Maryland Transportation Authority

BOARD POLICY: REVENUE BONDS

Policy Code: B-MDT-FINR-009-00

Effective Date: 02-28-2013

I. Purpose and Scope

This policy establishes guidelines for the approval process which authorizes the sale and issuance of revenue bonds by the Maryland Transportation Authority (MDTA).

II. References

Title 4 of the Transportation Article, Annotated Code of Maryland

State Finance and Procurement Article §5-7B-02, Annotated Code of Maryland

Second Amended and Restated Trust Agreement between the Maryland Transportation Authority and the Bank of New York Mellon dated as of September 1, 2007, as amended (2007 Trust Agreement).

Code of Maryland Regulations (COMAR, 11.07.09 Vehicle Parking Facilities)

Securities and Exchange Commission (SEC) Rule 15c2-12

Federal Tax Code and Regulations

MDTA Operating Policy, as amended

MDTA Board Policy: Debt Management

MDTA Board Policy: Preparation of Financial Forecasts

III. Policy

Financial Approval Process

Policy Statement 1. Upon the advice of counsel and financial advisors, MDTA's Chief Financial Officer (CFO) and the Executive Secretary, in consultation with MDTA staff, will offer a recommendation regarding the timing and structure of any proposed bond sale to the MDTA Board for approval.

1.1 Proposed financing plans which involve the issuance of debt will generally be presented to the MDTA Finance Committee for a preliminary recommendation for approval to the MDTA Board.

1.2 The MDTA Capital Committee may also be given notice of any capital project which requires MDTA financing.

Policy Statement 2. Any proposed plans for the issuance of debt supported by toll revenues will be incorporated into Financial Forecasts.

Policy Statement 3. The issuance of additional debt supported by toll revenues will be subject to the Debt Management Policy and to the 2007 Trust Agreement.

3.1 Such debt will be considered Additional Bonds as defined in the 2007 Trust Agreement and subject to the Additional Bonds certification.

Policy Statement 4. Any proposed financing plans for the issuance of conduit debt, which is not supported by toll revenues, will include an analysis of affordability in accordance with the Debt Management Policy.

4.1 Conduit debt will be issued pursuant to a separate Trust Agreement which sets forth the applicable covenants, terms and conditions, together with other agreements as are deemed necessary and appropriate.

MDTA Board Approval Process

Policy Statement 5. In accordance with Title 4 of the Transportation Article of the Annotated Code of Maryland, MDTA may issue revenue bonds, notes, or other evidences of indebtedness upon the approval of the MDTA Board and concurrence by the Chairman.

5.1 Approval will be in the form of one or more authorizing Resolutions.

5.2 Resolutions must be adopted by the affirmative vote of a majority of the MDTA Board with the concurrence of the Chairman.

5.3 The vote to approve any such Resolution must occur at an open meeting with appropriate notice thereof in accordance with Maryland law and applicable regulations.

Policy Statement 6. Resolutions will identify the capital project(s) to be financed or the maximum amount of existing debt to be refunded, the debt obligations to be issued, and the pledged revenues which will secure such debt.

6.1 Any capital project(s) must be designated as a "transportation facility project", which includes a "vehicle parking facility" in a priority funding area, as defined in Maryland law or COMAR.

6.2 Debt obligations will be issued at parity or subordinate to outstanding debt, as tax-exempt or taxable securities, and with fixed or variable interest rates. For tax-exempt debt, a Declaration of Intent must be executed by MDTA's Chief Financial Officer to comply with Federal income tax regulations regarding reimbursable expenditures.

6.2.1 The Declaration of Intent will identify the maximum principal amount of debt to be used for the project(s).

6.2.2 The Declaration of Intent will be attached to the authorizing Resolution for ratification.

6.2.3 Such Declaration and ratifying Resolution will authorize the MDTA to reimburse certain prior expenditures with tax-exempt bond proceeds.

6.3 System revenues will be identified as the source of repayment for the debt obligations to be issued by MDTA as toll revenue bonds.

6.3.1 The system pledge of revenues will be derived from projects identified as Transportation Facilities Projects and/or General Account Projects as defined in the 2007 Trust Agreement.

6.3.2 External or third-party project revenues will be identified as the source of repayment for any MDTA conduit debt issuance.

6.3.3 The Executive Secretary and other MDTA officers, with the assistance of counsel and financial advisors, will be authorized to take, or cause to be taken, such appropriate actions as are necessary in order to carry out the purposes authorized by such Resolutions.

Policy Statement 7. Resolutions may identify the preliminary bond structure and financing terms and authorize the completion of certain key documents, which may be included in draft form to the MDTA Board as necessary and appropriate.

7.1 Key documents may include, but are not limited to:

7.1.1 Preliminary and Final Official Statements

7.1.2 Bond Sale Notices and Bond Purchase Agreements

7.1.3 Lease or Financing Agreements which perfect MDTA's security interest in pledged revenues for conduit debt.

7.1.4 Trust Agreements and any supplements or amendments, which assign MDTA's interest in pledged revenues to a corporate trustee.

7.1.5 Continuing Disclosure Agreements which require the MDTA's compliance with SEC Rule 15c2-12.

Policy Statement 8. A Resolution may authorize the Executive Secretary to accept a successful bid or bids by qualified investment banking firms/underwriters to purchase debt obligations which are offered for sale by MDTA, subject to certain parameters as set forth therein.

8.1 The authorization of a bond sale (competitive, negotiated or private placement) may be approved in a Resolution by the MDTA Board or delegated to the Executive Secretary with the concurrence by the Chairman.

8.2 The authorization to accept a bid or bids to purchase MDTA bonds must be included in a Resolution approved by the MDTA Board with concurrence by the Chairman at an open meeting. Additionally, the approval of the Board may occur prior to the sale with delegation of responsibility to the Executive Secretary and the Chief Financial Officer.

8.2.1 A Bond Purchase Agreement will be executed between the parties for a negotiated sale.

8.2.2 A competitive bid will be accepted via electronic notice and upon payment to MDTA of a good faith deposit by the winning bidder.

8.2.3 Pursuant to any delegation to the Executive Secretary, a report will be promptly provided to the MDTA Board regarding sale results.

Bond Closing Approval Process

Policy Statement 9. All parties to the bond closing (i.e. the MDTA as issuer or obligor, any other borrower, the trustee and underwriter) will retain legal counsel in order to obtain such legal opinions as are necessary and customary for the approval of the transaction.

9.1 Bond counsel shall draft, assemble and review the necessary documents and certificates associated with the bond closing transaction in order to issue the appropriate legal opinion.

9.2 MDTA's Principal Counsel shall review such closing documentation in order to issue the appropriate legal opinion.

9.3 Other parties to the transaction shall provide the appropriate legal opinions.

9.4 The review of such documentation occurs at the pre-closing, which is generally scheduled one day in advance of the official closing date.

9.4.1 Certain executed documents, receipts and opinions will be held in escrow by bond counsel pending the payment of the purchase price for the bonds by the successful bidder/underwriter.

Policy Statement 10. On the official closing date, the successful bidder shall purchase the bonds with immediately available funds via a federal funds wire transfer. A conference call will be held between the parties to complete the transaction.

10.1 Upon receipt of the purchase price, the trustee shall authorize the release of an executed receipt therefor.

10.2 MDTA staff shall authorize the release of the bonds to the underwriter.

10.3 The underwriter shall authorize the release of an executed receipt for the bonds upon delivery of the bonds to the Depository Trust Company (DTC) or to such other depository as is agreed to by the parties.

Policy Statement 11. Bond counsel will declare the bond closing to be completed, and shall promptly prepare and issue to each party a transcript which contains all of the necessary documents, certificates, receipts and opinions associated with the transaction.

Annual Review

Policy Statement 12. This Revenue Bonds Policy is to be reviewed by the MDTA Finance Committee at least annually.

IV. Procedures Responsibility

Implementation of this policy is the responsibility of the MDTA's CFO and Division of Finance staff with oversight by the Executive Secretary. Any exceptions to the policies must be promptly reported to the MDTA Finance Committee and Board.

V. Glossary

None

VI. Attachment(s) (Exhibits/Tables, etc.)

None

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