STATE OF NORTH CAROLINA
TURNPIKE AUTHORITY

BEVERLY E. PERDUE
GOVERNOR

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

DAVID W. JOYNER
EXECUTIVE DIRECTOR

# Board of Directors
# Minutes

Wednesday, August 11, 2010

| | |
|---|---|
| Members present: | Gene Conti, Chairman |
| | Perry Safran |
| | Al Swanstrom |
| | Robb Teer |
| Members via phone: | Bob Clay |
| | James Ferebee |
| | David Redwine |
| Members absent: | Anthony Fox |
| | John Collett |
| Also present: | David Joyner, Executive Director |

Secretary Gene Conti called the meeting to order at 10:35 am. Secretary Conti read the State Ethics Act statement and declared that a quorum was present.

Grady Rankin gave a presentation on the Monroe Connector/Bypass financing plan and schedule that was given to the NCDOT Board. Mr. Rankin discussed the DOT guarantees that the NCTA is requesting to be approved by the NCDOT Board at their September meeting: Operations and Maintenance, Renewal and Replacement, and Construction Cost. He discussed Build America Bonds and the anticipated early issuance of Appropriations Bonds. He discussed the TIFIA situation and stated that the NCTA is not planning on a TIFIA loan based on the information received at the TIFIA Listening Session. He emphasized that interest rates make a significant difference in project costs, adding that a one basis point increase in rates equates to $1 million in additional costs. He stated that NCTA different scenarios have been run and TIFIA is more favorable over subordinated debt but TIFIA may not be an option. (See attached presentation.)

There was discussion of NCDOT exposure with guarantees. Mr. Rankin stated that the Triangle Expressway is on budget and on schedule, and thus the risk of needing NCDOT support is reduced on that project.

Mr. Rankin discussed the Monroe Connector/Bypass financing documents, specifically the memo from William McBride, bond counsel, which describes the support requested

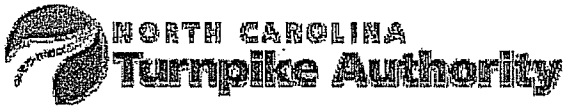
from NCDOT. (See attached memo.) The most significant risks with this project are increases in financing rates and delays in the financing schedule.

Jim Eden discussed activities related to interoperability efforts. Mr. Eden stated that federal funding for the enforcement reciprocity initiative has been provided through the I-95 Corridor Coalition to further pursue out-of-state toll violators. ATI is finalizing a draft RFP to allow agencies to test a proposed hub-based pilot program that will potentially match existing toll customers license plates with a transponder number held at their home agency. Specific customer information will not be shared between agencies, and transactions and funds will not be exchanged during the pilot program.

Steve DeWitt stated that the Monroe Record of Decision was in final reviews and should be signed in the next several weeks. Reid Simons updated the Board on communications activities.

The meeting was adjourned at 11:40 am.

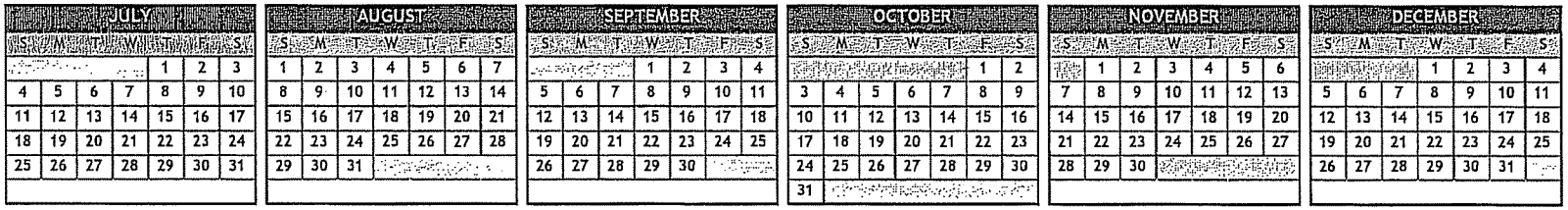
*Minutes prepared by Jillian Bliss.*




# MONROE CONNECTOR

## TENTATIVE FINANCING SCHEDULE FOR BOND ISSUES

**as of July 23, 2010**




| Date | Appropriation Bonds, Series 2010 | Toll Revenue Bonds, Series 2010 |
|---|---|---|
| 7/22 | • Distribute 1st draft appropriation trust agreement and DOT memo | |
| 7/27 | • Group Call to discuss DOT memo @9:00 | |
| 7/30 | • H&W to distribute 1st draft appropriation POS | |
| 8/4 | • DOT Board meeting<br>• Working group meeting/call on project status and documents | |
| 8/5 | • Sign off on inputs for financing model (HNTB, WSA, NCTA) | |
| 8/9 | • PFM and BAML to distribute plan of finance & draft credit presentation | • PFM and BAML to distribute plan of finance & draft credit presentation |
| 8/10 | • Meeting with LGC to Discuss Monroe Project Financing | |
| 8/12 | • H&W to distribute 2nd drafts appropriation trust agreement & POS | • Distribute 1st draft Traffic & Revenue Report |
| 8/13 | • Credit materials to rating agencies | |
| Wk Aug 16 | • Rating agency meetings to review Triangle Expressway and Introduce Monroe plan of finance & Appropriation Bonds & Toll Revenue Bonds | • Rating agency meetings to review Triangle Expressway and Introduce Monroe plan of finance & Appropriation Bonds & Toll Revenue Bonds |
| 8/25 | • Working group call on appropriation documents | • Distribute 1st draft Consulting Engineer Report |

| Date | Appropriation Bonds, Series 2010 | Toll Revenue Bonds, Series 2010 |
|---|---|---|
| 8/27 | | • H&W to distribute 1st drafts toll revenue trust agreement & POS |
| 8/31 | • Receive credit ratings for Appropriation Bonds | |
| 9/1 | • H&W to distribute final drafts appropriation trust agreement & POS | • Group call re: T&R Report and Consulting Engineer Report |
| 9/2 | • DOT Board meeting to approve project and funding commitments<br>• NCTA Board Meeting to approve bonds & release of POS | |
| 9/7 | • LGC meeting to approve bonds | • Group call/meeting re: Toll Revenue Bond documents |
| 9/8-9 | | • Rating agency site visit/Traffic & Revenue review in Charlotte |
| 9/13 | • Finalize and mail POS | |
| 9/21 | • Pre-pricing call | • Distribute 2nd drafts Traffic & Revenue and Consulting Engineer Reports<br>• H&W to distribute 2nd drafts toll revenue trust agreement & POS |
| 9/22 | • Retail Order Period for Appropriation Bonds | • PFM and BAML to distribute updated plan of finance & draft credit presentation |
| 9/23 | • Institutional pricing for Appropriation Bonds<br>• Sign Bond Purchase Agreement | |
| 9/28 | • Send Final Official Statement | |
| 9/29 | • Begin closing document preparation | |
| 10/1 | | • Toll Revenue Bonds credit materials to rating agencies |
| 10/6 | • Pre-close Bonds | |
| 10/7 | • Closing | • Work Group call/meeting re: T&R Report, Consulting Engineer Report, Toll Revenue Trust Agreement, and POS |
| Wk Oct 11 | | • Rating agency meetings to review Monroe plan of finance & Toll Revenue Bonds |
| 10/30 | | • Construction Bids Due |
| 11/2 | | • Sign off on updated inputs for financing model (HNTB, WSA, NCTA) |
| 11/3 | | • PFM and BAML to distribute updated plan of finance |
| 11/4 | | • DOT and NCTA Board Meetings to approve Toll Revenue Bond issuance, forms of documents and project funding agreements |

| Date | Appropriation Bonds, Series 2010 | Toll Revenue Bonds, Series 2010 |
|---|---|---|
| 11/8 | | • Finalize Traffic & Revenue and Consulting Engineer Reports |
| 11/9 | | • LGC meeting to approve bonds |
| 11/10 | | • Receive credit ratings for Toll Revenue Bonds |
| 11/11 | | • Working group call on toll revenue documents |
| 11/18 | | • H&W to distribute final drafts toll revenue trust agreement & POS |
| 11/22 | | • Finalize and mail POS |
| 12/7 | | • Pre-pricing call |
| 12/8 | | • Retail Order Period for Toll Revenue Bonds |
| 12/9 | | • Institutional pricing for Toll Revenue Bonds<br>• Sign Bond Purchase Agreement |
| 12/14 | | • Send Final Official Statement |
| 12/15 | | • Begin closing document preparation |
| 12/21 | | • Pre-close Bonds |
| 12/22 | | • Closing |

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DAVID W. JOYNER
EXECUTIVE DIRECTOR

**Memorandum**
August 3, 2010

To: NCTA Board of Directors

From R. Grady Rankin

Re: Monroe Connector/Bypass Financing Material

Since the last NCTA Board meeting in June, financing plans for the Monroe Connector/Bypass have moved forward rapidly. I appreciate your participation in the special called meeting on August 11, 2010, to consider several critical financing documents.

The following items will be presented for your approval at the August 11th meeting:

1. Operations and Maintenance Support Trust Agreement with NCDOT.
2. Renewal and Replacement Support Agreement with NCDOT.
3. Construction Funding Support Agreement with NCDOT.

In preparation for the called meeting, I am attaching several documents for your review. They include:

1. **Memo from Wally McBride, NCTA Bond Counsel, on NCDOT Support to Monroe Connector System Financings.** This memo describes three guaranty agreements that we are requesting from NCDOT: an Operations and Maintenance Support Trust Agreement, a Renewal and Replacement Support Agreement, and a Construction Funding Support Agreement. These agreements are described on page 7 of the memo. We are presenting these agreements to the NCDOT Board on August 5, 2010. With your approval of the agreements on August 11, we will request the NCDOT Board to adopt them at their September meeting.

2. **"Delegation of Duties to NCTA Board"** issued by Secretary Conti on July 23, 2010. This delegation describes specific powers now delegated to the NCTA Board, including the approval of financings and the setting of toll rates.

3. **Tentative financing schedule** indicating the timeline for financing activities which include initial presentations to the rating agencies in August and Local Government Commission (LGC) approval in September. For your information, the initial meeting with the LGC to discuss Monroe financing plans is scheduled for August 9, 2010. Following LGC approval, NCTA Board approval of the Bond Order will be required to enable the sale of the appropriations bonds.

In addition to the called meeting on August 11th, we also plan to spend much of our September Board meeting on this subject. Please let me know if you have any questions or would like to discuss any of these issues before the meeting.

HUNTON&
WILLIAMS

**MEMORANDUM**

| | | | |
|---|---|---|---|
| **TO:** | NCDOT Board | **DATE:** | August 2, 2010 |
| **CC:** | NCTA Board<br>Staff Distribution List | | |
| **FROM:** | William H. McBride,<br>Bond Counsel | **FILE:** | 77055.2 |

## NCDOT Support to Monroe Connector System Financings

This memorandum explains the (a) overall funding for the Monroe Connector System and (b) the requested contingent operating and maintenance, renewal and replacement and construction funding support from North Carolina Department of Transportation ("NCDOT") funds to the North Carolina Turnpike Authority ("NCTA") financings for the Monroe Connector System. This memorandum is being circulated in advance of the NCDOT Board's August 5, 2010, meeting to facilitate discussion of the subjects covered. It is anticipated the NCDOT's formal approval of the actions and concepts proposed herein with be sought at the Board meeting on September 2, 2010.

### Triangle Expressway System

The Triangle Expressway System (the "TriEx System") was financed in 2009 with a combination of proceeds of State appropriation bonds, proceeds of senior lien revenue bonds and proceeds of a subordinated TIFIA loan from USDOT. In addition, NCDOT entered into the Operating and Maintenance Expense Guaranty Agreement, dated as of August 20, 2008, between it and NCTA (then a separate entity), providing for NCDOT to replenish amounts transferred by NCTA from certain operating reserve funds to use for operating and maintenance expenses of the TriEx System. NCDOT also entered into the Construction Completion Assurance and Standby Renewal and Replacement Funding Agreement, dated as of April 15, 2009, which provided for NCDOT to (a) replenish amounts transferred by NCTA from a renewal and replacement fund for the TriEx System to use for debt service and related uses, and (b) to pay unexpected costs of the Initial Project of the TriEx System (that is, the facilities described in the 2009 financing documentation).

### Monroe Connector System Situation

Since NCTA has been transferred into NCDOT, the bond documentation for revenue bonds hereafter will be slightly different - we cannot have a separate document between NCTA and NCDOT since they are now one entity. Instead, the bond documents (most

importantly a trust agreement) for the revenue-based bond issues for the Monroe Connector System will have terms fulfilling the same purpose as was performed by the separate documents in the TriEx System financing.

NCDOT General Funding Request

In order to "close the gap" left in the overall costs of the Monroe Connector System after issuance of State appropriation revenue bonds (the "Appropriation Bonds") and revenue bonds secured by Monroe Connector System toll revenues (the "General Revenue Bonds"), NCTA anticipates requesting NCDOT to provide either direct funding or a loan for the Monroe Connector System. The need for this funding or loan results from the fact no TIFIA loan is expected for the Monroe Connector System. The precise amounts for this funding or loan are not determinable with specificity at this time since those depend, in part, on whether construction bids come in over or under the engineer's estimates and the interest rates and issuance costs for the Appropriation Bonds and General Revenue Bonds, among other factors, including the project completion date.

NCDOT Contingent Support Requests

The following points apply to the contingent operating and maintenance, renewal and replacement, and construction funding support requested.

- NCDOT will promise to pay operating and maintenance expenses of the system, as it now or hereafter exists, if Monroe Connector System revenues are insufficient therefor. These would be costs over and above the amounts anticipated to be funded by the loan described above.

- NCDOT will promise to pay renewal and replacement costs for the system, as it now or hereafter exists, if Monroe Connector System revenues are insufficient therefor.

- NCDOT will promise to pay unexpected additional costs of the identified facilities constituting the initial portions of the Monroe Connector System if the initial bond proceeds, other deposits and earnings thereon are insufficient therefor. If additional facilities are decided to be added to the system, there will need to be NCDOT approval of the construction cost contract for such additional facilities. This is also true as to the TriEx System.

- Support payments by NCDOT are to come from the Highway Trust Fund or the Highway Fund and are subject to appropriation.

- The bond documents will provide that any amounts so advanced by NCDOT will be repaid from Monroe Connector System revenues with interest at the average annual yield on the Highway Trust Fund.

- The priority for such repayment, as well as repayment of any loan as discussed above, from Monroe Connector System revenues will be behind payments for

debt service, debt service reserves, operations and maintenance and renewal and replacement, but ahead of any other NCTA uses.

Defined Terms - for Monroe Financings

To effectuate these provisions, the Trust Agreement for the General Revenue Bonds will provide for the following defined terms, among many others:

"General Revenue Bonds" means the bonds issued for the Monroe Connector System secured by a senior or subordinate lien on toll revenues thereof.

"Initial Project" means the Monroe Connector System Project to be funded with proceeds of the Appropriation Bonds and the General Revenue Bonds as such is described in the respective bond documents, including the trust agreements and the official statements.

"Monroe Connector System" means, collectively, the Initial Project and any additional projects.

"Operating Advance" means any payment from NCDOT pursuant to the operating and maintenance expenses guaranty section of the Trust Agreement.

"Operating and Maintenance Expenses" means NCTA's current expenses for the operation, maintenance and repair of the Monroe Connector System as determined in accordance with generally accepted accounting principles, except as modified by this definition, including, without limiting the generality of the foregoing:

(a) all ordinary and usual expenses of operation, toll collection, maintenance and repair, which may include expenses not annually recurring;

(b) direct administrative expenses;

(c) salaries, benefits and other compensation;

(d) operating lease payments;

(e) payments to any pension or retirement plan or plans properly chargeable to NCTA;

(f) insurance premiums and expenses;

(g) engineering and architectural expenses relating to the operation, maintenance or repair of the Monroe Connector System;

(h) fees and expenses of the Trustee or its counsel, any Bond Registrar, Depositary, Traffic Consultant, tender agent, paying agent or Bond Insurer, fees and expenses payable to the USDOT pursuant to the terms of any

TIFIA Loan Agreement, legal expenses, Credit Facility fees, remarketing fees and fees of consultants or professionals; and

(i) any other similar-type operating and maintenance expenses required to be paid by NCTA under the Trust Agreement or by law;

but Operating and Maintenance Expenses shall not include:

(a) any reserves for extraordinary replacements or repairs;

(b) any allowance for depreciation or any amortization of financing expense;

(c) any deposits to any fund, account and subaccount created under the Trust Agreement or any Supplemental Agreement, Parity Debt Resolution or TIFIA Loan Agreement and payments of principal, premium, if any, and interest on indebtedness from such funds, accounts and subaccounts;

(d) any debt service payments or reserves or deposits for debt service payments in respect of indebtedness or any lease-purchase or installment financing contracts or any other indebtedness of NCTA not secured by a pledge of and lien on its receipts; or

(e) any payments made under any Derivative Agreement, whether regularly scheduled payments, termination payments or other payments.

"Operating and Maintenance Expense Fund" means the fund created and designated the North Carolina Turnpike Authority Monroe Connector System Operating and Maintenance Expense Fund under the Trust Agreement.

"Operating Reserve Fund" means the fund created and designated the North Carolina Turnpike Authority Monroe Connector System Operating Reserve Fund under the Trust Agreement.

"Project Fund" means the fund created and designated the North Carolina Turnpike Authority Monroe Connector System Project Fund under the Trust Agreement.

"Renewal and Replacement Fund" means the fund created and designated the North Carolina Turnpike Authority Monroe Connector System Renewal and Replacement Fund under the Trust Agreement.

"Revenue Fund" means the fund created and designated the North Carolina Turnpike Authority Monroe Connector System Revenue Fund under the Trust Agreement.

"Revenues" means revenues of the Monroe Connector System, as determined in accordance with generally accepted accounting principles; provided, however, that revenues shall include, without limiting the generality of the foregoing:

(a) proceeds of use and occupancy or business interruption insurance; and

(b) proceeds of any appropriation made by the federal government or any agency or instrumentality thereof or the State or any agency, instrumentality or political subdivision thereof State for use in connection with the Monroe Connector System, to the extent such proceeds are deposited in the Revenue Fund and are available for use in the same manner as other receipts under the provisions of the Trust Agreement, including, without limitation, the State Appropriated Revenues after withdrawal from the State Appropriation Bond Trust Agreement and deposited to the Revenue Fund under the Trust Agreement; and

(c) the investment income realized on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of NCTA in the Revenue Fund;

but there shall not be included in "Revenues":

(i) the proceeds of any gifts, grants, bequests, contributions or donations (except as provided in clause (b) above in this definition);

(ii) the proceeds from the sale or disposition of all or any part of the Monroe Connector System;

(iii) reimbursements received by NCTA of advances made by it in respect of (i) the Initial Project, (ii) any additional project, (iii) any refinancing of indebtedness and (iv) any capital improvements;

(iv) the investment income realized on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of NCTA in any funds, accounts and subaccounts established pursuant to the Trust Agreement (other than the Revenue Fund), except to the extent that such investment income is transferred by NCTA to the Revenue Fund;

(v) any payments received or revenues derived from the ownership or operation of any non-system project, except to the extent expressly included as a receipt by resolution adopted by NCTA Board;

(vi) Net Insurance Proceeds or Net Eminent Domain Proceeds other than the net proceeds of any use and occupancy or business interruption insurance;

(vii) proceeds of any appropriation made by the federal government or any agency or instrumentality thereof or the State or any agency, instrumentality or political subdivision thereof to the extent the use of such funds is limited to a use that is inconsistent with their use as receipts under the provisions of the Trust Agreement;

(viii) the income from the investment of Qualified Escrow Funds to the extent such income is applied to the payment of the principal of or the interest on Long-Term Indebtedness which is excluded from the determination of the Long-Term Debt Service Requirement;

(ix) any payments received by NCTA under any Derivative Agreement;

(x) the proceeds of any security deposits or moneys received to make refunds to users of the Monroe Connector System; and

(xi) the proceeds of any indebtedness of NCTA.

"State" means the State of North Carolina.

"State Appropriated Revenues" means any funds appropriated by the State pursuant to G.S. 136-176 or other legislation enacted by the General Assembly of the State providing for the annual appropriation of funds to NCTA to pay debt service on bonds or other indebtedness issued or incurred to finance the Monroe Connector System or to fund debt service reserves, operating reserves or similar reserves in connection therewith.

"State Appropriation Bonds" or "Appropriation Bonds" means the revenue bonds issued by NCTA under the State Appropriation Revenue Bond Trust Agreement.

"State Appropriation Revenue Bond Trust Agreement" means the trust agreement between NCTA and the Trustee as trustee thereunder, authorizing, among other things, the issuance of revenue bonds thereunder secured by the State Appropriated Revenues to pay a portion of the costs of the Initial Project.

"Trust Agreement" means the Trust Agreement authorizing the issuance of the General Revenue Bonds for the Monroe Connector System and any supplements and amendments hereto permitted thereby; provided, however, that the Trust Agreement shall not include any Supplemental Agreement executed and delivered by NCTA and the Trustee with respect to a particular Series of Bonds to the extent provided in the Trust Agreement.

Flow of Revenues to NCTA for Monroe Connector System Financings

Monroe Connector System Revenues are deposited on a daily basis with the Trustee into the Revenue Fund. From the Revenue Fund moneys are drawn to pay, in order, debt service on General Revenue Bonds, any deficiencies in debt service reserves, operating and maintenance expenses, any deficiencies in the Operating Reserve Fund, budgeted renewal and replacement costs and then repayments to NCDOT, including on the loan described above and any support payments made.

Operations and Maintenance Support

The Trust Agreement will provide:

If at any time amounts in the Operating and Maintenance Expense Fund shall not be sufficient to make the required payments, then a transfer shall be made from the Operating Reserve Fund to the Operating and Maintenance Expense Fund in the amount of such deficiency to the extent that amounts on deposit in the Operating Reserve Fund are available for such purpose. Subject to the availability of funds as provided below, NCDOT will pay Operating Advances equal to (i) the amount necessary to replenish the Operating Reserve Fund for any transfers so made to the Operating and Maintenance Expense Fund from amounts held in the Operating Reserve Fund up to the Operating Reserve Fund Requirement at the time the transfer is so made and (ii) the amount required to be transferred from the Operating Reserve Fund to the Operating and Maintenance Expense Fund (up to the Operating Reserve Fund Requirement at the time such transfer is required) to the extent that there are not sufficient Revenues held in the Operating Reserve Fund for such purpose.

Renewal and Replacement Support

The Trust Agreement will provide:

If at any time the amounts in the Renewal and Replacement Reserve Fund shall not be equal to the Renewal and Replacement Reserve Fund Requirement, then subject to the availability of funds, NCDOT will pay the amount necessary so that amounts in the Renewal and Replacement Reserve Fund shall be equal to the Renewal and Replacement Reserve Fund Requirement.

Construction Funding Support

The Trust Agreement will provide:

NCTA believes that sufficient funds will be available to pay the Costs of the Initial Project from the proceeds of the Appropriation Bonds and the General Revenue Bonds. Nevertheless, it is acknowledged that unexpected or unforeseen circumstances could result in additional unanticipated costs in excess of the amounts available from such bonds and other deposits. In order to provide assurances to NCTA and to the purchasers of NCTA's General Revenue Bonds that sufficient funds will be available to complete the Initial Project, NCDOT hereby undertakes to provide additional funding to provide for the completion of the Initial Project in the event that the funds referred to above are not sufficient therefor.

Payments of Funds from NCDOT and Repayment

The payments to be paid by NCDOT for the support described above are to be funded from amounts then available in the State Highway Fund, for Operating Advances, and from the State Highway Trust Fund or the State Highway Fund, as applicable, for renewals and replacements or construction funding. Each payment by NCDOT is

subject to appropriation and availability of funds for such use in the State Highway Trust Fund or the State Highway Fund, as applicable. In the event of an overpayment, NCDOT will withhold or decrease future payments to recoup the overpayment. In the event that NCDOT makes any payment, the amounts so paid shall be repaid with interest on the unpaid principal, computed at a rate equal to that payable by NCTA in accordance with G.S. 136-176(b).

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