



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 MEETING MINUTES

Thursday September 2, 2010

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

Secretary Gene Conti called the meeting to order at 1:06 pm. He read the State Ethics Act and declared there was a quorum present.

Perry Safran thanked the Board and staff for accommodating his schedule and changing the meeting month.

Robb Teer moved to approve the June and August minutes. Al Swanstrom seconded the motion and it was approved unanimously.

David Joyner gave the Executive Director's Report. He stated that the Monroe Record of Decision was signed last week. David thanked all involved, especially Jennifer Harris and Christy Shumate. He also stated that the NCDOT approved O&M and R&R support for Monroe. He discussed the rating agency meeting in NYC. At the meeting, NCTA gave an update on the Triangle Expressway and introduced the Monroe project. He stated that the NCTA is hosting a Monroe site tour for the rating agencies next week. He introduced Mike Gentry, the new Marketing Manager. Mr. Joyner congratulated Reid Simons on her new responsibilities. He also stated the NCTA received the Nello L. Teer, Sr. Award for Excellence in Transportation Construction, awarded at the NC Transportation Hall of Fame annual meeting. Jim Eden's resignation is effective on September 3, and he is taking a position at AECOM. Mr. Joyner introduced a resolution to acknowledge the Jim's service to the NCTA. Perry Safran moved adoption of the resolution. Anthony Fox seconded, and the motion was approved unanimously. Jim Eden thanked everyone.

Grady Rankin introduced David Miller, PFM, and stated that the Monroe Connector/Bypass financing is being accelerated to take advantage of favorable interest rates and spreads. David Miller gave a presentation on the Monroe Connector/Bypass Plan of Finance. He

discussed the financing model using subordinated debt to replace the TIFIA loan. He discussed the structuring enhancements that could close any shortfall. Mr. Miller discussed the interest rate levels and the risk of interest rate increases. Carol Rein, BoA/ML discussed the market now compared to the market when Triangle Expressway was financed. She said the market now is "hot" and very busy. Ms. Rein stated that we are accelerating the appropriation bond offering to take advantage of the current market conditions. David also discussed the varying credit spreads. He discussed the enhanced plan of finance structure including sources and uses, debt service coverage, and the flow of funds. Perry Safran asked about the debt service coverage in relation to the Triangle Expressway. Mr. Miller also discussed the financing schedule. Grady Rankin stated the NCTA is proposing a Board teleconference following the LGC meeting on October 6, 2010. (See attached presentation.)

David Miller gave a presentation on the negotiated bond sale. Mr. Miller discussed the recommendation to engage a 9-member syndicate similar to that used for the Triangle Expressway. The recommendation is for Citigroup, JP Morgan, Piper Jaffray, Loop Capital, Siebert Brandford, Wells Fargo Securities, RBC Capital Markets, Southwest Securities, and BB&T Capital Markets to serve as co-managers in the financing of the Monroe Connector/Bypass. Mr. Miller presented the underwriting fees and discussed the average bond cost compared to Triangle Expressway. Mr. Miller discussed the allocation of appropriation bonds and senior toll revenue bonds based on MSRB guidelines and Board feedback. He discussed the priority of orders and the pricing timeline. (See attached presentation.)

*Action Item:* Robb Teer made the following motion:

I move to approve the resolution to approve underwriter co-managers and terms for the Monroe Connector/Bypass financing as presented. (See attached.)

AL Swanstrom seconded the motion and it was approved unanimously.

William McBride discussed the appropriation bond issuance resolution.

*Action Item:* Perry Safran made the following motion:

I move to approve the resolution authorizing the issuance of appropriation bonds as presented. (See attached.)

Robb Teer seconded the motion and it was approved unanimously.

William McBride introduced the resolution to approve the application to the Local Government Commission for issuance of the Appropriation Bonds.

*Action Item:* Al Swanstrom made the following motion:

I move to approve the resolution concerning applications to the LGC for approval of the appropriation and toll revenue bonds as presented. (See attached.)

John Collett seconded and it was approved unanimously.

William McBride discussed the Pricing Committee for bond and final takedown underwriter fees. He suggested that the committee would consist of Grady Rankin, David Joyner and Secretary Conti or his designee.

*Action Item:* Al Swanstrom made the following motion:

I move to approve the Pricing Committee as suggested.

Anthony Fox seconded and it was approved unanimously.

Grady Rankin discussed the Triangle Expressway *Cost to Complete report*. The document shows actual versus budgeted amounts. Al Swanstrom questioned the Right of Way cost estimate, and Steve DeWitt stressed that he is confident that the actual right of way number will come in well under the estimate. John Collett asked how much contingency is left. Steve DeWitt stated that the contingency is built into the total.

Andy Lelewski thanked Jim Eden for his work with the staff of the Operations Department. Andy provided an Operations update. He stated that the department had a week-long meeting with ACS in Maryland. They visited the test track. The road-side system is on track to be installed in April 2011. The back-office system plans have been through detailed review, and ACS will build it January 2011. The Customer Service Center computer room is operational and the build out should be complete in early November. The maintenance plan is moving forward and agreements with IMAP are in process. He stated that the NCTA is also moving forward with the interoperability agreements with IAG and Florida. The back-office system is being designed to be compatible with IAG EZPass.

Jim Eden discussed marketing and welcomed Mike Gentry. JJ stated that it is critical to market this toll road to the public. Mr. Eden stated that there are many toll agencies to look to for advice. He discussed that the business guidelines are complete, and operations, finance and marketing staff need to work closely to ensure compliance with them.

Steve DeWitt gave project updates. Mr. DeWitt stated that the Triangle Expressway is on schedule and there is a great deal of work being done. Mr. DeWitt invited the Board members to visit the work site. He discussed the Monroe Connector/ Bypass and stated that Jennifer Harris put in a lot of hard work to get the Record of Decision signed. He also thanked her for all of her hard work with the Heel Splitter issue. Steve also discussed the Gaston East-West Connector. He stated that the Final Environmental Impact Statement is on track for November 2010.

Secretary Conti said that he is impressed with the progress of the Triangle Expressway.

Jim Eden gave a short presentation to show the lengths that people go through to avoid paying tolls.

The meeting was adjourned at 2:55pm.

*Minutes prepared by Jillian Bliss*



NORTH CAROLINA

**Turnpike Authority**

# **Monroe Connector/Bypass**

**Plan of Finance Presentation to NCTA Board  
September 2, 2010**



# Overview

- The Monroe Project Plan of Finance is based upon the successful TriEx financing model except we use market subordinate debt instead of TIFIA
- Appropriation Revenue Bonds backed by the \$24 million/year annual State appropriation will be issued in advance in October to take advantage of favorable interest rates and spreads
- Senior and subordinate Toll Revenue Bonds (and if necessary a second offering of Appropriation Bonds) to follow in December to complete financing.
- NCDOT Capital, O&M, and R&R Guaranties, similar to what was provided for TriEx, are incorporated into the Monroe plan of finance.
- The Monroe Project plan of finance was found to have a \$38 million one-time funding shortfall

# Plan of Finance

## **Potential Key Structuring Enhancements that could close the shortfall:**

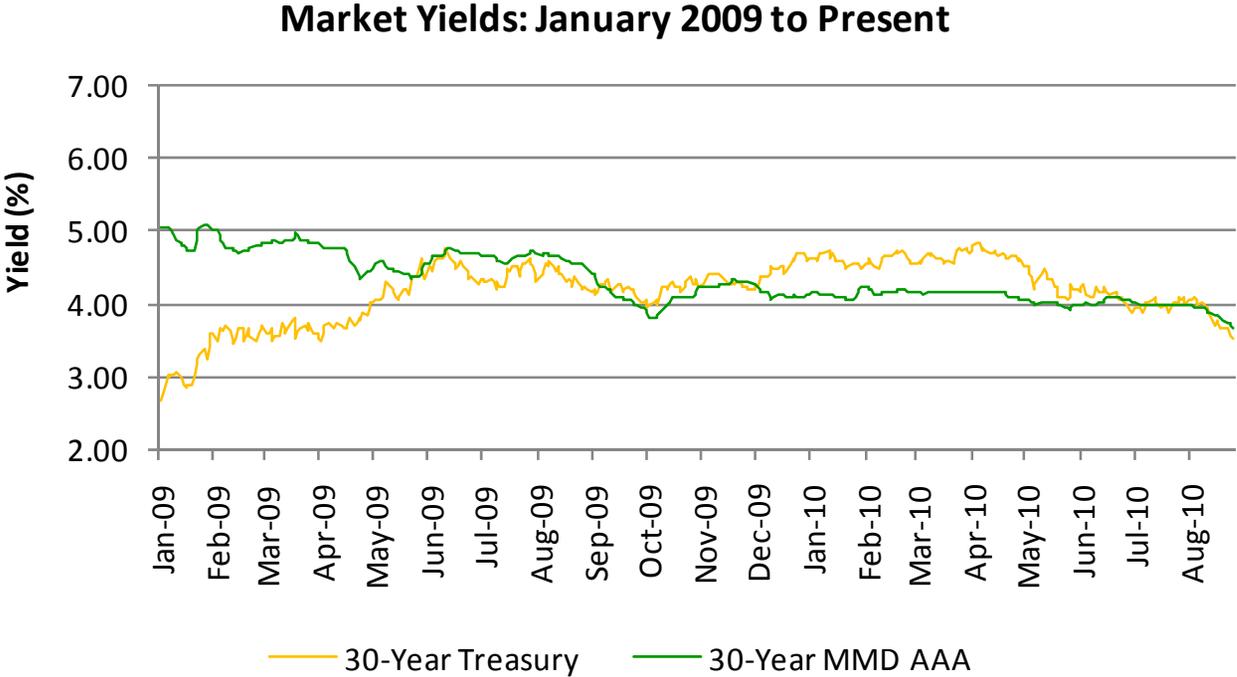
- Construction savings vs. engineers estimates
- Assured Guaranty bond insurance for the senior lien toll revenue bonds
- Issue 40 year Appropriation Revenue Bonds

## **Additional Structuring Enhancements under consideration:**

- Analysis of out year R&R requirements and the potential for future financing of those major rehabilitation costs
- A loan from NCDOT to be repaid with interest
- The finance work group will continue to monitor and refine the plan

# Interest Rate Levels

- Current interest rates are favorable. The plan of finance is based on current market conditions.
- Interest rates are always a risk until locked in – 1 basis point ~ \$1 million.



# Interest Rate Credit Spreads

- Credit spreads vary widely across debt issues based on factors such as issuer financial strength, market demand for the debt, supply, among a host of other variables.
- Municipal revenue bond yield spreads to 30 year AAA MMD (3.67%) as of 8/26/10:
  - AA: 27 basis points (“bps”)
  - A: 71 bps
  - BBB: 141 bps
- Taxable equivalent municipal revenue bond yield spreads to the 30 year Treasury (3.51%) as of 8/26/10:
  - AA: 255 bps
  - A: 323 bps
  - BBB: 431 bps

# Enhanced Plan of Finance Structure

## Appropriation Revenue Bonds

- Fixed Rate - \$425 million of BABS and \$35 million of current interest tax exempt bonds
- 40 year level debt service sized against \$24 million annual gap funds

## Senior Lien Toll Revenue Bonds

- Fixed Rate - \$198 million of insured current interest tax exempt bonds and \$89 million in insured CABS
- 40 year escalating debt service profile to reflect ramp-up and growing demand

# Enhanced Plan of Finance

## Subordinate Lien Toll Revenue Bonds

- \$129 million subordinate, unrated BABS – 40 year term
- Debt service repayment flexibility with subordinate Trust Account – expected 10-year par call

## STIP Funds

- \$77 million of STIP Funds available for project

## Liquidity

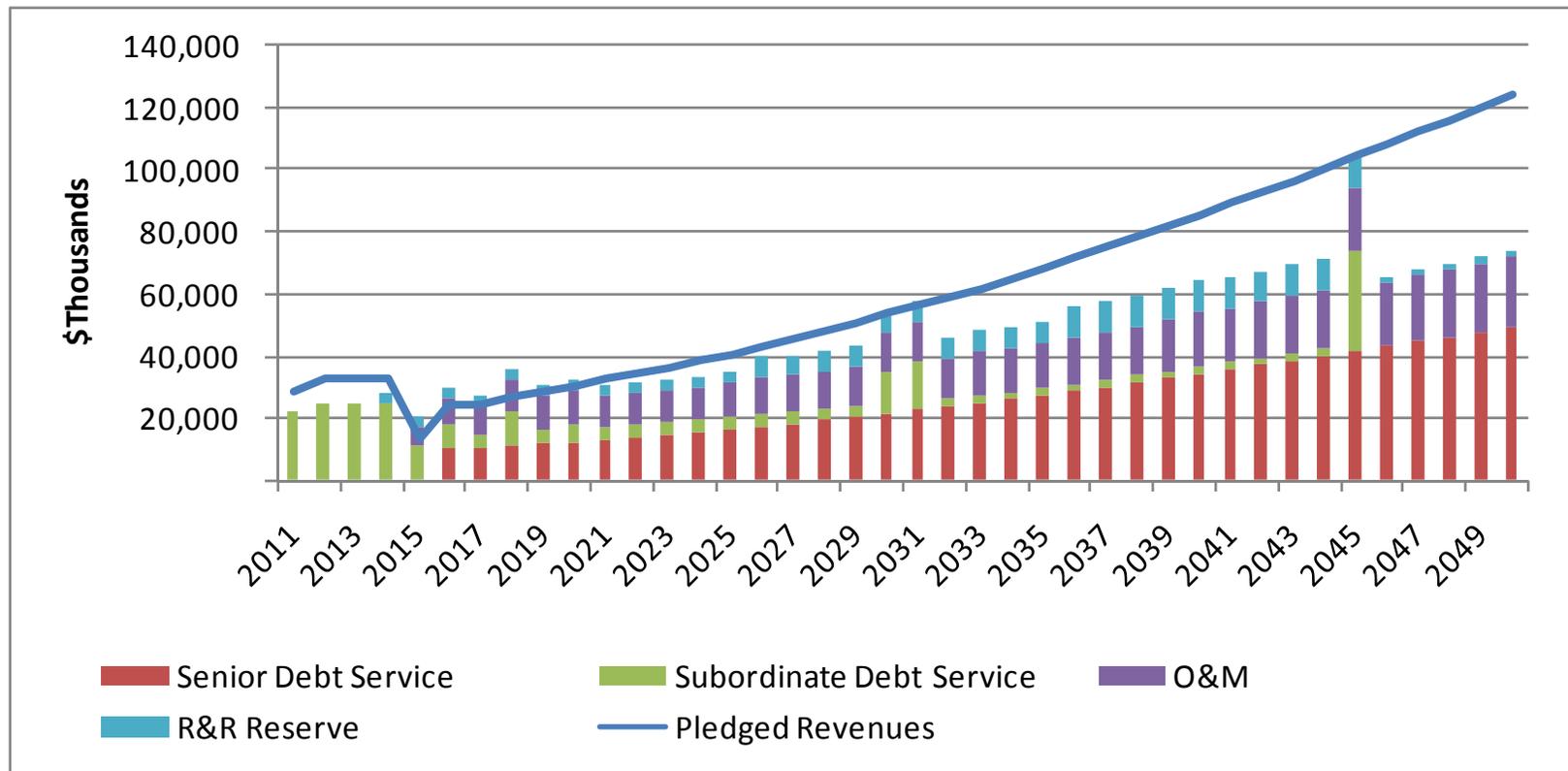
- Fully funded debt service reserve funds
- Capitalized interest beyond construction completion
- O&M Reserve Fund and R&R Fund

# Sources & Uses of Funds – Enhanced Plan

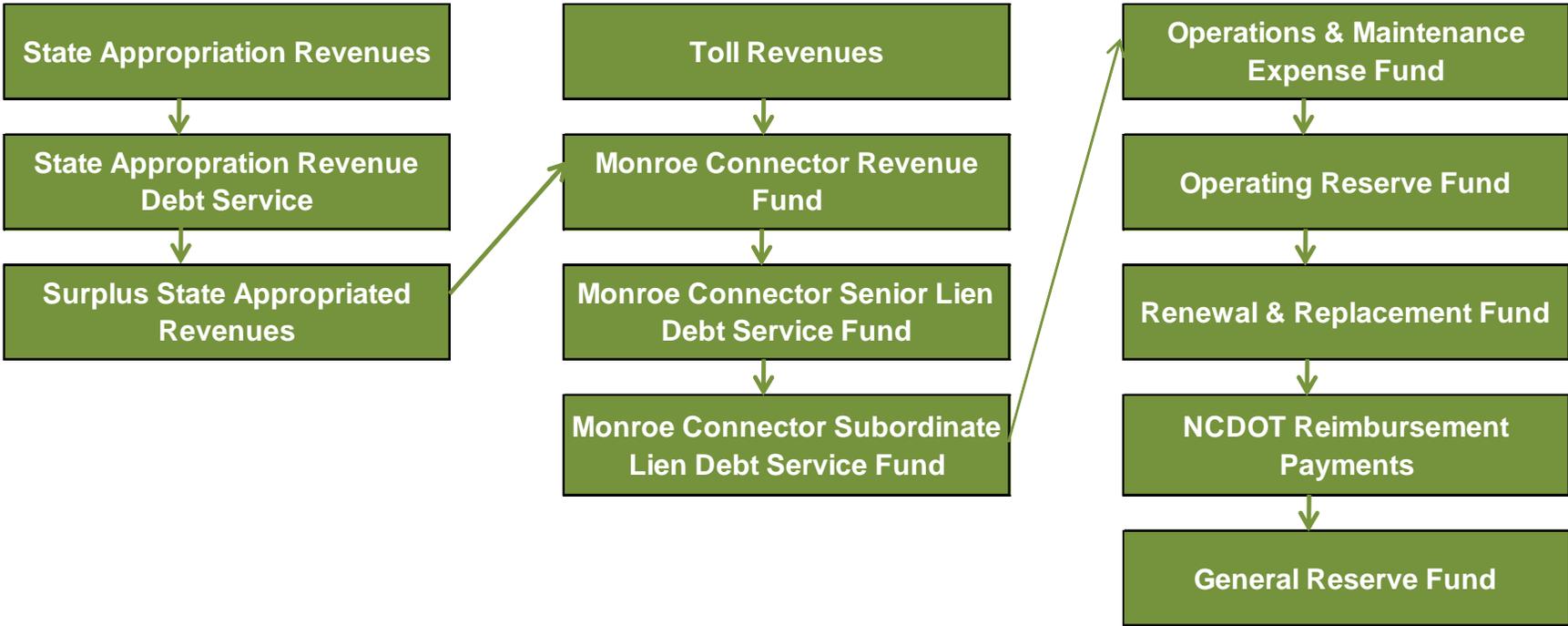
Sources		Uses	
<b>Senior Toll Revenue Bonds</b>		Net Construction Deposit	\$742,701,323
TE CIBS Par Amount	\$197,519,568	TIFIA Construction Deposit	-
TE CABS Par Amount	88,983,531	Construction Fund Interest Earnings	-
BABS Par Amount	-	Total Construction Costs	742,701,323
+Premium/-Discount	(1,506,471)	TIFIA CAPI	-
<b>Appropriation Bonds</b>		Subordinate Debt CAPI	-
TE CIBS Par Amount	35,459,828	Senior Debt CAPI	129,316,181
+Premium/-Discount	5,401,983	Appropriation Debt CAPI	-
BABS Par Amount	424,544,459	Senior Debt DSRF	28,650,310
Total Bond Proceeds	750,402,897	Appropriation Debt DSRF	32,446,715
TIFIA Loan (0.00% of eligible costs)	-	Underwriters' Discount	4,937,770
Subordinate Toll Revenue Bonds	128,820,565	Other Cost of Issuance	1,805,234
2010 State Appropriation	-	TIFIA Credit Charge	-
STIP Funds	77,000,000	Bond Insurance	16,365,928
Additional NCDOT Contribution	-	Contingency/Rounding	-
Construction Fund Interest Earnings	-		
<b>Total Sources</b>	<b>956,223,462</b>	<b>Total Uses</b>	<b>956,223,462</b>

# Debt Service Coverage – Enhanced Plan

- Senior lien toll revenue bonds average debt service coverage is 2.50x and minimum coverage ratio is 2.50x



# Flow of Funds



# Enhanced Plan of Finance

## Key Assumptions...

- Savings from construction bids below engineers estimate  
Open bids October 27
- Extend term of Appropriation Bonds to 40 years  
Need Rating Agency ok
- Bond Insurance – Need Assured's decision and price
- Interest rates stable

*All are possible ... None are certain*

# Financing Schedule

September 8-9	Rating Agency Site Visits
October 1	Receive Appropriation Credit Ratings
October 5	Local Government Commission Approval (Appropriation Bonds)
October 6	NCTA Board issues bond order
October 7	Mail Appropriation POS
October 13-14	Appropriation Bond Pricing
October 28	Close Appropriation Bonds
Week of November 1	Meeting/Call with Rating Agencies (Toll Bonds)
November 2	Local Government Commission Approval (Toll Bonds)
November 4	NCTA Board Meeting
November 15	Receive Toll Revenue Credit Ratings
November 17	Mail Toll Revenue POS
December 8-9	Toll Revenue Bond Pricing / Appropriation Bond Second Pricing (if needed)
December 22	Close Toll Revenue Bonds / Second Close of Appropriation Bonds (if needed)

# NCTA Negotiated Bond Sale for Monroe Connector



# Underwriting Team

- Three tranches of bonds, including Appropriation Revenue Bonds, Senior Toll Revenue Bonds and Subordinate Toll Revenue Bonds
- Recommend a 9-member syndicate similar to the Tri-Ex Financing

Senior Managing Underwriter (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 3 national firms, 2 MWBE firms, and 4 NC/regional firms.



# NCTA's Monroe Underwriting Team

- Senior Manager selected by NCTA Board -Bank of America Merrill Lynch

- National Co Managers – Citigroup and JP Morgan - Firms were shortlisted and scored 2<sup>nd</sup> & 3<sup>rd</sup> by technical and selection committees. Plus Piper Jaffray – Personnel involved previously with UBS and Bank of America Merrill Lynch has moved to Piper firm.

- MWBE Co Managers – Loop Capital and Siebert Brandford – same MWBE firms as Tri-Ex. They did not respond because RFP focused on Senior Manager but they performed well on the Tri-Ex deal and we recommend that they be included.

- NC/Regional Co Managers – Wells Fargo Securities, RBC Capital Markets, Southwest Securities and BB&T Capital Markets – Strong North Carolina presence.

# Underwriting Fees

• Takedown – Fee or “commission” paid for selling bonds. Recommended takedowns and estimated costs shown in table below based upon competitive proposal received by NCTA as well as PFM recommendation.

• Management Fee – Fee to the senior managers for their assistance to structure the financing, review documentation, etc. Recommended \$0.40 based upon competitive proposal received 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).

		<u>\$/ \$1000</u>		<u>Par (000s)</u>	<u>(\$)</u>
Appropriation	CIB	3.75	\$	44,755	167,831
Appropriation	BABs	5.00	\$	337,496	1,687,478
Sr. Toll Revenue	CIB	5.00	\$	-	-
Sr. Toll Revenue	CAB	8.75	\$	65,833	576,039
Sr. Toll Revenue	BABS	6.25	\$	138,730	867,063
Sub. Toll Revenue	BABs	6.25	\$	218,508	1,365,677
Management Fee		0.40			322,129
Expenses (est.)		0.35			281,863
<b>Total</b>			<b>\$</b>	<b>805,322</b>	<b>5,268,080</b>

**Note: Takedowns will be negotiated further based on market conditions.**



# Average Bond Cost Comparison (Tri-ex versus Monroe)

## *Monroe Connector/Bypass*

		<u>\$/ \$1000</u>	<u>Par (000s)</u>	<u>(\$)</u>
Appropriation	CIB	3.75	\$ 44,755	167,831
Appropriation	BABs	5.00	\$ 337,496	1,687,478
Sr. Toll Revenue	CIB	5.00	\$ -	-
Sr. Toll Revenue	CAB	8.75	\$ 65,833	576,039
Sr. Toll Revenue	BABS	6.25	\$ 138,730	867,063
Sub. Toll Revenue	BABs	6.25	\$ 218,508	1,365,677
Management Fee		0.40		322,129
Expenses (est.)		0.35		281,863
<b>Total</b>			<b>\$ 805,322</b>	<b>5,268,080</b>

<b>Average Cost</b>	<b>\$ 6.20</b>
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## *Triangle Expressway*

		<u>\$/ \$1000</u>	<u>Par (000s)</u>	<u>(\$)</u>
Appropriation	CIB	N/A	N/A	N/A
Appropriation	BABs	8.75	\$ 352,675	3,085,906
Sr. Toll Revenue	CIB	5.00	\$ 234,910	1,174,550
Sr. Toll Revenue	CAB	8.75	\$ 35,173	307,765
Sr. Toll Revenue	BABS	N/A	N/A	N/A
Sub. Toll Revenue	BABs	N/A	N/A	N/A
Management Fee		0.75		467,069
Expenses		0.35		217,965
<b>Total</b>			<b>\$ 622,758</b>	<b>5,253,255</b>

<b>Average Cost</b>	<b>\$ 8.44</b>
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➤ Takedowns are lower on average than TriEx, primarily because BABs market is more mature.

➤ Takedowns shown are consistent with or lower than those competitively proposed.

➤ Final takedowns should be subject to NCTA review dependent upon market conditions.



# Allocation of the Appropriation Bonds and Senior Toll Revenue Bonds

- 
- Orders are designated, and takedowns are allocated among members of the syndicate based on criteria set out in the Agreement Among Underwriters (AAU).

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- 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%.

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- The AAU determines the liability of each firm in the syndicate, and how bonds will be allocated. Recommended targets are: 1) Senior Manager 52%, 2) Citigroup/JP Morgan/Wells Fargo 8% Each, 3) RBC/BB&T 6% Each, 4) Southwest 4%, 5) Two MWBE Co-Managers 3% Each, and 6) Piper Jaffray 2%.

## Priority of Orders (As Applicable)

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- 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.

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- Member Orders – Firms in syndicate place orders for their own account - Takedown goes solely to the firm placing order.

**Note: Retail priority may not be applicable or practical for the BABs, in particular unrated subordinate Toll revenue BABs.**

# 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.



**RESOLUTION TO APPROVE UNDERWRITER CO-MANAGERS AND TERMS  
FOR THE MONROE CONNECTOR/BYPASS FINANCING**

**WHEREAS**, the Board of Directors of the North Carolina Turnpike Authority has received a recommendation from Public Financial Management, Inc., its financial advisor, for Citigroup, JP Morgan, Piper Jaffray, Loop Capital, Siebert Brandford, Wells Fargo Securities, RBC Capital Markets, Southwest Securities, and BB&T Capital Markets to serve as co-managers in the financing of the Monroe Connector/Bypass on behalf of the Turnpike Authority;

**WHEREAS**, the Board of Directors of the NC Turnpike Authority has also received recommendations from Public Financial Management, Inc., its financial advisor, for the terms of service as outlined in the attached presentation for the above-named co-managers;

**NOW THEREFORE BE IT RESOLVED** that the Board of Directors of the North Carolina Turnpike Authority hereby approve these recommendations on this 2<sup>nd</sup> day of September, 2010.

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Eugene A. Conti, Jr., Chairman

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Robert D. Teer, Jr., Secretary-Treasurer

**RESOLUTION AUTHORIZING ISSUANCE OF THE AUTHORITY'S  
APPROPRIATION REVENUE BONDS, SERIES 2010**

**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 Connector System" 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 "*Initial 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 turnpike project known as the Monroe Connector System or to fund reserves in connection therewith and that 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 determined to issue its North Carolina Turnpike Authority Monroe Connector System State Appropriation Revenue Bonds, Series 2010A (Federally Taxable – Build America Bonds) (the "*Series 2010A Bonds*"), and its North Carolina Turnpike Authority Monroe Connector System State Appropriation Revenue Bonds, Series 2010B (the "*Series 2010B Bonds*" and, together with the Series 2010A Bonds, the "*Series 2010 Bonds*"), 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 2010 Bonds 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 permit state or local governments to obtain certain tax advantages when issuing taxable obligations referred to as "Build America Bonds";

**WHEREAS**, the Recovery Act allows the Authority to make an irrevocable election to have certain of its bonds treated as “Build America Bonds” under a federal program under which a State or local government that intends to issue bonds, the interest on which is eligible for exclusion from the gross income of the owners thereof may elect to issue bonds bearing interest that is not so excluded, and will then receive payments (the “*Interest Subsidy Payments*”) directly from the United States Treasury in an amount equal to 35% of the corresponding interest payable on the related Build America Bonds;

**WHEREAS**, the Authority has determined to issue the Series 2010A Bonds as Build America Bonds to the extent it will, upon the advice of the underwriters and others involved in the issuance of the Series 2010 Bonds, be financially beneficial and then issue the remainder of the aggregate Series 2010 Bonds as Series 2010B Bonds which bear tax-exempt interest;

**WHEREAS**, it is proposed that the Series 2010 Bonds will be sold through a negotiated sale to Bank of America Merrill Lynch, and other underwriters (the “*Underwriters*”), pursuant to one or more Bond Purchase Agreements between the North Carolina Local Government Commission (the “*LGC*”), the Authority and the Underwriters (collectively, the “*Bond Purchase Agreement*”); and

**WHEREAS**, a Preliminary Official Statement (the “*Preliminary Official Statement*”), relating to the Series 2010 Bonds and an Official Statement with respect to the Series 2010 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 2010 Bonds;

**WHEREAS**, the LGC must be requested to sell the Series 2010 Bonds in accordance with Revenue Bond Act; and

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

- (a) Trust Agreement with forms of Series 2010 Bonds; and
- (b) Preliminary Official Statement;

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

1. The Board hereby approves the issuance of the Series 2010 Bonds to finance a portion of the costs of the land, easements, rights of way, capital improvements and equipment constituting the Initial Project for the Monroe Connector System, fund reserves for the Series 2010 Bonds and provide for issuance expenses thereof, requests the LGC to sell the Series 2010 Bonds to the Underwriters and authorizes the Chairman or other officers or employees of the Authority to execute the Bond Purchase Agreement to evidence the obligations of the Authority for the sale of the Series 2010 Bonds; provided the specific terms and conditions 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 Bond Purchase Agreement shall be substantially in the form used for the sale of the appropriation revenue bonds for the Triangle Expressway System and the Trust Agreement

with the forms of the Series 2010 Bonds and the Preliminary Official Statement (together the “*Bond Documents*”) shall be in substantially the forms presented. The Documents 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 Documents, together with such changes, modifications and deletions 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.

3. Notwithstanding anything herein to the contrary, the following limits are imposed on the issuance of the Series 2010 Bonds 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 any Series 2010 Bonds   | January 1, 2041 |
| b. Maximum aggregate principal amount of Series 2010 Bonds  | \$500,000,000   |
| c. Series 2010A Bonds to be issued as Build America Bonds to the extent net rate is more cost effective than traditional tax-exempt bonds |                 |
| d. Remaining authorization, to the extent issued, issued as Series 2010B Bonds with tax-exempt interest                                   |                 |
| e. Maximum interest rates:  |                 |
| Series 2010A Bonds - Build America Bonds<br>(before 35% interest subsidy)   | 7.00 %          |
| Series 2010B Bonds  | 6.00 %          |
| f. Minimum purchase price by Underwriters   | 98.00 %         |

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 2010 Bonds 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 2010 Bonds and the financing of the Monroe Connector System.

6. This Resolution shall take effect immediately upon its passage.



**RESOLUTION OF BOARD OF NORTH CAROLINA TURNPIKE AUTHORITY  
CONCERNING APPLICATIONS TO LOCAL GOVERNMENT COMMISSION FOR  
APPROVAL OF APPROPRIATION AND TOLL REVENUE BONDS AND THE  
WORKING GROUP PARTICIPANTS FOR THE ISSUANCE THEREOF**

**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, 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 Connector System” and generally consisting of an approximately 19.7 mile roadway extending from US Highway 74 at Interstate 85 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 turnpike project known as the Monroe Connector System or to fund reserves in connection therewith and that the State Appropriated Revenues may constitute “revenues” of the Authority for certain purposes within the meaning of the Revenue Bond Act;

**WHEREAS**, the Project will provide toll and other revenues to the Authority which may be used to pay debt service or related financing costs and expenses on revenue bonds issued by the Authority to finance the Monroe Connector System or to fund reserves in connection therewith and constitute “revenues” of the Authority within the meaning of the Revenue Bond Act; and

**WHEREAS**, the Revenue Bond Act requires that revenue bonds thereunder be approved by the North Carolina Local Government Commission (the “*LGC*”);

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

1. Application(s) to the LGC for approval of the issuance of (a) appropriation revenue bonds, in multiple series, (b) toll and other revenue bonds, in multiple series, and (c) a second tranche of appropriation revenue bonds, in multiple series, all under the Revenue Bond Act for

the purpose of financing the Project, with appropriate reserves and issuance costs, and secured by and payable from the State Appropriated Revenues or toll or other revenues of the Monroe Connector System (the “*Bonds*”), is hereby authorized, approved and confirmed.

2. In connection with the application(s) to the LGC, the Board of the Authority hereby makes the following findings:

a. The Project, based in part on the General Assembly’s actions in designating it as a “turnpike project” under the Act and taking action for the State Appropriated Revenues, is both necessary and expedient. Further, the issuance of the Bonds, including bonds payable from the State Appropriated Revenues and from toll and other revenues, for the purpose of financing the Project is both necessary and expedient.

b. The Project is feasible.

c. The amount of debt to be incurred in connection with the Project and the fees to be paid in connection therewith are sufficient but not excessive for the purpose of acquiring, constructing and installing the Project by paying debt service on the Bonds, including bonds payable from the State Appropriated Revenues and from toll and other revenues.

d. The Authority has not defaulted on any debt obligation.

e. The Authority follows the debt management guidelines of the North Carolina Local Government Commission.

f. The State Appropriated Revenues will be sufficient to service the proposed Bonds payable therefrom and toll and other revenues will be sufficient to service the proposed Bonds payable therefrom.

g. The proposed Bonds may be issued at reasonable rates of interest.

3. The Authority hereby designates, and requests the LGC approve, to the extent necessary, the following parties working in the following capacities in connection with the Bonds.

Underwriters:

Senior Manager

Bank of America Merrill Lynch

Co-Managers

Citigroup, JP Morgan, Piper Jaffray,  
Loop Capital, Siebert Brandford, Wachovia  
Securities, RBC Capital Markets, Southwest  
Securities and BB&T Capital Markets

Financial Advisor

Public Financial Management, Inc.

Professional Engineers

HNTB

Traffic and Revenue Consultants

Wilbur Smith Associates, Inc.

Trustee	Wells Fargo Bank, N.A.
Underwriters' Counsel	Bode, Call & Stroupe, LLP
Bond Counsel	Hunton & Williams LLP
Authority Counsel	Ebony Pittman, Esq, of Attorney General's Office
Counsel to Department of Transportation	Katherine White, Esq. of Attorney General's Office

4. This resolution shall take effect immediately.