West Virginia Parkways Authority

Debt and Capital Planning Management Policy (the "Policy")

1. Purpose

The purpose of this policy is to establish a framework for the issuance of debt, funding of capital and to provide appropriate and prudent parameters governing the issuance, management and reporting on all debt issued by the West Virginia Parkways Authority (The "Authority"). This policy is consistent with the requirements of Article 16A, Chapter 17 of the Code of West Virginia, 1931, as amended (the "Act).

2. Authority and Objectives

The Authority is a public body corporate and politic and instrumentality of the State of West Virginia, organized and existing by virtue of the Act. The Authority is empowered to construct, reconstruct, improve, maintain, repair, operate or finance parkway projects, to charge and fix tolls or fees for use of the Turnpike or other parkway projects and to issue revenue bonds for its purposes. Parkway projects include projects to be constructed, reconstructed, improved, maintained, repaired or operated on the Turnpike, as well as projects to be constructed, reconstructed, improved, maintained, repaired or operated off the Turnpike, to the extent allowed under the Act and applicable federal laws.

In 2018, following amendments to the Act, the Authority is defeasing all outstanding debt and related obligations under its previous governing documents and establishing a new Master Trust Indenture. Pursuant to the Act, the Authority is authorized and empowered to issue and incur its bonds, notes and other obligations for the purposes and on the terms and conditions set forth in the Act. All future bonds, notes or other obligations of the Authority, are expected to be issued and incurred under and pursuant to, and/or in accordance with, the terms and provisions of the Act and the Master Trust Indenture adopted by the Authority, as will be further amended, restated and supplemented from time to time (the "MTI"). Capitalized terms used but not defined in this Policy shall have the meanings assigned to such terms in the MTI.

Under the governance and guidance of the MTI (as supplemented and amended from time to time), the Authority may periodically enter into debt obligations (a) to finance the construction of Turnpike projects, (b) to finance construction of transportation infrastructure projects in the 10 counties in southern West Virginia surrounding the Turnpike, and from the two specific lists of potential projects in those counties, as identified in the Act which have a close "nexus" to the Turnpike, or (c) to refinance existing debt for the purpose of meeting its responsibilities to users of the Turnpike. The Authority will limit long-term borrowing to fund capital improvements, projects, or equipment that cannot be financed from current financial resources. Further, the Authority shall seek to obtain bond ratings so borrowing costs are minimized.

3. Legal Authorization and Debt Limits

Pursuant to the Act, the Authority is authorized to provide by resolution for the issuance of parkway revenue bonds for the purpose of paying all or any part of the costs of one or more parkways projects (as defined in the Act). The principal of and interest on the bonds shall be payable solely from the funds provided for payment and in the priority established in the related supplemental indentures. There are no limitations on the issuance prescribed in the Act. However, the MTI does include various financial covenants that establish limitations on the future debt issuance of the Authority.

4. Uses of Debt

The Authority may issue debt to fund capital projects or refund previous bond issues. Capital costs include financing the costs of planning, design, land acquisition, buildings, permanent structures, attached fixtures and equipment. Acceptable uses of bond proceeds can be viewed as items that can be capitalized. Debt will not be issued by the Authority to fund, in whole or in part, operation and maintenance costs of the Turnpike System or capital assets with average useful lives which are shorter than the average maturity of the associated debt. Refunding bond issues that are intended to restructure currently outstanding debt in order to reduce debt service costs are an acceptable use of bond proceeds.

5. Process for Debt Issuance

The Authority may issue Bonds from time to time. In addition to complying with the covenants detailed in the MTI, the following procedures, constraints and measures will govern the issuance of debt by the Authority:

Pre-Issuance Evaluation:

The Authority will retain the services of both an independent nationally recognized Traffic and Revenue Consultant, General Engineering Consultant and Financial Advisor in order to provide independent advice on the projected outcomes, performance and needs of the Turnpike. In addition to other duties, the consultants will prepare cost and revenue estimates for the system and for any special projects in which Turnpike funds are used for or in partnership with funds from other State entities. In the preparation of such estimates, the Traffic Engineer shall recommend toll rates which will not only be sufficient to meet the requirements under the indenture but also are affordable yet competitive. These estimates will be built into the Authority's financial plan. This process is intended to confirm the financial feasibility of the proposed projects.

Debt Structuring:

(a) Method of Sale: The Authority, with guidance from its Financial Advisor, will seek to issue its debt obligations through a sale method that will produce the best results for the Authority. Based on market conditions, the Authority will consider whether a competitive or negotiated sale would be more advantageous. The Authority will analyze the complexity of the transaction and any issues which may impact the pricing; the stability of bond prices and investor demand; yields and credit spreads; the structure of the transaction; the relative affordability of taxable bonds as compared to tax-exempt; and the importance of flexibility to adjust sizing and structuring to respond to the market. Any sale through a negotiated process would be to one or more underwriting firms selected through a competitive RFP process.

(b) Maximum Term: The Authority will continue to issue up to 30 year fixed rate bonds unless the Authority, in consultation with its advisors, determines that it is in the best interest of the Authority and its stakeholders otherwise. The average maturity of the Authority's bonds may not exceed the average remaining useful life of the assets being financed or the limitations set forth in the Act.

(c) Structure: The Authority will target structuring its debt issues to provide for generally level (or declining) annual payments of principal and interest over the life of each respective issue (or approximately aggregate level debt service for all outstanding debt issues), after periods of interest only and/or the use of capitalized interest, as appropriate. Capital Appreciation Bonds should only be used when necessary to meet financial covenants. Alternative debt structures may also be considered, when appropriate, to achieve other goals provided in this Policy.

(d) Variable Rate Debt: The aggregate amount of the Authority's long-term [unhedged] variable rate debt should not exceed [20%] of its outstanding long-term debt. Prior to the issuance of any variable rate debt, the Authority will amend this policy to include provisions governing its liquidity risk management procedures.

(e) Credit Enhancement: Credit enhancement, insurance or liquidity will only be used when the present value or anticipated savings (i.e., reduced interest expense) exceeds the cost of the enhancement or provides for market access where it otherwise was not available.

(f) Redemption Provisions: Redemption provisions, when applicable, will be evaluated by considering the relative value of future financing flexibility and the market's perception of any premium associated with a call.

(g) Short-Term Obligations: The Authority may consider the issuance of bond anticipation notes, put bonds or other short-term debt instruments. The Authority shall consult with its Financial Advisor to evaluate the benefits and risks in the event that the Authority is considering entering into any Short-Term Obligations.

(h) Refunding Criteria: As a general rule, when identifying potential refunding candidates for economic refunding, the Authority will generally seek a minimum per transaction present value savings threshold of three percent (3%). Lower refunding thresholds may be targeted to the extent refundings achieve other goals consistent with this Policy.

(i) Debt Service Coverage: The Authority will maintain a minimum senior lien net debt service coverage, as calculated pursuant to the MTI, at 2.0x and all-in debt service coverage (inclusive of annual Renewal and Replacement Fund deposits) of 1.1x. For purposes of this target, debt service may be net of any capitalized interest and expected subsidies from federal or other governmental programs.

(j) Compliance with Bond Covenants and Laws: The Authority shall comply with all covenants and requirements of the MTI, Memorandum of Understanding, Tri-Party Agreement and state and federal laws authorizing and governing the issuance and administration of debt obligations. Further, the Authority shall consult with bond counsel regarding any such legal issues.

6. Debt Service Coverage/Borrowing Capacity/Financial Plan

The Authority will prepare annually, at a minimum, a 5-year financial plan and from time to time a 20 year financial plan to ensure that future resources are available to meet future renewal and replacement, capital and debt service obligations of the System. The Authority will target a minimum senior lien net debt service coverage of 2.0 x.

7. Liquidity/Days Cash on Hand

The Authority seeks to maintain a sufficient level of unrestricted cash to help manage unforeseen operations and maintenance expenses or apply to un-planned capital needs. The Authority intends to fund a majority of its capital program from annual net revenues and unrestricted funds of the Authority. The Authority will maintain a minimum amount of Days Cash on Hand of 365 days. For purposes of this calculation, unrestricted funds will include the General Fund, R&R Fund, O&M Reserve, Capital Fund and all other miscellaneous reserves held by the Authority.

8. Credit Rating Agency Management and Communication

The Authority seeks to balance the future needs of the system while maintaining the highest credit rating possible. As part of each bond issuance and as needed, but not less than on an annual basis, the Authority will provide updated statistical, project, and financial information to the rating agencies.

9. Capital Planning Considerations

The Authority will restrict the use of Turnpike Toll Revenue Bonds to fund only the costs to construct, maintain, improve or repair parkway projects on the Turnpike or for the purpose of paying all or a portion of the costs of the Division of Highways to construct, maintain, improve or repair the Off-Turnpike WVDOH Projects. Such Off-Turnpike WVDOH Projects shall be limited to only those projects authorized under the Act and which have a "nexus" to the Turnpike. To provide assurance to Turnpike Toll Revenue Bondholders, the Authority will only issue Bonds that it believes will not impact its ability to meet all its annual debt service, O&M, capital improvement, and R&R requirements of the Turnpike and comply with all provisions of the MTI during the term over which bonds will be outstanding.

Further, in developing the financial plan, the Authority will work with its General

Engineering Consultant to evaluate the projected pay-as-you-go needs of the Turnpike (including both renewal and replacement and long-term capital). For purposes of the financial plan, renewal and replacement costs are considered to be significant capital projects that are not occurring annually or seasonally but are immediately required in order to keep the Turnpike open to public travel or use. Long term capital needs are major and minor capital projects needed in order to reduce future maintenance expense, improve service level and prevent future deficiencies on the Turnpike.

10. Investor Relations Management

The Authority's Official Statements and audited annual financial statements are posted on the Authority's web site (https://transportation.wv.gov/turnpike). The Authority also submits annual filings to the Electronic Municipal Market Access ("EMMA") system operated by the MSRB (http://emma.msrb.org) as required by SEC Rule 15c2-12 consistent with the provisions of the Authority's Continuing Disclosure Agreements. The EMMA filings are available to any interested party. Periodically and at least in connection with each bond issue, the Authority will conduct an investor outreach effort, as appropriate. Authority staff will provide responses to ad hoc requests as appropriate and engage in ongoing dialogue with investors. To the extent materials are developed or provided as a result of these dialogues, those materials will be posted on the Authority's website and/or EMMA.

11. Derivative Transactions

Prior to entering any Qualified Swap Agreements, Exchange Agreements, and other derivative agreements and instruments in connection with its debt, the Authority will review, revise and amend, as necessary, the "Interest Rate Exchange Agreement Policy" adopted by the West Virginia Parkways Authority, originally adopted on July 10, 2008 and amended on May 10, 2018 (the "Swap Policy") in order to comply with market standards and requirements at that time. The Authority shall comply with the terms of such Swap Policy. The Authority shall consult with its Bond Counsel and Financial/Swap Advisor in the event that the Authority is considering entering into any Qualified Swap Agreement, Exchange Agreement, and other derivative agreement or instrument in connection with any debt.

12. Post-sale Monitoring, Management, Compliance

Compliance

The Authority as part of its tax compliance efforts will establish a post issuance compliance policy ("Compliance Policy") and will assign specified personnel and maintain a system of internal procedures to ensure compliance with applicable laws, rules, regulations, and covenants associated with the issuance, structure and management of outstanding debt. Active, annual calendars are maintained identifying due dates for key financial activities including, but not limited to, schedules for debt service payments; requirements for budget drafts and adoption, certifications of revenue sufficiency and maintenance of insurance; arbitrage calculations; and continuing disclosure commitments.

Continuing Disclosure

The Authority will enter into Continuing Disclosure Agreements for each bond issue to provide for the timely filing of annual financial information and material event notifications. For purposes of these filings, the Authority is working with a 3rd party dissemination agent (which is currently Digital Assurance Corporation "DAC"). Under its existing Continuing Disclosure Agreements, the Authority has agreed to provide, by December 31 of each year, its Audited Financial Statements and certain operating data for the Twelve Months Ended June 30. In addition, the Authority will work closely with DAC to ensure the prompt filing of any notices of material event(s) with EMMA, applicable to Federal securities law, once the Authority obtains knowledge of the occurrence of any event.

Investment of Proceeds

The Authority shall invest proceeds from the sale of its bonds, notes or other obligations, which are not immediately needed for various purposes of the Authority, in Investment Securities in accordance with the MTI. The Investment Securities shall be readily available when needed by the Authority for intended purposes.

Arbitrage and Rebate

The Authority will engage the services of an arbitrage rebate consultant to calculate the rebate liability annually for each issue of bonds and provide written reports to the Authority as to the amount to be paid, if any, to the U.S. Treasury Department. Any rebate issues identified by the arbitrage rebate consultant will be raised with bond counsel and the Authority will file all necessary forms with the Internal Revenue Service.

13. Procedures for Changes to this Policy

This policy will be reviewed by the Authority every two (2) years and may be changed only by a vote of the Board. The General Manager shall report to the Finance and Audit Committee and the Board on an "as needed" basis regarding the desirability of modifying this Policy, however, notwithstanding, the Policy shall be reviewed by the Board every two years.

This policy should be observed by the Authority, however, deviations from the policy may be applicable at certain times in order to adopt: (i) changing financial goals; (ii) emerging financial products/debt structures, (iii) unique market opportunities and/or (iv) any other circumstance that will benefit the Authority. The general best interests of the Authority shall supplant any provision of the policy.

This policy was approved at a duly noticed public meeting of the Authority on July 5, 2018.