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Charleston, SC

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February 26, 2013

Mr. Greg Gaskins
Chief Financial Officer
City of Charlotte
600 East Fourth Street
Charlotte, NC 28202

Dear Greg:

You had asked us to review the proposed legislation in the General Assembly creating a Charlotte Regional Airport Authority and mandating the transfer by the City of Charlotte of the airport assets to the Authority. We have reviewed the legislation specifically with respect to its impact on the City's outstanding Airport Revenue Bonds (the "*Bonds*"). We believe that the legislation will create several issues for the City were it to be enacted; however, please note that it would require much more diligence to complete a full review of all of the potential impacts that the legislation could have on the City's indebtedness and operations.

In reviewing the Bond Order under which the City's Bonds are issued, we found that there is no provision for transferring or assigning the airport assets as proposed in the legislation. The holders of the City's Bonds could, in theory, consent to the assignment of the assets and the liability with respect to the Bonds to a new airport authority as contemplated in the legislation; however, gaining bondholder consent is impractical given the amount of Bonds outstanding. Because the Bonds are held in book-entry system through The Depository Trust Company system, the City does not know who the bondholders are. The City may be able to find out who the bondholders are at substantial cost and effort, but there is no guarantee or incentive for the bondholders to consent to such a change. The City will be in default under the Bond documents if such an assignment or transfer takes place without bondholder consent or without redeeming all of the Bonds that can currently be redeemed and defeasing the Bonds that cannot currently be redeemed, much of which would require money to be escrowed for years.

We also wanted to raise the issue for you about the effect of this legislation on the City's other enterprise debt financings, including water and sewer, storm water and transit. The City should consider whether it needs to include specific disclosure in its Official Statements related to the General Assembly's ability to transfer a City enterprise to an authority without the City's consent or approval. Since the City does not know what impact the General Assembly's actions with respect to the airport will have on bondholders and cannot predict if something similar might happen in the future, it may be a material disclosure item for the City to tell bondholders that the General Assembly has introduced legislation to remove an enterprise from the City's control and potential bondholders should be aware if such were to happen to the applicable enterprise system of the City that it could adversely affect the bondholders.

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There could be other issues that the legislation creates related to the City's indebtedness and operations, and we will look to the City for direction as to further diligence it would like us to take on these matters.

Sincerely,

A handwritten signature in black ink, consisting of a large, rounded initial 'D' followed by a series of loops and a long horizontal tail.

Donald P. Ubell

DPU:js