

INTERLOCAL AGREEMENT FOR PAVE ACT IMPLEMENTATION

BY AND BETWEEN

THE CITY OF CHARLOTTE, NORTH CAROLINA

AND

**THE METROPOLITAN PUBLIC TRANSPORTATION AUTHORITY OF
MECKLENBURG COUNTY**

DRAFT

INTERLOCAL AGREEMENT FOR IMPLEMENTATION OF THE PAVE ACT

This INTERLOCAL AGREEMENT FOR IMPLEMENTATION OF THE PAVE ACT (this “Agreement”) is effective the 1st day of July, 2026 (the “Effective Date”), by the City of Charlotte (the “City”), a municipal corporation organized and existing under the laws of North Carolina, and the Metropolitan Public Transportation Authority (the “MPTA”), a public transportation authority duly created and existing pursuant to AN ACT TO ENACT THE PROJECTS FOR ADVANCING VEHICLE-INFRASTRUCTURE ENHANCEMENTS (PAVE) ACT, Session Law 2025-39 (the “PAVE Act”) (individually, a “Party,” and collectively, the “Parties”).

WITNESSETH:

WHEREAS, the Parties share a commitment to ensuring a smooth, orderly transition of the public transportation system from Charlotte Area Transit System (“CATS”), as a department of the City, to the MPTA as an independent authority charged by the General Assembly to “finance, provide, operate, and maintain for a safe, clean, reliable, adequate, convenient, energy efficient, economically, and environmentally sound public transportation system;” and

WHEREAS, the Parties agree that a phased, collaborative transition is essential to supporting and retaining employees, maintaining uninterrupted transit service, protecting the interests of riders, encouraging ridership growth, and advancing the 2055 Transit System Plan’s vision of expanding access, promoting economic mobility, and fostering a sustainable future for all; and

WHEREAS, pursuant to the PAVE Act provisions that contemplate agreements between the MPTA and the City to effectuate the PAVE Act, the Parties enter into this Agreement to exercise the shared discretion afforded to them by the General Assembly in the PAVE Act and determine the manner, timing, and terms of such implementation through interlocal cooperation; and

WHEREAS, Section 6.5 of the PAVE Act requires the City to transfer control of operational assets of the CATS to the MPTA subject to use agreements between the City and the MPTA; and

WHEREAS, in accordance with Section 6.4(7) of the PAVE Act, this Agreement sets forth the plan, including a time line, created by the MPTA for (i) the acquisition of the assets of CATS from the City and (ii) the use and control of those assets until transfer, as required under the PAVE Act; and

WHEREAS, the MPTA will begin receiving all Sales Tax Revenue and U-Drive It Revenue on July 1, 2026; and

WHEREAS, the MPTA is in the process of building capacity necessary for a transfer of Assets, CATS Personnel, and Operations; and

WHEREAS, pursuant to and in accordance with Section 6.5(3) of the PAVE Act, the City shall retain ownership of any Assets that are pledged as security for any outstanding CATS Debt; and

WHEREAS, pursuant to and in accordance with Section 6.5(4) of the PAVE Act, the City shall begin transferring ownership of certain assets of CATS to the MPTA as provided herein; and

WHEREAS, in accordance with Section 6.4(3) of the PAVE Act, this Agreement sets forth components of a human resources plan, including a time line to implement a transfer of CATS Personnel from the City to the MPTA; and

WHEREAS, as a result, the parties agree that the Transfer of Assets and Operations will proceed over three phases, herein described as Phase One, Phase Two, and Phase Three; and

WHEREAS, Phase One will start on the Effective Date, and Phase Three will end when all CATS Debt and Grant requirements have been satisfied and all Assets have transferred from the City to the MPTA (the period from the Effective Date to the end of Phase Three being the “Term” of this Agreement); and

WHEREAS, timing of proceeding to Phases Two and Three will depend on, among other things, the MPTA building the capacity necessary for that transfer; and

WHEREAS, the CATS Interim Chief Executive Officer submitted a proposed Transit Program Budget to the MTC for FY 2027 on _____; and

WHEREAS, the MTC approved the FY 2027 Transit Program Budget on _____, the City Council adopted the Transit Program Budget on _____, and the MPTA approved, adopted and ratified the Transit Program Budget on _____; and

WHEREAS, the annual Transit Program Budget consists of the following:

1. A Transit Debt Service Fund delineating income and expenditures associated with the City’s Debt service payments for CATS related Debts and any other expenses related to the CATS Debt and maintenance of the CATS Debt (the “Debt Service Payments”); and pass-through funds from the Transit Sales Tax Revenues to other funds.
2. A Transit Revenue Reserve Fund delineating funds intended to act as a hedge against income fluctuations ensuring financial stability for optimal debt financing.
3. A Transit Operating Fund delineating operating income, reserves and operating expenditures for the provision of transit services (including, with respect to the MPTA, start-up, transition and overhead expenses).
4. A Transit Capital Fund delineating income and expenditures for the City’s five-year transit Community Investment Plan (capital investment program), which details the estimated cost, project description, and anticipated funding source for each capital project.

WHEREAS, the Parties hereto have the power pursuant to Article 20 of Chapter 160A of the General Statutes to perform jointly any function that they have the power to perform alone, or to contract with one another for the performance of any governmental function that they have the power to perform alone, and to enter into contracts and agreements to specify the details of these joint undertakings.

NOW, THEREFORE, in consideration of the terms, conditions, covenants, and promises to pay contained herein, it is agreed by the Parties as follows:

ARTICLE 1

TERMS BY PHASE OF TRANSFER

Section 1.01 Phase One. Phase One begin will begin on July 1, 2026. The Parties intend for Phase One to end on December 31, 2026, subject to extension as detailed in Section 1.02. The City and the MPTA agree that, during Phase One:

(a) Ownership of Assets; Insurance. The City will continue to own the Assets. The City will be responsible for obtaining and maintaining insurance for the Assets in accordance with the City's Risk Management Office policies and requirements.

(b) Interlocal Cooperation for Operations. The MPTA and City agree to operation of the public transportation system as an undertaking pursuant to Chapter 160A, Article 20, and that the City shall be responsible for continued Operations of the public transportation system through CATS as a City department during Phase One.

(c) Governance and Policy; Contracting. The MPTA will provide budget approval, approval of the FTA's required agency safety plan, and long-term governance oversight. During Phase One, as between the MPTA and the City, (i) the MPTA delegates to the City authority for contracts related to Operations, except as stated in (ii) and (iii) and with respect to invitations for bids, requests for proposals, requests for qualifications and similar solicitations for contracts, the City shall direct CATS Personnel to keep the MPTA reasonably informed; (ii) the MPTA shall retain sole authority for contracts related to Transition-Related Activities; and (iii) *[placeholder for any joint activities that are necessary in Phase One]*. For the avoidance of doubt, each Party may further delegate authority set forth in this Section 1.01(c) to its employees, contractors and agents.

(d) Flow of funds. All Sales Tax Revenue received by the MPTA will be received in [a North Carolina Capital Management Trust] and, during Phase One only, shall be transferred to the City in accordance with Section 2.02 for use consistent with the approved FY 2027 Transit Program Budget.

(e) Operating revenues. All other Operating revenues will be collected and retained by the City for use consistent with the approved FY 2027 Transit Program Budget.

(f) Liabilities. All liabilities for Assets and Operations, including those related to CATS Personnel, already existing or arising during Phase One, will be paid from the Transit Debt Service Fund, Transit Revenue Reserve Fund, Transit Operating Fund, or Transit Capital Fund, in each case consistent with the approved FY 2027 Transit Program Budget.

(g) Established transfer coordination. Unless the MPTA shall have otherwise notified the City, the MPTA Transition Team shall serve as project manager for the MPTA and shall be the City's point of contact for implementation of this Agreement and other requirements under the PAVE Act. The MPTA Transition Team and City Manager, or their designees, shall establish a regular meeting schedule to confer and coordinate implementation of this Agreement.

(h) Fund balance identification and determination. The City and MPTA will identify the amount of each fund balance that needs to be retained by the City pursuant to debt covenants, federal grant or similar third-party obligatory agreements and the process and criteria for future fund balance transfers. The Parties will mutually define the process for transfers of fund balances to the MPTA at the end of Phase One [or remain with the City, consistent with this Agreement].

(i) Commingled Property. The MPTA and City will coordinate with respect to any Commingled Property, including identification of such Commingled Property and negotiation and execution of a transfer, assignment, relocation agreement, lease, license, encroachment agreement, or other agreement with respect thereto. Any Transfer of ownership of any Asset pursuant to any such agreement shall be effective as of the first day of Phase Two or such later time as determined by the parties. [*Placeholder: For those Commingled Properties on which CATS is the named party on lease of the City-owned asset [List of Commingled Assets provided] the MPTA and City shall determine their relocation or the terms of a lease, license, encroachment agreement, or other agreement concurrent with this Agreement*]].

Section 1.02 Conditions to Termination of Phase One. The Parties intend for Phase One to terminate, and Phase Two to commence, on January 1, 2027, subject to satisfaction on or prior to such date of the following conditions. If any of the following conditions have not been satisfied on or prior to such date, then transition to any next phase shall not occur, and the Parties shall remain in Phase One.

(a) CATS Personnel. No later than a date to be agreed upon, the City shall deliver to the MPTA a roster of all CATS Personnel setting forth each employee's position, base compensation (salary or hourly wages) and years of service. No later than three months prior to the end of Phase One, the Parties will jointly deliver to each CATS Personnel information related to employment by the MPTA, including information set forth below [*Placeholder for information that needs to be provided*]. No later than the first day of Phase Two, the MPTA shall accept all full-time CATS Personnel.

- (i) Details about salary or hourly wages, target bonus opportunities, and retirement and health, and welfare benefits that are no less than the base salary or hourly wages target bonus opportunities, and retirement and health, and welfare benefits provided by the City immediately prior to the Transfer;
- (ii) That service for the City will be counted for vesting, eligibility and accrual purposes except where such recognition would result in a duplication of benefits; and
- (iii) Confirmation that the MPTA's benefit plans will waive or cause to be waived pre-existing condition exclusions and actively-at-work requirements and similar limitations, and take deductibles, co-insurance, co-pay, and covered out-of-pocket expenses paid before the Transfer to satisfy MPTA benefit deductibles, coinsurance and maximum out-of-pocket provisions after the Transfer.

(b) Assets. The City shall have (i) identified all Assets and (ii) determined, with respect to each Asset, whether such Asset is Encumbered or Unencumbered. As set forth in Sections 1.03(b) and Section 1.05, all Unencumbered Assets will be Transferred from the City to the MPTA upon the termination of Phase One or from time to time thereafter as set forth herein.

(c) Contract Assignment. The City shall assign, and the MPTA shall accept assignment of, all contracts associated with Operations, other than any contracts that (x) are necessary for Operations and (y) cannot be assigned (as jointly identified by the MPTA and City) ("Unassignable Contracts"). For each Unassignable Contract, the City and the MPTA mutually will agree to terms to provide the MPTA the benefit of such contract in exchange for payments by the MPTA to the City in return for continued performance thereunder. [*Placeholder Any contract assignment shall include continuing obligations for the MPTA to adhere to and protect and keep confidential certain information that is exempt from public records requirements*].

(d) Infrastructure for Flow of Funds. The MPTA shall be capable of directing funds consistent with the following:

- (i) The annual amount budgeted for Debt Service Payments shall flow to the City in accordance with Section 2.02.
- (ii) To the extent that the Transit Revenue Reserve Fund balance is less than \$30 million, the MPTA shall transfer revenue to the City in accordance with Section 2.02 any revenue until the balance in the Transit Revenue Reserve Fund reaches \$30 million.

(e) Transition Reserve Fund. Due to the process by which North Carolina sales taxes are collected and disbursed, Sales Tax Revenue will be received by the MPTA in arrears. In order to protect the City's ability to make Debt Service Payments, and establish and maintain adequate reserves with respect to unforeseen or outstanding liabilities and fluctuations in Sales Tax Revenue, the Parties agree to establish a reserve fund solely for the transition period (the "Transition Reserve Fund"). [*Placeholder Prior to end of Phase One, the City shall establish the Transition Reserve Fund (which would Transfer to the MPTA upon completion of the Annual Comprehensive Financial Report and corresponding independent audit of the same), in an amount equal to aggregate Sales Tax Revenues budgeted for the period from October 1, 2026 through December 31, 2026, from which the City may pay Debt Service, and pay any ongoing Operations expenses and liabilities in advance of or in lieu of receipt of revenue from the MPTA during Phase Two. In the event the City's actual expenses from Operations and capital needs during October 1, 2026, through December 31, 2026, exceed the amount estimated in the Transit Program Budget, the MPTA shall transfer revenue to the City for payment of those expenses within fifteen (15) business days of receiving notice and proof of invoice from the City as to the expense. [Placeholder additional details concerning interest]*].

(f) Grant funds. The City shall identify Grant agreements providing for the acquisition (or funding for the acquisition) of any Assets and the parties shall determine whether such Grant agreements prohibit or restrict the transfer of any Assets or obligations to the MPTA. For each such Grant agreement, the City and MPTA will enter into further agreements for use of the affected

Assets and compliance with applicable grant requirements. [*Placeholder for Grants used for operations or other expenses.*]

(g) Necessary Operations functions. The MPTA shall have developed or obtained support for human resources, technology, finance capacity, and capacity to manage assets and debt. If for any reason the MPTA needs additional time to develop or obtain support for any such functions, the City and the MPTA have the following options: (i) remain in Phase One until the MPTA is able to develop or obtain support for any such functions; (ii) negotiate and enter into a multiple employer welfare arrangement; and/or (iii) negotiate the terms of a separate and additional interlocal agreement for the City to provide the support or for the Parties to otherwise agree to alternative arrangements. In order for the City and MPTA to exercise options (ii) or (iii) instead of option (i), the MPTA shall provide the City with notice that such options are necessary no later than [at least ninety] days prior to the date when such options are necessary. Notwithstanding the foregoing, the MPTA shall have (by employment or, to the extent permitted by law, engagement) (i) a finance officer and the capability to perform all financial functions independently of the City; and (ii) a benefits administrator in order to administer benefits to CATS Personnel who become employees of the MPTA by the end of Phase One.

(h) Approval for MPTA to Operate from federal and State authorities. The MPTA shall have received, and provided evidence to the City of, all required permissions and approvals from federal and State authorities and agencies to operate a public transportation system and own any Assets, and shall have been approved as a grantee by the FTA.

Section 1.03 Phase Two. The parties will work in good faith and undertake actions necessary such that Phase Two will start on January 1, 2027. Phase Two, or any Transfer occurring in Phase Two, will not occur to the extent that (i) there would be a material adverse impact on employees or Operations, (ii) the MPTA lacks functional workstream capabilities (internally or by contract), or (iii) the MPTA lacks approval required for owning or operating a transit system from federal or state entities.

(a) CATS Personnel and Operations. On the first day of Phase Two, as described in Section 1.02(a), CATS Personnel will commence employment with the MPTA and the MPTA will obtain ownership of the Operational Assets, subject to any exceptions for Operations in accordance with Section 1.02(g).

(b) Assets; Insurance.

(i) On the first day of Phase Two, the City shall Transfer to the MPTA ownership of all Assets that (i) are not Commingled Assets and (ii) are Unencumbered. Thereafter, the MPTA will be responsible for maintaining such Asset and insurance in respect thereof.

(ii) With respect to any Asset that is Encumbered (which is anticipated to include, as of the first day of Phase Two, all or substantially all capital assets and real property), (w) such Asset will remain owned by the City for so long as it remains Encumbered, (x) the City and the MPTA will enter into one or more use agreements on mutually acceptable terms to permit and enable the

MPTA to use such Asset, (y) the City shall maintain insurance with respect to such Asset and (z) the MPTA shall be responsible (as a term of such use agreement) for paying all maintenance and operating expenses associated with such Asset and any expenses arising from the use of such Asset by the MPTA.

(iii) Any Asset constituting Commingled Property (or part of any Commingled Property) shall be subject to any agreements with respect thereto entered into by the City and the MPTA in accordance with Section 1.01(j).

(c) Governance and Policy. The MPTA shall be the sole governing and policy-making body for the public transportation system, except as agreed otherwise by the parties in accordance with Section 1.03(d). [The MPTA shall maintain a financial policy consistent with Section 1.02(d) so long as the City remains obligated with respect to any CATS Debt.]

(d) Joint contracting, policymaking, and governance. The City and MPTA will determine and agree to defined roles and responsibilities for transit and transit infrastructure planning.

(e) Flow of Revenue. [*Placeholder* All revenue received by the MPTA shall be consistent with the flow of funds outlined in Sections 1.02(d) and 2.02. All revenue beyond the requirements for the Transit Debt Service Fund and the Transit Revenue Reserve Fund shall be collected and retained by the MPTA.]

(f) Fund balance transfer. Eligible fund balances that were identified in Phase One will transfer from the City to the MPTA on the first day following the end of Phase One (or such later date as determined by the parties).

(g) Liabilities. All liabilities for Assets and Operations, including those related to CATS Personnel will be paid by the MPTA.

Section 1.04 Conditions to Termination of Phase Two and Commencement of Phase Three. The Parties intend for Phase Two (or, if Phase One does not terminate on January 1, 2027, Phase One) to terminate, and Phase Three to commence on or prior to the date on which the conditions set forth in this Section 1.04 are satisfied.

(a) Contract Assignment. Prior to Phase Three, the MPTA will accept assignment of all contracts associated with Assets prior to Transfer of those Assets. The MPTA will notify the City prior to the start of Phase Three to the extent there are contracts that are unassignable. Where a contract is unassignable and necessary for Operations, the MPTA and City may agree to the City's continued performance under any unassignable contract in return for payment of costs and indemnification by the MPTA.

Section 1.05 Phase Three. Phase Three will commence on the date on which the City is no longer providing any services in support of the operation of the public transportation system (other than pursuant to other interlocal agreements, but in no cases prior to a transfer of CATS Personnel), and continue until the time at which (i) all CATS Debt has been repaid, (ii) all Grant requirements have been satisfied and (iii) all Assets have become Unencumbered and have been Transferred to

the MPTA. The parties will work in good faith and undertake actions necessary such that Phase Three to start on July 1, 2027.

(a) If Phase Two does not occur, then on the first day of Phase Three, as described in Section 1.02(a), the MPTA will hire CATS Personnel. All other Transfers contemplated in Phase Two shall occur.

(b) Assets.

(i) At the earliest opportunity during Phase Three and from time to time, the City shall Transfer to the MPTA ownership of each Asset that (i) is not a Commingled Asset and (ii) is Unencumbered.

(ii) With respect to any Asset that is Encumbered, (x) such Asset will remain owned by the City for so long as it remains Encumbered, (y) the City and the MPTA will enter into one or more use agreements on mutually acceptable terms to permit and enable the MPTA to use such Asset and (z) the MPTA shall be responsible (as a term of such use agreement) for paying all maintenance and operating expenses associated with such Asset and any expenses arising from the use of such Asset by the MPTA.

(iii) Any Asset constituting Commingled Property (or part of any Commingled Property) shall be subject to any agreements with respect thereto entered into by the City and the MPTA in accordance with Section 1.01(j).

(c) Liabilities. All liabilities for Assets and Operations, including those related to CATS Personnel will be paid by the MPTA.

(d) Flow of Revenue. [*Placeholder* All revenue received by the MPTA shall be consistent with the flow of funds outlined in Sections 1.02(d) and 2.02. All revenue beyond the requirements for the Transit Debt Service Fund and the Transit Revenue Reserve Fund shall be collected and retained by the MPTA].

ARTICLE 2

TERMS APPLICABLE THROUGH ENTIRE TERM

Section 2.01 Transfer. These provisions shall apply to any Transfer occurring in Phase One, Phase Two, or Phase Three:

(a) Transfer shall occur using a deed, bill of sale, transfer of title, or any other form generally accepted between local governments for the Transfer of Assets.

(b) No Asset shall Transfer while it is Encumbered.

(c) Pursuant to Section 6.4A of the PAVE Act, the MPTA is responsible for conducting or completing in a timely manner all environmental and economic studies that are required by State or federal law with respect to public transportation projects.

(d) The City’s obligation to transfer any Asset, assign any contract, or perform other Transfer obligations in a prior phase is a continuing obligation to make that transfer to the extent it did not take place in the phase identified by this Agreement.

Section 2.02 Debt Related to the Transit System. The City has financed and refinanced improvements to CATS through installment financings in accordance with North Carolina General Statutes Section 160A-20. The City currently has four pieces of outstanding indebtedness with respect to CATS, three of which were done through a financing structure known as Certificates of Participation (“**COPs**”) that financed and refinanced various acquisitions and improvements to CATS, and one which was done as a private placement installment financing in 2025 (the “**O-Line Financing**”) that reimbursed the City for its previous acquisition (for which it originally used cash) of the O-Line Corridor (also known as the Red Line) and related parcels of land in Uptown adjacent to the planned Gateway Station.

The COPs were issued under a master set of documents, including an Installment Purchase Contract, an Indenture of Trust, and a Deed of Trust (collectively, the “**COPs Documents**”), originally executed and delivered in 2004, and subsequently amended and supplemented through 2021 to provide for additional financings and refinancings of the indebtedness. The currently outstanding COPs are Refunding Certificates of Participation (Transit Projects), Series 2013C, Refunding Certificates of Participation (Transit Projects/Phase II), Series 2015B, and Refunding Certificates of Participation (Transit Projects), Series 2021A. The principal document related to the O-Line Financing is an Installment Financing Contract dated as of April 17, 2025, between the City of Charlotte, North Carolina and Trust Commercial Equity, Inc.

The key terms of the COPs and the O-Line Financing as of July 1, 2026 are outlined in Exhibit [] (collectively referred to herein as the “**CATS Debt**”).

(a) Transit Debt Service Fund/Debt Service Payments. The City will establish a special fund designated as the “Transit Debt Service Fund.” The City will keep the Transit Debt Service Fund on its books and records separate and apart from other funds and moneys held by it and will administer the Transit Debt Service Fund as herein provided. While any CATS Debt is outstanding, the City will hold the Transit Debt Service Fund. The City will invest funds held in the Transit Debt Service Fund consistent with the City’s investment policies and the requirements for holding a debt service fund related to tax-exempt debt and all investment earning will be retained in the Transit Debt Service Fund. Funds held by the City in the Transit Debt Service Fund shall be used by the City to pay, when due, principal of and interest on, together with fees and expenses incurred related to the CATS Debt (the “**Debt Service Payments**”).

During Phase One, all Sales Tax Revenue received by the MPTA will be deposited in a North Carolina Capital Management Trust account and transferred to the City within five days for use consistent with the approved FY 2027 Transit Program Budget, including deposits in the Transit Debt Service Fund, together with existing Assets so deposited, required to make Debt Service Payments.

After Phase One, to the extent funds are available and consistent with the Transit Debt Service Fund’s treatment as a bona fide debt service fund, at the beginning of each fiscal year the MPTA will transfer to the City an amount sufficient, when combined with existing funds in the

Transit Debt Service Fund, for deposit in the Transit Debt Service Fund to pay Debt Service Payments due in such fiscal year. If funds are not available at the beginning of a fiscal year to fully fund the Transit Debt Service Fund, the MPTA will nonetheless transfer, or cause to be transferred, to the City for deposit in the Transit Debt Service Fund no less than 15 days prior to each Debt Service Payment Date, amounts sufficient, together with funds available in the Transit Debt Service Fund, to make the Debt Service Payments due on such Debt Service Payment Date. Because interest accrues on the O-Line Financing at a variable rate, Debt Service Payments for interest on the O-Line Financing will be based on reasonable estimates provided by the City to the MPTA.

When all CATs Debt is no longer outstanding, any balance remaining in the Transit Debt Service Fund shall be transferred by the City to the MPTA.

(b) Transit Revenue Reserve Fund. While any CATS Debt is outstanding, the City will establish a special fund designated as the “Transit Revenue Reserve Fund.” The City will keep the Transit Revenue Reserve Fund on its books and records separate and apart from other funds and moneys held by it and will administer the Transit Revenue Reserve Fund as herein provided. On July 1, 2026, the City will transfer \$30,000,000 from the existing CATS Revenue Reserve Fund into the Transit Revenue Reserve Fund. Money in the Transit Revenue Reserve Fund will be used to make Debt Service Payments on the CATS Debt to the extent adequate funds are not available in the Transit Debt Service Fund pursuant to Section 1 above. The City is entitled to use such funds at its discretion to pay debt service on the CATS Debt to ensure that no payment default occurs. If the City uses money in the Transit Revenue Reserve Fund to pay debt service on the CATS Debt, the City will so notify the MPTA. The City will notify the MPTA if at any time the Transit Revenue Reserve Fund balance is less than \$30,000,000, and in such event the MPTA shall transfer revenue to the City for deposit in the Transit Revenue Reserve Fund in equal monthly installments, commencing 30 days after such notification, such that the balance in the Transit Revenue Reserve Fund reaches \$30,000,000 over a six month period, or such longer period as the City and MPTA shall mutually agree.

The City will invest funds held in the Transit Revenue Reserve Fund consistent with the City’s investment policies and the requirements for holding a reserve fund related to tax-exempt debt and all investment earning will be retained in the Transit Revenue Reserve Fund. This will include actively monitoring the investments in the Transit Revenue Reserve Fund to ensure the yield on such fund does not exceed the “arbitrage yield” on the CATs Debt as may be required by applicable federal tax laws and regulations. Money held in the Transit Revenue Reserve Fund, including investment earnings, may be used by the City to pay all cost and expenses of maintaining the Transit Revenue Reserve Fund, including, without limitation, costs and expenses related to arbitrage and rebate monitoring and amounts owed to the federal government as rebate payments. The City will provide the MPTA with copies of all invoices, receipts or other records of payment of such expenses.

(c) Prepayment of Outstanding COPs. The MPTA may provide for the prepayment of any of the COPs in accordance with their terms by providing at least 90 days prior notice to the City of the MPTA’s intention to provide for such prepayment. The prepayment amount will be (i) the amount sufficient to allow the City to either pay in full the principal and accrued and unpaid interest on the amount of the COPs being prepaid if it is prepayable at that time or to fund a

defeasance escrow sufficient to fully defease the amount of the COPs being prepaid to the extent it is not prepayable at that time, or some combination of both, and (ii) the amount sufficient to pay all fees, costs and charges incurred by the City directly related to such prepayment and defeasance. The City and the MPTA acknowledge that the COPs are subject to the terms of the COPs Documents, and other related documents, that set forth the terms of how the COPs can be prepaid and agree to work together in good faith to satisfy the requirements of such documents to facilitate the prepayment of the COPs as requested by the MPTA. When all of the COPs are no longer outstanding in accordance with their terms, whether by prepayment or at final maturity, upon request of the MPTA and at the MPTA's expense, the City will pursue the release of all of the property serving as collateral for the COPs from the COPs Documents and transfer such property to the MPTA, subject to any other agreements between the City and the MPTA related to such property.

(d) Prepayment of O-Line Financing. The MPTA may provide for the prepayment of the O-Line Financing in accordance with its terms by providing at least 90 days prior notice to the City of the MPTA's intention to provide for such prepayment. The prepayment amount will be (i) the amount sufficient to allow the City to pay in full the principal and accrued and unpaid interest on O-Line Financing at that time and (ii) the amount sufficient to pay all fees, costs and charges incurred by the City directly related to such prepayment.

The MPTA acknowledges that, because of the structure of the O-Line Financing, if the MPTA will not be able to prepay the O-Line Financing by its current initial maturity that it will be in the best interests of the City and the MPTA to restructure it to allow more time for the MPTA to provide for such payment. If the MPTA has not prepaid the O-Line Financing by April 17, 2029 and determines it will not be able to prepay the O-Line Financing by October 17, 2029, the MPTA will so notify the City. In such event, the City agrees to work with the MPTA in good faith to determine a way to restructure the O-Line Financing, if possible, based on market conditions at that time and in the best interests of the City and the MPTA. Notwithstanding such notice, if the O-Line Financing is still outstanding on October 17, 2029, the City and MPTA will work together to restructure the O-Line Financing. At such time, the City will have sole discretion in determining whether or not to restructure the O-Line Financing and, if so, how and when to restructure the O-Line Financing. The MPTA will pay all costs and expenses incurred by the City associated with restructuring the O-Line Financing.

When the O-Line Financing is no longer outstanding in accordance with its terms, whether by prepayment or at final maturity, upon request of the MPTA and at the MPTA's expense, the City will transfer the property acquired via the O-Line Financing to the MPTA, subject to any other agreements between the City and the MPTA related to such property.

(e) Compliance with COPs Documents and Maintenance of Tax-Exempt Status; No Adverse Impact of CATS Debt. The MPTA agrees to maintain and operate all transit assets under its control financed and refinanced by the CATS Debt in full compliance the COPs Documents and the documentation related to the O-Line Financing, as applicable, and in a manner so as to maintain the tax-exempt status of the CATS Debt. The City has provided the MPTA with full transcripts of the documents related to the CATS Debt. The MPTA has had the opportunity to review such documents and will seek the assistance of such legal, financial and other professionals as may be necessary to comply with this Section. The MPTA agrees to take any actions reasonably

requested by the City to ensure no adverse impacts to the City related to the CATS Debt. Notwithstanding anything else in this agreement, as required by the PAVE Act, in connection with the transfer of the transit system as contemplated in this agreement, the MPTA will undertake all obligations and take all actions necessary to ensure that the City will remain in compliance with and there will not be an adverse impact on the CATS Debt.

(f) Maintenance of Ratings. The COPs are currently rated “Aa1” by Moody’s Ratings Service, “AA+” by S&P Global Ratings and “AA+” by Fitch Ratings. The MPTA acknowledges that maintaining the ratings on the COPs (and all of the City’s indebtedness) is important to the City as part of its overall debt management strategy. The MPTA agrees to take all actions reasonably requested by the City in an effort to avoid any downgrade of the ratings on the COPs.

Section 2.03 Contracting Authority and Approval. In Phase Two and Phase Three, any time that the MPTA controls Operations but may not own Assets used in Operations, the MPTA will be authorized to conduct contract negotiations and perform procurement processes and will obtain approval from the appropriate City official—whether the Manager or the Manager’s designee or City Council—where approval is required by statute. The MPTA and City will also agree to the categories of contracts that must receive City approval on or before the start of Phase Three.

Section 2.04 Right of Reverter. With respect to assets of CATS that were procured with funds available to the City other than federal or State funds received by the City with respect to CATS and funds generated by a tax levied under Article 43 of Chapter 105 of the General Statutes or a tax levied under Section 3.1 of S.L. 1997-417, as added by Section 30 of S.L. 2006-162 and amended by Section 2(h) of S.L. 2009-527, and the PAVE Act, the City has a right of reverter with respect to the property if the property is no longer used for a purpose supporting the operation of a public transportation system.

Section 2.05 No General Fund Liability. Except as may be specifically provided for herein, after the completion of the Transfer of all Assets and CATS Personnel from the City to the MPTA, there shall be no residual liability to the City’s General Fund. The City will maintain insurance coverage for all Assets and CATS Personnel until the time of their Phase Two Transfer, and the MPTA will accept liability for and will procure insurance coverage for all transferred Assets and CATS Employees at the time of their Phase Two Transfer.

Section 2.06 No Continuation of Maintenance of Effort. As of July 1, 2026, consistent with the dissolution of the Metropolitan Transit Commission and the interlocal agreements upon which the MTC was established, the City shall no longer make a Maintenance of Effort payment to fund the Transit Program.

Section 2.07 Grant Compliance. The MPTA and City will abide by all Grant requirements or restrictions applicable to the Assets.

Section 2.08 Audit Requirements. The Parties will coordinate and cooperate to the extent necessary to perform annual audits or audits required by Grant agreements or the terms of CATS Debt.

Section 2.09 Default. Except in Force Majeure situations, the failure of any Party to perform any of its obligations under this Agreement, if such failure continues for a period of thirty (30) days after receipt by the defaulting Party of written notice of such failure (the “Default Notice”), shall constitute an event of default. It shall not be considered an event of default if the default is of a nature that cannot be cured within thirty (30) days and the defaulting Party has commenced action reasonably designed to cure the default within the thirty (30) day notice period; provided, however, the default shall be cured within sixty (60) days of the date the Default Notice was received by the defaulting Party.

Section 2.10 Implementation Agreements. The City Manager and a representative of the MPTA (which may include members of the MPTA Transition Team to the extent authorized by the board of the MPTA) shall be authorized to enter into agreements to implement the intent of this Agreement, so long as such agreements are consistent with the this Agreement and in furtherance of its terms, do not involve the payment or obligation of CATS Debt, and are consistent with the MPTA’s and City’s contracting authority.

ARTICLE 3

GENERAL PROVISIONS

Section 3.01 Specific Performance in Event of Default. The Parties acknowledge that monetary damages would not fully compensate either Party in the event of any breach or Default of this Agreement. The Parties therefore agree that in the event of a breach or Default by either Party, the other Party shall, in addition to seeking damages, be entitled to seek and obtain the specific performance of the defaulting Party’s obligations hereunder.

Section 3.02 Indemnification. *[Placeholder]*.

Section 3.03 Term of the Agreement. This Agreement shall commence on the Effective Date and expire at such time as all Assets have transferred from the City to the MPTA and the City no longer holds any debt associated with the Assets.

Section 3.04 Cooperation of the Parties. The MPTA and the City agree to cooperate, fully, effectively, and efficiently with each other to accomplish the intent and purposes of this Agreement, execute all supplementary documents necessary to enforce its terms, communicate and share information, documents, and other data reasonably requested or needed in order to perform audits or respond to document requests in accordance with law to the extent either party retains that information, and to take all additional actions deemed necessary and appropriate so as to give full force and effect to the terms, conditions, and intent of this Agreement. Neither Party shall unreasonably withhold or delay providing such cooperation.

Section 3.05 Dispute Resolution. In the event of conflict or Default that might arise, the Parties involved agree to informally and formally communicate to resolve the conflict. If this communication is not successful in resolving the conflict, the matter will be presented to the City Manager of Charlotte and the MPTA **[Position]** for consultation.

Section 3.06 Disposition of Property at Termination or Expiration. Disposition of property subject to the Agreement shall occur in accordance with law.

Section 3.07 Method of Termination. This Agreement may be terminated only by consent of both Parties.

Section 3.08 Force Majeure. A Force Majeure is defined as any event arising from causes beyond the reasonable control of the Parties. It shall not be considered a breach of this Agreement or an event of Default, and Parties shall not be responsible for an inability to perform or for any delays, damages, costs, expenses, liabilities, or other consequences that may arise as a result of Force Majeure.

Section 3.09 Entire Agreement. This Agreement constitutes the entire understanding between the Parties and supersedes all prior and independent agreements between the Parties covering the subject matter hereof.

Section 3.10 Third-Party Beneficiaries. There are no third-party beneficiaries of this Agreement, nor shall they be entitled to any rights hereunder.

Section 3.11 Authorization. Each Party certifies that all appropriate steps to legally enter into this Agreement have been taken, including approval by the appropriate governing body. Moreover, each Party certifies that all laws, rules, and regulations as well as any local governmental rules were followed with regard to approval of this Agreement and that this Agreement meets all standards for governmental agreements.

Section 3.12 Section Headings. The section headings in this Agreement are for convenience and ease of reference only. Such headings are not part of this Agreement and are not to be used in interpreting its provisions.

Section 3.13 Governing Law. This Agreement shall be governed by and interpreted in accordance with the law of the State of North Carolina.

Section 3.14 Severability. The paragraphs, sections, sentences, clauses, and phrases of this Agreement are severable. If one or more paragraphs, sections, sentences, clauses, or phrases shall be declared void, invalid, or otherwise unenforceable for any reason by the valid, final judgment, or decree of any court of competent jurisdiction, such judgment or decree shall not affect the remaining provisions of this Agreement.

Section 3.15 Signatures. This Agreement, together with any amendments or modifications, may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be considered one and the same agreement.

Section 3.16 Notices. Unless specifically provided otherwise by this Agreement, any notice which a Party is required to or may give to another Party shall be in writing and shall be delivered or addressed to the other applicable Party at the address below set forth or to such other address as such Party may from time to time direct by written notice given in the manner herein prescribed. Such notice or communication shall be deemed to have been given or made when communicated by personal delivery or by independent courier service or by facsimile or by email with a hard

copy to be delivered by independent courier service by the next business day. All notices to the City shall be addressed to:

Marcus D. Jones
City Manager
City of Charlotte, North Carolina
600 E 4th St, Charlotte, NC 28202

With a copy to the City Attorney:

Andrea Leslie-Fite
City Attorney
City of Charlotte, North Carolina
600 E 4th St, Charlotte, NC 28202

All notices to the MPTA shall be addressed to:

Metropolitan Public Transportation Authority
c/o Board Secretary
c/o Robinson Bradshaw & Hinson
600 S. Tryon
Suite 2300
Charlotte, NC 28202

With a copy to:

Robinson Bradshaw & Hinson
Adam Doerr
James Cass
600 S. Tryon
Suite 2300
Charlotte, NC 28202

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[Working] List of Definitions:

“Assets” are those certain assets (or portions of assets) paid for or owned by CATS, as a department within the City, which shall be identified prior to Phase Two.

“CATS Debt” means the City’s four pieces of outstanding indebtedness with respect to CATS, three of which were done through a financing structure known as Certificates of Participation (“COPs”) that financed and refinanced various acquisitions and improvements to CATS, and one which was done as a private placement installment financing in 2025 (the “O-Line Financing”).

“CATS Personnel” means [the City employees identified by the City as associated with CATS unless not legally eligible for transfer].

“Commingled Property” means (i) any Assets that are located on or in any property owned by the City that is not itself an Asset and (ii) any assets that owned by the City and are not Assets, and are located on or in property that is an Asset.

“Encumbered” means, with respect to any Asset at any time, that such Asset (i) serves as collateral for any CATS Debt at such time or (ii) is subject to any prohibitions or restrictions arising under any Grant or applicable law that would prohibit or preclude the City from Transferring such Asset to the MPTA at such time or prohibit or preclude the MPTA from accepting such Transfer.

“Grant” shall mean any grant associated with the Assets for which there is an agreement with the City or CATS and which contains restrictions or other covenants concerning the Assets.

“Force Majeure” means any event arising from causes beyond the reasonable control of the Parties.

“MPTA Transition Team” means one or more consultants and independent contractors engaged by the MPTA for purpose of assisting with and facilitating Transition-Related Activities on behalf of the MPTA. As of the date of this Agreement, the MPTA Transition Team consists of [•].

“Operations” means the daily management and service delivery of the public transportation system operated by CATS, including contracting and procurement with third parties. For clarity, Operations shall not include Transition-Related Activities.

“PAVE Act” means S.L. 2025-39.

“Sales Tax Revenue” means (i) taxes levied under Part IV of the PAVE Act; (ii) taxes levied under Article 43 of Chapter 105 of the General Statutes as provided in G.S. 105-507.3; (iii) and taxes levied under Section 3.1 of S.L. 1997-417, as added by Section 30 of S.L. 2006-162 and amended by Section 2(h) of S.L. 2009-527, and the PAVE Act. Sales Tax Revenue received by the City or the MPTA becomes part of the Enterprise Fund.

“Transfer” means the act of conveyance of all title, rights, and interest in property from the City to the MPTA, with conditions applicable in Section 7.

“Transition-Related Activities” means the actions taken by CATS or by the MPTA to hire, contract for, procure, or carry out activities necessary to accomplish the actions discussed in this Agreement (other than Operations).

“U-Drive-It Revenue” means revenue collected under N.C. Gen. Stat. § 105-551.

“Unencumbered” means, with respect to any Asset at any time, that such Asset is not Encumbered at such time.

IN WITNESS WHEREOF, the City of Charlotte has caused this instrument to be executed by its Mayor, attested by its Clerk and its municipal seal to be affixed, all by authority of its governing board, first duly given. The Metropolitan Public Transportation Authority has caused this instrument to be executed by the Chair of the Board of Trustees, attested by its Clerk and its municipal seal to be affixed, all by authority of its governing board, first duly given.

City of Charlotte

_____ (seal)

By: Marcus Jones, City Manager

Attest:

City Clerk

Metropolitan Public Transportation Authority

_____ (seal)

By: David Howard, Chair

Attest:

[signatures continued on next page]

Exhibit []

Key Financial Terms of Outstanding COPs and O-Line Financing

Refunding Certificates of Participation (Transit Projects), Series 2013C

Principal Outstanding: \$21,870,000

Final Maturity Date: June 1, 2033

Prepayment Provisions: Prepayable, in whole or in part, on any date on or after June 1, 2023, at a prepayment price of 100% of the principal amount to be prepaid plus accrued interest.

Debt Service Schedule and Interest Rates:

SERIES 2013C DEBT SERVICE - CITY OF CHARLOTTE, NC				
DATE	PRINCIPAL COMPONENT	INTEREST COMPONENT	TOTAL	RATE
12/01/2026		\$ 435,946.88	\$ 435,946.88	
06/01/2027	\$2,790,000.00	435,946.88	3,225,946.88	3.000%
12/01/2027		394,096.88	394,096.88	
06/01/2028	2,875,000.00	394,096.88	3,269,096.88	3.125%
12/01/2028		349,175.00	349,175.00	
06/01/2029	2,965,000.00	349,175.00	3,314,175.00	5.000%
12/01/2029		275,050.00	275,050.00	
06/01/2030	3,115,000.00	275,050.00	3,390,050.00	5.000%
12/01/2030		197,175.00	197,175.00	
06/01/2031	3,265,000.00	197,175.00	3,462,175.00	3.250%
12/01/2031		144,118.75	144,118.75	
06/01/2032	3,370,000.00	144,118.75	3,514,118.75	3.375%
12/01/2032		87,250.00	87,250.00	
06/01/2033	3,490,000.00	87,250.00	3,577,250.00	5.000%

Refunding Certificates of Participation (Transit Projects/Phase II), Series 2015B

Principal Outstanding: \$31,115,000

Final Maturity Date: June 1, 2035

Prepayment Provisions: Prepayable, in whole or in part, on any date on or after June 1, 2025, at a prepayment price of 100% of the principal amount to be prepaid plus accrued interest.

Debt Service Schedule and Interest Rates:

SERIES 2015B DEBT SERVICE - CITY OF CHARLOTTE, NC				
DATE	PRINCIPAL COMPONENT	INTEREST COMPONENT	TOTAL	RATE
12/01/2026		\$586,181.25	\$ 586,181.25	
06/01/2027	\$2,990,000.00	586,181.25	3,576,181.25	3.125%
12/01/2027		539,462.50	539,462.50	
06/01/2028	3,085,000.00	539,462.50	3,624,462.50	3.250%
12/01/2028		489,331.25	489,331.25	
06/01/2029	3,185,000.00	489,331.25	3,674,331.25	*
12/01/2029		420,356.25	420,356.25	
06/01/2030	3,320,000.00	420,356.25	3,740,356.25	3.500%
12/01/2030		362,256.25	362,256.25	
06/01/2031	3,440,000.00	362,256.25	3,802,256.25	3.625%
12/01/2031		299,906.25	299,906.25	
06/01/2032	3,560,000.00	299,906.25	3,859,906.25	3.750%
12/01/2032		233,156.25	233,156.25	
06/01/2033	3,695,000.00	233,156.25	3,928,156.25	3.750%
12/01/2033		163,875.00	163,875.00	
06/01/2034	3,840,000.00	163,875.00	4,003,875.00	**
12/01/2034		80,000.00	80,000.00	
06/01/2035	4,000,000.00	80,000.00	4,080,000.00	4.000%

* The 2029 maturity is made up of two separate serial bonds. \$1,420,000 principal amount has an interest rate of 3.50%. \$1,765,000 principal amount has an interest rate of 5.00%.

** The 2034 maturity is made up of two separate serial bonds. \$2,425,000 principal amount has an interest rate of 4.00%. \$1,415,000 principal amount has an interest rate of 5.00%.

Refunding Certificates of Participation (Transit Projects), Series 2021A

Principal Outstanding: \$142,845,000

Final Maturity Date: June 1, 2048

Prepayment Provisions: Prepayable, in whole or in part, on any date on or after June 1, 2031, at a prepayment price of 100% of the principal amount to be prepaid plus accrued interest.

Debt Service Schedule and Interest Rates:

SERIES 2021A DEBT SERVICE - CITY OF CHARLOTTE, NC				
DATE	PRINCIPAL COMPONENT	INTEREST COMPONENT	TOTAL	RATE
12/01/2026		\$2,576,325.00	\$2,576,325.00	
06/01/2027	\$5,000,000.00	2,576,325.00	7,576,325.00	5.000%
12/01/2027		2,451,325.00	2,451,325.00	
06/01/2028	5,255,000.00	2,451,325.00	7,706,325.00	*
12/01/2028		2,359,950.00	2,359,950.00	
06/01/2029	5,435,000.00	2,359,950.00	7,794,950.00	5.000%
12/01/2029		2,224,075.00	2,224,075.00	
06/01/2030	5,710,000.00	2,224,075.00	7,934,075.00	5.000%
12/01/2030		2,081,325.00	2,081,325.00	
06/01/2031	5,990,000.00	2,081,325.00	8,071,325.00	5.000%
12/01/2031		1,931,575.00	1,931,575.00	
06/01/2032	6,290,000.00	1,931,575.00	8,221,575.00	5.000%
12/01/2032		1,774,325.00	1,774,325.00	
06/01/2033	6,605,000.00	1,774,325.00	8,379,325.00	5.000%
12/01/2033		1,609,200.00	1,609,200.00	
06/01/2034	6,940,000.00	1,609,200.00	8,549,200.00	4.000%
12/01/2034		1,470,400.00	1,470,400.00	
06/01/2035	7,220,000.00	1,470,400.00	8,690,400.00	4.000%
12/01/2035		1,326,000.00	1,326,000.00	
06/01/2036	5,660,000.00	1,326,000.00	6,986,000.00	3.000%
12/01/2036		1,241,100.00	1,241,100.00	
06/01/2037	5,830,000.00	1,241,100.00	7,071,100.00	3.000%
12/01/2037		1,153,650.00	1,153,650.00	
06/01/2038	6,005,000.00	1,153,650.00	7,158,650.00	3.000%
12/01/2038		1,063,575.00	1,063,575.00	
06/01/2039	6,185,000.00	1,063,575.00	7,248,575.00	3.000%
12/01/2039		970,800.00	970,800.00	
06/01/2040	6,370,000.00	970,800.00	7,340,800.00	3.000%
12/01/2040		875,250.00	875,250.00	
06/01/2041	6,560,000.00	875,250.00	7,435,250.00	3.000%

SERIES 2021A DEBT SERVICE - CITY OF CHARLOTTE, NC

DATE	PRINCIPAL COMPONENT	INTEREST COMPONENT	TOTAL	RATE
12/01/2041		776,850.00	776,850.00	
06/01/2042	6,760,000.00	776,850.00	7,536,850.00	3.000%
12/01/2042		675,450.00	675,450.00	
06/01/2043	6,960,000.00	675,450.00	7,635,450.00	3.000%
12/01/2043		571,050.00	571,050.00	
06/01/2044	7,170,000.00	571,050.00	7,741,050.00	3.000%
12/01/2044		463,500.00	463,500.00	
06/01/2045	7,385,000.00	463,500.00	7,848,500.00	3.000%
12/01/2045		352,725.00	352,725.00	
06/01/2046	7,610,000.00	352,725.00	7,962,725.00	3.000%
12/01/2046		238,575.00	238,575.00	
06/01/2047	7,835,000.00	238,575.00	8,073,575.00	3.000%
12/01/2047		121,050.00	121,050.00	
06/01/2048	8,070,000.00	121,050.00	8,191,050.00	3.000%

* The 2028 maturity is made up of two separate serial bonds. \$2,000,000 principal amount has an interest rate of 1.00%. \$3,255,000 principal amount has an interest rate of 5.00%.

O-Line Financing – Installment Financing Contract dated as of April 17, 2025, between the City of Charlotte, North Carolina and Trust Commercial Equity, Inc.

Principal Outstanding: \$91,213,000, payable at maturity

Maturity Date and Interest Rate:

Initial Maturity Date is April 17, 2030; Interest Rate Until Initial Maturity Date is SIFMA Index plus 0.14% per annum.

If the City does not pay the outstanding principal amount on the Initial Maturity Date and no Event of Default has occurred and is continuing on such date, then the City will pay the outstanding principal amount in equal (or as near as equal as possible) semiannual installments beginning six months after the Initial Maturity Date and ending 5 years after the Initial Maturity Date.

Interest Payment Dates: First Business Day of each month.

Prepayment Provisions: Prepayable in whole or in part on any Business Day at a prepayment price equal to 100% of the outstanding principal amount to be prepaid plus accrued interest.