksburg, Virginia 22404], Attention: City Manager, (iv) if to the Borrower, to [P.O. Box 370, Stafford, Virginia 22554], Attention: Airport Manager, and (v) if to the Authority, to 1111 East Main Street, Suite 1920, Richmond, Virginia, 23219, Attention: Executive Director. Any party may designate any other address for notices or requests by giving notice.

13. It is the intent of the parties hereto that this Agreement shall be governed by the laws of the Commonwealth of Virginia.

14. This Agreement shall remain in full force and effect until the Local Bond and all other amounts payable by the Borrower under the Financing Agreement have been paid in full.

15. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

*[Signature page follows]*

**IN WITNESS WHEREOF**, the parties hereto have each caused this Agreement to be executed in their respective names as of the date first above written.

**BOARD OF SUPERVISORS OF STAFFORD  
COUNTY, VIRGINIA**

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

Its: \_\_\_\_\_

**BOARD OF SUPERVISORS OF PRINCE WILLIAM  
COUNTY, VIRGINIA**

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

Its: \_\_\_\_\_

**CITY COUNCIL OF THE CITY OF  
FREDERICKSBURG, VIRGINIA**

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

Its: \_\_\_\_\_

**STAFFORD REGIONAL AIRPORT AUTHORITY**

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

Its: \_\_\_\_\_

**VIRGINIA RESOURCES AUTHORITY, as  
Administrator of the Virginia Airports Revolving Fund**

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

Stephanie L. Hamlett, Executive Director



## **SECURITY AGREEMENT STAFFORD REGIONAL AIRPORT AUTHORITY**

**THIS SECURITY AGREEMENT** is made as of December 1, 2020, among the **CITY COUNCIL OF THE CITY OF FREDERICKSBURG, VIRGINIA** (the "Fredericksburg Council"), acting as the governing body of the City of Fredericksburg, Virginia ("Fredericksburg"), the **BOARD OF COUNTY SUPERVISORS OF PRINCE WILLIAM COUNTY, VIRGINIA** (the "Prince William Board"), acting as the governing body of Prince William County, Virginia ("Prince William"), the **BOARD OF SUPERVISORS OF STAFFORD COUNTY, VIRGINIA** (the "Stafford Board") acting as the governing body of Stafford County, Virginia ("Stafford") and **STAFFORD REGIONAL AIRPORT AUTHORITY** (the "Authority").

### **RECITALS:**

**WHEREAS**, the Authority was created by the Stafford Board, the Prince William Board and the Fredericksburg Council (collectively, the "Member Jurisdictions") pursuant to Chapter 3, Title 5.1, Code of Virginia of 1950, as amended, to own and operate the Airport serving the Member Jurisdictions;

**WHEREAS**, the Authority has determined that it is in its best interest to issue and sell an airport revenue bond in an original aggregate principal amount of \$790,000 (the "Local Obligation") to the Virginia Resources Authority ("VRA") pursuant to the terms of the Financing Agreement dated as of December 1, 2020 (the "Financing Agreement") between VRA and the Authority to finance the Project;

**WHEREAS**, in connection with the issuance of the Local Obligation, the Member Jurisdictions have agreed to a non-binding obligation to consider certain appropriations in support of the Local Obligation pursuant to a Support Agreement dated as of December 1, 2020 (the "Support Agreement") among the Member Jurisdictions, the Authority and VRA.

### **AGREEMENT**

**NOW, THEREFORE**, for and in consideration of the foregoing and of the mutual covenants herein set forth, the parties hereto agree as follows:

1. Unless otherwise defined, each capitalized term used in this Security Agreement shall have the meaning given it in the Support Agreement.
2. Pursuant to the Support Agreement, the Member Jurisdictions may make certain payments to VRA relating to the Local Obligation. The parties agree that such payments may be treated as a loan from the Member Jurisdictions respectively to the Authority.
3. (a) Upon payment by the Fredericksburg Council to VRA of any amounts pursuant to the Support Agreement and upon written request of the Fredericksburg Council, the Authority agrees to provide security for the repayment of the loan by the Fredericksburg Council, including a lien upon the Project and the property upon which the Project is located;

provided, however, that any such security shall be subordinate to the repayment of VRA under the Local Obligation and the Financing Agreement.

(b) Upon payment by the Prince William Board to VRA of any amounts pursuant to the Support Agreement and upon written request of the Prince William Board, the Authority agrees to provide security for the repayment of the loan by the Prince William Board, including a lien upon the Project and the property upon which the Project is located; provided, however, that any such security shall be subordinate to the repayment of VRA under the Local Obligation and the Financing Agreement.

(c) Upon payment by the Stafford Board to VRA of any amounts pursuant to the Support Agreement and upon written request of the Stafford Board, the Authority agrees to provide security for the repayment of the loan by the Stafford Board, including a lien upon the Project and the property upon which the Project is located; provided, however, that any such security shall be subordinate to the repayment of VRA under the Local Obligation and the Financing Agreement.

4. At the request of the Member Jurisdictions, the Authority agrees establish a local debt service reserve fund (the "Local DSRF"). The Authority shall deposit a balance of \$30,000 to the Local DSRF to be held with VRA. Unless directed otherwise by the Authority, the related earnings on the Local DSRF will be held in the Local DSRF on behalf of the Authority to be applied to final debt service payments on the Local Obligation. In the event that any funds remain in the Local DSRF, upon payment of all principal and interest due under the Local Obligation, such amounts will be returned to the Authority by VRA.

5. Nothing herein contained is or shall be deemed to be a lending of the credit of any Member Jurisdiction to the Authority, VRA or to any holder of the Local Obligation or to any other person, and nothing herein contained is or shall be deemed to be a pledge of the faith and credit or the taxing power of any Member Jurisdiction, nor shall anything herein contained legally bind or obligate the Member Jurisdiction to appropriate funds for the purposes described herein.

6. Any notices or requests required to be given hereunder shall be deemed given if sent by first class mail, postage prepaid, addressed (i) if to Fredericksburg, to P. O. Box 7447, Fredericksburg, Virginia 22404, Attention: City Manager, (ii) if to Prince William to 1 County Complex Court, Prince William, Virginia 22192, Attention: County Executive, (iii) if to Stafford, to P. O. Box 339, 1300 Courthouse Road, Stafford, Virginia 22555, Attention: County Administrator, and (iv) if to the Authority, to 75 Aviation Way, Fredericksburg, Virginia 22406, Attention: Chairman. Any party may designate any other address for notices or requests by giving notice.

7. It is the intent of the parties hereto that this Agreement shall be governed by the laws of the Commonwealth of Virginia.

8. This Agreement shall remain in full force and effect until the Local Obligation and all other amounts payable by the Authority under the Financing Agreement have been paid in full.

THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK

**IN WITNESS WHEREOF**, the parties hereto have each caused this Agreement to be executed in their respective names as of the date first above written.

**CITY COUNCIL OF THE CITY OF  
FREDERICKSBURG, VIRGINIA**

By: \_\_\_\_\_  
Mayor

**BOARD OF COUNTY SUPERVISORS OF  
PRINCE WILLIAM, VIRGINIA**

By: \_\_\_\_\_  
Chair

**BOARD OF SUPERVISORS OF STAFFORD  
COUNTY, VIRGINIA**

By: \_\_\_\_\_  
Chairman

**STAFFORD REGIONAL AIRPORT  
AUTHORITY**

By: \_\_\_\_\_  
Chairman



# **STAFF REPORT**

<b>Board Meeting Date:</b>	December 15, 2020
<b>Agenda Title:</b>	Agree to a Moral Obligation Pledge for the County's Proportionate Share of a Stafford Regional Airport Authority Financing of \$790,000 as Set Forth in the Attached Support Agreement and Security Agreement
<b>Requested Action:</b>	Approve the resolution.
<b>Department / Agency Lead:</b>	Department of Finance
<b>Staff Lead:</b>	Michelle L. Attreed, Director of Finance/CFO

## **EXECUTIVE SUMMARY**

The Stafford Regional Airport Authority (SRAA) has applied for a loan of \$790,000 from the Virginia Airports Revolving Fund, administered by the Virginia Resources Authority (VRA). County staff has received a request from the SRAA to provide a moral obligation pledge to support the Authority's proposed financing. Without the County's agreement, the SRAA may be unable to secure the financing.

It is the recommendation of staff that the Board of County Supervisors (BOCS) approve the resolution and execute the Support Agreement and Security Agreement.

## BACKGROUND

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The County entered into an Agreement creating the Stafford Regional Airport Commission on August 16, 1990. The Agreement is among the Counties of Prince William and Stafford and the City of Fredericksburg. The Agreement provided for ongoing support by all the parties in the respective proportions of 29%, 57%, and 14%. The Agreement provided for two (2) members of the Commission to be appointed by Prince William County. Additionally, the Agreement capped support contributions at \$100,000 per year. All contributions are subject to appropriation by the BOCS. The Commission was subsequently changed to an Authority.

The County amended the Agreement and extended the term on four separate occasions. The Third Amendment, approved May 3, 2005, via Resolution Number (Res. No.) 05-481, increased the maximum support contribution to \$200,000 per year. The most recent amendment on June 26, 2007, via Res. No. 07-551, extended the term of the Agreement to February 26, 2057.

Since inception of the Agreement, the County has pledged its "Moral Obligation." A moral obligation in this context refers to the non-legally binding "moral" obligation of the County to support the SRAA in the event SRAA revenues are insufficient to service its debt and offers additional security to bondholders. The County previously agreed to provide moral obligation pledges to the SRAA on two occasions: the SRAA's financing of \$1.075 million through the VRA (Res. No. 05-99) and the SRAA's financing of \$1.75 million through the VRA (Res. No. 07-176). The remaining balances on these two loans are \$318,536 and \$739,425, respectively.

The County budgeted an appropriation of \$50,000 for Fiscal Year (FY) 2021 to support the SRAA's operations. The same amount was appropriated in FY2020. If the County's moral obligation commitment is invoked, the County's proportional share of debt service shall be taken from the first dollars the County annually appropriates to the SRAA.

The SRAA is seeking to construct a new hanger. The loan from the Virginia Airports Revolving Fund would finance construction of the hanger and pay for related expenses. Total project cost is estimated at \$1,022,714. A \$261,000 grant from the Virginia Department of Aviation is expected to provide the remaining construction funds. According to the request from the SRAA, the additional funds are expected to be used for unforeseen issues and utilities. Funds to repay the loan are expected to come from collection of hanger fees by the SRAA.

On November 10, 2020, the SRAA formally requested the County agree to another moral obligation pledge as required by VRA. Stafford County and the City of Fredericksburg have since agreed to similar support agreements with their respective support percentages.

VRA has conditionally approved the loan to the SRAA contingent upon the County's agreement to provide a moral obligation to repay the loan. The financing documents are included as attachments. Exhibit H to the Financing Agreement is the Support Agreement that formalizes the County's obligation.

## **STAFF RECOMMENDATION**

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Staff recommends the BOCS agree to a Moral Obligation Pledge for the County's proportionate share of a Stafford Regional Airport Authority Financing of \$790,000 as set forth in the attached Support Agreement and Security Agreement.

### **Service Level / Policy Impact**

The recommended action will allow the SRAA to move forward with the construction of the new hanger.

### **Fiscal Impact**

There is no anticipated fiscal impact nor is this pledge anticipated to negatively impact the County's credit rating or capacity. Should future revenues of the SRAA fail to meet debt service, the SRAA may request the additional support offered by the moral obligation pledge.

Any request to fulfil the moral obligation pledge is expected to be a part of the SRAA's support request. The amounts of any deficiencies and the duration of the deficiencies is uncertain and may reverse. The debt service deficiency is to be paid first from the agreed upon support (currently \$50,000) before other expenses. The resolution declares that the Board does not intend to increase its operating expense support contribution to the Authority beyond its existing agreed levels. Any further future operating cost overruns of the Authority will need to be absorbed or adjusted by the Authority.

Annual debt service for the loan is estimated at \$48,797. Of this amount, the County would be expected to provide support in the proportionate share of 29% (\$14,151) if requested. This amount would first be paid out of the County's existing appropriation with the remaining balance of the \$50,000 to be allocated by the SRAA after debt service has been paid.

### **Legal Impact**

The Local Bond given by the SRAA to the VRA is treated as a "local obligation" within the meaning of Section 62.1-199 of the Code of Virginia of 1950, as amended, which in the event of a nonpayment by the County hereunder authorizes the VRA to file an affidavit with the Governor that such nonpayment by the County has occurred pursuant to Section 62.1-216.1 of the Virginia Code. Provided that if the Governor is satisfied that the nonpayment has occurred, the Governor will immediately make an order directing the Comptroller to withhold all further payment to the County of all funds, or of any part of them, appropriated and payable by the Commonwealth of Virginia to the County for any and all purposes.

The resolution provides for a commitment from the SRAA that if the County's moral obligation on this financing is invoked and results in supplemental payments by the County for debt service of this financing, then a lien by the County on the property of the SRAA will be created in an amount equal to the County's supplemental debt service payment(s) or contribution(s).

### **Timing Impact**

The SRAA seeks to finalize the financing as soon as possible.

## **STAFF CONTACT INFORMATION**

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Brad Norris | (703) 792-6688  
bnorris@pwcgov.org

## **ATTACHMENTS**

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1. Financing Agreement Between VRA and SRAA
2. Letter from SRAA Requesting Moral Obligation Pledge
3. Contingent Approval Letter from VRA to SRAA



**FINANCING AGREEMENT**

**dated as of \_\_\_\_\_ 1, 202\_**

**BETWEEN**

**VIRGINIA RESOURCES AUTHORITY,**

**as Administrator of the  
Virginia Airports Revolving Fund**

**AND**

**STAFFORD REGIONAL AIRPORT AUTHORITY**

**Virginia Resources Authority  
Virginia Airports Revolving Fund**

**Project Number VARF-DL-19**

## TABLE OF CONTENTS

[To Be Updated]

	<u>Page</u>
ARTICLE 1      DEFINITIONS.....	1
Section 1.1      Definitions.....	1
Section 1.2      Rules of Construction .....	4
ARTICLE 2      REPRESENTATIONS .....	5
Section 2.1      Representations by Borrower.....	5
ARTICLE 3      ISSUANCE AND DELIVERY OF THE LOCAL BOND.....	7
Section 3.1      Loan to Borrower and Purchase of the Local Bond.....	7
Section 3.2      Conditions Precedent to Purchase of the Local Bond.....	7
ARTICLE 4      USE OF LOCAL BOND PROCEEDS.....	9
Section 4.1      Application of Proceeds .....	9
Section 4.2      Agreement to Accomplish Project .....	10
Section 4.3      Permits .....	11
Section 4.4      Construction Contractors .....	11
Section 4.5      Engineering Services .....	11
Section 4.6      Borrower Required to Complete Project.....	11
ARTICLE 5      PLEDGE, REVENUES AND RATES, ANNUAL BUDGET .....	12
Section 5.1      Pledge of Revenues; Rate Covenant .....	12
Section 5.2      Annual Budget .....	12
Section 5.3      Qualified Independent Consultant's Report.....	13
ARTICLE 6      PAYMENTS .....	13
Section 6.1      Payment of Local Bond .....	13
Section 6.2      Payment of Additional Payments.....	14
ARTICLE 7      PREPAYMENTS.....	14
Section 7.1      Prepayment of Local Bond .....	14
ARTICLE 8      OPERATION AND USE OF AIRPORT .....	14
Section 8.1      Ownership of Project and Airport.....	14
Section 8.2      Maintenance .....	14
Section 8.3      Additions and Modifications.....	15

Section 8.4	Use of Airport .....	15
Section 8.5	Inspection of Airport and Borrower's Books and Records .....	15
Section 8.6	Ownership of Land .....	15
Section 8.7	Sale or Encumbrance .....	15
Section 8.8	Collection of Revenues .....	16
Section 8.9	Lawful Charges .....	16
Section 8.10	No Competing Service .....	17
ARTICLE 9	INSURANCE, DAMAGE AND DESTRUCTION .....	17
Section 9.1	Insurance .....	17
Section 9.2	Requirements of Policies .....	18
Section 9.3	Notice of Damage, Destruction and Condemnation .....	18
Section 9.4	Damage and Destruction .....	18
Section 9.5	Condemnation and Loss of Title .....	18
ARTICLE 10	SPECIAL COVENANTS .....	19
Section 10.1	Maintenance of Existence .....	19
Section 10.2	Financial Records and Statements .....	19
Section 10.3	Certificate as to No Default .....	19
Section 10.4	Additional Indebtedness .....	19
Section 10.5	Parity Bonds .....	20
Section 10.6	Further Assurances .....	21
Section 10.7	Other Indebtedness .....	21
Section 10.8	Assignment by Borrower .....	21
Section 10.9	Protection of Security .....	22
Section 10.10	Litigation; Event of Default; Material Change .....	22
ARTICLE 11	DEFAULTS AND REMEDIES .....	22
Section 11.1	Events of Default .....	22
Section 11.2	Notice of Default .....	23
Section 11.3	Remedies on Default .....	23
Section 11.4	Delay and Waiver .....	24
Section 11.5	State Aid Intercept .....	24
ARTICLE 12	MISCELLANEOUS .....	24
Section 12.1	Successors and Assigns .....	24

Section 12.2	Amendments .....	24
Section 12.3	Limitation of Borrower Liability .....	24
Section 12.4	Applicable Law .....	24
Section 12.5	Severability .....	24
Section 12.6	Notices .....	25
Section 12.7	Right to Cure Default.....	25
Section 12.8	Headings .....	25
Section 12.9	Term of Agreement.....	25
Section 12.10	Counterparts.....	26

Exhibit A - Form of Local Bond

Exhibit B - Project Description

Exhibit C - Project Budget

Exhibit D - Opinion of Borrower's Bond Counsel

Exhibit E - Form of Requisition

Exhibit F - Prior Bonds and Existing Parity Bonds

Exhibit G - Form of Budget

Exhibit H - Support Agreement

## **FINANCING AGREEMENT**

**THIS FINANCING AGREEMENT** is made as of this first day of \_\_\_\_\_, 202\_, between the **VIRGINIA RESOURCES AUTHORITY** (the “Authority”), a public body corporate and a political subdivision of the Commonwealth of Virginia, as Administrator of the **VIRGINIA AIRPORTS REVOLVING FUND** (the “Fund”), and the **STAFFORD REGIONAL AIRPORT AUTHORITY** (the “Borrower”), a political subdivision of the Commonwealth of Virginia.

Pursuant to Chapter 2.1, Title 5.1 of the Code of Virginia of 1950, as amended (the “Act”), the General Assembly created a permanent and perpetual fund known as the “Virginia Airports Revolving Fund”. The Authority administers and manages the Fund, and from the Fund, the Authority from time to time makes loans to and acquires obligations of local governments in Virginia to finance or refinance the costs of airport facilities within the meaning of Section 5.1-30.1 of the Act.

The Borrower has requested a loan from the Fund and will evidence its obligation to repay such loan by the Local Bond it will issue and sell to the Authority, on behalf of the Fund. The Borrower will use the proceeds of the sale of the Local Bond to the Authority to finance or refinance Project Costs in accordance with, and as more fully set forth in, the Project Budget.

### **ARTICLE 1**

#### **DEFINITIONS**

**Section 1.1 Definitions.** The capitalized terms contained in this Agreement and not defined above shall have the meanings set forth below unless the context requires otherwise and any capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Act:

“Additional Payments” means the payments required by Section 6.2.

“Agreement” means this Financing Agreement between the Authority and the Borrower, together with any amendments or supplements hereto.

“Airport” means the airport known as the “Stafford Regional Airport” owned and operated by the Borrower, together with all ancillary, appurtenant or incidental facilities owned and/or operated by Borrower.

“Authorized Representative” means any member, official or employee of the Borrower authorized by resolution, ordinance or other official act of the governing body of the Borrower to perform the act or sign the document in question.

“Closing Date” means the date of the delivery of the Local Bond to the Authority.

“Commonwealth” means the Commonwealth of Virginia.

“Consulting Engineer” means (i) the Local Engineer or (ii) such other firm of independent consulting engineers of recognized standing and experienced in the field of airport engineering and in providing consulting services to airport operators, registered to do business in Virginia and designated by the Borrower from time to time as Borrower’s consulting engineer in a written notice to the Authority, which firm shall be subject to the reasonable approval of the Authority.

“Default” means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“DOAV” means the Virginia Department of Aviation.

“Event of Default” has the meaning set forth in Section 11.1.

“Existing Parity Bonds” means any of the Borrower’s bonds, notes or other evidences of indebtedness, as further described on Exhibit F, that on the date of the Local Bond’s issuance and delivery were secured by a pledge of Net Revenues Available for Debt Service on a parity with the pledge of Net Revenues Available for Debt Service securing the Local Bond.

“Fiscal Year” means the period of twelve months established by the Borrower as its annual accounting period.

“Fixed Base Operator” means a fixed base operator approved by the Borrower, or such other successor fixed base operator as approved by the Borrower.

“Local Bond” means the bond in substantially the form attached to this Financing Agreement as Exhibit A issued by the Borrower to the Authority pursuant to this Agreement.

“Local Bond Proceeds” means the proceeds of the sale of the Local Bond to the Authority pursuant to this Agreement.

“Local Engineer” means any employee of the Borrower licensed as a professional engineer in Virginia and with recognized standing and experience in the design and construction of facilities similar to the Project that the Borrower may designate from time to time in a written notice to the Authority, which employee shall be subject to the Authority’s reasonable approval.

“Local Resolution” means the resolution adopted by the governing body of the Borrower at its meeting held on \_\_\_\_\_, 2020 approving the transactions contemplated by, and authorizing the execution and delivery of, this Agreement and the execution, issuance and delivery of the Local Bond.

“Member Jurisdictions” means the County of Stafford, Virginia, the County of Prince William, Virginia and the City of Fredericksburg, Virginia.

“Net Proceeds” means the gross proceeds from any insurance recovery or condemnation award remaining after payment of attorneys’ fees and expenses of the Authority and all other expenses incurred in the collection of such gross proceeds.

“Net Revenues Available for Debt Service” means the Revenues less amounts necessary to pay Operation and Maintenance Expenses.

“Operation and Maintenance Expenses” means the costs of operating and maintaining the Airport determined pursuant to generally accepted accounting principles, including the cost of fuel for sale, but exclusive of (i) interest on any debt secured by or payable from Revenues, (ii) depreciation and any other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring annually or reserves therefor, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

“Opinion of Bond Counsel” means a written opinion of recognized bond counsel, acceptable to the Authority.

“Parity Bonds” means bonds, notes or other evidences of indebtedness of the Borrower issued under Section 10.5.

“Permitted Encumbrances” means, as of any particular time, (i) liens for ad valorem taxes, if any, not then delinquent; (ii) utility, access and other easements and rights of way, restrictions and exceptions that will not interfere with or impair the operations being conducted at the Airport; and (iii) such defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the Airport and as do not, in the opinion of counsel (who may be counsel to the Borrower), materially impair the use of the property affected thereby for the purpose for which it was acquired or is held by the Borrower.

“Prior Bonds” means any of the Borrower’s bonds, notes or other evidences of indebtedness, as further described in Exhibit F, that on the date of the Local Bond’s issuance and delivery were secured by a pledge of Net Revenues Available for Debt Service all or any portion of which was superior to the pledge of Net Revenues Available for Debt Service securing the Local Bond.

“Project” means the particular project described in Exhibit B, the costs of the construction, acquisition, equipping and/or undertaking of which are to be financed or refinanced, as applicable, in whole or in part with the Local Bond Proceeds.

“Project Budget” means the budget for the financing or the refinancing of the Project, a copy of which is attached to this Agreement as Exhibit C, with such changes therein as may be approved in writing by the Authority.

“Project Costs” means the costs of the construction, acquisition, equipping and/or undertaking of the Project, as further described in the Project Budget, and such other costs as may be approved in writing by the Authority, provided such costs are permitted by the Act.

“Qualified Independent Consultant” shall mean an independent professional consultant having the skill and experience necessary to provide the particular certificate, report or approval required by the provision of this Agreement in which such requirement appears, including

without limitation a Consulting Engineer, so long as such individual is not a Local Engineer, and an independent certified public accountant or firm of independent certified public accountants. Such individual or firm shall be subject to the reasonable approval of the Authority.

“Revenues” means (i) all of the gross revenues, rates, fees, rentals, charges and other income derived from any source properly allocable to the Airport in accordance with generally accepted accounting principles or otherwise resulting from the Borrower’s ownership or operation of the Airport, (ii) the proceeds of any insurance covering business interruption loss relating to the Airport, (iii) interest on any money or securities related to the Airport held by or on behalf of the Borrower, (iv) amounts that may be appropriated for and paid to the Borrower by the Member Jurisdictions under the Support Agreement or otherwise, and (v) any other income from other sources pledged by the Borrower to the payment of its Local Bond; provided, however, Revenues shall not include capital grants, contributions, and awards from other governmental entities for specific capital projects or expenses.

“Subordinate Bonds” means bonds, notes or other evidences of indebtedness of the Borrower secured by or payable from a pledge of Revenues expressly made subordinate to the pledge of Revenues to secure the payment of the Local Bond.

“Support Agreement” means the Support Agreement, dated the date hereof, among the Borrower, the Authority and the Member Jurisdictions, substantially in the form of Exhibit H hereto.

**Section 1.2 Rules of Construction.** The following rules shall apply to the construction of this Agreement unless the context requires otherwise:

- (a) Singular words shall connote the plural number as well as the singular and vice versa.
- (b) All references in this Agreement to particular Sections or Exhibits are references to Sections or Exhibits of this Agreement unless otherwise indicated.
- (c) The headings and table of contents as used in this Agreement are solely for convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, construction or effect.

## **ARTICLE 2**

### **REPRESENTATIONS**

**Section 2.1 Representations by Borrower.** The Borrower makes the following representations as the basis for its undertakings under this Agreement:

- (a) The Borrower is a duly created and validly existing “local government” (as defined in Section 5.1-30.1 of the Act) of the Commonwealth and is vested with the rights and powers conferred upon it by the laws of the Commonwealth.



(b) The Borrower has full right, power and authority to (i) adopt the Local Resolution and execute and deliver this Agreement, the Support Agreement and the other documents related thereto, (ii) issue, sell and deliver its Local Bond to the Authority, (iii) own and operate the Airport, (iv) fix, charge and collect charges for the use of and for the services furnished by the Airport, (v) construct, acquire, equip and/or undertake the Project (as described in Exhibit B) and finance or refinance the Project Costs by borrowing money for such purpose pursuant to this Agreement and the issuance of its Local Bond, (vi) pledge the Revenues to the payment of the Local Bond, and (vii) carry out and consummate all of the transactions contemplated by the Local Resolution, this Agreement, the Support Agreement and the Local Bond.

(c) This Agreement, the Support Agreement and the Local Bond were duly authorized by the Local Resolution and are in substantially the same forms as authorized by the Borrower's governing body at its meeting at which the Local Resolution was adopted.

(d) All governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the date of the delivery of this Agreement have been obtained for (i) the Borrower's adoption of the Local Resolution, (ii) the execution and delivery by the Borrower of this Agreement, the Support Agreement and the Local Bond, (iii) the performance and enforcement of the obligations of the Borrower thereunder, (iv) the construction, acquisition, equipping and/or undertaking of the Project, and (v) the operation and use of the Airport. The Borrower knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations or approvals not obtained as of the date hereof cannot be obtained as needed.

(e) Each of this Agreement and Support Agreement has been executed and delivered by duly authorized officials of the Borrower and constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms.

(f) When executed and delivered in accordance with the Local Resolution and this Agreement, the Local Bond will have been executed and delivered by duly authorized officials of the Borrower and will constitute a legal, valid and binding limited obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(g) The issuance of the Local Bond, the adoption of the Local Resolution, the execution and delivery of this Agreement and the Support Agreement, and the performance by the Borrower of its obligations thereunder do not and will not conflict with, or constitute a breach or result in a violation of, (i) to the best of the Borrower's knowledge, any federal or Virginia constitutional or statutory provision, (ii) any organizational documents of the Borrower or any agreement or other instrument to which the Borrower is a party or by which it is bound, or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Borrower or its property.

(h) The Borrower is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument

under and subject to which any indebtedness for borrowed money has been incurred. No event or condition has happened or existed, or is happening or existing, under the provisions of any such instrument, including but not limited to this Agreement, which constitutes, or which, with notice or lapse of time, or both, would constitute, an event of default thereunder.

(i) The Borrower (i) to the best of the Borrower's knowledge, is not in violation of any existing law, rule or regulation applicable to it in any way which would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Bond, the Local Resolution, the Support Agreement and this Agreement and (ii) is not in default under any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the Borrower is a party or by which it is bound or to which any of its assets is subject, which would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Bond, the Local Resolution, the Support Agreement and this Agreement. The issuance, adoption or execution and delivery, as applicable, by the Borrower of the Local Bond, the Local Resolution, the Support Agreement and this Agreement and the compliance with the terms and conditions thereof will not conflict with or result in a breach of or constitute a default under any of the foregoing.

(j) There are not pending nor, to the best of the Borrower's knowledge, threatened against the Borrower, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature, (i) affecting the creation, organization or existence of the Borrower or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the adoption of the Local Resolution, the execution and delivery of this Agreement and the Support Agreement or the issuance and delivery of the Local Bond, (iii) in any way contesting or affecting the validity or enforceability of the Local Bond, the Local Resolution, the Support Agreement, this Agreement or any agreement or instrument relating to any of the foregoing, (iv) in which a judgment, order or resolution may have a material adverse effect on the Borrower or its business, assets, condition (financial or otherwise), operations or prospects or on its ability to perform its obligations under the Local Bond, the Local Resolution, the Support Agreement or this Agreement, (v) in any way affecting or contesting the construction, acquisition, equipping and/or undertaking of the Project, or (vi) contesting or challenging the power of the Borrower to pledge the Revenues to the payment of the Local Bond.

(k) Except as may be required by law, permitted by Section 8.7 below or as may otherwise be approved by the Authority, the Airport at all times is and will be owned by the Borrower and will not be operated or controlled by any entity or person other than the Borrower or its duly authorized agent, including a Fixed Base Operator.

(l) No material adverse change has occurred in the financial condition of the Borrower as indicated in the financial statements, applications and other information furnished to the Authority.

(m) Except as may be listed on Exhibit F, there is no indebtedness of the Borrower secured by a pledge of Revenues prior to or on a parity with the pledge of Revenues securing the Local Bond.

(n) No Event of Default or Default has occurred and is continuing.

### ARTICLE 3

#### **ISSUANCE AND DELIVERY OF THE LOCAL BOND**

**Section 3.1 Loan to Borrower and Purchase of the Local Bond.** The Borrower agrees to borrow from the Authority and the Authority agrees to lend to the Borrower, from the Fund, the principal amount equal to the sum of the principal disbursements made pursuant to Section 4.1, but not to exceed \$\_\_\_\_\_, for the purposes herein set forth. The Borrower's obligation shall be evidenced by the Local Bond, which shall be in substantially the form of Exhibit A attached hereto and made a part hereof and delivered to the Authority on the Closing Date. The Local Bond shall be in the original principal amount of the loan and shall mature and be payable as hereinafter provided.

**Section 3.2 Conditions Precedent to Purchase of the Local Bond.** The Authority shall not be required to make the loan to the Borrower and purchase the Local Bond unless the Authority shall have received the following, all in form and substance satisfactory to the Authority:

- (a) The Local Bond and the Support Agreement.
- (b) A certified copy of the Local Resolution.
- (c) An original executed counterpart of this Agreement.
- (d) A certificate of appropriate officials of the Borrower as to the matters set forth in Section 2.1 and such other matters as the Authority may reasonably require.
- (e) If required by the Authority, (i) a contract or contracts for the construction, acquisition, equipping and/or undertaking of the Project, which are acceptable to the Authority as to form and content, or (ii) the Consulting Engineer's estimate of the total Project Costs to be financed with the Local Bond Proceeds.

Such contracts or estimates must be in an amount and otherwise compatible with the financing plan described in the Project Budget.

(f) If required by the Authority, a certificate of the Consulting Engineer to the effect that in the opinion of the Consulting Engineer, (i) the Project is for the benefit of the Airport, and (ii) the Local Bond Proceeds and funds available from the other sources specified in the Project Budget will be sufficient to pay the estimated Project Costs.

(g) If required by the Authority, a certificate of the Consulting Engineer as to the date the Borrower is expected to complete the Project.

(h) A certificate, including supporting documentation, of an Authorized Representative that in the opinion of the Authorized Representative, during the first two complete Fiscal Years of the Borrower following completion of the Project, the projected Net Revenues Available for Debt Service will satisfy the rate covenant made by the Borrower in Section 5.1(b). In providing this certificate, the Authorized Representative may take into consideration future rate increases for the use of and for services furnished or to be furnished by the Airport, provided that such rate increases have been duly approved by the governing body of the Borrower and any other person or entity required to give approval for the rate increase to become effective. In addition, the Authorized Representative may take into consideration additional future revenues to be derived under existing contractual arrangements entered into by the Borrower.

(i) (i) Evidence satisfactory to the Authority that all governmental permits, licenses, registrations, certificates, authorizations and approvals for the Project required to have been obtained as of the date of the delivery of this Agreement have been obtained and (ii) a statement of the Consulting Engineer that he knows of no reason why any future required governmental permits, licenses, registrations, certificates, authorizations and approvals cannot be obtained as needed.

(j) Evidence satisfactory to the Authority that the Borrower has obtained or has made arrangements satisfactory to the Authority to obtain any funds or other financing for the Project as contemplated in the Project Budget.

(k) Evidence satisfactory to the Authority that the Borrower has performed and satisfied all of the terms and conditions contained in this Agreement to be performed and satisfied by it as of such date.

(l) An Opinion of Bond Counsel, substantially in the form of Exhibit D, addressed to the Fund and the Authority.

(m) An opinion of counsel to the Borrower in form and substance reasonably satisfactory to the Authority.

(n) Evidence satisfactory to the Authority that the Borrower has complied with the insurance provisions set forth in Sections 9.1 and 9.2 hereof.

(o) Evidence satisfactory to the Authority that the Borrower has complied with the requirements for the issuance of its revenue bonds under the applicable laws of the Commonwealth.

(p) Evidence satisfactory to the Authority that the Borrower has satisfied all conditions precedent to the issuance of the Local Bond as a "Parity Bond" under the financing agreements for the Existing Parity Bonds, if any.

(q) Such other documentation, resolutions, certificates and legal opinions as the Authority may reasonably require, including an opinion from counsel acceptable to the Authority that the Support Agreement is valid and enforceable against the Borrower and the Member Jurisdictions, subject to usual and customary qualifications.

## **ARTICLE 4**

### **USE OF LOCAL BOND PROCEEDS**

**Section 4.1 Application of Proceeds.** The Borrower agrees to apply the Local Bond Proceeds solely and exclusively to the payment or reimbursement of the Borrower for the Project Costs and further agrees to exhibit to the Authority receipts, vouchers, statements, bills of sale or other evidence of the actual payment of such Project Costs. The Authority shall disburse money from the Fund to or for the account of the Borrower not more frequently than once each calendar month (unless otherwise agreed by the Authority and the Borrower) upon receipt by the Authority of the following:

(a) A requisition (upon which the Authority and DOAV shall be entitled to rely) signed by an Authorized Representative and containing all information called for by, and otherwise being in the form of, Exhibit E (including Schedule 1 thereto).

(b) Receipts, vouchers, statements, bills of sale or other evidence of payment of the related Project Costs.

(c) If any requisition includes an item for payment for labor or to contractors, builders or materialmen:

(i) a certificate, signed by the Consulting Engineer, stating that such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the Project; and

(ii) a certificate, signed by an Authorized Representative, stating that no notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable under the requisition to any of the persons, firms or corporations named in it has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition.

(d) If any requisition includes an item for payment of the cost of acquisition of any lands or easements, rights or interests in or relating to lands, there shall also be attached to such requisition:

(i) a certificate, signed by the Consulting Engineer, stating that such lands, easements, rights or interests are being acquired and are necessary or convenient for the construction of the construction portion of the Project; and

(ii) a certificate, signed by an Authorized Representative, stating that upon payment therefor the Borrower will have title in fee simple to, or easements, rights or interests sufficient for the purposes of the construction portion of the Project over or through the subject lands.

Upon receipt reasonably satisfactory to the Authority of each such requisition and accompanying invoice(s) and certificate or certificates, the Authority shall disburse Local Bond Proceeds hereunder to or for the account of the Borrower in accordance with such requisition from the Fund and shall note the date and amount of each such disbursement on a schedule of principal disbursements to be included on the Local Bond. The Authority shall have no obligation to make any disbursement if the Borrower is in Default hereunder.

(e) The Borrower shall comply with all applicable laws of the Commonwealth of Virginia, including but not limited to, the Virginia Public Procurement Act, as amended, regarding the awarding and performance of public construction contracts related to the Project and the furnishing of payment and performance bonds as part of the related construction contracts. The Borrower shall be responsible for any losses resulting from the waiver of such requirements.

(f) Except as may otherwise be approved by the Authority, disbursements shall be held at ninety-five percent (95%) of the maximum authorized amount of the Local Bond to ensure satisfactory completion of the Project. Upon receipt from the Borrower of the certificate specified in Section 4.2, and a final requisition detailing all retainages to which the Borrower is then entitled, the Authority, subject to the provisions of this Section and Section 4.2, will disburse to or for the account of the Borrower Local Bond Proceeds to the extent of such approval.

The Authority shall have no obligation to disburse Local Bond Proceeds in excess of the amount necessary to pay for approved Project Costs. If principal disbursements up to the maximum authorized amount of the Local Bond are not made, principal installments due on the Local Bond shall be reduced in accordance with Section 6.1.

The Borrower agrees that any amounts disbursed to it or for its account from the Fund will be (i) immediately applied to reimburse the Borrower for Project Costs it has already incurred and paid or (ii) actually spent to pay Project Costs not later than five (5) banking days after receipt.

**Section 4.2 Agreement to Accomplish Project.** The Borrower agrees to cause the Project to be completed as described in Exhibit B and in accordance with the Project Budget. The Borrower shall use its best efforts to complete the Project by the date set forth in any certificate provided to the Authority pursuant to Section 3.2(g). The Borrower agrees to maintain complete and accurate books and records of the Project Costs, including receipts, vouchers, statements, bills of sale and other evidence of actual payment of such Project Costs. The Borrower shall permit the Authority through its duly authorized representatives to inspect such books and records at any reasonable time and agrees upon the request of the Authority to

provide the information called for in Exhibit E to this Agreement. The Borrower and the Authority may amend the description of the Project set forth in Exhibit B.

When the Project has been completed, the Borrower shall promptly deliver to the Authority a certificate signed by an Authorized Representative of the Borrower and by the Consulting Engineer stating (i) that the Project has been completed substantially in accordance with this Section, the plans and specifications as amended from time to time, as approved by the Authority, and in substantial compliance with all material applicable laws, ordinances, rules and regulations, (ii) the date of such completion, and (iii) that all permits, consents and approvals required or necessary for the Project have been issued or obtained. To the extent the funds disbursed to the Borrower pursuant to this Agreement exceed the Project Costs, the Borrower shall have the option to either (i) prepay the Local Bond in accordance with Section 7.1 or (ii) upon agreement between the Borrower, the Authority and DOAV, amend the Project Description and Project Budget attached hereto as Exhibits B and C, respectively, to reflect the addition of additional projects to be financed in accordance with the terms of this Agreement.

**Section 4.3 Permits.** The Borrower, at its sole cost and expense, shall comply with, and shall obtain all permits, consents and approvals required by local, state or federal laws, ordinances, rules, regulations or requirements in connection with the construction, acquisition, equipping and/or undertaking of the Project. The Borrower shall, upon request, promptly furnish to the Authority copies of all such permits, consents and approvals. The Borrower shall also comply with all lawful program or procedural guidelines or requirements duly promulgated and amended from time to time by the Authority in connection with the acquisition, construction, equipping, occupation, operation or use of projects financed from the Fund under the Act.

**Section 4.4 Construction Contractors.** Each general construction contractor employed in the accomplishment of the Project shall be required in the construction contract to furnish a performance bond in an amount equal to one hundred percent of the particular contract price. Each contractor shall be required to maintain during the construction period covered by the particular construction contract builder's risk insurance, workmen's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Consulting Engineer.

**Section 4.5 Engineering Services.** The Borrower shall retain a Consulting Engineer to provide engineering services covering the operation of the Airport and the supervision, inspection, undertaking and completion of the Project. To the extent required by the Authority, the Consulting Engineer shall certify to the Authority as to the various stages of the completion of the Project and shall upon completion of the Project provide to the Authority the certificates required by Sections 4.1 and 4.2.

**Section 4.6 Borrower Required to Complete Project.** If the Local Bond Proceeds are not sufficient to pay in full the cost of the Project, the Borrower will complete the Project at its own expense and shall not be entitled to any reimbursement therefor from the Fund or the Authority or any abatement, diminution or postponement of the Borrower's payments under the Local Bond or this Agreement.

## ARTICLE 5

### PLEDGE, REVENUES AND RATES, ANNUAL BUDGET

**Section 5.1 Pledge of Revenues; Rate Covenant.** (a) Subject to the Borrower's right to apply Revenues to the payment of Operation and Maintenance Expenses, the Revenues are hereby pledged to the Authority, on behalf of the Fund, to secure the payment of the principal of and interest on the Local Bond and the payment and performance of the Borrower's obligations under this Agreement. This pledge shall be valid and binding from and after the execution and delivery of this Agreement. The Revenues, as received by the Borrower, shall immediately be subject to the lien of this pledge without any physical delivery of them or further act. The lien of this pledge of the Revenues is on a parity with the lien of the pledge securing any Existing Parity Bonds and Parity Bonds issued pursuant to Section 10.5. The lien of this pledge shall, subject to the right of the Borrower to apply Revenues to the payment of Operation and Maintenance Expenses, have priority over all other obligations and liabilities of the Borrower (except as noted in the preceding sentence in regards to any Existing Parity Bonds and Parity Bonds), and the lien of this pledge shall be valid and binding against all parties having claims of any kind against the Borrower regardless of whether such parties have notice of this pledge.

(b) The Borrower covenants and agrees that it will fix and collect rates, rentals, fees and other charges for the use of and for services furnished or to be furnished by the Airport, and will from time to time revise such rates, rentals, fees and other charges so that in each Fiscal Year the Net Revenues Available for Debt Service will equal at least 100% of the amount required during the Fiscal Year to pay the principal of and interest on the Local Bond, the Additional Payments and all other indebtedness of the Borrower secured by or payable from Revenues, including without limitation, indebtedness under leases which are treated as capital leases under generally accepted accounting principles. If, for any reason, the Revenues are insufficient to satisfy the foregoing covenant, the Borrower shall within ninety (90) days adjust and increase its rates, rentals, fees and other charges or reduce its Operation and Maintenance Expenses so as to provide sufficient Revenues to satisfy such requirement.

(c) On or before the last day of each Fiscal Year, the Borrower shall review the adequacy of its rates, rentals, fees and other charges for the next Fiscal Year, and, if such review indicates the Borrower's rates, rentals, fees and other charges are insufficient to satisfy the rate covenant in subsection (b) of this Section, the Borrower shall promptly take appropriate action to increase its rates, rentals, fees and other charges or reduce its Operation and Maintenance Expenses to cure any deficiency.

**Section 5.2 Annual Budget.** The Borrower agrees before the first day of each Fiscal Year to adopt a budget for such Fiscal Year containing all information called for by, and otherwise being in the form of, Exhibit G to this Agreement, for such Fiscal Year setting forth a schedule of the rates, rentals, fees and other charges to be imposed by the Borrower, the Revenues estimated to be generated thereby, the expenditures anticipated by the Borrower for operations, maintenance, repairs, replacements, improvements, debt service and other purposes, and specifically identifying any amounts made available by the Member Jurisdictions pursuant to the Support Agreement. Such budget as approved by the Borrower's governing body is referred to in this Agreement as the



Annual Budget. The Borrower may at any time during any Fiscal Year amend the Annual Budget for such Fiscal Year so long as such amendment does not result in a Default. The Borrower shall submit a copy of the Annual Budget and any amendments thereto to the Authority.

**Section 5.3 Qualified Independent Consultant's Report.** (a) If at the end of any Fiscal Year, the Borrower is not in compliance with the rate covenant made by the Borrower in Section 5.1(b), within two hundred ten (210) days after the end of such Fiscal Year, the Borrower shall obtain a report from the Qualified Independent Consultant giving advice and making recommendations as to the proper maintenance, repair, replacement and operation of the Airport for the next ensuing Fiscal Year and estimating the costs thereof as to the rates, rentals, fees, and other charges which should be established by the Borrower to satisfy the rate covenant in Section 5.1(b). The Borrower shall promptly furnish a copy of such report to the Authority and, subject to Section 5.3(b), take measures to implement the recommendations of the Qualified Independent Consultant within ninety (90) days of obtaining such report.

(b) If the Borrower determines that the Qualified Independent Consultant's recommendations are impractical or inappropriate, the Borrower may in lieu thereof adopt other procedures which the Borrower believes will bring it into compliance with the rate covenant made by the Borrower in Section 5.1(b) when such measures have been implemented and become fully effective. Such alternative plan shall be filed with the Authority not later than thirty (30) days after receipt of the Qualified Independent Consultant's report along with a detailed explanation of the Borrower's reason for rejecting the Qualified Independent Consultant's recommendations. Notwithstanding anything herein to the contrary, the Authority reserves the right, in its sole discretion, to reject such alternate procedures and require the Borrower to comply with the Qualified Independent Consultant's recommendations.

## **ARTICLE 6**

### **PAYMENTS**

**Section 6.1 Payment of Local Bond.** The Local Bond shall be dated the date of its delivery to the Authority and shall bear interest on the principal balance thereof at the rate of \_\_\_\_\_ one-hundredths percent (\_\_\_\_%) per annum. Interest only on all amounts disbursed under the Local Bond shall be due and payable on \_\_\_\_\_, 202\_. Commencing \_\_\_\_\_, 202\_, and continuing semi-annually thereafter on \_\_\_\_\_ and \_\_\_\_\_ in each year, principal and interest due under the Local Bond shall be payable in equal installments of \$\_\_\_\_\_, with a final installment due and payable on \_\_\_\_\_, 20\_\_, when, if not sooner paid, all amounts due hereunder and under the Local Bond shall be due and payable in full. Each installment shall be applied first to payment of interest accrued and unpaid to the payment date and then to principal. If principal disbursements up to the maximum authorized amount of the Local Bond are not made, the principal amount due on the Local Bond shall not include such undisbursed amount. However, unless the Borrower and the Authority agree otherwise in writing, until all amounts due hereunder and under the Local Bond shall have been paid in full, less than full disbursement of the maximum authorized amount of the Local Bond shall not postpone the due date of any semi-annual installment due on the Local Bond, or change the amount of such installment. If any portion of the Local Bond is prepaid in accordance with

Section 7.1 hereof, the payments due hereunder shall be adjusted to reduce the semi-annual payments set forth above. If any installment of principal or interest on the Local Bond is not paid within ten (10) days after its due date, the Borrower agrees to pay the Authority a one-time late payment charge in an amount equal to five percent (5.0%) of each overdue installment.

**Section 6.2 Payment of Additional Payments.** In addition to the payments of principal and interest on the Local Bond, the Borrower agrees to pay on demand of the Authority the following Additional Payments:

(1) The costs of the Fund or the Authority in connection with the enforcement of this Agreement, including the reasonable fees and expenses of any attorneys used by any of them; and

(2) All expenses, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof.

The Borrower agrees to pay interest on any Additional Payments enumerated in (1) or (2) above not received by the Authority within ten (10) days after demand therefor at a rate of five percent (5.0%) per annum of the overdue installment from its due date until the date it is paid.

## **ARTICLE 7**

### **PREPAYMENTS**

**Section 7.1 Prepayment of Local Bond.** Upon completion of the Project and after giving at least ten (10) days' written notice to the Authority, the Borrower may prepay the Local Bond at any time, in whole or in part and without penalty. Such written notice shall specify the date on which the Borrower will make such prepayment and whether the Local Bond will be prepaid in full or in part, and if in part, the principal amount to be prepaid. Any such partial prepayment shall be applied against the principal amount outstanding under the Local Bond but shall not postpone the due date of any subsequent payment on the Local Bond, or change the amount of such installment, unless the Borrower and the Authority agree otherwise in writing.

## **ARTICLE 8**

### **OPERATION AND USE OF AIRPORT**

**Section 8.1 Ownership of Project and Airport.** Except as may be otherwise approved by the Authority or permitted by the terms hereof, the Project and the Airport shall at all times be owned by the Borrower.

**Section 8.2 Maintenance.** At its own cost and expense, the Borrower shall operate the Airport or cause the Airport to be operated in a proper, sound and economical manner and in compliance with all legal requirements, and shall maintain, preserve, keep and operate the properties constituting the Airport (including all additions, improvements and betterments

thereto and extensions thereof and every part and parcel thereof) in good and efficient repair, working order and operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character.

**Section 8.3 Additions and Modifications.** At its own expense, the Borrower from time to time may make any renewals, replacements, additions, modifications or improvements to the Airport which it deems desirable and which do not materially reduce the value of the Airport or the structural or operational integrity of any part of the Airport, provided that all such renewals, replacements, additions, modifications or improvements comply with all applicable federal, state and local laws, rules, regulations, orders, permits, authorizations and requirements. All such renewals, replacements, additions, modifications and improvements shall become part of the Airport.

**Section 8.4 Use of Airport.** The Borrower shall comply with all lawful requirements of any governmental authority regarding the Airport, whether now existing or subsequently enacted, whether foreseen or unforeseen or whether involving any change in governmental policy or requiring structural, operational and other changes to the Airport, irrespective of the cost of making the same, but subject to the availability of funds of the Borrower to accomplish the same.

**Section 8.5 Inspection of Airport and Borrower's Books and Records.** The Authority and its duly authorized representatives and agents shall have such reasonable rights of access to the Airport as may be necessary to determine whether the Borrower is in compliance with the requirements of this Agreement and shall have the right at all reasonable times and upon reasonable prior notice to the Borrower to examine and copy the books and records of the Borrower insofar as such books and records relate to the Airport.

**Section 8.6 Ownership of Land.** The Borrower shall not construct, reconstruct or install any part of the facilities contemplated by the Project on lands other than those which are owned by the Borrower. The Borrower covenants (i) that as of the Closing Date, Borrower will be lawfully possessed of the Airport as presently existing and that the Borrower is entitled to the exclusive possession of the Airport, subject to Permitted Encumbrances, and (ii) that it will continually defend its interest in the Airport and every part thereof for the benefit of the holders of the Local Bond against the claims and demands of all persons whomsoever. If any defect (other than such Permitted Encumbrances) shall be discovered in the title to the Airport, the Borrower shall promptly take such action as may be necessary or proper to remedy or cure the same.

**Section 8.7 Sale or Encumbrance.** No part of the Airport shall be sold, exchanged, leased, mortgaged or encumbered (except with respect to Permitted Encumbrances) or otherwise disposed of except as may be provided in any one or more of the following subsections.

(a) The Borrower may grant easements, licenses or permits across, over or under parts of the Airport for streets, roads and utilities as will not adversely affect the use of the Airport.

- (b) The Borrower may lease any property constituting part of the Airport
  - (i) with the written consent of the Authority; or
  - (ii) to a Fixed Base Operator.
- (c) The Borrower may sell or otherwise dispose of property constituting part of the Airport if:
  - (i) the Borrower uses the proceeds of such disposition and any other necessary funds to replace such property with property serving the same or a similar function; or
  - (ii) (A) there is filed with the Authority a certificate of the Borrower, signed by an Authorized Representative, stating that such property is no longer needed or useful in the operation of the Airport, and, if the proceeds of such sale or disposition, together with the aggregate value of any other property sold or otherwise disposed of during the Fiscal Year, shall exceed \$125,000, there shall also be filed with the Borrower and the Authority a certificate of the Consulting Engineer stating that such property is not necessary or useful to the operation of the Airport, and (B) the proceeds to be received from any such sale or disposition shall be applied first to cure any default that may exist in the payment of the principal of or interest on the Local Bond, and then to the prepayment of the Local Bond under Article VII hereof or to such other purposes as may be approved by the Authority.

The Borrower may sell, lease, sublease or otherwise dispose of all, or substantially all, of the properties constituting the Airport if, simultaneously with such sale, lease, or disposition, the proceeds thereof are used to defease or prepay the Local Bond upon terms and conditions satisfactory to the Authority in its discretion.

**Section 8.8 Collection of Revenues.** The Borrower shall use its best efforts to collect all rates, rentals, fees and other charges due to it and shall perfect liens on premises served by the Airport for the amount of all delinquent rates, rentals, fees and other charges where such action is permitted by applicable law.

**Section 8.9 Lawful Charges.** The Borrower shall pay when due all taxes, fees, assessments, levies and other governmental charges of any kind whatsoever (collectively, the “Governmental Charges”) which are (i) lawfully assessed, levied or imposed against the Airport or any part thereof or upon the Revenues, or (ii) incurred in the operation, maintenance, use and occupancy of the Airport. The Borrower shall pay or cause to be discharged, or shall make adequate provision to pay or discharge, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon all or any part of the Airport (collectively, the “Mechanics’ Charges”). The Borrower, however, after giving the Authority ten (10) days’ notice of its intention to do so, at its own expense and in its own name, may contest in good faith any Governmental Charges or Mechanics’ Charges. If such a contest occurs, the Borrower may permit the same to remain unpaid during the period of the contest and any subsequent appeal unless, in the reasonable opinion of the Authority, such action may impair the Airport or the Net Revenues Available for Debt Service, in which event, such Governmental Charges or Mechanics’ Charges promptly shall be satisfied or secured by posting with the

Authority or an appropriate court a bond in form and amount reasonably satisfactory to the Authority. Upon request, the Borrower shall furnish to the Authority proof of payment of all Governmental Charges or Mechanics' Charges required to be paid by the Borrower under this Agreement.

**Section 8.10 No Competing Service.** To the full extent permitted by law, the Borrower shall not provide, grant any franchise to provide or give consent for anyone else to provide, any products or services which would compete with the Airport or which is in any manner reasonably anticipated to have an adverse or competitive effect on the Net Revenues Available for Debt Service pledged towards the repayment of the Local Bond pursuant to the terms hereof, other than a lease or an agreement with a Fixed Base Operator, without the prior written consent of the Authority.

## **ARTICLE 9**

### **INSURANCE, DAMAGE AND DESTRUCTION**

**Section 9.1 Insurance.** Unless the Authority otherwise agrees in writing, the Borrower continuously shall maintain or cause to be maintained insurance against such risks, accidents or casualties as are customarily insured against by airport operators operating properties similar to the Airport, including, without limitation.

(a) Insurance in the amount of the full replacement cost of the Airport's insurable portions against loss or damage by fire and lightning, with broad form extended coverage endorsements covering damage by windstorm, explosion, aircraft, smoke, sprinkler leakage, vandalism, malicious mischief and such other risks as are normally covered by such endorsements (limited only as may be provided in the standard form of such endorsements at the time in use in the Commonwealth); provided that during the construction, acquisition, equipping and/or undertaking of the Project, the Borrower may provide or cause to be provided, in lieu of the insurance in the amount of the full replacement cost of the Project, builders' risk or similar types of insurance in the amount of the full replacement cost thereof. The determination of replacement cost shall be made by a recognized appraiser or insurer selected by the Borrower and reasonably acceptable to the Authority.

(b) Comprehensive general liability insurance with a combined single limit of \$2,000,000 per year against liability for bodily injury, including death resulting therefrom, and for damage to property, including loss of use thereof, arising out of the ownership, maintenance, operation or use of the Airport.

(c) Unless the Borrower qualifies as a self-insurer under the laws of the Commonwealth, or is otherwise exempted under the laws of the Commonwealth, workers' compensation insurance.

The Authority shall not have any responsibility or obligation with respect to (i) the procurement or maintenance of insurance or the amounts or the provisions with respect to policies of insurance, or (ii) the application of the proceeds of insurance.

The Borrower shall provide no less often than annually and upon the written request of the Authority a certificate or certificates of the respective insurers evidencing the fact that the insurance required by this Section is in force and effect.

**Section 9.2 Requirements of Policies.** All insurance required by Section 9.1 shall be maintained with generally recognized, responsible insurance companies selected by the Borrower and reasonably acceptable to the Authority. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other airport operators operating properties similar to the Airport, and shall contain an undertaking by the insurer that such policy shall not be modified adversely to the interests of, or canceled without at least thirty (30) days' prior notice to, the Authority. If any such insurance is not maintained with an insurer licensed to do business in Virginia or placed pursuant to the requirements of the Virginia Surplus Lines Insurance Law (Chapter 48, Title 38.2, Code of Virginia of 1950, as amended) or any successor provision of law, the Borrower shall provide evidence reasonably satisfactory to the Authority that such insurance is enforceable under Virginia law.

**Section 9.3 Notice of Damage, Destruction and Condemnation.** In the case of (i) any damage to or destruction of any material part of the Airport, (ii) a taking of all or any part of the Airport or any right therein under the exercise of the power of eminent domain, (iii) any loss of the Airport because of failure of title, or (iv) the commencement of any proceedings or negotiations which might result in such a taking or loss, the Borrower shall give prompt notice thereof to the Authority describing generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

**Section 9.4 Damage and Destruction.** If all or any part of the Airport is destroyed or damaged by fire or other casualty, and the Borrower shall not have exercised its option to prepay in full the Local Bond pursuant to Article VII, the Borrower shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage or destruction, with such alterations and additions as the Borrower may determine and which will not impair the capacity or character of the Airport for the purpose for which it then is being used or is intended to be used. The Borrower may apply so much as may be necessary of the Net Proceeds of insurance received on account of any such damage or destruction to payment of the cost of such restoration, either on completion or as the work progresses. If such Net Proceeds are not sufficient to pay in full the cost of such restoration, the Borrower shall pay so much of the cost as may be in excess of such Net Proceeds. Any balance of such Net Proceeds remaining after payment of the cost of such restoration shall promptly be applied to prepayment of the Local Bond pursuant to Article VII or any other lawful purpose.

**Section 9.5 Condemnation and Loss of Title.** If title to or the temporary use of all or any part of the Airport shall be taken under the exercise of the power of eminent domain or lost because of failure of title, and the Borrower shall not have exercised its option to prepay in full the Local Bond pursuant to Article VII, the Borrower shall cause the Net Proceeds from any such condemnation award or from title insurance to be applied to the restoration of the Airport to substantially its condition before the exercise of such power of eminent domain or failure of title. If such Net Proceeds are not sufficient to pay in full the cost of such restoration, the Borrower

shall pay so much of the cost as may be in excess of such Net Proceeds. Any balance of such Net Proceeds remaining after payment of the cost of such restoration shall promptly be applied to the prepayment of the Local Bond pursuant to Article VII or any other lawful purpose.

## **ARTICLE 10**

### **SPECIAL COVENANTS**

**Section 10.1 Maintenance of Existence.** The Borrower shall maintain its existence as a “local government” (as defined in the Act) of the Commonwealth and, without consent of the Authority, shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate or merge with or into another entity. Notwithstanding the foregoing, the Borrower may consolidate or merge with or into, or sell or otherwise transfer all or substantially all of its assets to a political subdivision of the Commonwealth, and the Borrower thereafter may dissolve, if the surviving, resulting or transferee political subdivision assumes, in written form acceptable to the Authority, all of the obligations of the Borrower contained in the Local Bond and this Agreement, and there is furnished to the Authority an Opinion of Bond Counsel acceptable to the Authority, subject only to customary exceptions and qualifications, to the effect that such assumption constitutes the legal, valid and binding obligation of the surviving, resulting or transferee political subdivision enforceable against it in accordance with its terms.

**Section 10.2 Financial Records and Statements.** The Borrower shall maintain proper books of record and account in which proper entries shall be made in accordance with generally accepted government accounting standards, consistently applied, of all its business and affairs related to the Airport. The Borrower shall have an annual audit of the financial condition of the Borrower (and at the reasonable request of the Authority, of the Airport) made by an independent certified public accountant, within one hundred and eighty (180) days after the end of each Fiscal Year. The annual audit shall include a supplemental schedule demonstrating whether the Borrower during such Fiscal Year satisfied the rate covenant made by the Borrower in Section 5.1(b). The Borrower shall furnish to the Authority copies of such report immediately after it is submitted to the Borrower. Such report shall include statements in reasonable detail, certified by such accountant, reflecting the Borrower’s financial position as of the end of such Fiscal Year and the results of the Borrower’s operations and changes in the financial position of its funds for the Fiscal Year.

**Section 10.3 Certificate as to No Default.** The Borrower shall deliver to the Authority, within one hundred and eighty (180) days after the close of each Fiscal Year, a certificate signed by an Authorized Representative stating that, during such year and as of the date of such certificate, no event or condition has happened or existed, or is happening or existing, which constitutes an Event of Default or a Default, or if such an event or condition has happened or existed, or is happening or existing, specifying the nature and period of such event or condition and what action the Borrower has taken, is taking or proposes to take to rectify it.

**Section 10.4 Additional Indebtedness.** The Borrower shall not incur any indebtedness or issue any bonds, notes or other evidences of indebtedness secured by a pledge of Revenues, except Subordinate Bonds or Parity Bonds.

**Section 10.5 Parity Bonds.** Provided the Borrower is not in default hereunder, the Borrower may issue bonds, notes or other evidences of indebtedness (“Parity Bonds”) ranking on parity with the Local Bond with respect to the pledge of Revenues to (i) pay Project Costs to complete the Project, (ii) pay the cost of improvements, additions, extensions, replacements, equipment or betterments and of any property, rights or easements deemed by the Borrower to be necessary, useful or convenient for the Airport, (iii) refund some or all of the Local Bond, Parity Bonds, Existing Parity Bonds or Prior Bonds, or (iv) effect some combination of (i), (ii) and (iii); provided in each case the following conditions are satisfied. Except to the extent otherwise consented and agreed to by the Authority in writing, before any Parity Bonds are issued or delivered, the Borrower shall deliver to the Authority the following:

(a) Certified copies of all resolutions and ordinances of the Borrower authorizing the issuance of the Parity Bonds.

(b) A certificate of an appropriate official of the Borrower setting forth the purposes for which the Parity Bonds are to be issued and the manner in which the Borrower will apply the proceeds from the issuance and sale of the Parity Bonds.

(c) If the Parity Bonds are authorized for any purpose other than the refunding of the Local Bond, Parity Bonds, Existing Parity Bonds or Prior Bonds, a certificate, in form and substance satisfactory to the Authority, of the Consulting Engineer, or with respect to subsection (iv)(C) below, a certificate, including supporting documentation, of the Qualified Independent Consultant, to the effect that in the opinion of the Consulting Engineer or Qualified Independent Consultant, as applicable, (i) the improvements or property to which the proceeds from the issuance of the Parity Bonds are to be applied will be a part of the Airport, (ii) the funds available to the Borrower from the issuance of the Parity Bonds and other specified sources will be sufficient to pay the estimated cost of such improvements or property, (iii) the period of time which will be required to complete such improvements or acquire such property, and (iv) (A) the Parity Bond proceeds are necessary to complete the Project, (B) the failure to make such improvements or acquire or construct such property will result in an interruption to or reduction in Revenues, or (C) during the first two Fiscal Years following the completion of the improvements or the acquisition of the property, the projected Net Revenues Available for Debt Service will satisfy the rate covenant in Section 5.1(b) (excluding any amounts expected to be made available by the Member Jurisdictions pursuant to the Support Agreement). In providing this certificate, the Qualified Independent Consultant may take into consideration future Airport rate, rental or fee increases, provided that such rate, rental or fee increases have been duly approved by the governing body of the Borrower and any other person and entity required to give approval for the rate increase to become effective. In addition, the Qualified Independent Consultant may take into consideration additional future revenues of the Airport to be derived under then existing contractual agreements entered into by the Borrower and from reasonable estimates of growth in the customer base of the Borrower.

(d) If the Parity Bonds are authorized solely to refund the Local Bond, Existing Parity Bonds, Parity Bonds or Prior Bonds, either (i) a certificate, including supporting documentation, of a Qualified Independent Consultant, in form and substance satisfactory to the Authority, that the refunding Parity Bonds will have annual debt service requirements in each of



the years the Local Bond, Existing Parity Bonds, Parity Bonds or Prior Bonds to be refunded would have been outstanding which are lower than the annual debt service requirements in each such year on the Local Bond, Existing Parity Bonds, Parity Bonds or the Prior Bonds to be refunded, or (ii) a certificate, including supporting documentation, of a Qualified Independent Consultant, in form and substance satisfactory to the Authority, to the effect that during the first two complete Fiscal Years following the issuance of the refunding Parity Bonds, the projected Net Revenues Available for Debt Service will satisfy the rate covenant in Section 5.1(b) (excluding any amounts made available by the Member Jurisdictions pursuant to the Support Agreement). In providing the certificate described in clause (ii), the Qualified Independent Consultant may take into account the factors described in the last two sentences of subsection (c) of this Section.

(e) An Opinion of Bond Counsel satisfactory to the Authority subject to customary exceptions and qualifications, approving the form of the resolution authorizing the issuance of the Parity Bonds and stating that its terms and provisions conform with the requirements of this Agreement and that the certificates and documents delivered to the Authority constitute compliance with the provisions of this Section.

**Section 10.6 Further Assurances.** The Borrower shall to the fullest extent permitted by law pass, make, do, execute, acknowledge and deliver such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming the rights and Net Revenues Available for Debt Service pledged or assigned by this Agreement, or as may be required to carry out the purposes of this Agreement. The Borrower shall at all times, to the fullest extent permitted by law, defend, preserve and protect the pledge of the Net Revenues Available for Debt Service under this Agreement and all rights of the Authority under this Agreement against all claims and demands of all persons.

**Section 10.7 Other Indebtedness.** The Borrower agrees to pay when due all amounts required by any other indebtedness and to perform all of its obligations in connection therewith.

**Section 10.8 Assignment by Borrower.** The Borrower may not assign its rights under this Agreement without the prior written consent of the Authority. If the Borrower desires to assign its rights under this Agreement to another "local government" (as defined in the Act), the Borrower shall give notice of such fact to the Authority. If the Authority consents to the proposed assignment, the Borrower may proceed with the proposed assignment, but such assignment shall not become effective until the Authority is furnished (i) an assumption agreement in form and substance satisfactory to the Authority by which the assignee agrees to assume all of the Borrower's obligations under the Local Bond and this Agreement, and (ii) an Opinion of Bond Counsel to the assignee, subject to customary exceptions and qualifications, that the assumption agreement, the Local Bond and this Agreement constitute legal, valid and binding obligations of the assignee enforceable against the assignee in accordance with their terms and that the assignment and assumption comply in all respects with the provisions of this Agreement. Notwithstanding the foregoing, the assignment of the rights of the Borrower under the Local Bond and this Agreement or the assumption of the obligations thereunder by the assignee shall in no way be construed as releasing the Borrower's obligations.

**Section 10.9 Protection of Security.** The Borrower shall not take any action in any manner or to such an extent as might prejudice the security for the payment of the Local Bond according to the terms thereof and hereof. The Borrower will maintain, preserve and renew all the rights, powers, privileges and franchises now owned by it or hereafter acquired by it with respect to the Airport. The Borrower shall perform all contractual obligations undertaken by it under leases or agreements pertaining to or respecting the Airport and shall enforce its rights thereunder. The Borrower shall not enter into any contract or lease pertaining to the Airport which would impair or diminish the security and payment of the Local Bond. The Borrower shall not take any action by which the rights, payment or security of the Local Bond might be impaired or diminished.

**Section 10.10 Litigation; Event of Default; Material Change.** The Borrower shall promptly notify the Authority of (i) any Default or Event of Default or any condition or event which, after notice or lapse of time, or both, would constitute an Event of Default hereunder or under any lease or arrangement with a Fixed Base Operator, (ii) any change in any material fact or circumstance represented or warranted in this Agreement, (iii) the occurrence of any event or circumstance that has or reasonably would have a material adverse effect on the operations of the Airport or Net Revenues Available for Debt Service or with respect to any lease or arrangement with a Fixed Base Operator, including but not limited to with respect to the receipt of federal or state funding for the Airport or the unfavorable result of any audit or proceeding by or involving any federal or state regulatory body, and (iv) the existence and status of any litigation that general counsel to the Borrower determines is not reasonably certain to have a favorable outcome and which individually or in the aggregate could have a material adverse effect on the financial condition or operations of the Airport or the Borrower's ability to perform its payment and other obligations under this Agreement.

## **ARTICLE 11**

### **DEFAULTS AND REMEDIES**

**Section 11.1 Events of Default.** Each of the following events shall be an "Event of Default":

(a) The failure to pay when due any payment of principal or interest due hereunder or to make any other payment required to be made under the Local Bond or this Agreement;

(b) The Borrower's failure to perform or observe any of the other covenants, agreements or conditions of the Local Bond, the Support Agreement or this Agreement and the continuation of such failure for a period of thirty (30) days after the Authority gives the Borrower written notice specifying such failure and requesting that it be cured, unless the Authority shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Default is corrected;

(c) Any warranty, representation or other statement by or on behalf of Borrower contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement or in connection with the issuance and sale of the Local Bond is false or misleading in any material respect;

(d) An order or decree shall be entered, with the Borrower's consent or acquiescence, appointing a receiver or receivers of the Airport or any part thereof or of the Revenues thereof, or if such order or decree, having been entered without the Borrower's consent or acquiescence, shall not be vacated, discharged or stayed on appeal within sixty (60) days after the entry thereof;

(e) Any proceeding shall be instituted, with the Borrower's consent or acquiescence, for the purpose of effecting a composition between the Borrower and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances secured by or payable from Revenues;

(f) Any bankruptcy, insolvency or other similar proceeding shall be instituted by or against the Borrower under any federal or state bankruptcy or insolvency law now or hereinafter in effect and, if instituted against the Borrower, is not dismissed within sixty (60) days after filing; or

(g) The occurrence of a default by the Borrower under the terms of any of the Borrower's long term indebtedness, and the failure to cure such default or obtain a waiver thereof within any period of time permitted thereunder.

**Section 11.2 Notice of Default.** The Borrower agrees to give the Authority prompt written notice if any order, decree or proceeding referred to in Section 11.1(d), (e) or (f) is entered or instituted against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default immediately upon becoming aware of the existence thereof.

**Section 11.3 Remedies on Default.** Whenever any Event of Default referred to in Section 11.1 shall have happened and be continuing, the Authority shall, in addition to any other remedies provided herein or by law, including rights specified in Section 5.1-30.4 of the Act, have the right, at its option without any further demand or notice, to take one or both of the following remedial steps:

(a) Declare immediately due and payable all payments due or to become due on the Local Bond and under this Agreement, and upon notice to the Borrower, the same shall become immediately due and payable by the Borrower without further notice or demand; and

(b) Take whatever other action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due on the Local Bond and under this Agreement or to enforce any other of the Fund's or the Authority's rights under this Agreement or to enforce performance by the Borrower of its covenants, agreements or undertakings contained in this Agreement or in the Local Bond.

**Section 11.4 Delay and Waiver.** No delay or omission to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Default or Event of Default under this Agreement shall extend to or shall affect any subsequent Default or Event of Default or shall impair any rights or remedies consequent thereto.

**Section 11.5. State Aid Intercept.** The Borrower acknowledges that the Authority may take any and all actions available to it under the laws of the Commonwealth of Virginia, including Section 62.1-216.1 of the Code of Virginia of 1950, as amended, to secure payment of the principal of and interest on the Local Bond, if payment of such principal or interest shall not be paid when the same shall become due and payable.

## **ARTICLE 12**

### **MISCELLANEOUS**

**Section 12.1 Successors and Assigns.** This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

**Section 12.2 Amendments.** The Authority and the Borrower shall have the right to amend from time to time any of the terms and conditions of this Agreement, provided that all amendments shall be in writing and shall be signed by or on behalf of the Authority and the Borrower.

**Section 12.3 Limitation of Borrower Liability.** Notwithstanding anything in the Local Bond or this Agreement to the contrary, the Borrower's obligations are not its general obligations, but are limited obligations payable solely from the Revenues, which are specifically pledged for such purpose. Neither the Local Bond nor this Agreement shall be deemed to create or constitute a debt or a pledge of the faith and credit of the Borrower, and the Borrower will not be obligated to pay the principal of or premium, if any, or interest on the Local Bond or other costs incident to them except from the Revenues and other funds pledged for such purpose. Absent fraud or willful misconduct, no present or future board member, official, officer, employee or agent of the Borrower will be liable personally in respect of this Agreement or the Local Bond or for any other action taken by such individual pursuant to or in connection with the financing provided for in this Agreement or the Local Bond.

**Section 12.4 Applicable Law.** This Agreement shall be governed by the applicable laws of the Commonwealth of Virginia.

**Section 12.5 Severability.** If any clause, provision or section of this Agreement shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or Section shall not affect the remainder of this Agreement, which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Agreement.

If any agreement or obligation contained in this Agreement is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Authority and the Borrower, as the case may be, only to the extent permitted by law.

**Section 12.6 Notices.** Unless otherwise provided for herein, all demands, notices, approvals, consents, requests, opinions and other communications under the Local Bond or this Agreement shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class registered or certified mail, postage prepaid, addressed as follows:

**Authority:** Virginia Resources Authority  
Virginia Airports Revolving Fund Program  
1111 East Main Street, Suite 1920  
Richmond, Virginia 23219  
Attention: Executive Director

**Borrower:** Stafford Regional Airport Authority  
[P.O. Box 370  
Stafford, Virginia 22554  
95 Aviation Way  
Fredericksburg, Virginia 22406]  
Attention: Airport Manager

A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given by any party named in this Section shall also be given to each of the other parties named. The Authority and the Borrower may designate, by notice given hereunder, any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

**Section 12.7 Right to Cure Default.** If the Borrower shall fail to make any payment or to perform any act required by it under the Local Bond or this Agreement, the Authority without prior notice to or demand upon the Borrower and without waiving or releasing any obligation or default, may (but shall be under no obligation to) make such payment or perform such act. All amounts so paid by the Authority and all costs, fees and expenses so incurred shall be payable by the Borrower as an additional obligation under this Agreement, together with interest thereon at the rate of interest of five percent (5.0%) per annum until paid. The Borrower's obligation under this Section shall survive the payment of the Local Bond.

**Section 12.8 Headings.** The headings of the several articles and sections of this Agreement are inserted for convenience only and do not comprise a part of this Agreement.

**Section 12.9 Term of Agreement.** This Agreement shall be effective upon its execution and delivery, provided that the Local Bond shall have been previously or simultaneously executed and delivered. Except as otherwise specified herein, the Borrower's obligations under the Local Bond and this Agreement shall expire upon payment in full of the Local Bond and all other amounts payable by the Borrower under this Agreement.

**Section 12.10 Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

*[Remainder of Page Intentionally Left Blank- Signature Page Follows]*

**WITNESS** the following signatures, all duly authorized.

**VIRGINIA RESOURCES AUTHORITY, as  
Administrator of the Virginia Airports Revolving Fund**

By: \_\_\_\_\_  
Stephanie L. Hamlett, Executive Director

**STAFFORD REGIONAL AIRPORT AUTHORITY**

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

Its: \_\_\_\_\_

**EXHIBIT A**

**FORM OF LOCAL BOND  
STAFFORD REGIONAL AIRPORT AUTHORITY**

[To Be Provided]



## **EXHIBIT B**

### **PROJECT DESCRIPTION STAFFORD REGIONAL AIRPORT AUTHORITY**

The Project includes the construction of new hangar facility at the Airport, together with related expenses.

**EXHIBIT C**  
**PROJECT BUDGET**  
**STAFFORD REGIONAL AIRPORT AUTHORITY**

[To Be Provided]

**EXHIBIT D**

**OPINION OF BORROWER'S BOND COUNSEL  
STAFFORD REGIONAL AIRPORT AUTHORITY**

[To Be Provided]

**EXHIBIT E**  
**FORM OF REQUISITION**  
**STAFFORD REGIONAL AIRPORT AUTHORITY**

Requisition No.

Date:

Virginia Resources Authority, as Administrator  
of the Virginia Airports Revolving Fund  
1111 East Main Street, Suite 1920  
Richmond, Virginia 23219  
Attention: Executive Director

This Requisition, including Schedule 1 hereto, is submitted in connection with the Financing Agreement, dated as of \_\_\_\_\_ 1, 202\_ (the "Financing Agreement"), between the Virginia Resources Authority, as Administrator of the Virginia Airports Revolving Fund (the "Fund"), and the Stafford Regional Airport Authority (the "Borrower"). Unless otherwise defined in this Requisition, each capitalized term used herein shall have the meaning given it under Article I of the Financing Agreement. The undersigned Authorized Representative hereby requests payment of the following amounts from the Fund.

Payee:

Address:

Amount to be Paid:

Purpose (in reasonable detail) for which obligations(s) to be paid were incurred:

Attached hereto is an invoice (or invoices) relating to the items for which payment is requested.

The undersigned certifies that (i) the amounts requested by this Requisition will be applied solely and exclusively to the payment, or the reimbursement of the Borrower for its payment, of Project Costs, (ii) no notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable under the Requisition to any of the persons, firms or corporations named in it has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the Requisition, and (iii) this Requisition contains no items representing payment on account of any retained percentage entitled to be retained at this date.

If this Requisition includes payments for labor or to contractors, builders or materialmen, the attached Certificate of Consulting Engineer must be completed. If this Requisition includes payments for any lands or easements, rights or interest in or relating to lands, the attached Certificate of the Consulting Engineer must be completed and there must be attached to this Requisition a certificate signed by an Authorized Representative stating that upon payment therefor the Borrower will have title in fee simple to, or easements, rights or interests sufficient for the purposes of the construction portion of the Project over or through such lands.

**The Borrower has agreed in the Financing Agreement that any amounts it receives pursuant to this Requisition will be (i) immediately applied to reimburse the Borrower for Project Costs it has already incurred and paid or (ii) actually spent to pay Project Costs not later than five banking days after receipt.**

---

Authorized Representative

SCHEDULE 1

Form to Accompany Requisition

Requisition # \_\_\_\_\_  
Recipient: Stafford Regional Airport Authority  
Authorized Representative: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

<u>Cost Category</u>	<u>Total Project Cost</u>	<u>Previous Disbursements</u>	<u>Disbursement This Period</u>	<u>Disbursements to Date</u>	<u>Remaining Balance</u>
	\$	\$	\$	\$	\$
TOTALS	\$	\$	\$	\$	\$

## **CERTIFICATE OF CONSULTING ENGINEER**

The undersigned Consulting Engineer for the Borrower hereby certifies that (i) insofar as the amounts covered by this Requisition include payments for labor or to contractors, builders or materialmen, such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the Project, and (ii) insofar as the amounts covered by the Requisition include payments for land or easements, rights or interests in or relating to lands, such lands, easements, rights or interests are being acquired and are necessary or convenient for the construction of the construction portion of the Project.

Date: \_\_\_\_\_

\_\_\_\_\_  
Consulting Engineer

**EXHIBIT F**

**PRIOR BONDS AND EXISTING PARITY BONDS  
STAFFORD REGIONAL AIRPORT AUTHORITY**

[To Be Completed by Borrower's Bond Counsel]

**Prior Bonds:**

None

**Existing Parity Bonds:**

\$1,601,000 Airport Revenue Bond, Series 2007, as amended



**EXHIBIT G**  
**FORM OF BUDGET**  
**STAFFORD REGIONAL AIRPORT AUTHORITY**

**(To Be on Borrower's Letterhead)**

[Date]

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

Dear Mr./Ms. \_\_\_\_\_:

Pursuant to the Financing Agreement[s] between Virginia Resources Authority and the Stafford Regional Airport Authority, a copy of the fiscal year [20xx] annual budget is enclosed. Such annual budget provides for the satisfaction of the rate covenant as demonstrated below.

<b>Revenues<sup>1</sup></b>	<b>Operation &amp; Maintenance Expense</b>	<b>Net Revenues Available for Debt Service</b> ( Revenues – O&M Expense)	<b>Debt Service</b>	<b>Coverage</b> (Net Revenues Available for Debt Service/Debt Service)

<sup>1</sup> Of the amount set forth here as Revenues, pursuant to the Support Agreement, \$\_\_\_\_\_ is derived from a transfer from the County of Stafford, Virginia's general fund, \$\_\_\_\_\_ is derived from a transfer from the County of Prince William, Virginia's general fund and \$\_\_\_\_\_ is derived from a transfer from the City of Fredericksburg, Virginia's general fund.

All capitalized terms used herein shall have the meaning set forth in the Financing Agreement[s].

Very truly yours,

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

Its: \_\_\_\_\_

**EXHIBIT H**

**SUPPORT AGREEMENT**

**PURSUANT TO THE FINANCING AGREEMENT**

**THIS SUPPORT AGREEMENT** is made as of the first day of \_\_\_\_\_, 202\_, by and among the **BOARD OF SUPERVISORS OF STAFFORD COUNTY, VIRGINIA** (the “Stafford Board”), acting as the governing body of the County of Stafford, Virginia (“Stafford”), the **BOARD OF SUPERVISORS OF PRINCE WILLIAM COUNTY, VIRGINIA** (the “Prince William Board”), acting as the governing body of the County of Prince William, Virginia (“Prince William”), the **CITY COUNCIL OF THE CITY OF FREDERICKSBURG, VIRGINIA** (the “Fredericksburg Council”), acting as the governing body of the City of Fredericksburg, Virginia (“Fredericksburg”), the **STAFFORD REGIONAL AIRPORT AUTHORITY** (the “Borrower”), and the **VIRGINIA RESOURCES AUTHORITY** (the “Authority”), as Administrator of the **VIRGINIA AIRPORTS REVOLVING FUND** (the “Fund”) and as purchaser of the Local Bond, as hereinafter defined, pursuant to a Financing Agreement dated as of the date hereof (the “Financing Agreement”), between the Authority and the Borrower.

**RECITALS:**

**WHEREAS**, the Borrower was created by the Stafford Board, the Prince William Board, and the Fredericksburg Council (collectively, the “Member Jurisdictions”) pursuant to Section 5.1-31, et seq., of the Code of Virginia of 1950, as amended, and owns and operates the Airport; and

**WHEREAS**, the Borrower has determined that it is in its best interest to issue and sell an airport revenue bond in an original aggregate principal amount not to exceed \$\_\_\_\_\_ (the “Local Bond”) to the Authority, as Administrator of the Fund, pursuant to the terms of the Financing Agreement in order to finance the Project; and

**WHEREAS**, the Stafford Board adopted on \_\_\_\_\_, 202\_, a resolution authorizing, among other things, the execution of an agreement providing for a non-binding obligation of the Stafford Board to consider certain appropriations in support of the Local Bond and the Project; and

**WHEREAS**, the Prince William Board adopted on \_\_\_\_\_, 202\_, a resolution authorizing, among other things, the execution of an agreement providing for a non-binding obligation of the Prince William Board to consider certain appropriations in support of the Local Bond and the Project; and

**WHEREAS**, the Fredericksburg Council adopted on \_\_\_\_\_, 202\_, a resolution authorizing, among other things, the execution of an agreement providing for a non-binding obligation of the Fredericksburg Council to consider certain appropriations in support of the Local Bond and the Project.

## **AGREEMENT**

**NOW, THEREFORE**, for and in consideration of the foregoing and of the mutual covenants herein set forth, the parties hereto agree as follows:

1. Unless otherwise defined, each capitalized term used in this Support Agreement shall have the meaning given it in the Financing Agreement.

2. The term “Proportional Share” shall mean for each of the Member Jurisdictions, the following percentages of the Annual Deficiency Amount (as defined in paragraph 5) or other insufficiency (as set forth in paragraph 7), if any, or such other percentages as may be agreed upon by the Member Jurisdictions in writing, provided such amended allocation shall add up to 100%:

Member Jurisdiction	Proportional Share
Stafford	[57%]
Prince William	[29%]
Fredericksburg	[14%]

Each of the Member Jurisdictions’ obligations is limited to its Proportional Share of debt service on the Local Bond and the amounts to be included in each Member Jurisdiction’s submitted budget pursuant to paragraphs 6 and 7 below shall not be increased to offset a non-appropriation of any of the other Member Jurisdictions.

3. If the Member Jurisdictions’ moral obligation commitments are invoked, the Member Jurisdictions’ Proportional Shares of debt service on the Local Bond shall be taken from the first dollars the Member Jurisdictions annually submitted to the Borrower.

4. The Borrower shall use its best efforts to issue the Local Bond, to use the proceeds thereof to pay the costs of the Project, and to construct and place the Project in operation at the earliest practical date.

5. No later than \_\_\_\_\_ of each year, beginning \_\_\_\_\_, 202\_, the Borrower shall notify the Member Jurisdictions of (a) the amount (the “Annual Deficiency Amount”) by which the Borrower reasonably expects the Revenues to be insufficient to pay (i) the debt service obligations under the Financing Agreement, the Local Bond and any other indebtedness secured by or payable from the Revenues, including the Existing Parity Bonds set forth on Exhibit F to the Financing Agreement, (ii) the Operation and Maintenance Expense, and (iii) the Additional Payments in full as and when due during the Member Jurisdictions’ fiscal year beginning the following July 1 and (b) the corresponding Proportional Share of each Member Jurisdiction.

6. The County Administrator of Stafford (the “Stafford Administrator”), the County Executive of Prince William (the “Prince William Executive”), and the City Manager of Fredericksburg (the “Fredericksburg Manager”) (the Stafford Administrator, the Prince William Executive, and the Fredericksburg Manager are each a “Designated Local Official”) each shall include the respective Proportional Share for his or her Member Jurisdiction in the respective

budget submitted to the Member Jurisdiction for the following fiscal year as an amount to be appropriated to or on behalf of the Borrower. Each Designated Local Official shall deliver to the Authority within ten (10) days after the adoption of the respective Member Jurisdiction's budget for each fiscal year, but not later than July 15 of each year, a certificate stating whether the respective Member Jurisdiction has appropriated to or on behalf of the Borrower an amount equal to its Proportional Share.

7. If at any time Revenues shall be insufficient to make any of the payments referred to in paragraph 5 hereof, the Borrower shall notify the Designated Local Officials of the amount of such insufficiency and the Designated Local Officials shall request a supplemental appropriation from the Member Jurisdictions in the amount necessary to make such payment.

8. Each Designated Local Official shall present each request for appropriation pursuant to paragraph 7 above to his or her Member Jurisdiction, and the respective Member Jurisdiction shall consider such request at such Member Jurisdiction's next regularly scheduled meeting at which it is possible to satisfy any applicable notification requirement. Promptly after such meetings, each Designated Local Official shall notify the Authority as to whether the amount so requested was appropriated. If any Member Jurisdiction shall fail to make any such appropriation, the respective Designated Local Official shall add the amount of such requested appropriation to the Proportional Share reported to that Member Jurisdiction by its Designated Local Official for the next fiscal year.

9. The Member Jurisdictions hereby undertake a non-binding obligation to appropriate their respective Proportional Shares as may be requested from time to time pursuant to paragraphs 6 and 7 above, to the fullest degree and in such manner as is consistent with the Constitution and laws of the Commonwealth of Virginia. The Member Jurisdictions, while recognizing that they are not empowered to make any binding commitment to make such appropriations in future fiscal years, hereby state their intent to make such appropriations in future fiscal years, and hereby recommend that future Boards or Councils, as appropriate, do likewise.

10. The Member Jurisdictions acknowledge that (i) the Authority would not purchase the Local Bond without the security and credit enhancement provided by this Agreement, and (ii) the Authority is treating this Agreement as a "local obligation" within the meaning of Section 62.1-199 of the Code of Virginia of 1950, as amended (the "Virginia Code"), which in the event of a nonpayment by a Member Jurisdiction hereunder authorizes the Authority to file an affidavit with the Governor that such nonpayment by such Member Jurisdiction has occurred pursuant to Section 62.1-216.1 of the Virginia Code. In purchasing the Local Bond, the Authority is further relying on Section 62.1-216.1 of the Virginia Code, providing that if the Governor is satisfied that the nonpayment has occurred, the Governor will immediately make an order directing the Comptroller to withhold all further payment to the respective Member Jurisdiction of all funds, or of any part of them, appropriated and payable by the Commonwealth of Virginia to the Member Jurisdiction for any and all purposes, and the Governor will, while the nonpayment continues, direct in writing the payment of all sums withheld by the Comptroller, or as much of them as is necessary, to the Authority, so as to cure, or cure insofar as possible, such nonpayment.

11. Nothing herein contained is or shall be deemed to be a lending of the credit of the Member Jurisdictions to the Borrower, the Authority or to any holder of the Local Bond or to any other person, and nothing herein contained is or shall be deemed to be a pledge of the faith and credit or the taxing power of any Member Jurisdiction, nor shall anything herein contained legally bind or obligate the Member Jurisdictions to appropriate funds for the purposes described herein.

12. Any notices or requests required to be given hereunder shall be deemed given if sent by registered or certified mail, postage prepaid, addressed (i) if to Stafford, to [P.O. Box 339, 1300 Courthouse Road, Stafford, Virginia 22555], Attention: County Administrator, (ii) if to Prince William, to [1 County Complex Court, Prince William, Virginia 22192], Attention: County Executive, (iii) if to Fredericksburg, to [P.O. Box 7447, Fredericksburg, Virginia 22404], Attention: City Manager, (iv) if to the Borrower, to [P.O. Box 370, Stafford, Virginia 22554], Attention: Airport Manager, and (v) if to the Authority, to 1111 East Main Street, Suite 1920, Richmond, Virginia, 23219, Attention: Executive Director. Any party may designate any other address for notices or requests by giving notice.

13. It is the intent of the parties hereto that this Agreement shall be governed by the laws of the Commonwealth of Virginia.

14. This Agreement shall remain in full force and effect until the Local Bond and all other amounts payable by the Borrower under the Financing Agreement have been paid in full.

15. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

*[Signature page follows]*

**IN WITNESS WHEREOF**, the parties hereto have each caused this Agreement to be executed in their respective names as of the date first above written.

**BOARD OF SUPERVISORS OF STAFFORD  
COUNTY, VIRGINIA**

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

Its: \_\_\_\_\_

**BOARD OF SUPERVISORS OF PRINCE WILLIAM  
COUNTY, VIRGINIA**

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

Its: \_\_\_\_\_

**CITY COUNCIL OF THE CITY OF  
FREDERICKSBURG, VIRGINIA**

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

Its: \_\_\_\_\_

**STAFFORD REGIONAL AIRPORT AUTHORITY**

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

Its: \_\_\_\_\_

**VIRGINIA RESOURCES AUTHORITY, as  
Administrator of the Virginia Airports Revolving Fund**

By: \_\_\_\_\_  
Stephanie L. Hamlett, Executive Director

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**MEMORANDUM**

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**TO:** **THE HONORABLE ANDREA BAILEY**  
PRINCE WILLIAM COUNTY SUPERVISOR - POTOMAC DISTRICT

**THE HONOEABLE YESLI VEGA**  
PRINCE WILLIAM COUNTY SUPERVISOR - COLES DISTRICT

**MR. CHRISTOPHER E. MARTINO, COUNTY EXECUTIVE**  
OFFICE OF EXECUTIVE MANAGEMENT - PRINCE WILLIAM COUNTY

**FROM:** **DONALD "DESI" ARNAIZ & RODERICK "ROD" HALL**  
PRINCE WILLIAM COUNTY REPRESENTATIVES TO THE STAFFORD  
REGIONAL AIRPORT AUTHORITY

**SUBJECT:** **REQUEST FOR MORAL OBLIGATION AGREEMENT IN SUPPORT OF  
THE STAFFORD REGIONAL AIRPORT AUTHORITY'S REQUEST TO  
THE VIRGINIA RESOURCES AUTHORITY (VRA), TO PROVIDE  
FUNDING FOR THE CONSTRUCTION OF A NEW AVIATION TEE  
HANGAR**

**DATE:** NOVEMBER 10, 2020

**CC:** *BRIANA SEWELL, CHIEF OF STAFF TO ANN WHEELER  
CHAIR, PRINCE WILLIAM COUNTY BOARD OF SUPERVISORS*

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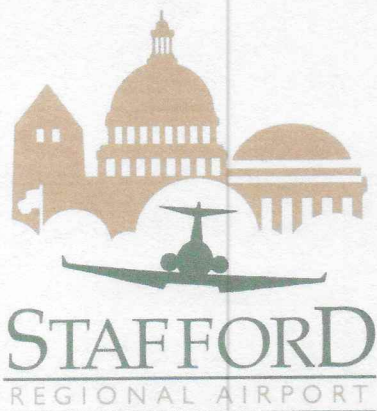
As the Prince William ("the County") representatives to the Stafford Regional Airport Authority ("SRAA"), we thank you for the opportunity to serve. Enclosed please find a formal request by SRAA to the County to consider and support a moral obligation agreement with the SRAA to the Virginia Resources Authority (VRA), to provide funding for the construction of a new aviation tee hangar building at the Stafford Regional Airport in the amount of \$800,000.

As you know, a moral obligation bond is a tax-exempt bond issued by a municipality or a state financial intermediary that is backed by the moral, but not legal, obligation of a state government to appropriate funds in case of default. RAA

As the attached documentation reflects with respect to the construction of the hangar, it is the position of the SRAA that as a result of current hangar demand, associated hangar revenue forecasts, favorable interest rates, and the resulting benefit to the broader, regional aviation community—the project is worthy of support.

Thank you in advance for your consideration of this matter. Should you have any questions, please do not hesitate to contact either of us.





November 10, 2020

Mr. Christopher E. Martino, County Executive,  
Prince William County  
1 County Complex Court  
Prince William, Virginia 22192

RE: Stafford Regional Airport Authority, Moral Obligation Support Request  
To Virginia Resources Authority for a New Hangar Construction Loan

Mr. Martino,

The Stafford Regional Airport Authority (SRAA) is formally requesting the supporting municipalities, Prince William County (28.57%), Stafford County (57.14%), and the City of Fredericksburg (14.28%), to consider and support a moral obligation agreement with the SRAA to the Virginia Resources Authority (VRA), to provide funding for the construction of a new Tee Hangar building at the Stafford Regional Airport (RMN) in the amount of \$800,000.

At this time there are 14 individuals on the hangar waiting list, 11 of whom own aircraft. Upon completion of construction, we anticipate all units will be filled and revenue will be promptly generated to cover the debit service. Bids are in hand for construction of the new hangar at a total cost of \$1,022,714. The SRAA has a grant offer for the site preparation and bidding cost from the Virginia Dept of Aviation for \$261,000 leaving \$761,714 needed for construction and project administration provided by Talbert and Bright engineers. The SRAA is requesting an additional \$38,286 for unforeseen issues and utilities.

Currently RMN has 4 Tee hangar buildings. Each building has 10 separate units (40 total units). All units are occupied and generating revenue to pay the majority of the debit service for those buildings.

Attached is the September 2020 Balance sheet for the SRAA; of note is page 7, which reports current debt status of the SRAA. The highlights follow.

Loan Source / Year	Original Balance	Remaining Balance	Monthly Note
VRA 2004 (Tee #1)	\$743,719	\$350,781.31	\$3,892.41
VRA 2005 (T#2 & #3)	\$1,075,000	\$324,296.49	\$6,506.33
VRA 2007 (T#4 & Utilities)	\$1,601,000	\$748,265.56	\$9,657.33
Stafford County 2003	\$136,000	\$33,421.70	\$1,231.59
Stafford County 2005	\$526,1200	\$526,140	Not established
Stafford County 2012	\$1,400,000	\$1,264,175.16	\$958.99

Hanger rent revenue of \$4,725.00 per month per building is used to cover the debt service related to the construction of those hangars. Additional funds were borrowed in the VRA 2007 series loan to install 3 phase power as well as water and sewer in the corporate area which facilitated construction of a privately owned 26,000 sq ft hangar. The ground rent generated from the corporate hangar, \$3,914.50, is used to pay the difference between the revenue generated by the Tee hangars and the debt service of the 3 VRA loans. Due to the October 2020 rate reset of the 2007 VRA loan from 5.08% to 1.31%, the residual after VRA debt service is \$2,758.43 per month.

The Stafford County 2003 loan debt service is funded by ground rent from a second privately owned corporate hangar. Per agreement between the SRAA and Stafford County, 55% of rents from this hangar is used to pay the debt service of the 2003 loan. This payment began in 2012.



The Stafford County 2005 loan was for installation of water and fire hydrants in the Tee hangar area with the expectation of repayment once the SRAA becomes self-supporting.

The Stafford County 2012 loan for construction of the Terminal is funded by 55% of any new corporate or business leases dated after completion of the terminal. To date, Aviation Adventures and NX Aviation are the business leases currently supporting this loan, and 55% of any additional business/corporate lease revenue will be committed to service this loan. (Note: The original loan was reduced by \$79,000 due to the project being completed under budget.)

For the past 4 years the SRAA has maintained a line of credit with Atlantic Union Bank for \$200,000. Currently there is \$200,000 available should the need arise. In addition, over the past 3 years the SRAA has been saving funds to cover its share of Phase I of the Runway Extension project which is about to begin. The SRAA share is 2% or \$115,400. These funds are in the bank; see attached balance sheet. Due to the current world situation, the Federal Aviation Administration (FAA) has received additional funding for airport projects and this phase of the project will be funded 100% by the FAA.

Prince William enjoys the benefit of 2 reliever airports, Manassas Regional to the west and Stafford Regional just to the south. Many current and several waiting tenants are Prince William residents. Quantico is a regular user of Stafford Airport for VIP transportation as well as training flights. With the surface systems (roads) at capacity the southern and east side of Prince William County are most easily serviced by Stafford airport. The Phase I Runway extension project at Stafford (funded 100% by the FAA) will increase the capacity and use of Stafford providing this side of Prince William the best possible opportunity for aviation transportation and corporate development due to that increased capacity. Manassas Regional generates over \$375M in economic benefit for the region, Stafford Regional the 2<sup>nd</sup> newest airport in the Commonwealth is already ranked 7<sup>th</sup> of the 57 General Aviation Airports for economic impact at \$23.3M, benefiting the southern and eastern portion of Prince William county!

Now is an excellent opportunity to build a new hangar: interest rates are exceptionally low and there are more potential tenants on the hangar waiting list than units that will be available upon completion. The site is pad-ready with minimal earth work required. Coupled with very favorable bid prices, this adds up to a great opportunity towards the goal of a self-sustaining airport. The contractor with the best bid is a Virginia contractor. Also, the runway extension contractor who is under contract is a Stafford-based contractor to the tune of \$4.7M. This Tee hangar construction project will add to the value of the airport, goal of becoming self-sustaining, and increase our economic impact throughout the region.

Included are supporting documents for this request,

September 2020 Balance sheet

Tee Hangar building bid analysis and engineers estimate for this project

Hangar waiting list

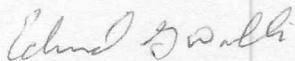
VRA Security Agreement

VRA Support Agreement

VA Dept of Aviation Economic impact study 2017

I hope the Board of County Supervisors looks favorably upon this request. I am available to provide any additional documents or information that will help in the discussion making process.

Sincerely,



Edward G. Wallis,  
Airport Manager  
Stafford Regional Airport

CC with enc.      City of Fredericksburg  
Stafford County

November 13, 2020

Mr. Edward Wallis  
Airport Manager  
Stafford Regional Airport Authority  
95 Aviation Way  
Fredericksburg, VA 22406

Re: **Virginia Airports Revolving Fund**  
**Stafford Regional Airport Authority**  
**VARF-DL-19**

Dear Mr. Wallis:

Virginia Resources Authority (“VRA”) is pleased to advise you that the Virginia Aviation Board (the “Board”) has endorsed funding from the Virginia Airports Revolving Fund to the Stafford Regional Airport Authority (the “Authority”). VRA has completed the credit analysis related to the Authority’s loan request to finance the construction of a new hangar facility (the “Project”) at the Stafford Regional Airport, together with related expenses. The funding for the Project consists of a loan in an amount up to \$790,000 for a term equal to the lesser of the economic useful life of the Project or 25 years (the “Loan”). The taxable interest rate on the Loan will be set four weeks prior to Loan closing and will be based on prevailing “AA” revenue interest rates, subsidized by 50 basis points (0.50%).

VRA hereby offers to extend to the Authority the Loan as stated, subject, however, to the satisfaction of the conditions to purchase the Authority’s local bond set forth in the enclosed financing agreement between VRA and the Authority (the “Financing Agreement”) to be executed in conjunction with the Loan closing.

It is understood that the Loan will be secured by a pledge of the Authority’s revenues derived from general airport operations, as defined in the related Financing Agreement, as well as the moral obligation pledge of the City of Fredericksburg, Prince William County, and Stafford County. The Financing Agreement will include a covenant that the Authority will establish rates, fees, and charges at levels that provide for annual net revenues to be equal to at least 100% of the annual debt service on the Loan and existing parity debt obligations.

VRA reserves the right to withdraw or alter the terms of this commitment if, between the date of the Authority’s loan application and the date of closing, the Authority incurs any debt or its financial condition changes in any way deemed material by VRA in its sole discretion.

If you have any questions concerning the foregoing, please call Peter D’Alema at 804-616-3446. **If you concur with the terms and conditions herein stated, please acknowledge your acceptance thereof by signing below and returning the original to me.** Please retain a copy for your records.

If Loan closing shall not have occurred by February 28, 2021, it is understood that VRA reserves the right to modify any of the conditions of this commitment or to withdraw the Loan offer.

Very truly yours,



Stephanie L. Hamlett

The foregoing terms and conditions are hereby acknowledged and accepted the \_\_\_\_\_ day of \_\_\_\_\_, 2020.

By: \_\_\_\_\_  
Edward Wallis  
Airport Manager

cc: Megan Gilliland, Kaufman & Canoles, P.C.  
Peter D'Alema, Virginia Resources Authority  
Mark Flynn, Virginia Department of Aviation  
Michael Swain, Virginia Department of Aviation  
Benjamin Wills, Kaufman & Canoles, P.C.