STATE OF NORTH CAROLINA
TURNPIKE AUTHORITY

MICHAEL F. EASLEY
GOVERNOR

1578 MAIL SERVICE CENTER, RALEIGH, N.C. 27699-1578

DAVID W. JOYNER
EXECUTIVE DIRECTOR

BOARD OF DIRECTORS MEETING MINUTES

Wednesday August 20, 2008
Board Room, NCTA Offices

Members present:	Lyndo Tippett, Chairman
	Bob Spencer
	David Redwine
	Robb Teer
	Anthony Fox
	Sang Hamilton
Members present by phone:	Lanny Wilson
Members absent:	Bill Lackey
	Perry Safran
Also present:	David Joyner, Executive Director

Chairman Lyndo Tippett called the meeting to order at 1:18 pm. He declared that a quorum was present and read the Ethics Act statement.

Robb Teer moved approval of the July 2008 minutes, and the minutes were approved as presented.

Jim Eden introduced Phil Miller, PBS&J, to discuss the Toll Technology RFP. He described the three sections: roadside toll collection; back office system, and operations. Proposers can bid on any one section or multiple sections. He discussed the procurement timeline and described the evaluation process, testing and implementation, marketing, design, risks and pricing. He discussed incentives that will be used to ensure that the selected proposers are working efficiently. He also discussed the design/build RFP for ITS. Jim Eden discussed different transponder options. (See attached presentation.)

Tom Lee updated the Board on the bond authorization and issuance process. He discussed the items the Board will consider at the September 2008 Board meeting. He then explained the LGC approval process for bond Issues. He pointed out that North Carolina is the only state that uses such a process, and it is viewed as a positive on Wall Street. Mr. Lee discussed other financing items, including the TIFIA loan, the Official Statement which describes everything about the bonds and acts as a securities offering document, the bond sale in mid-October and the bond closing in late October. (See attached presentation.)

Mr. Lee explained the bond pricing process in detail and discussed how the NCTA decide whether to have a pricing committee or appoint one delegate from the Authority. Carol Rein

also emphasized the issue that people on the committee or the delegate need be available at all times during the process.

Executive Committee: There were no action items.

Operations and Personnel Committee: Sang Hamilton reported that the Operations and Personnel Committee discussed the toll collection process. There was a brief overview of the Toll Technology RFP and the components of the Intelligent Transportation System (ITS). Jim Eden updated the committee regarding technology advancements. Felicia Bridges gave a staffing update. Jim Eden gave an update on ATI and encouraged attendance at the IBTTA Annual meeting. There were no action items.

Finance Committee: Bob Spencer made a motion from the Finance Committee recommending that the Board approve the O&M Agreement as presented. Sang Hamilton seconded the motion, and it was approved unanimously as presented. Mr. Spencer then called on Anthony Fox. Mr. Fox made a motion from the Finance Committee recommending the approval of the selection of additional underwriters including the recommended teams, fee schedule, and allocation of the bonds as presented in the Board materials. (See attached.) Sang Hamilton seconded the motion. Bob Spencer, Lanny Wilson, David Redwine, Robb Teer and Lyndo Tippett abstained. The motion passed.

Plans and Programs Committee: Robb Teer reported that the Plans and Programs Committee discussed the issuance of conditional notice of award to the winning design-build teams. A motion was made by Chairman Teer *that the Board authorize the Executive Director to issue a Notice of Award to indicate the Authority's intent to execute a contract with the S.T. Wooten Design-Build Team in the amount of $137,500,000 for the Triangle Parkway, and to the Raleigh-Durham Roadbuilders Design-Build Team in the amount of $446,460,00 for the Western Wake Parkway; Provided that said notices of award are conditioned upon a requirement that payment and performance bonds will not be solicited and the contract will not be executed until such time that the Local Government Commission shall approve the sale of revenue bonds by the Authority and all other assurances are received to ensure the closing of all relevant instruments comprising the Triangle Expressway financing plan. In addition to the foregoing, the Executive Director is authorized to make payment of stipends to the unsuccessful proposers in accordance with the contract documents and the Annual Plan of Work.* Anthony Fox seconded the motion, and it was approved unanimously. Mr. Teer motioned to approve the acquisition of the Kane property. Bob Spencer seconded the motion and it was approved unanimously. The Committee was introduced to the winning bidders. The condemnation process along with NEPA public involvement was discussed.

Public Input: No one requested to speak to the Board.

Secretary Tippett adjourned the meeting at 2:14 pm.

Minutes prepared by Jillian Bliss

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Issue RFP for Three Sections

- Roadside Toll Collection System
- Back Office System (BOS)
- Operations

(Proposers can bid on any one, any combination or all)

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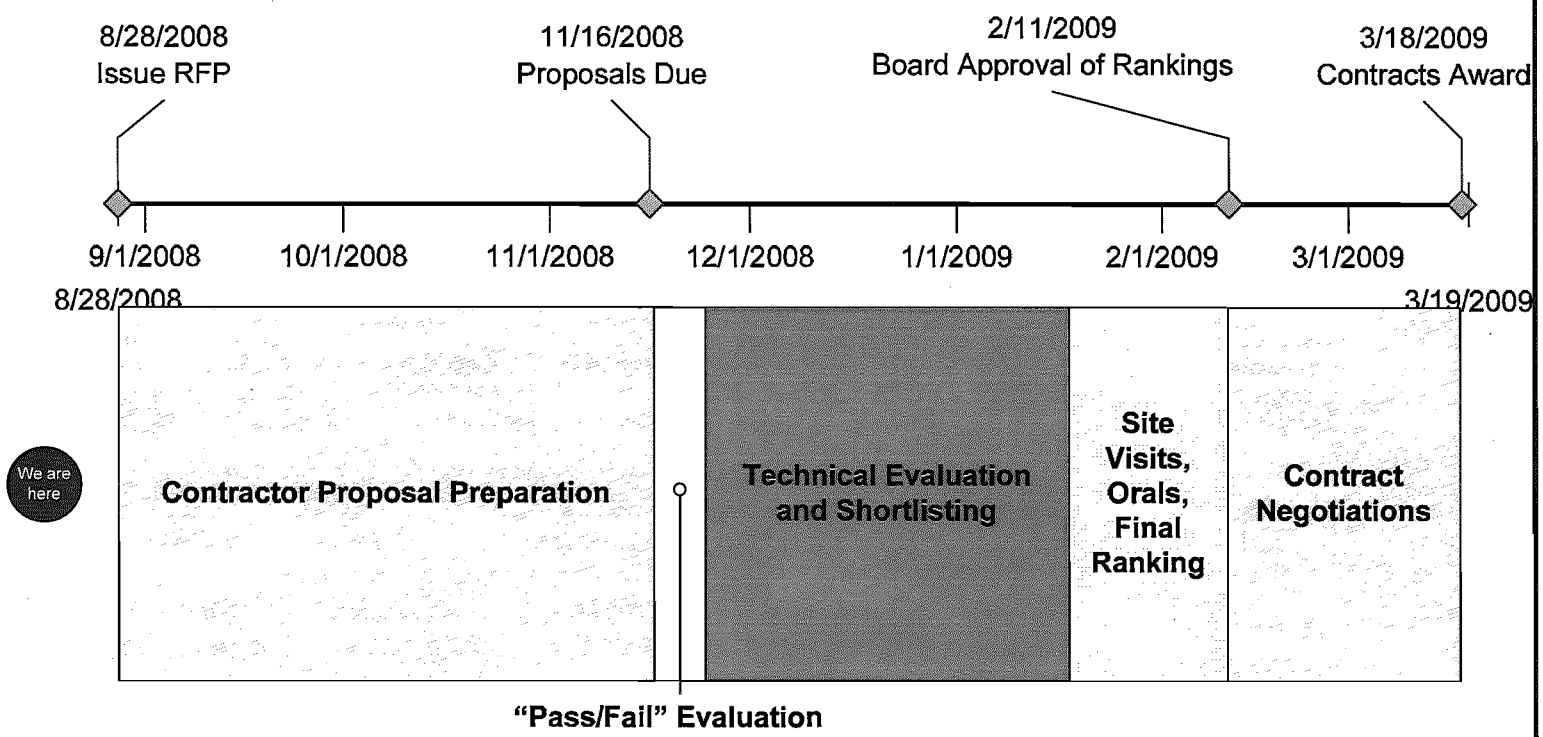
NCTA Toll Collection System Procurement Timeline



Toll System

- **Roadside Toll Collection System**
  - Toll Facilities Host (Central Location)
  - Plaza Server (Plaza Building)
  - Toll Zone Controller (Gantry)
    - Electronic Toll Collection (Reads Transponders)
    - Automatic Vehicle Classification (Overhead Scanner and Loops)
    - Video - Cameras (Front & Rear view)

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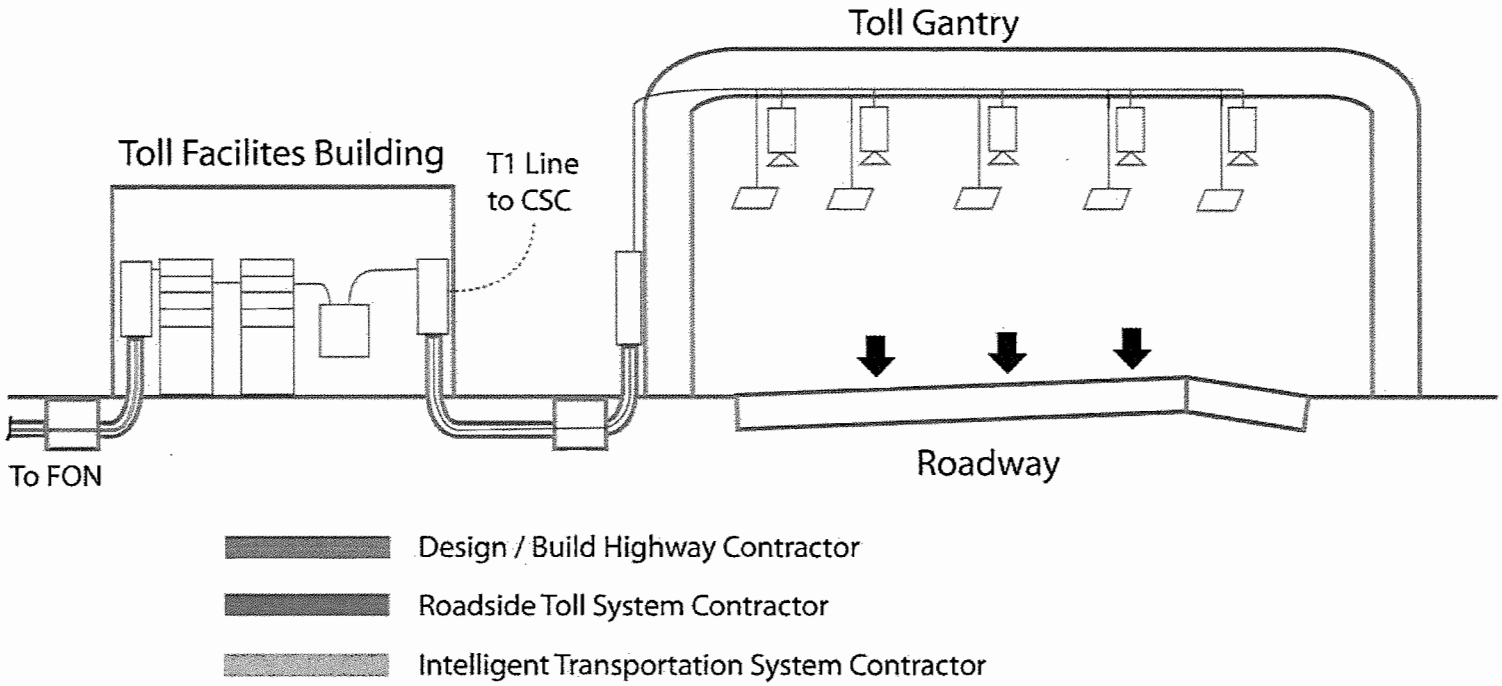
Toll Zone Profile



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Video Clip (NCTA ORT)

Toll System

- **Back Office System**
  - ETC and Video Account Management
  - License Plate Image Review (OCR & Human)
  - Toll Billing Process
  - Violation Processing
  - Banking Interfaces
  - DMV Interfaces
  - Web Interface for Customer to Manage Accounts

Triangle Expressway Toll System Procure

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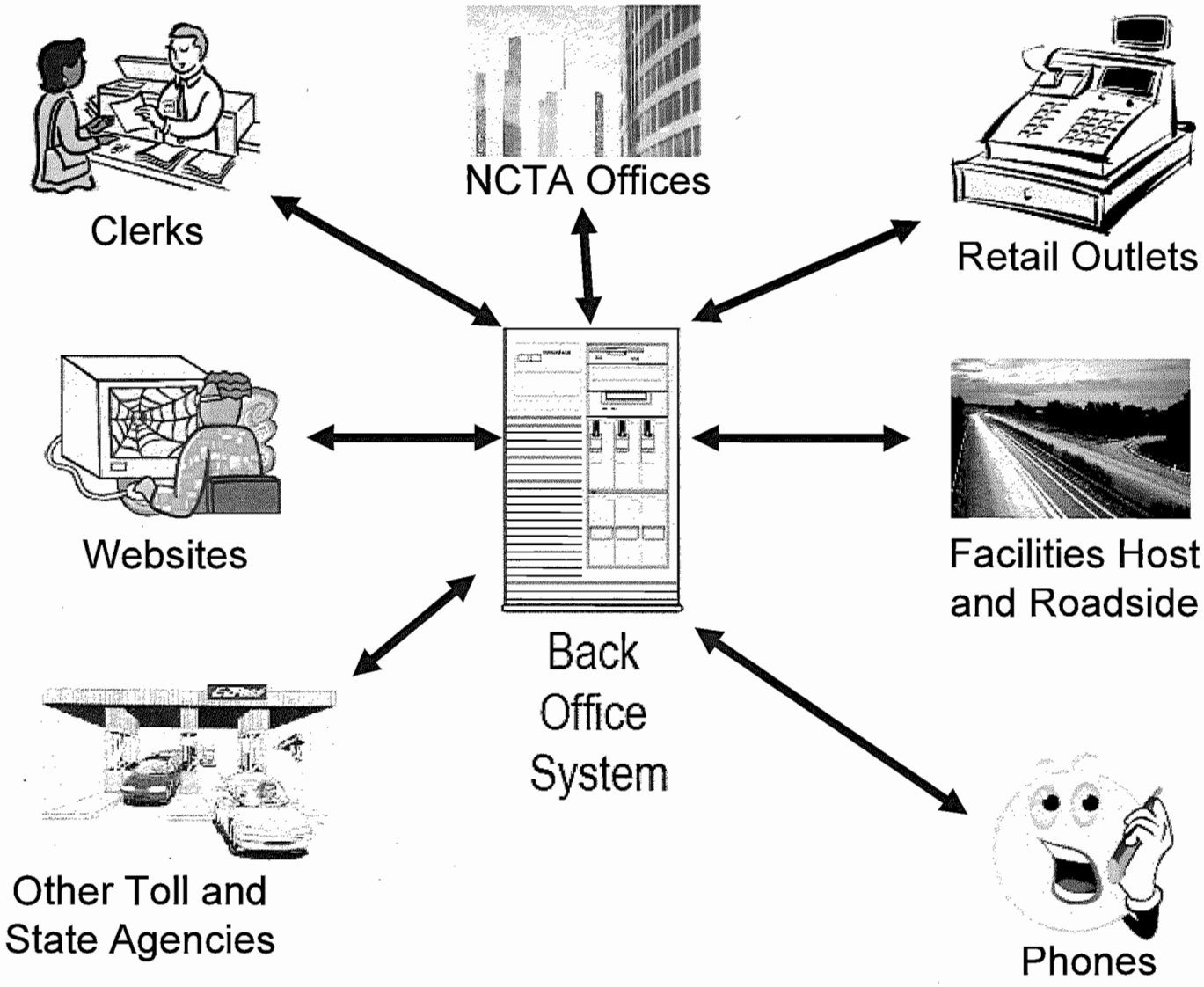

Operations

- **Customer Service Center**
  - Walk-in Counter
  - Phone Center
  - Image Processing and Invoicing
  - Account Management
- **Traffic Management Center**
  - In NCDOT facility with functional backup at the CSC
  - Traffic Monitoring & Incident Management
  - TIMAP (Turnpike Incident Management Patrol)

RFP – Evaluation Process

- Compliance & Qualification Review
- Technical Review
- Scoring
- Ranking for Shortlist
- Site Visits & Orals
- Pricing Evaluation
- Selection
- Negotiation
- Award

Design (Phase I)

- **Preliminary Design Review**
  - Initial Vendor Concept
  - NCTA Review and Comment
  - PDR Approval
- **Detail Design Review**
  - Final Vendor Concept
  - NCTA Review and Comment
  - DDR Approval
  - Commence Full System Development

Testing & Implementation (Phase II)

- **Factory Acceptance Tests (FAT)**
  - NCTA Review, comment & approval
- **Installation**
- **Site Acceptance Tests (SAT)**
- **System Integration Tests**
- **System Implementation**
  - Live Testing with Early Customers
- **Grand Opening – Dec 2010**

Marketing

- **Required for High ETC Participation**
- **Provision for Marketing included in the Operations Contract**
  - Develop Marketing Plan (2009)
  - Marketing Firm to be selected by NCTA in conjunction with Operations Contractor
  - Market the Toll Program (2009)
  - Market the Transponder (2010)
- **NCTA to Provide Marketing Direction**

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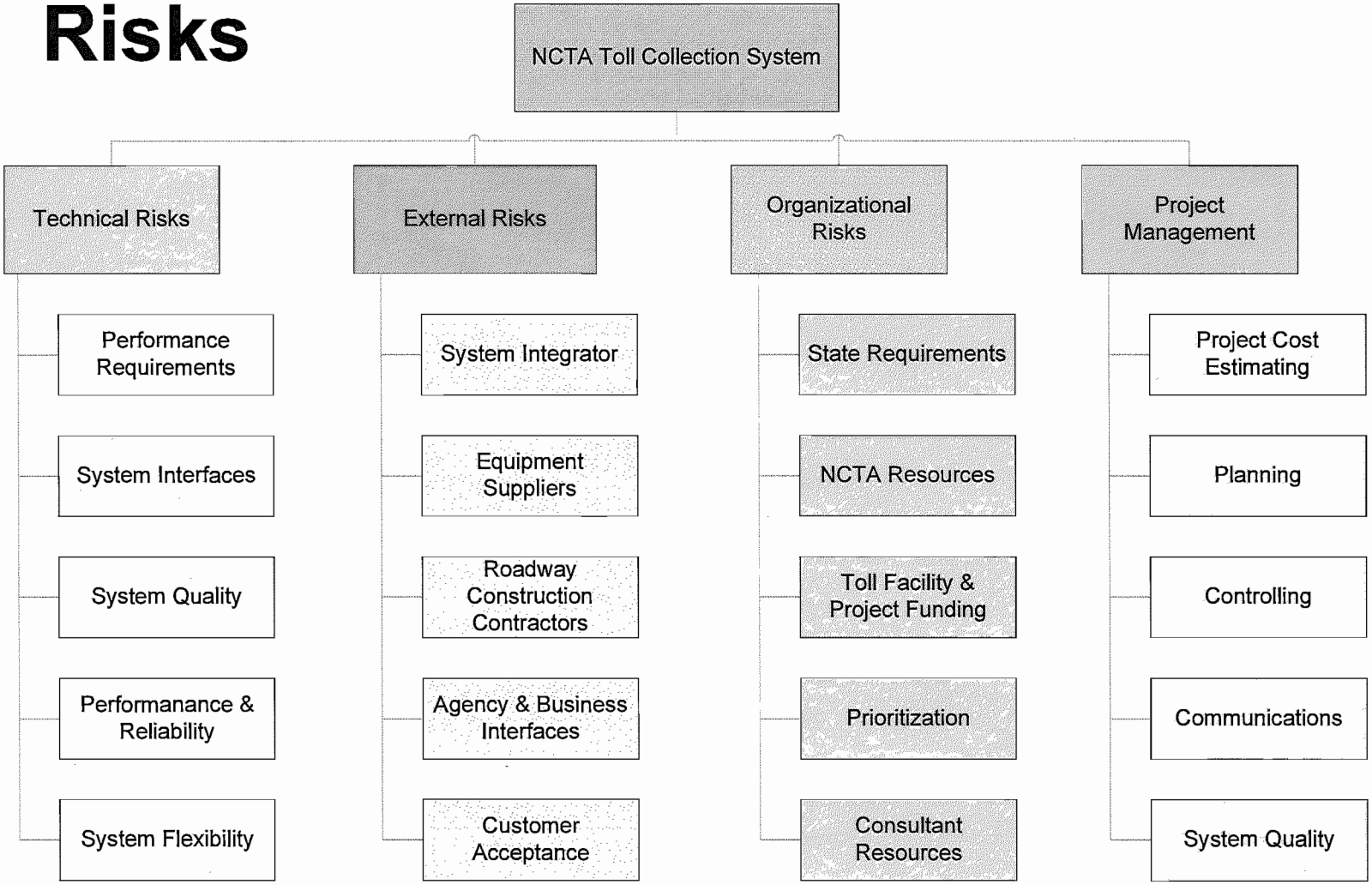
Risks



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Pricing

III.1 RTCS Price Proposal

- RTCS System (Lease or Purchase)
- RTCS Maintenance Services (w/ purchase)
- RTCS Project Development

III.2 BOS Price Proposal

- BOS System (Lease or Purchase)
- BOS Maintenance Services (w/ Purchase)
- BOS Project Development

III.3 Operations Price Proposal

- CSC/VPC Operations Staffing
- Operations Development/ Management
- Marketing Contingency Fund
- ITS Staffing
- TIMAP Vehicle-Hrs

Design-Build RFP for ITS

- **Design and Construction**
  - Tolls and ITS Fiber-optic Communications
  - I-40 Fiber-optic Communications
  - Roadside Devices
  - NCTA TMC
  - Triangle Regional Traffic Management Center Equipment
  - NCTA Headquarters

Triangle Expressway Toll System Procure

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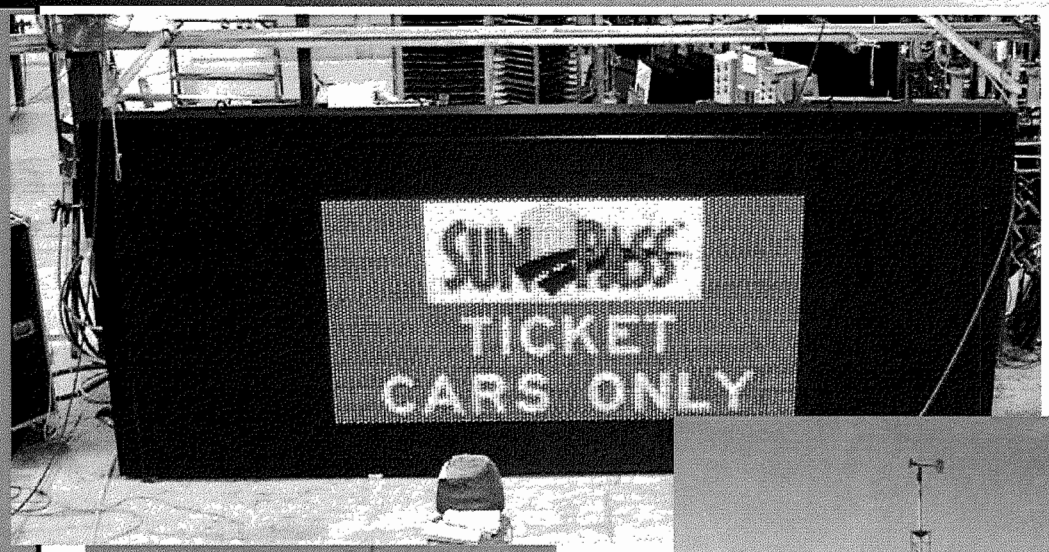

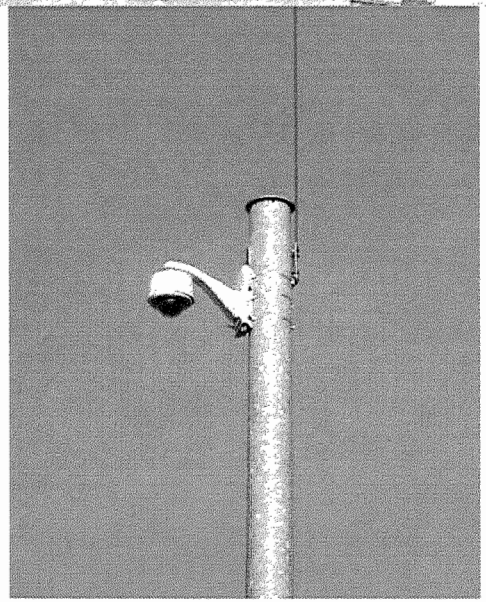

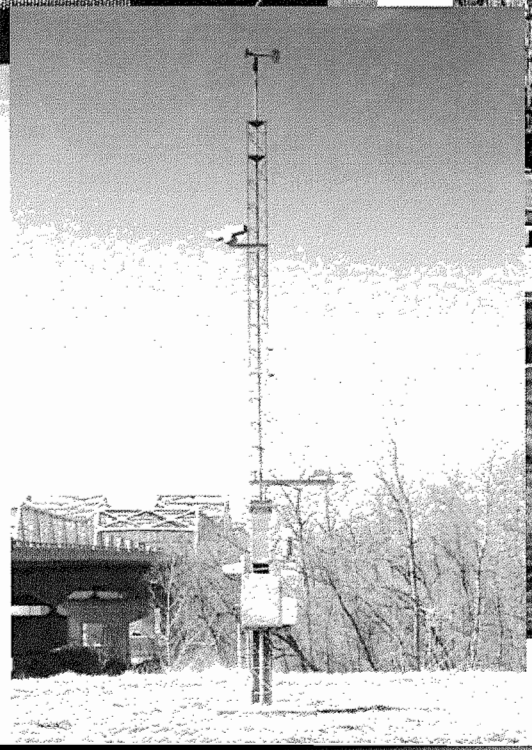

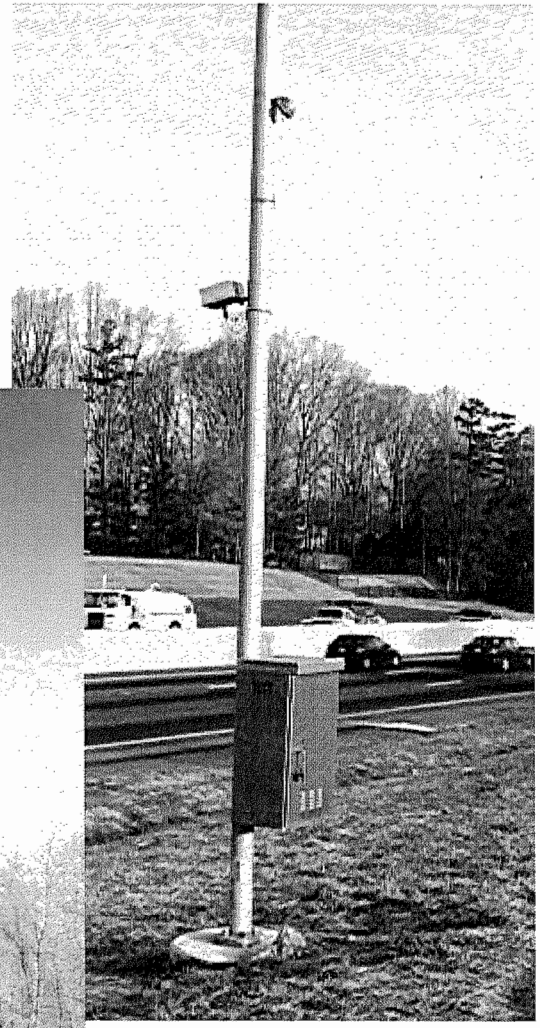

Key Dependencies

- **Roadway Construction Contractors**
  - Gantry construction
  - Access to site
  - Conduit placement
- **NCDOT**
  - Smartlink Statewide ITS Software
  - I-40 Fiber-optic Cable
  - TRTMC access to add equipment
- **National Guard & Emergency Management**
  - New state TMC construction

WELCOME TO THE
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Turnpike Authority

SEPTEMBER AND OCTOBER

THE BOND AUTHORIZATION AND ISSUANCE PROCESS

September Board Meeting

- Adopt Resolution Requesting LGC Approval of Authority's Application for Bond Issue and TIFIA Loan
- Approve Form of Trust Agreement and First Supplemental Trust Agreement
- Approve Terms of TIFIA Loan
- Approve Form of Official Statement
- Select Remaining Members of Financing Team

LGC APPROVAL

- October 7, 2008
- LGC approves all bond issues by local governments as well as many State level issuers
- LGC must make certain statutory findings
- LGC sells Authority's Bonds
- LGC staff has been, and will be, working with the Authority in reviewing the Plan of Finance and the bond issue

Following LGC Approval

- Final Board Action to Proceed with Bond Issue—includes approval of sale of Bonds, subject to “not to exceed” limits
- Final Board Action on TIFIA Loan
- “Mail” Preliminary Official Statement and Begin Bond Offering
- All Bond Terms, other than pricing related terms, should be known at this time and spelled out in the legal documents

Close on TIFIA Loan Agreement

- Authority enters into a Loan Agreement with TIFIA
- The TIFIA Arrangement creates a “line of credit” the Authority can draw upon as needed to pay costs of the project

The Official Statement

- Municipal version of the Corporate Prospectus—this is the Offering Document
- Describes the Authority, the Bonds, the Security and Sources of Payment, Risk Factors and other Relevant Information
- Extensive Use of Appendices—Traffic and Revenue Study, Consulting Engineer's Report, Document Summaries

Marketing the Bonds

- With the mailing of the Preliminary Official Statement, the Underwriters will begin the Offering Process
- Underwriters will work with Authority, the Financial Advisor and the LGC in designing optimal structure that gives the best costs of funds within the limits of what the Authority' projected revenues

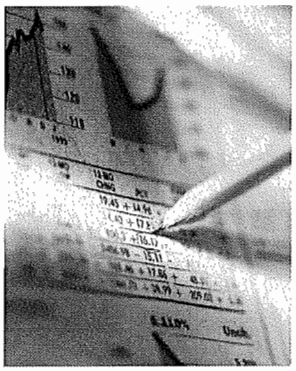
The Bond Sale

- Mid-October
- Underwriters, LGC and Authority enter into a formal agreement (Bond Purchase Agreement) for the Bonds to be sold to the Underwriters
- At this time all Bond terms are determined — principal amounts, interest rates, redemption provisions, any use of bond insurance
- Final Official Statement is printed

The Closing

- Late October
- Between sale and closing—documents finalized to reflect final pricing and other terms
- Final Bond Documents are signed, sealed and delivered
- Money is exchanged for Bonds
- Proceeds deposited with Bond Trustee and expended on project costs

NCTA Negotiated Bond Sale for TriEx



Underwriting Team

Senior Managing Underwriters (book-runner) –Leads pricing negotiations, accepts orders, allocates the bonds, and pays takedown to syndicate members.

Co-Managers – Pricing input, additional marketing of bonds, and submit orders. – Recommend 2 national firms, 2 MWBE firms, and 4 NC/regional firms.

NCTA's TriEx Underwriting Team

- Senior Managers – Selected by NCTA Board – Merrill Lynch and Bank of America
- National Co Managers – Citigroup and JP Morgan - Firms were shortlisted and scored 2nd & 3rd by technical and selection committees.
- MWBE Co Managers – Loop Capital and Siebert Brandford – Based upon original proposals, PFM scored highest among MWBE firms.
- NC/Regional Co Managers – Wachovia Securities, RBC Capital Markets, Southwest Securities and BB&T Capital Markets – Strong North Ccarolina presence.

Underwriting Fees

- Takedown – Fee or "commission" paid for selling bonds. Recommended $5.00 for CIBs and $6.25 for CABs based upon original proposal approved by NCTA as well as recent competitive solicitation.
- Management Fee – Fee to the senior managers for their assistance to structure the financing, review documentation, etc. Recommended $0.50 based upon original proposal approved by NCTA .
- Expenses – Typically dollar-for-dollar reimbursement for various industry charges (e.g. DTC, CUSIP) and the firms' direct expenses (e.g. travel, etc).

	$/1000	$
Management Fee	0.50	304,792
Takedown CIBs	5.00	1,877,700
Takedown CABs	6.25	1,462,775
Expenses	TBD	TBD
Total		3,645,267

Allocation of the Bonds

- Orders are designated, and takedowns are allocated among members of the syndicate based on criteria set out in the Agreement Among Underwriters (AAU).
- Based upon MSRB guidelines and Board feedback, designation rules are recommended as: 1) at least four firms, 2) no firm more than 52%, and 3) at least one MWBE firm for at least 3%.
- The AAU determines the liability of each firm in the syndicate, and how bonds will be allocated. Recommended targets are: 1) Co-Senior Managers 52%, 2) Five National/Regional Co-Managers 8% Each, 3) Southwest 2%, and 4) Two MWBE Co-Managers 3% Each.

Priority of Orders

- Retail – Allows in-state and individual investors a chance to participate in the transaction – Takedown goes solely to the firm placing order.
- Net Designated – Institutional investor orders – Takedown is designated to firms by the investor.
- Member Orders – Firms in syndicate place orders for their own account - Takedown goes solely to the firm placing order.

Pricing Timeline

6-7 Business Days	-Find appropriate recent comparables
	-Run OAS historical pricing analyses
	-Run OAS comparable pricing analyses
	-Provide POS, Rating Agency write-ups, DBC #'s, etc
4-5 Business Days	-Produce trade data reports
	-Publish initial pricing thoughts
1-3 Business Days	-Develop couponing and term bond strategies
	-Assess current market conditions
	-Establish target scale
	-Communicate pricing expectations to the senior manager
	-Develop bond sale strategy
Day(s) of Pricing	-Negotiate retail and/or institutional scales
	-Monitor Sale
	-Monitor Orders
	-Monitor Market
	-Negotiate and agree to final pricing with The underwriter
Post-pricing	-Prepare Post-Sale Analysis

Timely market data and communication with the senior underwriters is the key to a successful bond pricing.

A well-managed pricing will require NCTA staff and financial advisor participation over at least a week.