



Memorandum

To: The Finance Committee of The North Carolina Turnpike Authority

From: PFM Financial Advisors LLC

RE: Board Member Fact Sheet about the Proposed Partial Forward Refunding of the Triangle Expressway System State Annual Appropriation Revenue Bonds, Series 2009

Cost of Issuance Comparison

A comparison of the proposed refunding and the last two transactions undertaken by the Authority is shown below.

	Sample Triangle Expressway State Appropriation Refunding Forward Bank Loan*		Triangle Expressway Toll Revenue Bonds, Series 2017 (Pre-Closing Estimates)		Monroe Expressway Bonds, Series 2016 (Actuals from SAP)	
Par Amount of Bonds	\$161,904,000		\$200,515,000		\$137,051,904	
<u>Cost of Issuance</u>	<u>Amount</u>	<u>% of Par</u>	<u>Amount</u>	<u>% of Par</u>	<u>Amount</u>	<u>% of Par</u>
Bond Counsel Fee	75,000		190,000		175,431	
Underwriters' Counsel Fee			75,000		125,258	
Bank Counsel Fee	45,000					
Financial Advisor Fee	118,500		130,000		137,091	
Ratings/S&P			95,000		90,000	
Ratings/Fitch			105,000		0	
Ratings/Moody's			20,000		86,000	
Trustee/Registrar/Paying Agent	7,500		7,500		11,250	
Trustee Counsel	5,500		5,500		15,000	
Escrow Agent			2,000		2,000	
Escrow Structuring Fee			30,000		2,500	
Printing/Mailing/Shipping			3,500		3,476	
Investor Roadshow			3,750		3,750	
Verification Agent			2,500		2,500	
LGC Fee	12,500		12,500		12,500	
Miscellaneous	10,000		10,000			
Total	274,000	0.17%	692,250	0.35%	666,756	0.49%
<u>Underwriters' Discount</u>						
Average Takedown			669,106		487,055	
Other Fees			23,641		20,882	
Total	0	0.00%	692,747	0.35%	507,938	0.37%
Total COI & UWD	274,000	0.17%	1,384,997	0.69%	1,174,694	0.86%

*Estimated costs based on prior transactions. Actual fees will vary.



The various estimates for lender's counsel fees provided by the proposers are shown below

Bank	Bank of America Merrill Lynch	JP Morgan	Wells Fargo
Bank Counsel Fee	\$45,000	\$40,000	\$40,000

Rate Lock Overview

A rate lock will cost approx. 1-4 bps. The estimated NPV cost of this is \$120,000 to \$500,000. Bank of America Merrill Lynch allows the rate to be set two days prior to the closing date. The rates proposed by JP Morgan are subject to change until the Authority elects to lock the interest rates. Wells Fargo's interest rates are subject to movement until the rate lock set day, which is expected to be on August 10, 2017.

Rate Movement to Eliminate Savings

Current market rates would have to increase to the rate on the bonds to be refunded. BAML's indicative rate is 2.92% meaning there is approximately 147 bps of cushion.

**North Carolina Turnpike Authority - 2017 Forward Refunding of 2009B (BABs)
Summary of Proposals**

Proposal Requirements	Bank of America Merrill Lynch	J.P. Morgan Chase Bank	Piper Jaffray & Capital One Public Funding	Wells Fargo
Contact Information	Jim Calpin Managing Director One Bryant Park New York, NY 10036 646-743-1314 jim.calpin@baml.com	David Bayer Executive Director 383 Madison Ave, 8th Floor New York, NY 10179 212-270-4186 david.m.bayer.com	Joe Niggel Managing Director 201 S. College Street, Suite 2400 Charlotte, NC 28244 704-342-7815 joseph.a.niggel@pic.com	Peter Skilton Senior Vice President 550 South Tryon Street, 27th Floor Charlotte, NC 28288 peter.skilton@wellsfargo.com
Rate Lock Date	Two days prior to Closing	Rate lock options prior to closing are available	Held until Closing	August 10,2017
Moody's Rating	A1 (Positive)	Aa3 (Stable)	Does not have long term debt outstanding	Aa2
S&P Rating	A+ (Stable)	A+ (Stable)		AA-
Fitch Rating	A+ (Stable)	A+ (Stable)		AA
Prepayment Penalty	- The Bank offers a 5-year and 10- year par call. BAML is open to negotiate prepayment alternatives, but they would include an upfront fee.	- There is a 5-year par call structure. The bank is willing to discuss prepayment structures other than the 5-year option. If prepaid early, the non-callable structure will be subject to breakage costs.	Not Provided	-The Make-whole option is subject to redemption at a make-whole price. The par call options is subject to redemption or conversion at par on a monthly basis or after the call dates listed.
Legal Counsel & Fees	McGuire Woods (\$45,000) plus expenses	Kutak Rock LLP (estimated to be \$35,000. Capped at \$40,000)	Not Provided	Chapman and Cutler (\$40,000)
Change in Tax Law/Margin Factor Language	- <u>NOT</u> subject to adjustment based on a change in law or the corporate tax rate - The loan will bear a taxable rate based on the action or inaction of the Authority.	- <u>NOT</u> subject to adjustment based on a change in law or the corporate tax rate - The loan will bear a taxable rate based on the action or inaction of the Authority.	- <u>NOT</u> subject to adjustment based on a change in law or the corporate tax rate - The loan will bear a taxable rate based on the action or inaction of the Authority.	- There is a Margin Rate Factor in case of a change in the Federal Corporate Tax Rate - The loan will bear a taxable rate based on the action or inaction of the Authority.
Financial Disclosure Req.	- A complete audited financial statement will be due with 270 days of the fiscal year end with a Certificate of No Default	- The financial reporting requirements will remain the same as existing bonds	- Audited financial statements are due within 270 days of the end of the fiscal year.	- Audited financial statements due within 210 days of fiscal year end, Certificate of No Default and budget within 60 days of fiscal year start and quarterly statements on 2009B Reserve Fund amount.
Other Conditions	-The Pricing Formula is valid for 90 days - The proposal expires in 30 days. If the transaction is not closed within 90 days, the Bank can terminate, amend or reduce their proposal. - The Bank will not require the Authority to reimburse the Bank for increased costs associated with changes in capital adequacy and capital requirements. - Amendment, waivers or consent are \$3,500 plus fees and expenses. -For funding, there has to be a minimum agency credit rating of A2 from Moody's, A from S&P and A from Fitch - BAML will not require any new financial covenants. - The Default rate is the quoted interest rate + 5%	-The Proposal expires on August 2, 2017. - The Closing is expected be August 10, 2017 -If the Authority does not lock in the interest rates, there is an option to lock in spreads to the US Dollar interest rate swap forward curve as reported by Bloomberg on the "FWCM" screen. The rates would be determined prior to the signing of the Loan Rate Agreement or Closing. - Maintenance of a long term rating of parity bonds cannot be downgraded below "A3" by Moody's and "A-" by S&P or Fitch for Funding to occur - The financial covenants will remain the same as existing bonds - There is an amendment fee of \$3,000	- Piper Jaffray's role is that of a facilitator and Capital One Public Funding will provide the direct loan. - Lead arranger fee of \$2.00 per bond. - The term sheet has not received all the internal approvals from Capital One Public Finance	-The Proposal expires in 15 days - Credit approval process will take 15 business days - The default rate is the greatest of i) the Bank's prime rate plus 4.00% ii) the Federal Funds Rate plus 5% or iii) 10.0% - For the Bond to close, 1) A CUSIP number will be assigned to the Note, 2) The sequestration rate for interest subsidy payments to the Obligor related to the 2009B Build America Bond shall not exceed the current rate of 6.9% or the BABs interest subsidy is eliminated, reduced or legislation is pending that would eliminate or reduce such subsidy - The Bank requests the benefit of all existing or future covenants, default and remedies that the Authority may enter in with another Lender providing support of parity debt. - Document disclosure to the rating agencies prior to closing and EMMA after closing. - There is an Amendment fee of \$2,500