

**BOND ORDER OF THE NORTH CAROLINA TURNPIKE AUTHORITY
AUTHORIZING THE ISSUANCE OF MONROE EXPRESSWAY TOLL
REVENUE BONDS, SERIES 2016 AND A MONROE EXPRESSWAY
TIFIA BOND TO CONFIRM OBLIGATIONS INCURRED UNDER A
LOAN AGREEMENT WITH USDOT**

WHEREAS, the North Carolina Turnpike Authority (the “*Authority*”) is duly organized and existing under the laws of the State of North Carolina (the “*State*”) within the State Department of Transportation, and is authorized under Article 6H (Turnpike Authority and Toll Projects) of Chapter 136, as amended (the “*Act*”), of the North Carolina General Statutes (the “*NCGS*”) and The State and Local Government Revenue Bond Act, Article 5 of Chapters 159, as amended, of the NCGS (the “*Revenue Bond Act*”), to issue revenue bonds for the purpose of financing and refinancing the cost of acquiring, constructing and equipping “turnpike projects,” as defined in the Act;

WHEREAS, the Secretary of Transportation, pursuant to Section 143B-10 and 143B-349 of the NCGS, has delegated to the Board of the Authority certain powers including the power to fix, revise, charge, and collect tolls and fees for the use of turnpike projects and the power to issue bonds or notes of the Authority to finance such projects;

WHEREAS, the Authority desires to issue revenue bonds pursuant to the Act and the Revenue Bond Act to finance a portion of the costs of the land, easements, rights of way, capital improvements and equipment constituting a turnpike project of the Authority known as the “Monroe Expressway” and generally consisting of an approximately 19.7 mile roadway extending from US Highway 74 at Interstate 485 in eastern Mecklenburg County, North Carolina, near the Town of Matthews to US Highway 74 near the Town of Marshville in Union County, North Carolina, as it may hereafter exist (the “*Project*”);

WHEREAS, the Authority has determined to issue up to \$165,000,000 in initial principal amount of its North Carolina Turnpike Authority Monroe Expressway Toll Revenue Bonds, Series 2016 (the “*Series 2016 Bonds*”) and up to \$166,500,000 in initial principal amount of its North Carolina Turnpike Authority Monroe Expressway TIFIA Bond (the “*TIFIA Bond*”), evidencing the obligation to repay a borrowing from the U.S. Department of Transportation (“*USDOT*”) under the Transportation Infrastructure Finance and Innovation Act of 1998 (“*TIFIA*”), under the Revenue Bond Act and a trust agreement between the Authority and Wells Fargo Bank, N. A., as trustee (the “*Trust Agreement*”), with the Series 2016 Bonds, the TIFIA Bond and any additional bonds issued under the Trust Agreement payable from and secured by toll and other revenues related to the Monroe Expressway; and

WHEREAS, the North Carolina Local Government Commission (the “*LGC*”) has been requested to approve the issuance of, and provide for the sale of, the Series 2016 Bonds and the TIFIA Bond in accordance with the Revenue Bond Act;

NOW, THEREFORE, BE IT ORDERED by the Board of the Authority as follows:

1. Subject to the approval of the issuance of the Series 2016 Bonds and the TIFIA Bond by the LGC, North Carolina Turnpike Authority Monroe Expressway Toll Revenue Bonds, Series 2016 and North Carolina Turnpike Authority Monroe Expressway TIFIA Bond secured by toll and other revenues shall be issued to finance a portion of the costs of the Monroe Expressway turnpike project pursuant to the Trust Agreement which shall be in substantially the form attached hereto as Exhibit A with only such changes therein as approved by officers or staff of the Authority through their execution thereof.
2. The Series 2016 Bonds shall be secured by and payable from toll and other revenues related to the Monroe Expressway and will have an initial principal amount not in excess of \$165,000,000. The TIFIA Bond shall be secured by and payable from toll and other revenues related to the Monroe Expressway on a basis subordinate to the Series 2016 Bonds, subject to certain situations wherein it will be secured in parity with the Series 2016 Bonds, and will have an initial aggregate principal amount not to exceed \$166,500,000.
3. The interest rates, maturities, redemption provisions and other terms of the Series 2016 Bonds and the TIFIA Bond shall be as set forth in the Trust Agreement and the loan agreement with USDOT with the final provisions thereof as approved by the officers of the Authority through their execution of such Trust Agreement and loan agreement.
4. All other actions of the officers and staff of the Authority in connection with the issuance of North Carolina Turnpike Authority Monroe Expressway Toll Revenue Bonds, Series 2016 and North Carolina Turnpike Authority Monroe Expressway TIFIA Bond secured by toll and other revenues of the Monroe Expressway are hereby authorized.

Adopted November 3, 2016

**RESOLUTION APPROVING ISSUANCE OF MONROE EXPRESSWAY
TOLL REVENUE BONDS, SERIES 2016, ISSUANCE OF A MONROE
EXPRESSWAY TIFIA BOND TO CONFIRM OBLIGATIONS INCURRED
UNDER A LOAN AGREEMENT WITH USDOT AND OTHER MATTERS
CONCERNING FINANCING OF MONROE EXPRESSWAY**

WHEREAS, the North Carolina Turnpike Authority (the “*Authority*”) is duly organized and existing under the laws of the State of North Carolina (the “*State*”) within the State Department of Transportation, and is authorized under Article 6H (Turnpike Authority and Toll Projects) of Chapter 136, as amended (the “*Act*”), of the North Carolina General Statutes (the “*NCGS*”) and The State and Local Government Revenue Bond Act, Article 5 of Chapters 159, as amended, of the NCGS (the “*Revenue Bond Act*”), to issue revenue bonds for the purpose of financing and refinancing the cost of acquiring, constructing and equipping “turnpike projects,” as defined in the Act;

WHEREAS, the Secretary of Transportation of the State (the “*Secretary*”), pursuant to Section 143B-10 and 143B-349 of the NCGS, has delegated to the Board of the Authority certain powers including the power to fix, revise, charge, and collect tolls and fees for the use of turnpike projects and the power to issue bonds or notes of the Authority to finance such projects;

WHEREAS, the Authority has undertaken to finance a portion of the costs of the land, easements, rights of way, capital improvements and equipment constituting a turnpike project of the Authority now known as the “Monroe Expressway” and generally consisting of an approximately 19.7 mile roadway extending from US Highway 74 at Interstate 485 in eastern Mecklenburg County, North Carolina, near the Town of Matthews to US Highway 74 near the Town of Marshville in Union County, North Carolina (the “*Project*”);

WHEREAS, pursuant to Section 136-176(b2), as amended, of the NCGS, the North Carolina General Assembly has provided for an annual appropriation to the Authority in the amount of \$24,000,000 (the “*State Appropriated Revenues*”) to be used to pay debt service or related financing costs and expenses on revenue bonds issued by the Authority to finance the Project or to fund reserves in connection therewith and the State Appropriated Revenues may constitute “revenues” of the Authority for certain purposes within the meaning of the Revenue Bond Act;

WHEREAS, the Authority has issued its \$233,920,000 North Carolina Turnpike Authority Monroe Connector System State Appropriation Revenue Bonds, Series 2010A (Federally Taxable – Build America Bonds) (the “*Appropriation Series 2010A Bonds*”), and its \$214,505,000 North Carolina Turnpike Authority Monroe Connector System State Appropriation Revenue Bonds, Series 2011 the “*Appropriation Series 2011 Bonds*” and, together with the Appropriation Series 2010A Bonds, the “*Appropriation Bonds*”), under the Revenue Bond Act and a trust agreement dated as of October 1, 2010, as supplemented, between Wells Fargo Bank, N. A., as trustee (the “*Trustee*”), and the Authority (the “*State Appropriation Trust Agreement*”), payable from and secured by the State Appropriated Revenues;

WHEREAS, the American Reinvestment and Recovery Act of 2009 (the “*Recovery Act*”) added Sections 54AA and 6431 to the Internal Revenue Code of 1986, as amended (the “*Code*”), which permitted state or local governments to obtain certain tax advantages when issuing taxable obligations referred to as “Build America Bonds”;

WHEREAS, the Recovery Act allowed the Authority to make an irrevocable election to have certain of its bonds treated as “Build America Bonds” under such federal program wherein the interest on such bonds which might be eligible for exclusion from the gross income of the owners thereof is treated as not so excluded, with the issuer receiving payments (the “*Interest Subsidy Payments*”) directly from the United States Treasury (the “*Treasury Secretary*”) in an amount equal to 35% of the corresponding interest payable on the related Build America Bonds, subject to annual sequestration by the Treasury Secretary in certain events;

WHEREAS, the Authority determined that the Recovery Act constituted an agreement of the United States of America to make the payments provided under the Build America Bond program in consideration of the Authority electing to forego the benefits of tax-exempt interest rates and otherwise complying with the requirements of the Build America Bond program;

WHEREAS, the Authority issued the Appropriation Series 2010A Bonds as Build America Bonds and receives Interest Subsidy Payments therefor;

WHEREAS, in addition to the Appropriation Bonds under the State Appropriation Trust Agreement, the Authority issued its \$10,000,000 Monroe Connector System Senior Lien Turnpike Revenue Bonds, Series 2011 for the Project (the “*Series 2011 Bonds*”) under the Trust Agreement dated as of November 1, 2011, between the Authority and the Trustee (the “*Original Trust Agreement*”), creating a lien on toll and other revenues, including State Appropriated Revenues and Interest Subsidy Payments remaining after payment of debt service on the Appropriation Bonds, in order to secure the Series 2011 Bonds and any other bonds issued under the Original Trust Agreement;

WHEREAS, another component of the initial plan of finance for the Project was the issuance by the State of its \$145,535,000 principal amount of GARVEE revenue bonds in December 2011, to finance a portion of the costs with such bonds intended to be refunded by an approximately equal principal amount of revenue bonds issued under the Original Trust Agreement after completion of the Project at a time (then estimated as 2018) when a toll revenue history for the then completed Project would allow marketing of revenue bonds with a higher credit rating than before construction was complete;

WHEREAS, due to unforeseen delays in construction, the cost of the Project has increased and the Authority has determined to finance such increase by the issuance of additional revenue bonds to be repaid from toll and other revenues of the Project, as well as a borrowing from the U.S. Department of Transportation (“*USDOT*”) under the Transportation Infrastructure Finance and Innovation Act of 1998 (“*TIFIA Act*”); with proceeds used, among other things, to pay such costs, fund reserves for the bonds and refund the Series 2011 Bonds;

WHEREAS, issuance of revenue bonds at this time provides an opportunity to fund now the costs initially planned to be assumed by the 2018 refunding of the State’s 2011 GARVEE

bonds, with the costs originally planned to be temporarily funded by such bonds now assumed as Project costs funded by the various sources heretofore and hereafter described for the Project, allowing such GARVEE bond proceeds to be used for other North Carolina Department of Transportation (“*NCDOT*”) projects;

WHEREAS, the Authority has determined to issue not to exceed \$165,000,000 in initial aggregate principal amount of Monroe Expressway Toll Revenue Bonds, Series 2016 (the “*Series 2016 Bonds*”), under the Revenue Bond Act and the Original Trust Agreement, as supplemented, amended and restated by a Trust Agreement dated as of November 1, 2016 (the “*Trust Agreement*”), secured by and payable from toll and other revenues of the Project including State Appropriated Revenues and Interest Subsidy Payments remaining after payment of debt service on the Appropriation Bonds (together, the “*Revenues*”);

WHEREAS, it is proposed that the Series 2016 Bonds, which may be issued in one or more series consisting of current interest bonds, convertible capital appreciation bonds or capital appreciation bonds, will be sold through a negotiated sale to a group of underwriters managed by Bank of America Merrill Lynch, as senior manager, and Citigroup Global Markets, J.P. Morgan Securities, and Wells Fargo Securities, as co-managers (the “*Underwriters*”), pursuant to one or more Bond Purchase Agreements between the North Carolina Local Government Commission (the “*LGC*”), the Authority and the Underwriters (the “*Bond Purchase Agreement*”);

WHEREAS, it is possible that the Underwriters will recommend, and the Authority’s financial advisor will concur, that obtaining bond insurance for all or a part of the Series 2016 Bonds or obtaining a surety bond in lieu of a funded debt service reserve fund will be cost effective and the Authority should be prepared for either or both possibilities;

WHEREAS, a Preliminary Official Statement (the “*Preliminary Official Statement*”), relating to the Series 2016 Bonds and an Official Statement with respect to the Series 2016 Bonds, containing pricing and other information (the “*Final Official Statement*”), will be used and distributed by the Underwriters in connection with the offering and sale of the Series 2016 Bonds;

WHEREAS, the Preliminary Official Statement and Final Official Statement, among other things, will include an explanation with respect to the amendment and restatement of the Original Trust Agreement by the Trust Agreement, the reasons therefor and that the purchasers of the Series 2016 Bonds will, by their purchase of the Series 2016 Bonds, consent to such amendment and restatement;

WHEREAS, the Authority has also determined to enter into a loan agreement under the TIFIA Act with USDOT to be dated as of a date in November, 2016 (the “*TIFIA Loan Agreement*”), for a loan of up to \$166,500,000 in initial principal amount and the Authority’s obligation under the TIFIA Loan Agreement to repay such loan will be evidenced by a bond (the “*TIFIA Bond*”) issued under the Trust Agreement concurrently with the issuance of the Series 2016 Bonds, which initially will be treated as indebtedness with a priority after senior indebtedness including the Series 2016 Bonds, but, upon certain conditions, may be treated as secured in parity with the Series 2016 Bonds, as described in the Trust Agreement;

WHEREAS, in order to provide for an additional portion of the cost of the Project, the Board of Transportation of the State has agreed to provide from the State Transportation Improvement Plan (the “*STIP Funds*”), up to the total \$77,000,000 allocated to the Project;

WHEREAS, in order to secure the Series 2016 Bonds and the TIFIA Bond, the Authority has also determined to deposit \$25,000,000 from its general reserve fund built up from amounts remaining after payment of debt service on the Appropriation Bonds into the Ramp-Up Reserve Account (or a comparable account) under the Trust Agreement to be used for certain purposes if necessary prior to a release date as described in the Trust Agreement, and certain other amounts from the general reserve fund may be deposited into other funds under the Trust Agreement;

WHEREAS, CDM Smith, as traffic consultant to the Authority for the Project has presented a forecast of the projected traffic for the Project and the toll revenues to be generated from such traffic (the “*Monroe Traffic and Revenue Study*”);

WHEREAS, in a resolution adopted September 17, 2008, the Board adopted a toll rate policy (the “*Toll Rate Policy*”) for its financed turnpike projects and pursuant thereto the Authority is to provide for an initial toll rate schedule on the Project such that the tolls forecasted to be collected will be at least at the same levels as set forth in the Monroe Traffic and Revenue Study and thereafter for there to be annual increases in the tolls by the same percentage amounts assumed in the Monroe Traffic and Revenue Study unless Revenues otherwise meet a specified coverage test;

WHEREAS, the Board of Transportation of the State has agreed to provide certain contingent guarantees as to the payment of certain operating and maintenance costs of the Monroe Expressway, if necessary, the payment of certain renewal and replacement costs of the Monroe Expressway, if necessary, and the payment of unexpected construction costs of the Project, if necessary, with any such amounts (other than any amount remaining of the \$77,000,000 in allocated STIP funds after the initial deposit of a portion thereof for construction purposes) so made repaid, with interest, to the NCDOT (“*Guarantee Repayments*”) and the Trust Agreement contains provisions for such contingent guarantees and repayments and is executed by the Secretary to evidence NCDOT’s obligations with respect thereto;

WHEREAS, Hunton & Williams LLP, as bond counsel to the Authority, has recommended that an officer be designated as the individual to undertake or supervise regular compliance reviews and checks with regard to tax and securities law matters concerning the Series 2016 Bonds;

WHEREAS, the Revenue Bond Act requires that revenue bonds thereunder, including both the Series 2016 Bonds and the TIFIA Bond, be approved by the North Carolina Local Government Commission (the “*LGC*”);

WHEREAS, as authorized by the Authority on August 4, 2016, application has been made to the LGC for approval of the issuance of the Series 2016 Bonds and the TIFIA Bond and findings of the Board with respect thereto and a list of consultants and other parties involved in

the Project and the issuance of such bonds have been forwarded to the LGC for its consideration, all in accordance with the Revenue Bond Act;

WHEREAS, the forms of the following documents have been presented to the Board:

- (a) Bond Order of the Authority with respect to the Series 2016 Bonds and the TIFIA Bond required pursuant to the Revenue Bond Act (the “*Bond Order*”);
- (b) A substantially final draft of the Trust Agreement;
- (c) A substantially final draft of the Monroe Traffic and Revenue Study;
- (d) A substantially final draft of the Preliminary Official Statement;
- (e) A substantially final draft of the Bond Purchase Agreement; and
- (f) A draft of the TIFIA Loan Agreement; and

WHEREAS, the Finance Committee of the Authority has recommended to the Board the adoption of this resolution;

NOW THEREFORE, THE BOARD OF THE NORTH CAROLINA TURNPIKE AUTHORITY HEREBY RESOLVES:

1. The Board hereby adopts the Bond Order and
 - (a) approves issuance of the Series 2016 Bonds to finance a portion of the costs of the land, easements, rights of way, capital improvements and equipment constituting the Project, to fund a portion of the interest costs therefor, to provide a debt service reserve, to refund the Series 2011 Bonds and to provide for issuance expenses of the Series 2016 Bonds,
 - (b) approves execution and delivery of the Trust Agreement, including as an amendment and restatement of the Original Trust Agreement,
 - (c) approves execution and delivery of the TIFIA Loan Agreement and issuance of the TIFIA Bond to evidence the repayment obligations of the Authority to USDOT with respect to the borrowing under the TIFIA Loan Agreement,
 - (d) approves the sale of the Series 2016 Bonds to the Underwriters,
 - (e) approves execution and delivery by the Chairman or other officers or employees of the Authority of the Bond Purchase Agreement,
 - (f) approves use of the Preliminary Official Statement and the Final Official Statement by the Underwriters for the marketing of the Series 2016 Bonds,
 - (g) approves transfer from its general reserve fund of \$25,000,000 to the Ramp-Up Reserve Account (or a comparable account) under the Trust Agreement as described herein, and other amounts to other accounts as may be determined necessary,
 - (h) approves the refunding of the Series 2011 Bonds and directs the Trustee to call the Series 2011 Bonds now outstanding (except for \$835,000 in principal amount subject to

mandatory sinking fund redemption on July 1, 2017) to be redeemed on their earliest date for optional redemption – October 1, 2017,

(i) authorizes and directs that the Project costs initially intended to be paid with proceeds of the State’s 2011 GARVEE bonds will be paid from the sources for Project costs identified herein and NCDOT may utilize such GARVEE bond proceeds for other uses,

(j) directs the Trustee under the State Appropriation Trust Agreement to use Interest Subsidy Payments for all payments on the Appropriation Bonds prior to any other revenues under such agreement; and

(k) approves all other actions necessary for the issuance of the Series 2016 Bonds and the TIFIA Bond and the continued financing of the Project; provided the specific terms and conditions for such actions and the documentation thereof must be within the limits stated in paragraph 3 hereof and as otherwise approved by the Chairman or other officers or employees of the Authority as hereinafter provided.

2. The Trust Agreement, the Preliminary Official Statement, the Final Official Statement, the Bond Purchase Agreement and the TIFIA Loan Agreement (together the “Bond Documents”) shall be substantially in the forms presented hereto which are hereby approved and the Chairman and other officers and employees of the Authority are each hereby authorized and directed to execute and deliver such Bond Documents, together with such changes, modifications and deletions, including provisions reflecting obtaining bond insurance for all or a portion of the Series 2016 Bonds and obtaining surety bonds, as they may, with the advice of counsel, deem necessary and appropriate; such execution and delivery to be conclusive evidence of the authorization and approval of such documents by the Authority. With the approval of the LGC, one or more additional co-managers may be added to the Underwriters. The Series 2016 Bonds shall be issued in one or more series consisting of current interest bonds, convertible capital appreciation bonds or capital appreciation bonds in substantially the forms set forth in the Trust Agreement with the determination of series, type of bond, maturities, terms and other matters as may be made by the Chairman and other officers and employees of the Authority authorized to execute and deliver them; provided the specific terms must be within the limits stated in paragraph 3 hereof.

3. Notwithstanding anything herein to the contrary, the following limits are imposed on the issuance of the Series 2016 Bonds and the TIFIA Bond and related matters and the authorizations and directions herein provided are conditioned upon the terms of such factors being within these limits:

- a. Final maturity date of Series 2016 Bonds - 7/1/2054
- b. Final maturity date of TIFIA Bond - 7/1/2053
- c. Maximum aggregate principal amount of Series 2016 Bonds (using initial principal amount for any convertible capital appreciation bonds or capital \$165,000,000

appreciation bonds)

d.	Maximum initial aggregate principal amount of TIFIA Bond	\$166,500,000
e.	Maximum interest payment rates:	
	Series 2016 Bonds -	6.0 %
	TIFIA Bond -	4.5 %
f.	Maximum interest accretion rate for any convertible capital appreciation bonds or capital appreciation bonds -	6.5 %
g.	Maximum percentage of aggregate discount to Underwriters, based on aggregate principal amount of Series 2016 Bonds (using initial principal amount for any convertible capital appreciation bonds or capital appreciation bonds)	0.55 %

4. The Chairman and other officers and employees of the Authority are authorized and directed to take such action and to execute and deliver any documents, certificates, letters of credit, undertakings, agreements or other instruments as they, with the advice of counsel, may deem necessary and appropriate to effect the transactions contemplated by the documents described in this resolution and to accomplish the issuance of the Series 2016 Bonds and the TIFIA Bond and complete the financing of the Project under the Act and the Revenue Bond Act.

5. The Board hereby reaffirms and ratifies all prior resolutions and actions taken in connection with the issuance of the Series 2016 Bonds and the TIFIA Bond and the financing of the Project

6. The Board hereby reaffirms the Toll Rate Policy is applicable to the Series 2016 Bonds and the Project.

7. The Authority hereby designates and establishes the Authority's tax covenants in the Trust Agreement and the certifications and covenants in the Non-Arbitrage Certificate delivered upon issuance of the Series 2016 Bonds as its written procedures to (a) ensure that all nonqualified bonds, if any, of the Series 2016 Bonds are remediated according to the requirements under the Code and the applicable Treasury Regulations and (b) monitor the requirements of Sections 103 to 150 of the Code with respect to the Series 2016 Bonds. The Authority's Director of Finance and Budget is hereby designated as the officer charged to undertake or supervise compliance checks under such written procedures, as they may be supplemented from time to time.

8. The Director of Finance and Budget is hereby designated as the officer charged to undertake or supervise regular review for compliance with the continuing disclosure requirements agreed to by the Authority under the Trust Agreement with respect to the Series 2016 Bonds, as they may be supplemented from time to time.

9. The Board hereby requests the LGC to approve the issuance of the Series 2016 Bonds and the TIFIA Bonds and any other action requiring its approval in connection therewith.

10. This resolution shall take effect immediately upon its passage.

Adopted November 3, 2016.